

## INVESTMENT POLICY

Part 4, Section 191 of the *Local Government Regulation 2012* states that:

- A local government must prepare and adopt an investment policy
- The investment policy must outline
  - the local government's investment objectives and overall risk philosophy
  - procedures for achieving the goals related to investment stated in the policy.

### 1. SCOPE

Investments are defined as arrangements that are acquired or undertaken for the purpose of producing income on its operating funds and apply only to the cash investments of Gympie Regional Council. Under *Statutory Bodies Financial Arrangements Act 1982 and its subordinate legislation, Statutory Bodies Financial Arrangements Regulation 2007*, all investments must be at call or for a fixed time of not more than 1 year.

### 2. AUTHORITY FOR INVESTMENT

Investments are to be made in accordance with council's powers to invest under the following:

- *Statutory Bodies Financial Arrangements Act 1982* (as amended)
- *Local Government Regulation 2012*, Part 4, S191.

### 3. STANDARDS OF CARE

#### *Prudent Person Standard*

The standard of prudence is to be used by investment officers when managing the overall portfolio. Investments will be managed with the care, diligence and skill that a prudent person would exercise in managing the affairs of other persons. This includes having in place appropriate reporting requirements that ensure the investments are being reviewed and overseen regularly.

Officers responsible are to manage the investment portfolios not for speculation, but for investment and in accordance with the spirit of this Investment Policy and are to avoid any transaction that might harm confidence in Gympie Regional Council. They will consider the safety of capital and income objectives when making an investment decision.

#### *Ethical Standards and Conflicts of Interest*

Investments are to be managed with the care, diligence and skill that a prudent person would exercise in managing the affairs of other persons. This includes appropriate reporting requirements being in place to ensure investments are reviewed and overseen regularly.

The responsible officer shall also refrain from personal activities that would conflict with the proper execution and management of Gympie Regional Council's investment portfolio, including activities which would affect the responsible officer's ability to remain impartial.

The safety of capital and income objectives will be considered when making any investment decisions.

#### 4. PURPOSE

The purpose of this policy is to establish the investment guidelines that Gympie Regional Council adopts regarding the investment of surplus funds.

#### 5. OBJECTIVE

The principal objective of this investment policy is the preservation of capital. To ensure the security of council funds, parameters for exposure to credit risk and duration risk have been set within the investment portfolio.

Additionally, subject to those constraints and council's liquidity requirements, council adheres to *SBFA 1982, Part 6 Investment Powers, Division 3 Section 47 – Statutory body to try to invest at most advantageous rate*. Council's Coordinator - Financial Accounting will ensure efficient and effective management in order to maximise the earnings from authorised investments in the investment portfolio whilst working within approved risk guidelines to ensure the security of council's funds.

#### 6. DELEGATION OF AUTHORITY

Authority for the implementation of Gympie Regional Council's investment policy is delegated by council to the Chief Executive Officer, in accordance with:

- *Local Government Act 2009*
  - Part 5, Section 257 (1b) – Delegation of Local Government Powers
  - Part 5, Section 259 – Delegation of Chief Executive Officer Powers.

The Chief Executive Officer has delegated this authority to the Director Corporate and Community Services.

#### 7. INVESTMENT PARAMETERS

##### a. TYPES OF INVESTMENT

All investments must be denominated in Australian Dollars and undertaken in Australia.

All investments undertaken by council should be in accordance with *SBFA 1982, Part 6 Investment Powers, Division 2 Particulars of Categories, (44) (1) Category 1 Investment Power*.

The types of investments council can participate in are limited to the following (selected from permitted investments under SBFA):

- Deposits with a building society or credit union specifically approved by council for investment purposes with a risk rating in line with this policy
- Deposits with Queensland Treasury Corporation.

Should any of council's investments be downgraded such that they no longer meet the investment policy guidelines, they are to be divested as soon as practicable.

Council will utilise its category 1 investment powers to earn interest revenue on its operating funds in order to supplement council's other sources of revenue.

**b. TERM TO MATURITY**

The *SBFA 1982, Part 6 Investment Powers, Division 2 (44) (2) Category 1 Investment Power* states that the investments must be either:

- (a) At call or
- (b) For a fixed time of not more than 1 year

Council's preferred time period is 'AT CALL', 30, 60 and 90 days only. This is dependent upon Gympie Regional Council's future cash flow requirements, credit risk guidelines and the prevailing outlook regarding interest rates.

**c. RISK**

***Credit Risk***

Credit risk is the risk of loss due to the failure of an investment issuer or guarantor. The Coordinator - Financial Accounting will evaluate and assess credit risk prior to investment and will minimise credit risk in the investment portfolio by pre-qualifying all transactions including the brokers/securities dealers with which council does business, diversity of the portfolio and limiting transactions to secure investments.

***Duration Risk***

As investments are placed to maximise interest income, duration risk is limited by investing in short term securities.

**d. PROHIBITED INVESTMENTS**

Council prohibits the following investments:

- Derivative based instruments
- Principal only investments or securities that provide potentially nil or negative cash flow
- Stand alone securities issued that have underlying futures, options, forward contracts and swaps of any kind
- Securities issued in non-Australian dollars.

**e. NON FINANCIAL FACTORS**

When assessing investment opportunities, there will always be a number of factors which are not easily assessable but should still be considered. These factors may lead to accepting a lower rate of return on a particular investment.

Authorised staff who make such a decision should document their reasoning. This will ensure accountability and transparency and enable those reasons to be identified at a later date.

The highest rate should not always be accepted, but the investment which delivers the best value to council should be selected. This will allow staff to include other financial factors, in their consideration, when choosing an investment.

Other factors which could be considered when choosing investments include:

- Transaction Costs
- Ease of making transactions
- Level of service from an institution
- Benefit to Local Government and Community
- Reduced costs to other services

## 8. REPORTING AND PERFORMANCE MONITORING

A monthly report will be provided to Council entailing the invested balance, YTD Interest Yield, Budget Estimate and % of Budget Estimate.

This investment policy will be reviewed and amended where required annually. Any amendments will be approved by council prior to the implementation of the revised investment policy.

For audit purposes, certificates are to be obtained from the holding institution confirming the amounts of investment held on council's behalf at the end of council's financial year.

## 9. RECORD KEEPING AND SAFEKEEPING

Council abides by *SBFA 1982, Part 6 Investment Powers, Division 3 - Duties of Statutory Body when investing* council funds which state:

- S 47 (1) A statutory body must use its best efforts to invest its funds –
- (a) At the most advantageous interest rate available to it at the time of the investment for an investment of the proposed type; and
  - (b) In a way it considers is most appropriate in all the circumstances.
- S 47 (2) The statutory body must keep records that show it has invested in the way most appropriate in all the circumstances; and
- S 48 Investment documents to be held by statutory body or as approved.

A security, safe custody acknowledgement or other document evidencing title accepted, guaranteed or issued for an investment arrangement must be held by the statutory body or in another way approved by the Treasurer.

### a. QUOTATIONS ON INVESTMENTS

No less than three (3) quotations shall be obtained from authorised institutions when a new investment is proposed or due for reinvestment.

Investment with Queensland Treasury Corporation does not constitute an investment decision that requires 3 quotes.

## 10. INVESTMENT PROCEDURE

Please see CSP354 – Investment Procedure.

## **11. INTERNAL CONTROLS**

Council has in place a number of internal controls to prevent the fraudulent use of funds. The following controls detail the minimum requirements in place:

- The Officer-Banking is identified as the responsible officer for the investment function.
- All investments are to be authorised by the Coordinator – Financial Accounting or Chief Financial Officer.
- Confirmation advices received are to be attached to the Investment Authority form as evidence that the investment is in the name of Gympie Regional Council.
- QTC Cash Fund Investments transfers are directly debited/credited from Council's Operating Account.
- All transfers including QTC Cash Fund, require two authorised signatories.
- A monthly Investment and Bank Reconciliation is reviewed and signed off by the Coordinator – Financial Accounting. This is also subject to periodic review by the Chief Financial Officer.
- An investment report is provided as part of the monthly financial report to the Council.

## **12. POLICY**

This policy applies to the investment of funds held by Gympie Regional Council.