

Document Control	
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Responsible Directorate	Corporate and Community Services
Responsible Position	Coordinator – Financial Accounting
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1. Purpose

The purpose of this policy is:

- To establish the investment guidelines that Gympie Regional Council (GRC) adopts regarding the investment of surplus funds
- To ensure funds are invested in accordance with legislative and Council requirements
- To ensure surplus funds are invested with approved financial institutions; and
- To ensure investment decisions are based on security of funds by limiting exposure to risk.

2. 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 GRC. Under **Statutory Bodies Financial Arrangements Act 1982 (SBFAA) and its subordinate legislation, Statutory Bodies Financial Arrangements Regulation 2007 (SBFAR)**, all investments must be at call or for a fixed time of not more than one (1) year.

3. Related Legislation

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

Local Government Act 2009

Part 5 – Delegation of Powers, Section 260 – Local Government Delegations Register

Local Government Regulation 2012

Chapter 5 – Financial Planning and Accountability, Part 4 – Financial Policies, Section 191 – Investment Policy

Statutory Bodies Financial Arrangements Act 1982 (as amended)

Part 6 Investment Powers

Division 1 – Categories of Investment Powers

Division 2 – Investment Power (44) (1) Category 1 - Investment Power

Division 3 – Duties of Statutory Body when investing

4. Related Documents

CSP 354 – Investment Procedure

5. Definitions

To assist in interpretation of this policy the following definitions apply:

- At call - funds are available immediately without penalty
- Authorised investments - investments allowed by SBFAA and SBFAR and authorised for investment purposes by Council and/or Council's Chief Executive Officer.
- CFO - Chief Financial Officer
- GRC - Gympie Regional Council
- Financial Institution - authorised deposit taking institution within the meaning of the Banking Act 1959 (Cwlth), Section 5
- Investment - financial arrangements that are acquired or undertaken for the purpose of producing income and/or capital gains.
- QTC - Queensland Treasury Corporation
- SBFAA - *Statutory Bodies Financial Arrangements Act 1982*

- SBFAR - *Statutory Bodies Financial Regulation 2007*
- Segregation of duties - specific internal controls implemented to ensure no one officer has so much control over an activity, that mistakes could go undetected
- Treasurer - the treasurer of the Government of the State of Queensland

6. Policy Statement

6.1 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; and
 - Procedures for achieving the goals related to investment stated in the policy.

6.1.1 *Standards of Care*

Prudent Person Standard

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

Responsible officers are to manage the investment portfolio 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 GRC. Consideration will be given to the safety of capital and income objectives when making an investment decision.

Ethical Standards and Conflicts of Interest

Investments are to be managed with care, diligence and skill 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 GRC's investment portfolio, including activities which would affect the responsible officer's ability to remain impartial.

6.1.2 **Objective**

The principal objective of this investment policy is to establish a formal policy safeguarding the preservation of capital. By ensuring 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 Council funds not required immediately for financial commitments, will be invested to maximize return from authorised investments in the investment portfolio, whilst maintaining an acceptable level of risk to ensure the security of Council's funds.

6.1.3 **Delegation of Authority**

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

- Local Government Act 2009, Part 3, Section 260 – Delegation of Powers

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

6.1.4 **Investment Parameters**

a. **Types of Investment**

All investments undertaken by Council, must be denominated in Australian Dollars (AUD) and undertaken in Australia and 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):

- Authorised Deposit Taking Institutions (ADI's) that have a Government Guarantee such as interest bearing deposits with a licensed bank;
- 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 (QTC).

ADI's must have a credit rating of:

- A-1+, A-1, AAM or AAAM (Standard and Poors – 'S&P'),
- P-1 (Moody's) or
- F1+ or F1 (Fitch).

The above credit ratings indicate the obligor's capacity to meet financial commitment on obligations with A1+, P-1 and F1 being the strongest.

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. Terms 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 one (1) year.

Council's preferred time period is 'AT CALL', 30, 60 and 90 days only. This is dependent upon GRC'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 maximize 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 may not always be accepted. The investment which delivers the best value to Council and other financial factors, will be taken into 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

To recognise contributions made within the area, Council may also support local community banks with a physical presence in the region such as Bendigo Bank.

6.1.5 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.

A quarterly report detailing compliance with the policy and earning performance compared to the benchmark are to be prepared by the Finance Manager and provided to Council.

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 performance purposes, the investment portfolio will be benchmarked against the Bank Bill Swap Rate and the Bloomberg AUSBOND Index, which includes the 90-day bank bills from a number of Australian institutions.

6.1.6 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:

- s47(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 circumstances.
- s47(2) The statutory body must keep records that show it has invested in the way most appropriate in all the circumstances; and
- s48 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

- I. No less than three (3) quotations shall be obtained from authorised institutions when a new investment is proposed or due for reinvestment.
- II. Investment with Queensland Treasury Corporation does not constitute an investment decision that requires three (3) quotes.

6.1.7 Investment Procedure

Please see CSP 354 – Investment Procedure.

6.1.8 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 and Investments, 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 investments are in the name of the GRC.
- QTC Cash Fund Investments transfers are directly debited/credited from Council's Operating account.
- All transfers including QTC Cash Fund, require two (2) 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.
- 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 the Council's financial year.

6.1.9 Breaches

Any breach of this Policy is to be reported to the CEO and rectified within seven (7) days of the breach occurring. All breaches shall be reported to the Audit and Risk Management Committee.

Where Council holds an investment that is downgraded below the minimum acceptable rating level, as prescribed under regulation for the investment arrangement, Council will recall that investment at maturity or as soon as practicable.

Breaches that result in a material or reportable loss as defined in the Regulation, must be reported and actioned as per Part 6 'Loss of local government asset', 307A of the Regulation.

6.1.10 Policy

This policy applies to the investment of funds held by GRC.

7. Review Trigger

This policy will be reviewed when any of the following occur:

- i. The related legislation/documents are amended or replaced.
- ii. Other circumstances as determined from time to time by a resolution of Council
- iii. As initiated by the CEO or Executive Team.
- iv. Periodic Review – Annually

8. Appendices

Nil