

INVESTMENT POLICY

PURPOSE

The purpose of this policy is:

- to establish the investment guidelines that Council 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 that;
- Investment decisions are based on the security of funds by limiting exposure to risk.

This policy must be reviewed and amended annually to ensure that the information contained in the policy remains current and relevant.

Investments are defined as arrangements that are acquired or undertaken for the purpose of producing income on cash balances held in Gympie Regional Council's (Council) operating funds. As a Local Government, the Council is subject to the requirements of the **Statutory Bodies Financial Arrangements Act 1982** and its subordinate legislation, **the Statutory Bodies Financial Arrangements Regulation 2007**.

SCOPE

Council is required to prepare and adopt an investment policy in accordance with Part 4, section 191 of the Local Government Regulation 2012.

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.

POLICY STATEMENT

Council's investment objective is to maximise the return on uncommitted cash whilst minimising the risk associated with that strategy.

PROCEDURES

1. 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)
- *Schedule 3, Category 1 – Investment Power*
- *Local Government Regulation 2012, Part 4, S191 – Investment Policy*.

All investments must be held at call or for a fixed time of not more than 1 year.

2. STANDARDS OF CARE

Ethical Standards and Conflicts of Interest

Council abides by the Prudent Person Standard as recommended by the Department of Local Government, Racing and Multicultural Affairs and is to be used by investment officers when managing the overall portfolio. Investments will be managed with the 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 Council.

Responsible officers shall also refrain from personal activities that would conflict with the proper execution and management of 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. Parameters for exposure to credit risk and duration risk must be set within the investment portfolio.

Additionally, subject to those constraints and Council's liquidity requirements, investments must be at the most advantageous rate.

3. 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 3, Section 260 – Delegation of Powers

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

4. INVESTMENT PARAMETERS

a. Types of Investments

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:

- Authorised Deposit Taking Institutions (ADI's) that have a Government Guarantee such as Interest Bearing Deposits with a licenced 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 the Queensland Treasury Corporation.

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 ADI's be downgraded such that they no longer meet the investment policy guidelines, investments with those entities are to be divested as soon as practicable.

b. Term of Maturity

Council's preferred time period is 'AT CALL', 30, 60 and 90 days only. Decisions are maturity based and will be dependent upon 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 Responsible Officer 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.

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.

d. Non Financial Factors

When assessing investment opportunities, the Responsible Officer may consider other factors which may lead to accepting a lower rate of return on a particular investment. These factors include:

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

The Responsible Officer must document their reasoning for such decisions.

5. REPORTING AND PERFORMANCE MONITORING

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

6. RECORD KEEPING AND SAFEKEEPING

A security, safe custody acknowledgement or other document evidencing title accepted, guaranteed or issued for an investment arrangement must be obtained. A Register of Investments detailing Investment transactions must be maintained by the Responsible Officer.

7. 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.

8. INTERNAL CONTROLS

The Responsible Officer is to maintain a strong framework of internal controls to prevent the fraudulent use of funds. The following controls are the minimum requirements to be in place:

- The delegated authority sits with the Director of
- The Officer- Finance (Banking and Investment) 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 only.
- 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.