



## Investment Policy

*To set guidelines and boundaries for the investment of Council surplus cash balances*

<b>Category</b>	<b>Office of CFO</b>	<b>Policy number: FIN015</b>
<b>Related forms, policies and procedures</b>	Financial Accounting Standards	
<b>Key words</b>	Investment, surplus, cash	
<b>Relevant legislation</b>	<ul style="list-style-type: none"> <li>• Statutory Bodies Financial Arrangements (SBFA) Act 1982</li> <li>• Statutory Bodies Financial Arrangements (SBFA) Regulation 2007</li> <li>• Local Government Regulation 2012</li> </ul>	
<b>References and resources</b>	Queensland Treasury Corporation (QTC)	

<b>Review due by</b>	Finance	Date: Annually
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# INVESTMENT POLICY

## 1. Purpose

To set guidelines and boundaries for the investment of Cassowary Coast Regional Council surplus cash balances which meet the requirements of the Statutory Bodies Financial Arrangements (SBFA) Act 1982 and its regulation.

Support Council's investment and risk philosophy and provide a sequential process to be followed in undertaking investment activities.

Maximise earnings from authorised investments of cash holdings after assessing market and liquidity risks

## 2. Scope

This policy applies to the investment of all cash holdings of the Cassowary Coast Regional Council.

Authority for implementation of the Investment Policy is delegated by Council to the Chief Executive Officer in accordance with the Local Government Act 2009, Section 257 (1)(b) - Delegation of Local Government powers.

Authority for the day-to-day management of Council's Investment Portfolio is to be delegated by the Chief Executive Officer to the Manager Finance and subject to regular reviews with the Chief Financial Officer and Chief Executive Officer.

## 3. Definitions and principles

**Surplus Cash Balances:** Surplus cash balances are Council's cash holdings available for investment at any one time after consideration of the amount and timing of Council's cash flow needs. Surplus cash balances do not include Council's trust account balances which are to be invested in at call deposits.

**Authorised Investments:** Authorised investments are as permitted under the SBFA Act 1982, and in accordance with the Category 1 Investment Powers applicable to Cassowary Coast Regional Council under the SBFA Regulation 2019.

**Prescribed Investment Arrangements:** Investments listed at Schedule 6 of the SBFA regulation 2019.

## 4. Procedure

### 4.1 Investment Risk Philosophy

Council maintains a conservative and risk averse investment philosophy for its surplus cash investments.

### 4.2 Investment Philosophy, Objective and Strategy

As the custodian of public monies Council chooses to secure its capital base but takes the opportunity to produce revenue from the asset as far as possible within established risk adverse constraints.

This policy outlines the strategy to achieve that intent.

### **4.3 Policy Statement**

In investing Council's surplus cash balances, regard must be had to the following points.

### **4.4 Prudent person standard**

Officers responsible for investing local government funds must act with a duty of care, skill, prudence and diligence that a prudent person would exercise when investing and managing their own funds.

### **4.5 Range of investments**

Cassowary Coast Regional Council has Category 1 investment power under the SBFA Act 1982.

A category 1 investor is permitted to invest at call or for a fixed period of no more than one year in the following ways:

- Deposits with a financial institution;
- Investment arrangements accepted, guaranteed or issued by or for the Commonwealth or a State or a financial institution;
- Other investment arrangements secured by investment arrangements accepted, guaranteed or issued by or for the Commonwealth or a State or a financial institution;
- Investment arrangements, managed or offered by QIC or QTC, prescribed under a regulation of the SBFA Act 1982;
- An investment arrangement with a rating prescribed under a regulation of the SBFA Act 1982;
- Other investment arrangements prescribed under a regulation of the SBFA Act 1982.

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

The QTC cash fund, QTC Capital Guaranteed Cash Fund, QTC Debt Offset Facility, QTC Fixed Deposit (up to 12 months) and the QTC Working Capital Facility are prescribed investment arrangements. Standard and Poor's (Australia) Pty Ltd ratings of A-1+, A-1, AAm or AAAm are prescribed ratings.

### **4.6 Assessment of surplus cash balance**

Surplus cash balances must be determined in accordance with Council's finance procedure.

### **4.7 Credit risk guidelines**

The minimum and maximum investment surplus cash within any line of credit risk must conform to the following Table A in order to diversify the risk. When placing investments, consideration will be given to the relationship between credit rating and interest rate.

**Table A: Credit Risk Guidelines**

Long-term credit rating#	Short-term credit rating#	Minimum of total investments	Maximum % of total investments	Maximum Term for Fixed Term Investments Only
QTC Capital Guaranteed Cash Fund		0	100	1yr
AAA	A-1+	0	100	1yr
AA	A-1+	0	100	1yr
A+ to A	A-1	0	75	9 months
BBB+ to BBB	A-2	0	50	6 months
BBB-	A-3	0	25	6 months
# Most recently available credit ratings from Standard & Poor's.				

In addition:

- before rollover of existing investments or undertaking new investments the credit rating of the investment institutions used or intended to be used by Council should be assessed;
- in the event of published economic downturn or instability the credit rating of the investment institutions used by Council should be reassessed and remedial action taken if necessary;
- the website of the Queensland Treasury Corporation may be used to assist with financial institutions credit ratings.

#### **4.8 Quotations for fair value**

At least three (3) written quotations must be obtained and noted from authorised institutions when investing surplus cash, however this requirement does not apply to investing within the prescribed investment arrangements.

In general, financial institutions with lower credit ratings have a higher credit risk and therefore, the interest rate received on the investment should be higher reflecting the higher level of risk.

The quotes received should be considered relative to the assessed risk of the financial institution. The fair value calculator provided by QTC may be used to assist with this evaluation.

#### **4.9 Term of maturity**

The term of maturity of the surplus cash investment must be determined taking into consideration Council's future cash flow needs, credit risk guidelines and the prevailing outlook regarding interest rates.

The term cannot exceed 1 year for any investment.

#### **4.10 Reporting requirements**

An Investment Register must be updated weekly and forwarded to the Manager Finance to ensure investment opportunities are identified to maximise return on investment.