

Investment Policy

Policy type	Council
Function	Corporate and Community Services
Policy Owner	Finance
Effective date	18 July 2016

1. Purpose

The objective of this policy is to:

- (a) set guidelines and parameters for the investment of Cassowary Coast Regional Council funds not immediately required for financial commitments which meet the requirements of the *Statutory Bodies Financial Arrangements (SBFA) Act 1982* and its regulation.
- (b) ensure that appropriate records are kept and that adequate internal controls are in place to safeguard public monies.
- (c) 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 Director Corporate and Community Services.

3. Definitions and Principles

Surplus Cash Balances – means Council's cash holdings available for investment at any given 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 – as permitted under the *Statutory Bodies Financial Arrangements (SBFA) Act 1982*, and in accordance with the Category 1 Investment Powers applicable to Cassowary Coast Regional Council under the *Statutory Bodies Financial Arrangements Regulation 2019*.

Prescribed Investment Arrangements – means investments listed at Schedule 6 of the *Statutory Bodies Financial Arrangements Regulation 2019*.

4. Procedure

4.1 Investment Risk Philosophy

Council maintains a financially responsible investment philosophy for the management of surplus cash.

4.2 Investment Philosophy, Objective and Strategy

Council's overall objective is to invest its surplus funds at the most advantageous rate of interest available at a given time, and most appropriate to its circumstances. In order of priority, the objectives of undertaking investment activities shall be preservation of capital, maintenance of liquidity, and return on investments.

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 included within this policy.

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 Queensland Investment Corporation (QIC) or Queensland Treasury Corporation (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*; and
- 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 Maintenance of Liquidity

Pursuant to section 31 of the SBFA Act, Council maintains a deposit and withdrawal account with Commonwealth Bank for its day-to-day operating transaction requirements. In addition to the balances held in its bank account, the investment portfolio will maintain sufficient liquidity to meet all reasonably anticipated operating cash flow requirements of council as and when they fall due, whilst minimising transaction costs due to any need to sell an investment.

4.7 Credit Risk Guidelines

Council will evaluate and assess credit risk prior to undertaking an investment. Credit risk is the risk of loss due to the failure of an investment issuer or insurer. The investment officer will minimise credit risk by pre-qualifying all transactions and the brokers/securities dealers with whom they do business, diversifying the investment portfolio and limiting transactions to secure investments.

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

Short-term credit rating (S&P's)	Minimum % of total investments	Maximum % of total investments	Maximum term for fixed term investments only
QTC Capital Guaranteed Cash Fund	0	100	1 year
A1+	0	100	1 year
A1	0	75	9 months
A2	0	50	6 months
A3	0	25	6 months
Unrated	Nil	Nil	Nil

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; and
- 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 will 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 will 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 as per **4.5 Range of Investments** - Cassowary Coast Regional Council has Category 1 investment power under the SBFA Act 1982.

4.10 Reporting Requirements

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

Related forms, policies and procedures	Financial Accounting Standards
Relevant legislation	<i>Local Government Regulation 2012</i> <i>Local Government Act 2009</i> <i>Statutory Bodies Financial Arrangements (SBFA) Act 1982</i> <i>Statutory Bodies Financial Arrangements (SBFA) Regulation 2019</i>
Reference and resources	Queensland Treasury Corporation (QTC)

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