

# INVESTMENT POLICY 2021/2022

<b>TITLE:</b>	<b>Investment Policy 2021/2022</b>
<b>POLICY TYPE:</b>	<b>Statutory</b>
<b>POLICY NUMBER:</b>	<b>GRC 0041</b>
<b>RESPONSIBLE OFFICER:</b>	<b>Director Community &amp; Corporate</b>
<b>DEPARTMENT:</b>	<b>Community &amp; Corporate Services</b>

Version	Decision Number or CEO Approval	Decision Date	History
1	Budget Meeting Minutes (ref. BM-012/10)	28 June 2010	Adopted by Resolution
2	Ordinary Meeting Minutes (ref. OM-053/11)	23 March 2011	Adopted by Resolution
3	Ordinary Meeting Minutes (ref. OM-121/12)	27 June 2012	Adopted by Resolution
4	Ordinary Meeting Minutes (ref. OM-074/13)	22 May 2013	Adopted by Resolution
5	Ordinary Meeting Minutes (ref. OM-019/14)	28 May 2014	Adopted by Resolution
6	Ordinary Meeting Minutes (ref. OM-077/15)	27 May 2015	Adopted by Resolution
7	Ordinary Meeting Minutes (ref. OM-066/16)	25 May 2016	Adopted by Resolution
8	Ordinary Meeting Minutes (ref. OM-082/17)	26 April 2017	Adopted by Resolution
9	Ordinary Meeting Minutes (ref. OM-199/17)	25 October 2017	Adopted by Resolution
10	Ordinary Meeting Minutes (ref. OM-077/18)	23 May 2018	Adopted by Resolution
11	Ordinary Meeting of Council (ref. OM-101/19)	22 May 2019	Adopted by Resolution
12	Ordinary Meeting of Council (ref. OM-074/20)	27 May 2020	Adopted by Resolution
13	Ordinary Meeting of Council (ref. OM-109/21)	26 May 2021	Adopted by Resolution

## 1. BACKGROUND

Section 191 of the *Local Government Regulation 2012*, states that a local government must prepare an investment policy each financial year. Council's risk appetite for investment is conservative, with its investment portfolio typically consisting of low risk, short term investments offering the highest rate of return for that type of investment.

Investment of Council's funds is to be in accordance with Council's power of investment as set out in the following legislative authority:

1. Under section 101 of the *Local Government Act 2009*, a local government is a statutory body for the *Statutory Bodies Financial Arrangements Act 1982*;
2. Schedule 3 of the *Statutory Bodies Financial Arrangements Regulation 2007* allocates a Category 1 investment power to Councils;

3. Council is able to invest in accordance with section 44 of the *Statutory Bodies Financial Arrangements Act 1982* and section 8 of the *Statutory Bodies Financial Arrangements Regulation 2007*; and
4. Section 8 of the *Statutory Bodies Financial Arrangements Regulation 2007* prescribes the rating of the allowable investment arrangements applicable to Category 1 investment powers.

As well as having responsibilities under the *Local Government Regulation 2012*, Council also has responsibilities as outlined in Section 47 and Section 48 of the *Statutory Bodies Financial Arrangements Act 2007*.

Section 47(1) states that:

*A statutory body must use its best efforts to invest in 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 most appropriate in all the circumstances.*

Section 47(2) states that:

*The statutory body must keep records that show it has invested in the way most appropriate in all the circumstances.*

## **2. PURPOSE**

The purpose of this policy is to identify Council's philosophy and strategy for investment, overall risk philosophy and the investment objectives and expectations. This policy will be used to control the investment of surplus cash funds based on an assessment of counterparty, market and liquidity risk within the legislative framework of the *Statutory Bodies Financial Arrangements Act 1982 and Statutory Bodies Financial Arrangements Regulation 2007*.

## **3. OBJECTIVES**

- i). To adopt a policy on investment that provides for responsible financial management.
- ii). To ensure an acceptable Investment Ratio is maintained so that new investments do not impede Council's ability to maintain an appropriate cash flow to service debt payments.
- iii). In priority, the order of investment activities shall be:
  1. Preservation of capital
  2. liquidity, and
  3. return

## **4. DEFINITIONS**

- i). Investments – Arrangements that are acquired or undertaken for the purpose of producing income and/or capital gain.
- ii). Council - Goondiwindi Regional Council.

## 5. POLICY STATEMENT

- i). Council Investments will be made in accordance with:-
  - i.) *Local Government Act 2009* – Section 10(5)(a)(i);
  - ii.) *Part 6 of the Statutory Bodies Financial Arrangements Act 1982*; and
  - iii.) All investments must be in accordance with Category One Investments only as listed in Section 44 of the *Statutory Bodies Financial Arrangements Act 1982* and Section 8 of the *Statutory Bodies Financial Arrangements Regulation 2007*.
- ii). All investments must be denominated in Australian currency.
- iii). Funds will be invested for a term not exceeding 12 months
- iv). To mitigate risk and protect the Capital value of investments, funds will only be placed with recognised financial institutions with a Long Term Rating of BBB- or better and operating in Australia. For this policy, Council's investments are categorised with the appropriate rating categories determined according to the investment grading used by the following:
  - Fitch IBC (Australia) Pty Limited
  - Moody's Investors Service
  - Standard and Poor's (Australia) Pty Ltd

Investments will be placed with various financial institutions such that the maximum percentage of the total investment portfolio does not exceed (refer to table below):

<b>Long Term Rating</b>	<b>Maximum % investment in any one institution</b>	<b>Maximum % investment all institutions in this category</b>
<b>QTC</b>	No Limit	No Limit
<b>AAA to A+ (excluding QTC)</b>	50%	No Limit
<b>A to BBB+</b>	50%	50%
<b>BBB to BBB-</b>	10%	25%

- v). It is Council's policy that all surplus funds will be invested to capitalise on maximum return. Prior to any investment being undertaken a future cash flow analysis will be completed to determine the amount of surplus funds available for investment and the effective term of such investment.
- vi). Whenever an investment is proposed, a minimum of three (3) quotes will be obtained from authorised institutions. The best quote, net of costs will be successful for the investment of Council's funds.
- vii). A monthly report shall be provided to Council, detailing the investment portfolio in terms of performance and counterparty percentage exposure of the total portfolio. The report will also detail investment income earned versus budget year to date.
- viii). For audit purposes, certificates must be obtained from the bank / fund managers confirming the amounts of investment held on Council's behalf at 30 June each year.
- ix). If any of Council's investments are downgraded and the investment does not fall within these investment policy guidelines, they will be divested as soon as practicable.

**6. REVIEW DATE**

This investment policy applies for the 2021/2022 financial year. This policy will be reviewed annually and amended as and when required to meet the prevailing circumstances of Council.

**7. RELATED LEGISLATION**

- Local Government Act 2009;
- Local Government Regulation 2012;
- Statutory Bodies Financial Arrangement Act 1982; and
- Statutory Bodies Financial Arrangement Regulation 2007

**8. ATTACHMENT**

N/A