

Customer Contact **1300 COUNCIL (1300 268 624)**
 07 4679 4000
www.wdrc.qld.gov.au
info@wdrc.qld.gov.au



Financial Investment - Council Policy

Effective Date	<i>13 June 2016</i>
Policy Owner	<i>Finance</i>
Link to Corporate Plan	<i>Financial Sustainability</i>
Review Date	<i>June 2022</i>
Related Legislation	<i>Local Government Regulation 2012 Statutory Bodies Financial Arrangement Act 1982</i>
Related Documents	<i>Financial Management Strategy Liquidity Policy</i>

Policy Version	Approval Date	Adopted/Approved
<i>1</i>	<i>13/06/2016</i>	<i>Special Meeting of Council - Adopt 2016/17 Budget</i>
<i>2</i>	<i>19/06/2019</i>	<i>Special Meeting of Council - Adopt 2019/20 Budget</i>

*This policy may not be current as Council regularly reviews and updates its policies. The latest controlled version can be found in the policies section of Council's intranet or Website. **A hard copy of this electronic document is uncontrolled.***



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PURPOSE

The purpose is to define the types of investments that can be undertaken and, in making an investment, the primary and secondary objectives of the investment.

SCOPE

Section 191 of the *Local Government Regulation 2012* requires a local government to prepare and adopt an investment policy and that 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.

Local government investments must be made in accordance with the *Statutory Bodies Financial Arrangements Act 1982*. Under Section 43 all investments must be undertaken in Australian dollars and within Australia. Under section 44, a local government may invest in all or any of the following 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 for this paragraph, and
- an investment arrangement with a rating prescribed under a regulation for this paragraph.

However, the investment must be:-

- at call, or
- for a fixed time of not more than 1 year.

POLICY

Within this legislative framework, Council's investment policy is:

1. All surplus funds will, in the first instance, be invested to preserve capital (highest priority) and, secondly to achieve a return commensurate to risk (secondary priority).
2. All investments are to be made in Australian dollars and in Australia.
3. All investments are to be at call or for a maximum period of one year.
4. All investments must have a minimum long-term credit rating of A or better (Standard & Poor's, Fitch, or Moody's Australian Ratings) with a neutral or positive outlook.
5. Whenever an investment is proposed, a minimum of two (2) quotes will be obtained from authorised institutions achieving a credit rating in accordance with Council's risk philosophy. Investments may be made with the QTC Cash Fund without having to quote.



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6. The maximum amount invested with any one financial institution should not exceed 30% if rated A+ or better and not exceed 20% if rated A of total funds invested. The purpose of this requirement is to minimise Council's risk exposure to any one financial institution. All surplus funds may be invested in the QTC Cash Fund as this Fund has a capital guarantee provided by the Queensland Government.
7. If any of the financial institutions in which Council invests are downgraded below A or have an A rating and are placed on Negative Rating Watch, the investment is considered to fall outside of these investment policy guidelines and they will be divested as soon as is practicable.

PROCESSES

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 term for which the funds are available to be invested.

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.

RELATED DOCUMENTS (LOCAL LAWS, POLICIES, DELEGATIONS ETC)

Authority in respect of this policy is delegated to the Chief Executive Officer, General Manager (Corporate Services), Chief Finance Officer and Deputy Chief Financial Officer.

The Financial Management Strategy and the Liquidity Policy support the Investment Policy.

REVIEW TRIGGER:

Periodic review - every three (3) years unless otherwise required due to changes in legislation.

