

POLICY



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Policy title: INVESTMENT
Directorate: ORGANISATIONAL SERVICES
Branch: FINANCE
Policy objective: To set prudent guidelines, within the constraints of current legislation, within which the Council's surplus funds may be invested to the best advantage.

Policy scope:

The Council has a significant amount of surplus funds invested at any one time. Interest on these investments represents a significant contribution to the total income of the Council and it is essential that the Council has clear policy guidelines as to how funds can be invested. Whilst the *Statutory Bodies Financial Arrangements Act 1982* and the subsequent amendment orders relating to investments by the Council are quite explicit as to the types of institutions with which the Council can invest, there are nevertheless variations in the financial ratings of these institutions and the types of investments that can be purchased. This policy aims to clearly state the institutions with which the Council can invest, the maximum proportion of funds that may be placed with individual organisations and the types of investments entered into.

Definitions:

Not applicable.

Policy statement:

The following procedure is to be undertaken for this policy:

1. Funds for investment
Any surplus Council funds are to be invested (ie any cash balances which exceed daily requirements).
2. Authority for investment
Investment of the Council's funds is to be in accordance with the Council's power of investment under the *Statutory Bodies Financial Arrangements Act 1982* and the subsequent orders relating to investments subject to the Policy guidelines set out in section 6 below.
3. Delegation of authority
 - (a) In accordance with sections 257 (Delegation of local government powers) and 259 (Delegation of chief executive officer powers) of the *Local Government Act 2009*, authority for implementation of the investment Policy is delegated by the Council through the Chief Executive Officer to the Director of Organisational Services in consultation with the Finance Manager.

- (b) The day to day management of the Council's investment portfolio is under the control of the Assistant Accountant - Finance, subject to regular reviews with the Finance Manager, who will recommend any changes to the Director of Organisational Services.
- 4. Reporting
 - (a) Regular reports (at least monthly) are to be prepared by the Senior Banking Officer and submitted through the Finance Manager for the information of the Director of Organisational Services.
 - (b) The report should detail the investment portfolio in terms of interest rate, counterparty percentage exposure of total portfolio, year to date running yield (on internal investments) and year to date market valuations on externally managed funds versus the ninety (90) day UBSA Bank Bill Index.
- 5. Term of investments

The Council's investment portfolio should be realisable, without penalty, in a reasonable time frame. The term to maturity of the Council's investments should generally not exceed one year. Should there be surplus funds excess to liquidity requirements, and in an environment where economic circumstances adversely impact Council's income, investments longer than one year may be considered. Council would seek advice from its investment advisor prior to making any longer-term investments exceeding one year.
- 6. Guidelines
 - (a) Authorised Investments (as per the *Statutory Bodies Financial Arrangement Act 1982* as amended).
 - '(c) Authorised investments may include:
 - (i) Government Stock or Government Securities of the Commonwealth.
 - (ii) Securities guaranteed by the Government of any Australian State or Territory.
 - (iii) Securities guaranteed by the Commonwealth.
 - (iv) Interest Bearing Deposits with a licensed bank.
 - (v) A bill of exchange that is drawn or accepted by a licensed bank.
 - (vi) Certificates of Deposit issued by a licensed bank.
 - (vii) Investments with any authorised (by the Reserve Bank) dealer in the short term money market.
 - (viii) Institutions with a "Prescribed Rating" which is rated short term by Standard and Poors Australian Ratings equal to or higher than "A2" or by Moody's Investor Services Pty Ltd equivalent and a long term paper rating equal to or higher than "BBB+".
 - (ix) Deposits with the Queensland Treasury Corporation.
 - (x) Deposits with a Building Society, Credit Union or foreign society.
 - (xi) Cash Management Unit Trusts having an "AAm" rating or better from Standard and Poors Australian Ratings.
 - (xii) Investments in unit trusts specifically approved for the Council's use by the Queensland Treasury.
 - (xiii) Investments in cash-plus or managed funds specifically approved for the Council's use by the Queensland Treasury.'

(b) The Council's own direct investments

The following asset quality/credit restrictions shall apply:

- (i) The Council may invest directly with a **licensed banks** in the short term, with a short term paper rating by Standard and Poors or the Moody's equivalent being equal to or higher than "A2" and a long term paper rating equal to or higher than "BBB+".
- (ii) Investments in **non-bank institutions, Building Societies and Credit Unions** are restricted to short term paper rating by Standard and Poors or the Moody's equivalent being equal to or higher than "A2" and a long term paper rating equal to or higher than "BBB+".
- (iii) The Council will exempt investments with Bendigo-Adelaide Bank in the event of its credit rating falling below the criteria 6.2 (a) (i) which have been sourced through the Logan Community Bank and Logan Village Community Bank under the following conditions:
 - a. that the Council's total investment with Bendigo-Adelaide Bank does not exceed two million dollars (\$2,000,000); and
 - b. that the Bendigo-Adelaide Bank's credit rating does not deteriorate below a rating of BBB long term and A-2 short term.
- (iv) This exemption is granted in recognition of the role of community support that the Bendigo-Adelaide Bank has displayed through the operation of the Logan Community Bank and the Logan Village Community Bank. The Logan Community Bank is a Bendigo-Adelaide Bank franchise which the Logan Community Financial Services Limited, a publicly owned company, has invested in the rights to operate. Bendigo-Adelaide Bank supplies all the banking, backroom services and investment products while the Community Company operates the shopfront. Revenue is shared on an equal basis between Bendigo-Adelaide Bank and the Logan Community Financial Services Limited. The Logan Village Community Bank is a Bendigo-Adelaide Bank franchise which the Logan Village and District Financial Services Limited, a publicly owned company, has invested in the rights to operate.
- (v) The Council should keep a current list of short and long term paper ratings of all Financial Intermediaries being not more than six (6) months old. If any securities held are downgraded, such that they no longer fall within the Council's Investment Policy guidelines, they will be divested within thirty (30) days.

(c) The Council's investment with fund managers

The following asset quality/credit restrictions shall apply:

- (i) Any investments with external fund managers should fall within the guidelines laid out under Authorised Investments in section 6.1 of this policy.
- (ii) The Council should keep a current list of all the cash and bond funds long term paper ratings being not more than six (6) months old.
- (iii) If the Council holds any funds in a managed fund which is downgraded below "AAm" or "AAf" (the minimum requirement), such that they fall outside the requirements of the *Statutory Bodies Financial Arrangements Act 1982*, they will be redeemed as soon as practicable.
- (iv) Investments with the Queensland Treasury Corporation Cash Fund are exempt from these above provisions regarding Fund Managers.

- (v) The overall duration of any managed funds should be appropriate to the Council's investment objectives and generally accepted investment principals.
 - (vi) The Council funds with a time horizon of 0-180 days should at most be invested in a **cash** fund. Whilst funds which are available for a year or more could be invested in a cash-plus fund providing the fund has a bank bill performance benchmark.
- (d) General policy guidelines
- (a) If a security is revalued (should be undertaken quarterly) so that its current market value is less than 97% of the amount of the investment, the Council must within thirty (30) days liquidate the investment.
 - (b) The Council will not invest more than 40% of its average funds available for investment with any one organisation (including a fund manager but excluding the Queensland Treasury Corporation Cash Fund).
- (e) It is also expected that Council will take due steps to ensure that any investment is executed at the best pricing as reasonably as possible whenever an investment is proposed. The best quote on the day will be successful after allowing for administrative/banking costs, as well as having regard to the limits set above. This clause excludes the Queensland Treasury Corporation Cash Fund.
- (f) The Council's optimum asset allocation of funds should be reviewed (using external consultants) at budget time and form an integral part of overall investment strategy for the forthcoming year.
7. Variations to policy

The Director of Organisational Services shall be authorised to approve variations to this policy if the investment is to the Council's advantage and/or also due to revised legislation.

Related policies/legislation/other documents:

DOC ID	DOCUMENT TYPE	DOCUMENT NAME
-	Legislation	<i>Statutory Bodies Financial Arrangements Act 1982</i>
-	Legislation	Statutory Bodies Financial Arrangements Regulation 2007
-	Legislation	<i>Local Government Act 2009</i>