

INVESTMENT POLICY

Relevant Legislation: Local Government Act 2009
Local Government Regulation 2012
Authorised: Council Ordinary Meeting
Reviewed: July 2014
To be reviewed: July 2015
Responsible Officer: Director Corporate and Community Services

STATUTORY

1. OVERVIEW

1.1 PREAMBLE

Torres Shire Council has been granted the ability to exercise Category 1 investment power under the *Statutory Bodies Financial Arrangement Act 1982*.

Pursuant to Section 101 (1) of *Local Government Act 2009*, a local government is a statutory body for the *Statutory Bodies Financial Arrangement Act 1982*.

The Treasurer may from time to time constrain the investing activities of local government by limitation, caveat, restriction, and/or relevant regulation. Where this occurs, this Investment Policy will be reviewed and reissued for the subsequent change in legislation.

1.2 INTENT

The intent of this document is to outline Torres Shire Council's investment policy and guidelines regarding the investment of surplus funds, with the objective to maximise earnings within approved risk guidelines and to ensure the security of funds.

1.3 SCOPE

For the purpose of this policy, investments are defined as arrangements that are undertaken or acquired for producing income and apply only to the cash investments of Torres Shire Council. This policy applies to the investment of all surplus funds held by Torres Shire Council that are not part of its Trust Fund.

Amounts less than \$10 million are to be invested in a capital guaranteed cash fund. Category 1 investment power allows for investment with QTC Capital Guaranteed Cash Fund without further approval from the Treasurer.

2. POLICY STATEMENT

2.1 AUTHORITY

All investments are to be made with:

Statutory Bodies Financial Arrangements Act 1982
Statutory Bodies Financial Arrangements Regulation 1997

2.2 ETHICS AND CONFLICTS OF INTEREST

2.2.1 Prudent Person Standard

Investments will be managed with care, diligence and skill that a prudent person would exercise in managing affairs of other persons. This includes having in place appropriate reporting requirements that ensure the investments are being reviewed and overseen regularly.

Investments are to be managed not for speculation, but for investment and in accordance with the spirit of this Investment Policy. Transactions that might harm confidence in Torres Shire Council are to be avoided.

2.2.2 Ethics and conflicts of interest

This policy requires that employees and investment officials disclose to the Chief Executive Officer any actual or perceived conflicts of interest or any investment positions that could be related to the investment portfolio.

2.2.3 Delegation of Authority

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 by Local Government.

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

2.3 INVESTMENT OBJECTIVES

Torres Shire Council's overall objective is to invest funds at the most advantageous rate of interest available to it at the time, for that investment type, and in a way that it considers most appropriate given the circumstances. In priority, the order of investment activities shall be preservation of capital, liquidity, and return.

2.3.1 Preservation of capital

Preservation of capital shall be the principal objective of the investment portfolio. Investments are to be performed in a manner that seeks to ensure security of principal of the overall portfolio. This would include managing credit and interest rate risk with given risk management parameters and avoiding any transactions that would prejudice confidence in Council or its associated entities.

Credit Risk

Torres Shire Council will evaluate and assess credit risk prior to investment. Credit risk is the risk of loss due to the failure of an investment issuer or guarantor.

The investment officer will minimise credit risk in the investment portfolio by pre-qualifying all transactions including the brokers/securities dealers with which they do business, diversify the portfolio and limit transactions to secure investments.

Interest rate risk

The investment officers shall seek to minimise the risk of a change in the market value of the portfolio because of a change in interest rates. This would be achieved by considering the cash flow requirements of Council and structuring the portfolio accordingly. This will avoid having to sell securities prior to maturity in the open market. Secondly, interest rate risk can be limited by investing in shorter term securities.

2.3.2 Maintenance of liquidity

The investment portfolio will maintain sufficient liquidity to meet all reasonably anticipated operating cash flow requirements of Council, as and when they fall due, without incurring significant transaction costs due to being required to sell an investment.

2.4 PORTFOLIO IMPLEMENTATION

2.4.1 Authorised Personnel

The Finance Manager is authorised to invest Torres Shire Council's operating funds at Council's discretion in investments consistent with this Investment Policy and legislation. The Finance Manager will report to Council for investment guidelines, approved lists and oversight of investment activities for the purposes of this Investment Policy.

2.4.2 Internal Controls

The Finance Manager of Torres Shire Council shall establish internal controls and processes that will ensure investment objectives are met and that the investment portfolios are protected from loss, theft or inappropriate use.

The Finance Manager is responsible for maintaining the approved lists and guidelines, which are updated regularly. In no instance will the guidelines override the Investment Policy or its objectives.

The established process will include monthly and quarterly reporting (including compliance reporting), as well as an annual review of the Investment Policy. The internal controls will address the following:

- control of collusion
- separate the transaction authority from accounting and record keeping
- safekeeping
- clearly delegate authority to investment officers
- compliance and oversight of investment parameters, and
- reporting of breaches

The Director of Corporate & Community Services will oversee the annual review of investment activities to verify compliance with the Investment Policy and legislation. The result of the review shall be reported to the Chief Executive Officer and Council.

2.5 INVESTMENT PARAMETERS

2.5.1 Investable funds

For the purposes of this policy, investable funds are the investment moneys available for investment at any one time and include Torres Shire Council's bank account balance. Included in this balance is any moneys held by Council on behalf of external parties (for example developer contributions).

The investable funds should match the cash flow needs of Council deemed by the Finance Manager after preparing Torres Shire Council's budget. Once the Finance Manager has determined that the cash flow forecast can be met, if required, funds may be invested for the required term. In this regard, it is appropriate for the Finance Manager to be conservative (ie, it is unlikely that investments are to be broken to meet cash flow obligations).

2.5.2 Authorised Investments

Without specific approval from Council or the Treasurer, investments are limited to those prescribed by Part 6 of the *Statutory Bodies Financial Arrangements Act 1982* for local governments with Category 1 investment power. For Torres Shire Council investment is limited to:

- QTC Capital Guaranteed Cash Fund and debt offset facility

2.5.3 Prohibited Investments

This Investment Policy prohibits any investment carried out for speculative purposes.

The following investments are prohibited by this investment policy:

- derivative based instruments (excluding floating rate notes)
- principal only investments or securities that provide potentially nil or negative cash flow
- stand alone securities issued that have underlying futures, options, forward contracts and swaps of any kind, and
- securities issued in non-Australian dollars.

2.5.4 New investment products

A new investment product requires full risk assessment and management (including compliance with relevant legislation) and requires approval by Council.

2.5.5 Breaches

Any breach of this Investment Policy is to be reported to the Director Corporate & Community Services and rectified within 24 hours of the breach occurring. The Director of Corporate & Community Services will report the breach to the Chief Executive Officer immediately and to Council at the next meeting.

3. REPORTING

3.1 REPORTING

The Finance Manager will prepare a monthly report to Council on the performance of the investment.

On an annual basis, the Investment Policy will be reviewed and amended where required; any amendments are to be approved by Council prior to the implementation of the revised investment policy.