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## INVESTMENT POLICY

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**Adoption Date:** July 2023      **Revision Date:** July 2024  
**Division:** Corporate      **Responsible Officer:** Director Corporate Services  
**Note:** P – Primary Author  
S – Secondary Author

### 1. POLICY OBJECTIVE:

#### PRIMARY OBJECTIVE:

To establish a policy framework that allows Council to maximise the financial utilisation of funds in order to increase the discretionary income available to it, commensurate with the low-level risk profile that Council continues to adopt. This will be achieved by investing Council funds within the legislative framework of the Statutory Bodies Financial Arrangements Act 1982 and the SBFA Regulation 1997.

#### SECONDARY OBJECTIVE:

This will be achieved by designating the types of funds to be invested in, and the financial institutions to be approached for quotations.

A further necessary step in this process is to ensure that appropriate records are kept and that adequate internal controls are in place to safeguard public monies.

### 2. Definitions:

| <i>Term</i>                            | <i>Definition</i>  |
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| <b><i>Quotations on Investment</i></b> | Three (3) quotations shall be obtained from authorised institutions whenever an investment is proposed. The best quote on the day, having regard to the limits set out below, and after allowing for administrative and banking costs, will be successful. |
| <b><i>Term to Maturity</i></b>         | The term to maturity of any Council investment will be determined after consideration of the expected cash inflows and outflows for the period under review.   |
| <b><i>Placement of Investment</i></b>  | When placing investments, consideration will be given to the relationship between credit rating and interest rate. To further diversify risk, no more than one third of Council's investments will   |

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be held with one financial or non-financial institution, except in the case of QTC.

Lockhart River Aboriginal Shire Council prefers to invest in Risk-free term deposits with QTC.

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**Benchmarking**

When deciding whether to make an investment, Council gives consideration to whether the interest rate offered represents fair value for the level of credit risk involved. Fair value for Council is determined by referencing the Bank Bill Swap Rate (BBSW) and applying consideration for the credit risk margin for various financial institutions.

For example, if the BBSW is 5% and the credit risk margins is 0.25% for Bank XYZ, the quoted rate from this bank must be at least 5.25% or better.

The BBSW is provided on a (business) daily basis via QTC's internet site.

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**3. RELEVANT LEGISLATION:**

Local Government Regulation 2012 (s.191)

Statutory Bodies Financial Arrangements Act 1982 and the SBFA Regulation 1997

**4. BACKGROUND:**

Council may invest any reserve or surplus funds controlled by Council that are not immediately required for financial commitment and are not part of Trust Funds.

**5. POLICY STATEMENT:**

Council's investment portfolio should be realizable, without penalty, in a reasonable timeframe. The term to maturity of an investment can be from "at call" to periods that must not exceed one year.

**6. PROCEDURES:**

**7. CEO's Responsibility:**

Council has a number of duties when investing funds. These are outlined in s47 and s48 of the SBFA.

**S47 (1)**

A statutory body must use its best efforts to invest its funds:-

- a) at the most advantageous interest rate available to it; and
- b) in a way it considers is most appropriate in all the circumstances.

## **S47 (2)**

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

The other duty is related to record keeping. S48 states that:-

*A security, safe custody acknowledgement or other document evidencing title accepted, guaranteed or issued must be held by the statutory body or in another way approved by the Treasurer.*

## **8. BUDGETARY IMPLICATIONS:**

Council must review its position each year.

## **9. Councillor Controls and Accountability Mechanisms**

Review of the Investment Register detailing the investments held by each financial institution, term of investment, interest rate and credit ratings.

## **10. IMPLEMENTATION:**

Policy to be implemented by the Director of Administration and Finance

Policy commences immediately on adoption by Council

Policy applies to all employees of the Council.

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