

## INVESTMENT POLICY

<b>Policy Number:</b> BSC-040	<b>Version:</b> 1
<b>Classification:</b> Statutory	<b>Section:</b> Executive - Governance
<b>Date Adopted by Council:</b> 21/07/2021	<b>Resolution Number:</b> 2021 07 019
<b>Next review Due:</b> 31/07/2022	<b>Responsible Officer:</b> Chief Executive Officer
<b>Last Reviewed:</b>	<p><b>Review: Note:</b> This Policy is reviewed when any of the following occur:</p> <ol style="list-style-type: none"> <li>1. The related information is amended or replaced.</li> <li>2. Other circumstances as determined from time to time by the Chief Executive Officer.</li> </ol> <p>Notwithstanding the above, this Policy is to be reviewed at intervals of no more than two years</p>
<p><b>Legislation:</b> <i>Local Government Act 2009; Local Government Regulation 2012; Statutory Bodies Financial Arrangement Act 1982; Statutory Bodies Financial Arrangement Regulations 2007</i></p>	

### OBJECTIVE

To guide the investment of all funds held by Barcoo Shire Council.

### POLICY STATEMENT

Barcoo Shire Council will invest Council funds not immediately required for financial commitments and ensure:

- The maximisation of the earnings from authorised investments of cash reserves after assessing counterparty, market and liquidity risks;
- The active management of the net debt position with core surplus funds; and
- That adequate internal controls are in place and appropriate records are kept to safeguard public monies.

Council's investment portfolio should be realisable, without penalty, in a reasonable time frame. The term to maturity of Council's investments must not exceed one year.

Category 1 relates to investments for a fixed time of not more than one (1) year.

Authorised investments comprise:

- Deposits 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; and
- Investments with Queensland Investment Corporation (QIC) Cash Fund, Queensland Treasury Corporation (QTC) Capital Guaranteed Cash Fund, QTC Debt Offset Facility, QTC Fixed Rate Deposit (up to 12 months), QTC Working Capital Facility;
- Other investment arrangements prescribed under a regulation that specifically refers back to this paragraph.

The investment must be at call or for a fixed time of not more than one (1) year.

## **PROCEDURE**

### **There are two areas of funds placement available to Council**

- a) Direct Council Investment – Investment;
- b) Debt Reduction Strategies.

#### **(a) Council's Direct Investment**

At least three (3) quotations shall be obtained from authorised institutions whenever an investment is proposed. The best quote on the day will be successful after allowing for administrative and banking costs, as well as having regard to the limits set below.

Investments held with QTC cash fund will be benchmarked against other investments or quoted investment rates at the end of each calendar month to ensure Council is receiving the most advantageous rate given the risk/return trade-off.

The term to maturity of any Council's direct investments may range from "At Call" to one (1) year.

#### **(b) Debt Reduction Strategies**

Debt reduction strategies that could be adopted by Council include:

##### **(i) Principal repayment**

A principal repayment provides an immediate reduction in the principal outstanding on Council's debt. Benefits are obtained from the reduced interest and administration costs which are calculated on the daily balance of the market value outstanding. A principal repayment may be made when it is appropriate to reduce the level of debt given Council's target capital structure.

Consideration though must be given to Council's ability to re-borrow repaid debt if needed to meet future requirements.

##### **(ii) Prepayment of Debt Service Payments**

A prepaid debt service payment provides an immediate reduction in the principal outstanding on Council's debt. Benefits are obtained from the reduced interest and administration costs which are calculated on the daily balance of the market value outstanding. In contrast to a principal repayment where Council is required to continue to pay upcoming debt service payments, Council is not required to pay the allocated normal debt service payments.

A prepayment of debt service payments may be made when it is appropriate to reduce the level of debt given Council's target capital structure. This option may also be used to increase flexibility with respect to the timing of loan repayments.

The economic effect of the prepayment will be equivalent to a principal repayment and will depend on where Council sits in its target capital structure range. As the prepayment can be carried forward indefinitely, Council's future cash flow flexibility may increase as it does not need to make the forthcoming debt service payment.

## **INTERNAL CONTROLS**

Council will utilise its Category 1 investment powers to earn interest revenue on its operating funds to supplement Council's other sources of revenue.

Further, Council will maintain appropriate internal controls to prevent the fraudulent use of public monies. The procedure for the investment of Council funds is to be documented and followed at all times.

Council is at all times to have in place appropriate controls to prevent the fraudulent use of public monies. The following controls detail the minimum that is required:

- A person is to be identified as the responsible officer for the investment function.
- All investments are to be authorised by the Chief Executive Officer, or the Manager Corporate Services.

- Confirmation advice from the Financial Institution is to be retained as evidence that the investment is in the name of Barcoo Shire Council.
- A person, other than the responsible officer, is to perform the bank reconciliation at the end of each month (alternatively, the reconciliation needs to be reviewed by another officer).

**ASSOCIATED DOCUMENTS AND POLICIES**

Nil