



INVESTMENT OF SURPLUS FUNDS

1 PURPOSE

To invest surplus cash funds to the best advantage of Young Shire Council by:

- Maximising earnings from authorised investments within risk parameters and to ensure the security of Council funds.
- Compliance with the provisions, principles and standards determined by the Local Government Act 1993 and Local Government Financial Management Framework.

2 SCOPE

- Council is obliged to meet cash flow requirements when they become due. Investments may be comprised from surplus general purpose funds, water supplies funds, sewerage services funds, and joint committee funds, as well as other Council-related trust funds.
- The investment performance benchmark is to return an interest income yield in excess of the market index by 0.1% when measured over a rolling period of 12 months.
- Council is to assess the prudence of each investment before making portfolio allocations, and to ensure the investment assets are diversified over a variety of accepted securities. Council is considered to be a conservative investor and all capital must be guaranteed in full for each investment product.

3 PROCESS

3.1 Hold to Maturity Policy

Investments shall generally be held until maturity date, unless it is deemed to be in the best interest of Council to redeem the investment funds as cash, and / or convert into an alternative security. If this occurs, it will be either to:

- reduce risk exposure;
- increase yield; and / or
- fund unplanned cash commitments.

3.2 Placement of Investments

3.2.1 At least three (3) quotations shall be obtained from comparable authorised institutions whenever an investment is proposed.

3.2.2 A recommendation for an investment may be proposed by an external body engaged by Council to monitor and assess investment risk or Council's Finance staff, and shall be determine the General Manager or director of Corporate Services.

3.2.3 Such a recommendation must be in writing and determination of the recommendation shall be confirmed in writing.

3.2.4 The General Manager, Director of Corporate Services, Finance Accountant and the Finance Assistant have the delegated authority to place and invest surplus cash funds in accordance with this policy.

3.3 Meeting Cash Flow Obligations

- 3.3.1 Council's authorised overdraft facility may be used to fund financial commitments for periods not exceeding seven (7) working days, in anticipation of maturing investments or cash inflows.
- 3.3.2 Funds may be placed in a Money Market Call Account (or overnight call) for a maximum of seven (7) days to meet Council's foreseen creditor commitments.
- 3.3.3 Investments shall be held in both short-term and long-term products according to cash outflow requirements.
- 3.3.4 Long term investments shall not exceed 3 years in one investment term.
- 3.3.5 Redemption of the investment funds, are to be scheduled to reflect Council's requirements with regard to its creditors' obligations.

3.4 Interest Income

- 3.4.1 Determination of interest income will be net of capital gains and or / losses on proceeds.
- 3.4.2 Interest Income will be returned to Council and shall not be rolled in any renewing investment.

3.5 Policy Review

- 3.5.1 The General Manager has the delegated authority to approve variations to the policy if the proposed investment is to Council's advantage, and shall be subject to confirmation by Council.
- 3.5.2 This policy shall be subject to annual review.

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