Financial Policies

2018-19

Balonne Shire Council — For the People

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Balonne Shire Council — For the People

Investment Policy 2018/19

1.0 LEGISLATIVE AUTHORITY

Local Government Act 2009 Section 104
Local Government Regulation 2012 Section 191

Under Section 191 of the *Local Government Regulation 2012*.

(1) A local government must prepare and adopt an investment policy.

(2) The investment policy must outline—

(a) the local government's investment objectives and overall risk philosophy; and

(b) procedures for achieving the goals related to investment stated in the policy.

Investment of Council funds is to be in accordance with Council's powers to invest under the *Statutory Bodies Financial Arrangements Act 1982*, as amended and the *Statutory Bodies Financial Arrangements Regulation 2007(SBFA)*.

2.0 OBJECTIVES

- To invest Council Funds not immediately required for financial commitments.
- To maximise earning from authorised investments of such surplus funds after assessing counterparty, market and liquidity risks.

3.0 SCOPE

The intent of this document is to outline Balonne 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.

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

Investment officers are to manage the investment portfolios not for speculation, but for investment and in accordance with the spirit of this Investment Policy. Investment officers are to avoid any transaction that might harm confidence in Council. They will consider the safety of capital and income objectives when making an investment decision.

4.0 DELEGATION OF AUTHORITY

Authority for the implementation of the investment policy is delegated by Council to the Chief Executive Officer. The Chief Executive Officer may delegate this authority to the Director of Finance and Corporate Services in accordance with the *Local Government Act 2009*, Section 257-Delegation of local government powers and Section 259 - Delegation of Chief Executive Officer powers.

5.0 TERM OF INVESTMENT

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

6.0 AUTHORISED INVESTMENTS (selected from permitted investments under SBFA)

- Interest Bearing Deposits with a licensed bank.
- Deposits with Queensland Treasury Corporation.
- Deposits with a building society or credit union specifically approved by Council for investment purposes.

7.0 APPROVED BUILDING SOCIETIES AND CREDIT UNIONS

Nil

8.0 QUOTATIONS ON INVESTMENTS

When investing with banks, approved building societies or credit unions, not less than three quotes shall be obtained. Quotes shall be sourced from organisations with shopfront premises within the Shire. The best quote on the day will be successful after having regard to administrative and banking costs and fair value adjustments for credit rating of the institution and term of investment.

9.0 CALCULATING FAIR VALUE

When placing investments, consideration shall be given to the effective interest rate offered, the credit rating of the institution and term of investment.

Rates will be compared using Queensland Treasury Corporation Fair Value Model.

10.0 PRIORITY OF FUNDS PLACEMENT

Investments will be placed to maximise interest income within acceptable risk standards. Consideration will be given to term to maturity and the amount Council would be compelled to hold to meet liabilities as and when they fall due, thus maximising funds available for investment.

11.0 REPORTING

A monthly report shall be provided to Council, detailing the investment portfolio in terms of performance and counterparty exposure. The report will also detail investment income earned versus budget year to date.

Debt Policy 2018/19

1. LEGISLATIVE AUTHORITY

Local Government Act 2009 Section 104
Local Government Regulation 2012 Section 192

2. BACKGROUND

Section 192 of the *Local Government Regulation 2012* requires Local Governments to adopt a debt policy each year.

The debt policy must state—
(a) the new borrowings planned for the current financial year and the next 9 financial years; and
(b) the time over which the local government plans to repay existing and new borrowings.

3. POLICY

3.1 PURPOSES FOR WHICH BORROWING IS ALLOWABLE

Council shall, where necessary, undertake borrowing for the following purposes and is subject to the following restrictions in addition to those imposed elsewhere in this policy:-

3.1.1 Roadworks construction / reconstruction

Construction / Reconstruction to bitumen or equivalent standard.
Construction / Reconstruction of major road drainage works.

3.1.2 Bridgeworks construction / reconstruction

Construction / Reconstruction of major bridges.

3.1.3 Water Supply Infrastructure construction / reconstruction

Any construction / reconstruction which cannot be funded from revenue.

3.1.4 Urban Waste Water Infrastructure construction / reconstruction

Any construction / reconstruction which cannot be funded from revenue.

3.1.5 Aerodrome construction / reconstruction

Aerodrome pavement reconstruction.

3.1.6 Building construction / reconstruction

Major public building construction / reconstruction.

3.1.7 Drainage works construction / reconstruction

Major storm water drainage works / flood mitigation works.

3.1.8 Community Services Infrastructure

Major Recreation / Sport / Economic Development / Cultural infrastructure construction / reconstruction which cannot be funded from revenue.

3.1.9 Wild Dog Exclusion Fence Scheme

Any debt incurred with respect to providing Wild Dog Exclusion Fencing will be recouped by a special rate over a landholders land over a 20 year period.

3.2 FINANCIAL CONSTRAINTS ON BORROWING

3.2.1 General Programmes

Borrowing shall not be undertaken if the effect of such borrowing will result in annual Interest and Redemption payments exceeding 20% of Council's general rate revenue unless specifically authorised otherwise by resolution of Council.

3.2.2 Urban Water Programme

Borrowing shall not be undertaken if the effect of such borrowing will result in annual Interest and Redemption payments exceeding 20% of Council's urban water utility charge revenue unless specifically authorised otherwise by resolution of Council.

3.2.3 Urban Waste Water Programme

Borrowing shall not be undertaken if the effect of such borrowing will result in annual Interest and Redemption payments exceeding 20% of Council's Urban Waste Water utility charge revenue unless specifically authorised otherwise by resolution of Council.

3.3 METHOD OF BORROWING

Council will borrow from the Queensland Treasury Corporation.

3.4 TERMS OF BORROWING

The repayment period of a loan shall not exceed the useful life of the asset being created. For example:- A loan for the construction of a bitumen road with an expected life of 15 years shall not have a repayment period in excess of 15 years.

The Wild Dog Exclusion Fence Scheme will be for a loan period of 20 years and will be recouped by a special levy over a landholders land.

3.5 BORROWING PROGRAMME

Council may borrow up to $10million in the 2018/19 – 2020/21 financial years for the purpose of the Wild Dog Exclusion Fence Scheme.

3.6 EXISTING BORROWINGS

Council's existing borrowings shall be redeemed over the period originally negotiated, excepting that Council may negotiate new repayment schedules which shorten the term of the loan.

Where the provisions of this borrowing policy allow, loans which fall due for conversion shall be fully redeemed at the time specified for conversion.

Loans which fall due for conversion, and are to be renegotiated, shall be renegotiated as if they are new loans under this borrowing policy.