

INVESTMENT POLICY

1. Rationale:

- 1.1 School councils have full responsibility for monitoring school funds and deciding if there is the opportunity to invest surplus funds to generate interest revenue for the school. To maximize the funds available for investment, it is essential to prepare a cash flow budget to determine cash requirements in any given period.

2. Aims:

- 2.1 To assist schools to identify the potential for investment of excess funds and to determine an appropriate cash reserve or “safety net”, the following resources are available:
- Cash flow budget proforma
 - Summary of Financial Commitments Statement resulting from accumulated funds and budgetary considerations in line with school strategic plan priorities (refer Circular S461-2007 Benchmark for School Cash Reserves which recommends that a maximum of 25% of the annual Student Resource Package cash grant or \$10000, whichever is the greater, is considered a safe reserve to allow schools to meet budget variations and commitments that may occur.

Both of these proformas can be accessed on the School Financial Management website at www.education.vic.gov.au/management/financial

3. Implementation:

- 3.1 The onus is on the School Council, as trustee of school funds, to ensure that money is adequately protected by placing it in secure investments.
- 3.2 Due to the risk and complexity associated with some investments, schools should aim to minimize their exposure to risk when investing school funds.
- 3.3 All School Council bank accounts, except the High Yield Investment Account, must be in the name of the School Council.
- 3.4 Registered signatories at the bank for these accounts must comprise the Principal as a mandatory signatory, and a second co-signatory who must be a member of School Council and approved by School Council as a signatory. The business manager, registrar or bursar employed by the school cannot be nominated as a signatory to school accounts, even if that person is a School Council member.
- 3.5 All school council bank accounts are to be maintained on CASES21 Finance and regular (monthly) financial reports provided to School Council. Each bank account must be reconciled each month and audited in accordance with DET policy.
- 3.6 School bank accounts are not permitted to become overdrawn. The transfer of money from one bank account to another should be authorised by the Principal and a report detailing transfers presented to School Council each month.

Official Account

- 3.7 Schools operate one main bank account known as the Official Account.
- 3.8 The Official Account is used for the receipt of money provided from local and commonwealth government sources, and locally raised funds such as voluntary contributions, donations and fund-raising activities.
- 3.9 Schools may choose the financial institution at which to hold their Official Account taking into consideration fees and charges and access to a branch for secure depositing of funds.
- 3.10 Schools may operate other accounts such as those for tax-deductible funds, e.g. building funds, cooperative loans and investment accounts.
- 3.11 Under no circumstances should the Official Account become overdrawn or cheques knowingly drawn on the Official Account when there are insufficient funds to meet the payment.

High Yield Investment Account (HYIA)

- 3.12 The HYIA was established by DET to assist schools with cash flow planning and, in the event of surpluses being identified, to provide schools with an attractive and competitive interest rate on the funds invested, while still retaining an 'at call' status.
- 3.13 Use of the HYIA greatly simplifies the establishment of a School Council's investment policy and eliminates the need for the ongoing maintenance of an investment register.
- 3.14 All DET grants are deposited directly into the HYIA. Basic policy for the HYIA is as follows: Schools are able to transfer funds from the HYIA into the Official Account at any time, and vice versa.
- 3.15 Surplus funds from the Official Account can be deposited into the HYIA to maximise interest revenue.
- 3.16 All payments for goods and services must be made from the Official Account.
- 3.17 All other revenue received by the school is to be paid into the Official Account.
- 3.18 The interest gained from the HYIA is paid directly into that account.
- 3.19 No account-keeping fees or transaction charges are applied to the HYIA.
(Refer to Executive Memorandum 008/2000 - High Yield Investment Account, and Circular 30/2001 - High Yield Investment Account Internet Banking)

Investment of excess funds in other Investment Accounts

- 3.20 Where school councils elect to operate investment accounts in addition to the HYIA, the following guidelines are in place to assist council in discharging their responsibilities as trustees of school funds.
- 3.21 School councils are required to ensure that school funds are only invested with financial institutions (specifically Banks and Credit Unions), which are regulated by the Australian Prudential Regulation Authority (APRA), and are listed by them as an Authorised Deposit – taking Institution (ADIs). A full list of these financial institutions can be obtained from the APRA website at <http://www.apra.gov.au/adi>
- 3.22 Schools are able to invest in the following types of products with these institutions:
 - Cash Management accounts
 - Term deposit accounts
 - Accepted or endorsed bills of exchange
 - Negotiable, convertible or transferrable certificates of deposit
- 3.23 The investment of school funds in shares or other financial products, or with other financial institutions not listed as an ADI under the APRA guidelines is not allowed.

- 3.24 Schools should also be reminded of the compliance requirements in the *Education and Training Reform Act 2006 Section 2.3.6* which states that a School Council does not have the power to form or become a member of a corporation.
- 3.25 Where schools retain separate investments it remains essential to ensure that the maturity profile of the deposits is appropriate to the school's needs and that the following internal controls are in place.

School Council approved investment policy

- 3.26 School Councils should formally minute, and review annually, an investment policy which details the:
- level of funds to be invested
 - term of the investment(s)
 - type of investment(s) with reference to the school's required cash flow during the year.
- 3.27 School Councils should monitor investments for compliance with their policy.
- 3.28 All investments, or changes to investments, should be approved by School Council and authorised by the Principal and a School Council delegate.

Treatment of investments

- 3.29 All investment accounts must be recorded on CASES21 Finance and, except for the High Yield Investment Account, should be in the name of the School Council and recorded in an Investment Register.
- 3.30 Schools should not deposit money directly to, or make payments directly from, an investment account. All receipts and payments must go through the school's Official Account with investment funds transferred to/from the investment account.
- 3.31 Exceptions to this are:
- interest earned and paid directly into an investment account
 - funds deposited by the Department directly to the High Yield Investment Account
 - schools with Australian Taxation Office endorsement for Deductible Gift Recipient status to operate a gift deductible trust fund (e.g. school library or building fund).
- 3.32 On maturity of an investment, the School Council should review the cash requirements of the school and decide whether the funds are to be reinvested or utilised.

Investment register

- 3.33 Where schools choose not to use the HYIA as the sole investment instrument, details of all other investments must be recorded in a manual investment register using headings such as:
- Bank account
 - Bank title
 - Account type
 - Interest rate %
 - Investment date
 - Maturity date
 - Account Balance
 - Deposits
 - Withdrawals
- 3.34 The Investment Register must be updated with any changes to invested monies and regularly reconciled with bank statements and certificates.
- 3.35 Keeping the register up-to-date will facilitate end of year reporting requirements.

Information to be retained by schools

3.36 Schools should retain the following information in regards to investment of funds:

- School Council minutes containing approval of investment policy, approval of investments and details of changes to investment account particulars
- The School's approved 'School Council Investment Policy'
- Investment Register
- Bank statements or Certificates
- Relevant CASES21 Finance reports

Attachment 1

Australian Owned Banks

- Adelaide Bank Limited
- AMP Bank Limited
- Australia and New Zealand Banking Group Limited
- Bank of Queensland Limited
- Bendigo and Adelaide Bank Limited
- Commonwealth Bank of Australia
- Commonwealth Development Bank of Australia Limited (a subsidiary of Commonwealth Bank of Australia)
- Elders Rural Bank Limited
- Macquarie Bank Limited
- Members Equity Bank Pty Limited
- National Australia Bank Limited
- St. George Bank Limited
- Suncorp-Metway Limited
- Westpac Banking Corporation

Credit Unions

- Alliance One Credit Union Ltd
- AMP Credit Union Ltd
- Austral Credit Union Limited
- Australian Central Credit Union Ltd
- Australian Country Credit Union Ltd (*trading as Reliance Credit Union*)
- Australian Defence Credit Union Limited
- AWA Credit Union Limited
- Bananacoast Community Credit Union Ltd
- Bankstown City Credit Union Ltd
- Berrima District Credit Union Ltd
- Big Sky Credit Union Ltd
- Broadway Credit Union Ltd
- CAPE Credit Union Limited
- Capital Credit Union Ltd
- Capricornia Credit Union Ltd
- Central Murray Credit Union Limited
- Central West Credit Union Limited
- Circle Credit Co-operative Limited
- Coastline Credit Union Limited
- Collie Miners Credit Union Ltd
- Community Alliance Credit Union Limited
- Community CPS Australia Limited
- Community First Credit Union Limited
- Companion Credit Union Limited
- Comtax Credit Union Limited

- Country First Credit Union Ltd
- Credit Union Australia Ltd
- CSR and Rinker Employees Credit Union Limited
- Defence Force Credit Union Limited
- Dnister Ukrainian Credit Co-operative Limited
- Electricity Credit Union Ltd
- Encompass Credit Union Limited
- Esso Employees' Credit Union Ltd
- Eurobodalla Credit Union Ltd
- Family First Credit Union Limited
- Fire Brigades Employees' Credit Union Limited
- Fire Service Credit Union Limited
- Firefighters & Affiliates Credit Co-operative Limited
- First Choice Credit Union Ltd
- First Option Credit Union Limited
- Fitzroy & Carlton Community Credit Co-operative Limited
- Ford Co-operative Credit Society Limited
- Gateway Credit Union Ltd
- Geelong & District Credit Co-operative Society Limited
- GMH (Employees) Q.W.L. Credit Co-operative Limited
- Goldfields Credit Union Ltd
- Gosford City Credit Union Limited
- Goulburn Murray Credit Union Co-operative Limited
- H.M.C. Staff Credit Union Ltd
- Heritage Isle Credit Union Limited
- Hibernian Credit Union Limited
- Holiday Coast Credit Union Ltd
- Horizon Credit Union Ltd
- Hoverla Ukrainian Credit Co-operative Ltd
- Hunter Mutual Limited
- Hunter United Employees' Credit Union Limited
- Industries Mutual Credit Union Limited
- Intech Credit Union Limited
- Karpaty Ukrainian Credit Union Limited
- La Trobe Country Credit Co-operative Limited
- La Trobe University Credit Union Co-operative Limited
- Laboratories Credit Union Limited
- Latvian Australian Credit Co-operative Society Limited
- Lithuanian Co-operative Credit Society "Talka" Limited
- Lysaght Credit Union Ltd
- MacArthur Credit Union Ltd
- Macaulay Community Credit Co-operative Limited
- Macquarie Credit Union Limited
- Maleny and District Community Credit Union Limited
- Manly Warringah Credit Union Limited
- Maritime Workers of Australia Credit Union Ltd
- Maroondah Credit Union Ltd

- MECU Limited
- Melbourne University Credit Union Limited
- MemberFirst Credit Union Limited
- MyState Financial Credit Union of Tasmania Limited
- New England Credit Union Ltd
- Newcom Colliery Employees Credit Union Ltd
- Northern Inland Credit Union Limited
- Nova Credit Union Limited
- NSW Teachers Credit Union Ltd
- Old Gold Credit Union Co-operative Limited
- Orana Credit Union Ltd
- Orange Credit Union Limited
- Phoenix (N.S.W.) Credit Union Limited
- Plenty Credit Co-operative Limited
- Police & Nurses Credit Society Limited
- Police Association Credit Co-operative Limited
- Police Credit Union Limited
- Polish Community Credit Union Ltd
- Power Credit Union Limited
- Powerstate Credit Union Ltd
- Pulse Credit Union Limited
- Qantas Staff Credit Union Limited
- Queensland Country Credit Union Limited
- Queensland Police Credit Union Limited
- Queensland Professional Credit Union Ltd
- Queensland Teachers' Credit Union Limited
- Queenslanders Credit Union Limited
- Railways Credit Union Limited
- RegionalOne Credit Union Limited
- Resources Credit Union Limited
- R.T.A. Staff Credit Union Limited
- Satisfac Direct Credit Union Limited
- Savings and Loans Credit Union (S.A.) Ltd
- Security Credit Union Ltd
- Select Credit Union Limited
- Service One Credit Union Limited
- SGE Credit Union Limited
- Shell Employees' Credit Union Limited
- South West Slopes Credit Union Ltd
- Southern Cross Credit Union Ltd
- South-West Credit Union Co-operative Limited
- St Mary's Swan Hill Co-operative Credit Society Limited
- StateWest Financial Services Limited
- Sutherland Credit Union Ltd
- Sutherland Shire Council Employees' Credit Union Ltd
- Sydney Credit Union Ltd
- Tartan Credit Union Ltd

- The Broken Hill Community Credit Union Ltd
- The Gympie Credit Union Ltd
- The Police Department Employees' Credit Union Limited
- The Summerland Credit Union Limited
- The TAFE and Community Credit Union Ltd
- The University Credit Society Limited
- Traditional Credit Union Limited
- TransComm Credit Co-operative Limited
- Uni Credit Union Ltd
- United Credit Union Limited
- Victoria Teachers Credit Union Limited
- Wagga Mutual Credit Union Ltd
- Warwick Credit Union Ltd
- WAW Credit Union Co-operative Limited
- Westax Credit Society Ltd
- Woolworths Employees' Credit Union Limited
- Wyong Council Credit Union Ltd