



Investment Policy

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Responsible Officer	Chief Financial Officer		
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1. Purpose

This policy aims to provide Council with a prudent approach to investment of surplus funds based on an assessment of market and liquidity risk within the legislative framework of the *Statutory Bodies Financial Arrangements Act 1982* and the *Local Government Act 2009*.

2. Scope

This policy applies to all surplus funds of Council not immediately required for financial commitments.

This policy applies to all Council officers that are responsible for transactions which may affect Council's investment accounts.

3. Responsibility

The Chief Executive Officer and Chief Financial Officer are responsible for ensuring that this policy is understood and adhered to by all Council officers.

4. Definitions

Term	Definition
At call	An investment that can be redeemed, and the funds retrieved by the investor from the financial institution within 30 days without penalty.
Counterparty	A legal and financial term referring to the other individual or institution to an agreement or contract.
Credit risk	The risk of loss due to the failure of the counterparty of an investment to meet its financial obligations in a timely manner.
Financial institution	An authorised deposit-taking institution within the meaning of the Banking Act 1959 (Cwlth) .
Interest rate risk	The risk of a change in the market value of the investment portfolio, which arises due to a change in interest rates.
Investment portfolio	A collection of short, medium, and long-term cash deposit investment accounts.
Liquidity risk	The risk that Council will have insufficient cash available to meet its working capital needs.
Transaction risk	The risk of a direct or indirect loss resulting from inadequate or failed internal processes, people, or systems.
Market average rate of return	An average interest rate corresponding to what would be achieved if an investment was made in an indexed fund with a similar risk profile.
Preservation of capital	An investment strategy with the primary goal of preventing losses in an investment's total value. It guarantees the return of principal, at least matching inflation.
Responsible officer	Council officers responsible for activities directly related to the transfers of cash between Council's investment accounts (e.g., Finance officers).

All other definitions are in accordance with the *Local Government Act 2009*, *Local Government Regulation 2012*, *Statutory Bodies Financial Arrangements Act 1982*, and *Statutory Bodies Financial Arrangements Regulation 2019*.

5. Policy Statement

- Council will invest surplus funds not immediately required for financial commitments to maximum returns on funds for the community. Analysis will be undertaken prior to any investment to identify the amount of surplus funds available for investment and the effective term of such investment.
- In accordance with the *Statutory Bodies Financial Arrangements Act 1982*, Council must use its best efforts to invest in funds:
 - (a) at the most advantageous interest rate available to it at the time of the investment for an investment of the proposed type; and
 - (b) in a way it considers most appropriate in all the circumstances
- Council will endeavour to:
 - (a) preserve capital through the effective management of the investment portfolios exposure to credit risk, interest rate risk, liquidity risk and transaction risk
 - (b) maintain sufficient liquidity of its investment portfolio to meet all reasonably anticipated cash flow requirements, as and when they fall due
 - (c) maintain an investment portfolio which is expected to achieve a market average rate of return.
- Council will ensure that appropriate records are kept and that adequate internal controls are in place to safeguard public monies

6. Investment Guidelines

a) *Investment Term*

Under the *Statutory Bodies Financial Arrangements Act 1982*, all investments must be at call or for a fixed time of not more than 1 year.

b) *Authorised Investments*

Section 44(1) of the SBFAA provides Council with the power to invest in authorised investments which include:

- a) Deposits with a financial institution.
- b) Investment arrangements accepted, guaranteed, or issued by or for the Commonwealth or a State or a financial institution.
- c) Other investment arrangements secured by investment arrangements accepted, guaranteed or issued by or for the Commonwealth or a State or a financial institution.
- d) Investment arrangements, managed or offered by QTC, prescribed under a regulation for this paragraph.
- e) An investment arrangement with a rating prescribed under a regulation for this paragraph; and
- f) Other investment arrangements prescribed under a regulation for this paragraph.

c) *Prohibited Investments*

This policy prohibits any investment carried out for speculative purposes. The following investments are prohibited:

- a) Derivative type investments (excluding floating rate notes).
- b) Principal only investments or securities that provide potentially nil or negative cash flow.
- c) Standalone securities issued that have underlying futures, options, forward contracts, and swaps of any kind.
- d) Securities issued in currencies other than Australian dollars.

d) *Portfolio Investment Parameters*

The amount invested with institutions or fund managers should not exceed the following percentage ranges of average annual funds invested. When placing investments, consideration will be given to the relationship between credit rating and interest rate. The following table shows the credit ratings and counterparty limits for Council, as a percentage of the market value of the investment portfolio:

Short Term Rating (S&P's)	Individual Counterparty Limit	Total Portfolio Limit
QTC Cash Funds	No Limit	No Limit
A1+	30%	No limit
A1	15%	50%
A2 (Financial Institutions only)	10%	30%
A3 (Financial Institutions only)	5%	10%
Unrated	Nil	Nil

e) *Maintenance of Liquidity*

Given the nature of the funds invested, no more than 30 per cent of the investment portfolio will be held in non-liquid securities and at least 20 per cent of the portfolio is to be on call or will mature within 7 days.

f) *Internal Controls*

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:

- i. A person is to be identified as the responsible officer for the investment function;
- ii. Authority to implement the Investment Policy is delegated by Council to the Chief Executive Officer in accordance with the *Local Government Act 2009*, section 257(1)(b)
- iii. Authority for the day to day management of Council's Investment portfolio is to be delegated and authorised by Chief Financial Officer,
- iv. Confirmation advices from the Financial Institution are to be recorded in Council's record management system;

- v. 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);
- vi. Investment officers shall refrain from personal activities that would conflict with the proper execution of Council's investment portfolio. This policy requires Investment officers to disclose to the Chief Executive Officer any conflict of interest that could be related to the investment portfolio.
- vii. Council is at all times to comply with the legislation applicable to the investment function within Local Government. Council will use its investment powers to earn interest revenue on its operating funds to supplement Council's other sources of revenue.
- viii. Council will maintain appropriate internal controls to prevent the fraudulent use of public monies.
- ix. The management of Council's investments is to be documented and the policy followed at all times.

Any breach of this Investment Policy is to be reported to Chief Financial Officer and, if required, rectified as soon as practicable. The Chief Financial Officer shall report any breach that needs to be rectified to Council at the next meeting.

Where Council holds an investment that is downgraded below the minimum acceptable rating level, as prescribed under regulation for the investment arrangement, Council shall within 28 days after the change becomes known to Council, either obtain the Treasurer's approval for continuing with the investment or sell the investment arrangement (including, for example, withdrawing the deposit).

g) Records and Reporting

In accordance with the *Statutory Bodies Financial Arrangements Act 1992*, Council must keep records that show it has invested in the way most appropriate in all the circumstances.

A monthly report will be provided to Council, detailing the investment portfolio and its performance, as well as any potential counterparty and other risk exposures.

For audit purposes, certificates must be obtained from the financial institution holding the funds, confirming the amounts of investment held on Council's behalf at 30 June each year

7. Related Policies and Legislation

- *Local Government Act 2009*
- *Local Government Regulation 2012*
- *Statutory Bodies Financial Arrangements Act 1982*

8. Planned Borrowings

Council's long-term financial plan does not identify any further borrowings for the next ten years.

9. Associated Council Documents

- Adopted Budget
- Long Term Asset Management Plan
- Long Term Financial Plan
- Debt Policy

10. Review

This policy is to be reviewed in line with the Corporate Policy Framework and referenced as part of the annual budget process.