

POLICY TITLE:	Investment Policy
POLICY NUMBER:	S009
COUNCIL ADOPTION DATE:	20 June 2023
LINK TO WIK KATH MIN VALUES:	Values 1-6
LINK TO CORPORATE PLAN:	Key Governance Goal 5 – Financial Stability
REVIEW DATE:	June 2024
POLICY OWNER:	Director of Corporate Services

1. Purpose

To invest funds at the most advantageous rate of interest available to it at the time, for that investment type, and in a way that it considers the most appropriate given the circumstances

This policy applies to the investment of surplus funds in accordance with Category One (1) investment power under part 6 of the Statutory Bodies Financial Arrangements Act 1982 (SBFAA) and the Statutory Bodies Financial Arrangements Regulations 2007 (SBFAR).

2. Objectives

The objectives of the Investment Policy are to:

- a) invest Council's funds in accordance with Council's power of investment; and
- b) meet legislative requirements to prepare a revenue policy pursuant to s 101 of the *Local Government Act 2009* and s 191 of the *Local Government Regulation 2012*

3. Scope

This policy applies to investment of all cash holdings of Aurukun Shire Council. For the purpose of this policy, investments are defined as arrangements that are undertaken for the purpose of producing income.

4. Policy Statement

Authority for Investment

Investment of Council funds is to be in accordance with the relevant power of investment under the SBFAA and SBFAR and their subsequent amendments and regulations.

Investment Officers are to manage 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 Aurukun Shire Council.

Ethics and Conflicts of Interest

Investment officers/employees shall refrain from personal activities that would conflict with the proper execution and management of Aurukun Shire Council's investment portfolio. This includes activities that would impair the investment officers' ability to make impartial decisions.

This Policy requires that employees and investment officers disclose to the Chief Executive Officer any conflict of interest or any investment positions that could be related to the investment portfolio.

Preservation of Capital

Preservation of Capital shall be the principal objective of the investment portfolio. Investments are to be performed in a manner that seeks to ensure security of principal of the overall portfolio. This would include managing credit and interest rate risk within given risk management parameters and avoiding any transactions that would prejudice confidence in Council or its associated entities.

Credit Risk

Aurukun Shire Council will evaluate and assess risk prior to investment. Credit risk is the risk of loss due to failure of an investment issuer or guarantor. The investment officer will minimise the risk in the investment portfolio by pre-qualifying all transactions including the brokers/securities dealers with which they do business, diversify the portfolio and limit the transactions to secure investments.

Interest Rate Risk

The investment officers shall seek to minimise the risk of a change in the market value of the portfolio because of a change in the interest rates. This would be achieved by considering the cash flow requirements of Council and structuring the portfolio accordingly. This will avoid having to sell securities prior to maturity in the open market. Secondly, interest rate risk can be limited by investing in shorter term securities.

Maintenance of Liquidity

The investment portfolio will maintain sufficient liquidity to meet all reasonably anticipated operating cash flow requirements of Council, as and when they fall due, without incurring significant transaction costs due to being required to sell an investment.

Return on Investment

The portfolio is expected to achieve a market average rate of return and take into account Aurukun Shire Council's risk tolerance and current interest rates, budget considerations, and the economic cycle. Any additional return target set by Council will also consider the risk limitations, prudent investment principles and cash flow characteristics identified within this Investment Policy.

Authorised Investments (as per "SBFAA")

Section 44(1) of the SBFAA provides 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 arrangements secured by investment arrangements accepted, guaranteed or issued by or for the Commonwealth or a State or financial institution;

- (d) investment arrangements, managed or offered by QIC or QTC, prescribed under a regulation for this paragraph;
- (e) An investment arrangement with a rating prescribed under a regulation for this paragraph.

Prohibited Investments

This Investment Policy prohibits any investment carried out for speculative purposes. The following investments are prohibited by this Investment Policy:

- derivative type investments (excluding floating rate notes);
- principal only investments or securities that provide potentially nil or negative cash flow;
- stand alone securities issued that have underlying futures, options, forward contracts and swaps of any kind; and
- securities issued in non-Australian dollars.

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 should be given to the relationship between credit rating and interest rate.

Long Term Rating (Standard & Poors)	Short Term Rating (Standard & Poors)	Individual Counterparty Limit	Total Limit
AAA to AA-	A1+	No Limit	No Limit
A+ to A- (Except Bendigo Bank)	A1	No Limit	No Limit
BBB+ to BBB- (Except Bendigo Bank)	A2	Maximum 20%	Maximum 20%
Unrated or below BBB	Unrated or below A2	None	None
QTC Cash Management Fund		No Limit	No Limit

Internal Controls

The Finance Manager shall establish internal controls and processes that will ensure investment objectives are met and that the investment portfolios are protected from loss, theft or inappropriate use.

Breaches

Any breach of this Investment Policy is to be reported to the Chief Executive Officer and rectified within seven (7) days of the breach occurring.

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 Treasurer approval for continuing with the investment arrangement or sell the investment arrangement.

Delegation of Authority

Authority for implementation of the Investment Policy is delegated by Council to the Chief Executive Officer in accordance with the Local Government Act 2009, Section 257 (1).

Authority for the day to day management of Council's Investment Portfolio is to be delegated by the Chief Executive Officer to the Finance Manager

5. Regulatory Authority

Local Government Act 2009

Local Government Regulation 2012

Statutory Bodies Financial Arrangements Act 1982

Statutory Bodies Financial Arrangements Regulation 2019

6. Implementation and Review

Implementation

Once adopted, this policy will be:

- published on Council's website; and
- published on Council's Intranet.

Review

This policy is to be reviewed whenever legislation changes, or annually if no changes have been required to be enacted, at the direction of the Chief Executive Officer.