



# **ORDINARY MEETING**

**25 SEPTEMBER 2024**

**POLICIES**

**(NEW OR REVIEW)**

Item No.	9.2	
REPORT TITLE	<b>Investment Policy Review</b>	
AUTHOR	Kristine Smith	
ATTACHMENTS	Qld Government Investment Policy Guidelines for Local Governments, WASC Investment Policy	

## PURPOSE

Council to review and accept the Investment Policy

## REPORT

Clause 191 Qld Local Government Regulations 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

Part 6 of the Statutory Bodies Financial Arrangements Act 1982 deals with investments.

Section 47 of the SBFA Act requires Statutory Body such as local government is to invest at the most advantageous rate.

- (1) A statutory body must use its best efforts to invest its 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 is most appropriate in all the circumstances.
- (2) The statutory body must keep records that show it has invested in the way most appropriate in all circumstances.

## RISK MANAGEMENT IMPLICATIONS

- The Qld Statutory Bodies Financial Arrangements Regulation 2019 (Current as at 14 April 2023) Section 6 details the 'Investment Powers to Statutory Bodies'.

## POLICY IMPLICATIONS

- Improved controls in the management of investments as a Statutory Body

## LEGISLATIVE & OTHER REGULATORY REQUIREMENTS

Qld Statutory Bodies Financial Arrangement Act 1982  
 Qld Local Government Act 2009  
 Qld Local Government Regulations 2012

## BUDGET, FINANCIAL AND RESOURCE IMPLICATIONS

'As per Budget Papers 24/25

## CONSULTATION

## RECOMMENDATION

That Council:

Review and accept the Investment Policy for the 2024/25 Financial Year

# Policy Document



Statutory Policy Number: SP005

## Investment Policy

This Policy is mandated by the:

- Qld Local Government Act 2009
- Qld Local Government Regulation 2012
- Statutory Bodies Financial Arrangement Act 1982
- Statutory Bodies Financial Arrangement Regulation 2019

*Key Supporting Document/s*

- WASC Debt Policy

## Definitions

Annual Report	For a local government means its annual report under chapter 5, part 2, division 3 of the Qld Local Government Regulation 2012
Budget and long-term forecast	A budget is an outline of expectation of what a council wants to achieve for a financial year. A long-term forecast is usually a minimum of 10 years.
Commercial	Commercial tenant can be a business, retail, office professional or industrial operations; multi residential complexes can also be commercial basis, where the
Credit Risk	The risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations.
Debt Policy	Detail on how council is planning on repaying debt
Derivative	A financial contract that derives its value from any underlying asset, community, or index, as defined under the SBFA Act.
Financial sustainability	Being able to manage likely development and unexpected financial shocks in future. Ability to manage and meet spending commitments.
On-call Investments	Where the investment can be redeemed and the monies invested can be retrieved from the financial institution within 24 hours.
Policy into Practice	Repeated operational functions associated with the organisations intent to meet legislative and strategic requirements
Statement of comprehensive income	Is the new position positive (that is, in surplus) or negative (that is, in deficit)
Statement of Financial Position	How much cash does council hold and how much council borrowed

## **POLICY STATEMENT**

The structure and features of Council's investments are to take account of the time horizons and risk parameters associated with available investment options and the liquidity and operational requirements of Council as per the guidelines below.

### **a) Quotations on Investments**

No less than three quotations shall be obtained from authorised institutions when an investment is proposed. Investment with the Queensland Treasury Corporation Capital Guaranteed Cash Fund does not constitute an investment decision requiring three quotes.

In assessing fair value of quotes obtained, the risk of the entity providing the return must be considered. The *Fair Value Calculator* tool, made available by Queensland Treasury Corporation can be used to assist in this evaluation.

### **b) 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:

#### **i) Credit Risk**

Council will evaluate and assess credit risk prior to investment. Credit risk is the risk of loss due to the failure of an investment issue or guarantor. Investment Officers will minimise credit risk in the investment portfolio by pre-qualifying all transactions including the brokers/securities dealers with which they do business, diversifying the portfolio and limiting transactions to secure investments.

#### **ii) Interest Rate Risk**

Investment Officers shall seek to minimise the risk of change in the market value of the portfolio because of a change in 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.

### **c) Term to Maturity**

The term to maturity of Council's investments may range from nil (i.e. funds available at call from time of establishment) to one year. At any time, investment decisions will reflect Council's future cash flow requirements and the prevailing outlook regarding interest rates.

### **d) Maintenance of Liquidity**

Maintaining Council's ability to access funds in the short-term and meet day-to-day operational requirements will be a priority. Council will seek to minimise costs arising from failure to adequately manage liquidity by monitoring cash flow requirements, establishing and maintaining procedures for cash balancing and prudently choosing between investment options for surplus funds.

## **OBJECTIVE**

Woorabinda Aboriginal Shire Council's overall investment objective is, at all times, to invest its funds at the most advantageous rate of interest available for the investment type, and in a way that Council considers most appropriate to the circumstances.

## **ETHICS AND CONFLICTS OF INTEREST**

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

## **IMPLEMENTATION**

### **Internal Controls**

The Chief Executive Officer 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.

The Chief Executive Officer shall issue a letter to any approved counterparty advising that funds transferred from Investments to Council must only be deposited into Council's General Account or Trust Account. This instruction cannot be varied unless a request is made in writing signed in accordance with Council's account signing authority.

### **Breaches**

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

Where Council holds an investment that is downgraded below the minimum acceptable rating level, as prescribed under the *Statutory Bodies Financial Arrangements Regulation 2007* for the investment arrangement, Council shall, within twenty-eight days after the change becomes known to Council, either obtain approval from the State Government Treasurer for continuing with the investment arrangement or sell the investment arrangement.

### **Policy Review**

The effectiveness of this policy will be monitored by the Corporate Services Manager.

Reviews of this policy will be every two years **OR** authorised by the Chief Executive Officer as is deemed necessary.

### **Variations**

*Woorabinda Aboriginal Shire Council reserves the right to vary, replace, or terminate this policy from time to time.*