



F.08 Investment Policy

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Policy Owner: Council
Policy No: F.08 **Version:** 12
Council Resolution Number: QSC 175-08-24
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1 OBJECTIVE

This purpose of this policy is to provide Quilpie Shire Council (Council) with a contemporary approach to investments based on an assessment of market and liquidity risk within the legislative framework of the *Statutory Bodies Financial Arrangements Act 1982* and the *Statutory Bodies Financial Arrangements Regulations 2019*.

The objectives of this policy are to:

- Invest Council funds not immediately required for financial commitments;
- Maximise earnings from authorised investments of cash reserves after assessing counterparty, market and liquidity risks; and
- Ensure that appropriate records are kept and that adequate internal controls are in place to safeguard public monies.

2 SCOPE

This policy applies to all investments made by Council.

3 STATEMENT

3.1 LEGISLATIVE AUTHORITY

Local Government Act 2009 – Section 101 and Section 104(5)(c)(1)

Local Government Regulation 2012 – Section 191 which sets out the requirements of the policy and states that a local government must prepare and adopt an investment policy.

Statutory Bodies Financial Arrangements Act 1982 - sets out investment powers for statutory bodies.

Statutory Bodies Financial Arrangements Regulation 2019 – Council as a statutory body is allocated Category 1 investment powers under this regulation.

3.2 BACKGROUND

Council has a number of responsibilities when investing funds. These responsibilities are outlined in Section 47 and Section 48 of the *Statutory Bodies Financial Arrangements Act 1982*.

Section 47 states:

- (1) *A statutory body 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.
- (2) The statutory body must keep records that show it has invested in the way most appropriate in all the circumstances.

Section 48 states that:

A security, safe custody acknowledgment or other document evidencing title accepted, guaranteed or issued for an investment arrangement must be held by the statutory body or in another way approved by the Treasurer.

3.3 INVESTMENT OBJECTIVES

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Council's overall objective is to invest its 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 most appropriate given the circumstances.

In priority, the order of investment activities shall be preservation of capital, liquidity, and return.

3.4 INVESTMENT GUIDELINES

3.4.1 Types of Investments

Section 44 of the *Statutory Bodies Financial Arrangements Act 1982* states Council's investment power as follows:

1. Category 1 investment power is the power to invest in all or any of the following—
 - 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 QIC or QTC, prescribed under a regulation for this paragraph;
 - e. an investment arrangement with a rating prescribed under a regulation for this paragraph;
 - f. other investment arrangements prescribed under a regulation for this paragraph.
2. However, the investment must be—
 - a. at call; or
 - b. for a fixed time of not more than 1 year.

3.4.2 Limitation on Investment Power

Section 43 of the *Statutory Bodies Financial Arrangements Act 1982* states that investments must be:

1. in Australian money; and
2. undertaken in Australia.

3.4.3 Authorised Investments

Without specific approval from Council or the Treasurer, investments are limited to those prescribed by section 6 of the *Statutory Bodies Financial Arrangements Act 1992* for local governments with Category 1 investment powers, which include:

- a. Interest bearing deposits;
- b. Commercial paper;
- c. Bank accepted/endorsed bank bills;
- d. Bank negotiable certificates of deposit;
- e. Short term bonds;
- f. Floating rate notes;
- g. Queensland Investment Corporation (QIC) ;
- h. Queensland Treasury Corporation Guaranteed Cash Fund, Debt Offset Facility, Fixed Rate Deposit (up to 12 months) and QTC Working Capital Facility; and

- i. Broker sponsored deposits issued by an investment broker (or its ultimate parent company).

3.4.4 Prohibited Investments

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

- a. Derivative based instruments (excluding floating rates notes);
- b. Principal only investments or securities that provide potentially nil or negative cashflow;
- c. Stand-alone securities issued that have underlying futures, options, forward contracts and swaps of any kind; and
- d. Securities issued in non-Australian dollars.

3.4.5 Portfolio Investment Parameters and Credit Requirements

The following table shows the credit ratings and counterparty limits for Council:

| Short Term Rating (Standard & Poor's) or equivalent | Individual Counterparty Limit | Total Limit (Max % of Portfolio) |
|--|---|----------------------------------|
| A1+ | 100 | 100% |
| A1 | 10%-20% | 50% |
| A2 – Financial Institutions only | 5%-15% | 30% |
| A3 – Financial Institutions only | 2%-7% | 10% |
| All other approved deposit taking institutions regulated by APRA (Unrated) | \$250,000 (Australian Government guarantee amount) | 10% |
| QIC/QTC Pooled Cash Management Funds | 100% | 100% |

A Financial Institution is defined as an authorised deposit taking institution within the meaning of the *Banking Act 1959* (Commonwealth), Section 5.

It is noted that for the purpose of this investment portfolio, the percentage limits apply effective from the date of purchase as a percentage of the total value of the portfolio.

Whenever an investment is proposed, a minimum of two (2) quotes will be obtained from authorised institutions achieving as Standard & Poors or Moody rating of “AA” or better.

The institution offering the best quotation, net of costs, will generally be successful in attracting Council’s investment. However, Council may deviate from this arrangement in situations where it wishes to support local financial institutions, whose investment interest rate may not match its competitors.

Investments held with the Queensland Treasury Corporation Cash Fund will be benchmarked against other investments or quoted investment rates at the end of each calendar month to ensure Council is receiving the most advantageous rate given the risk/return trade off.

Investments with unrated institutions are covered by the Australian Government Financial Claims Scheme (FCS) which protects deposit-holders with Australian incorporated banks, building societies and credit unions (known as authorised deposit-taking institutions or ADIs), providing a government-backed safety net for deposits of up to \$250,000 per account-holder per ADI.

3.4.6 Maturity

The maturity structure of the portfolio will reflect a maximum term to maturity of one year and includes an interest rate reset of no longer than six months.

3.4.7 Liquidity Requirement

Given the nature of the funds invested, at least 10 percent of the portfolio is to be available with 24 hours' notice.

3.4.8 Breaches

Any breach of this Investment Policy is to be reported to the Chief Executive Officer and, if required, rectified as soon as practicable. The Manager Finance & Administration will 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, either obtain Treasurer's approval for continuing with the investment arrangement or sell the investment arrangement (including, for example, withdrawing a deposit).

3.4.9 Records

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 or alternatively certificates of deposits as and when made will be held on file.

3.4.10 Reporting

A monthly report will be provided to Council, detailing the investment portfolio and its performance.

3.5 INTERNAL CONTROL

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:

- A person is to be identified as the responsible officer for the investment function;
- All investments are to be authorised by the Manager Finance & Administration, or the Chief Executive Officer;
- Confirmation advices from the Financial Institution are to be recorded in Council's Record Management System; and
- 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.

Council is at all times to comply with the legislation applicable to the investment function within Local Government. Council will utilise its Category 1 investment powers to earn interest revenue

on its operating funds to supplement Council’s other sources of revenue. Further, Council will maintain appropriate internal controls to prevent the fraudulent use of public monies.

The policy for the investment of Council funds is to be documented and followed at all times.

4 HUMAN RIGHTS COMPATIBILITY STATEMENT

This Policy has been assessed as compatible with the Human Rights protected under the Human Rights Act 2019

5 DEFINITIONS

Nil

6 RELATED POLICIES | LEGISLATION | OTHER DOCUMENTS

Local Government Act 2009

Local Government Regulation 2012

Statutory Bodies Financial Arrangements Act 1982

Statutory Bodies Financial Arrangements Regulations 2019

| IX # | Details |
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7 VERSION CONTROL

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|------------|-----------|---|
| Version 1 | 22-Jan-13 | Developed and adopted |
| Version 2 | 01-Jul-13 | Reviewed and adopted |
| Version 3 | 10-Jun-14 | Reviewed and adopted |
| Version 4 | 16-Jun-15 | Reviewed and adopted |
| Version 5 | 08-Jul-16 | Reviewed and adopted |
| Version 6 | 22-Jun-18 | Reviewed and adopted |
| Version 7 | 14-Jun-19 | Reviewed and adopted |
| Version 8 | 12-Jun-20 | Reviewed with a minor amendment and adopted |
| Version 9 | 16-Jul-21 | Reviewed and adopted |
| Version 10 | 18-Jul-23 | Reviewed and adopted |
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| Version 12 | 27-Aug-24 | Reviewed and adopted |