

## Council Policy

### Investment

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<b>Portfolio</b>	Council Sustainability	<b>Next Review Date</b>	30/06/2026
<b>Business Unit</b>	Financial Management	<b>Document ID</b>	11314644

#### 1. Purpose/Objective

The objectives of this Policy are to establish the guidelines for investing funds not required to meet immediate liquidity needs:

1. In accordance with legislative requirements; and
2. With consideration of risk and at the most favourable rate of interest available at the time for the investment type.

#### 2. Scope

This Policy applies to all Council investments.

#### 3. Responsibility

Financial Management will be responsible for ensuring compliance with relevant legislation and for the annual review in accordance with the annual budget modelling adopted by Council.

#### 4. Policy

Part 3 Section 104 of the Local Government Act 2009 (Act) requires Council to have an Investment Policy as part of a system of financial management.

Section 191 of the Local Government Regulation 2012 (Regulation) requires that Council's 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.

Council is committed to maintaining a diversified portfolio of investments with the aim of minimising credit risk and market risk. While exercising the power to invest, consideration is to be given to preservation of capital, liquidity and the return on investment.

The following principles will be applied to all investment decisions:

- Investing only in investments permitted by current legislation;
- Ensuring investments are placed giving due consideration to the relationship between credit rating and interest rate;
- Ensuring diversification is achieved by maintaining the spread of investments across a range of institutions;
- Ensuring the investment portfolio is realisable with minimal penalty within a reasonable timeframe;
- Identifying available cash and period of availability via analysis of the cash flow position for Council each working day;
- Seeking the most advantageous interest rate taking consideration of what is most appropriate in all the circumstances;
- Keeping records to support Council's investment decisions; and
- Divesting within 28 days or as soon as practicable if the funds are downgraded and no longer fall within the current guidelines.

Procedures to achieve the investment goals are detailed in Attachment A - Investment Policy Procedure.

### **Delegation of Authority**

Authority for the exercise of Category 1 investment power under Part 6 of the *Statutory Bodies Financial Arrangement Act 1982* and in accordance with the Investment Policy is delegated by Council to the Chief Executive Officer pursuant to Section 257(1)(b) of the Act.

### **Type of Investments**

Investments should be appropriate to Council's investment objectives and comply with the range of approved investments prescribed by Section 44 of the *Statutory Bodies Financial Arrangements Act 1982*.

### **Risk Management**

Council is risk averse; risk aversion is the reluctance to invest in a product with a higher risk compared to a product with a lower risk, but possibly lower returns. Risk can never be completely mitigated and no investment is risk free.

The Investment Policy outlines the limits on investments that assist in mitigating risk within Council's control without unnecessary detrimental impact on investment returns.

Investments are to comply with key criteria relating to:

Credit Risk - limit overall credit exposure of the portfolio;

Counterparty Credit Risk - limit exposure to individual counterparties/institutions;

Maturity Risk - limits based upon maturing of investments;

Protection of Principal - investments entered into should be structured to minimise the risk of loss of principal; and

Grant Funding Conditions - conditions relating to grant funding available to invest must be complied with

## Investment Limits

### Term to Maturity

Council's investments should be able to be liquidated in a timely manner with minimal loss or penalty. The term to maturity of any investment may range from "at call" to one year. The maximum term for any investment will not exceed one year in accordance with Section 44 of the *Statutory Bodies Financial Arrangements Act 1982*.

### Liquidity Requirements

The term of investments must also take into account Council's liquidity requirements and the portfolio must be structured so that there are always sufficient funds available to meet weekly cash requirements.

### Credit Ratings

Credit ratings in no way guarantee an investment or protect Council against investment losses. The prescribed ratings should not be misinterpreted as an implicit guarantee of investments or entities that have such ratings. Even given this challenge, ratings provide the best independent information available.

To limit overall credit exposure of the portfolio and exposure to individual counterparties/institutions, Council has placed the following limits on portfolio credit ratings:

<b>Short Term Rating (Standard &amp; Poor's) or equivalent</b>	<b>Maximum Percentage of Total Investments</b>
A1+	100%
A1	50%
A2	30%
A3	10%
Unrated	10%
QTC/QIC	100%

## Diversification

No more than 30% of Council's investments will be held with any one financial institution, or fund manager for investments other than Queensland Treasury Corporation (QTC), where 100% of investments may be held.

## Type 2 Financial Arrangements

Due to Council being a participating local government as defined in section 5(b) of the South East Queensland Water (Distribution and Retail Restructuring) Act 2009, Council has entered into a loan arrangement with Urban Utilities (formerly Queensland Urban Utilities) as of 1 July 2010. Although this arrangement does not meet the criteria of other policy referred to in this document, it is an exception and has the approval of the Under-Treasurer and Council.

## 5. Definitions

**Authorised Deposit-taking Institutions (ADIs):** Corporations which are authorised under the Banking Act 1959.

**Credit Ratings:** A guide or standard for an investor, which indicate the ability of a debt issuer or debt issue to meet the obligations of repayment of interest and principal. Credit rating agencies such as Moody's, Standard and Poor's (S&P) and Fitch Rating make these independent assessments based on a certain set of market and non-market information.

**Credit Risk:** Risk that a counterparty cannot pay back part or all of the investment when it is due.

**Financial Institution:** An authorised deposit-taking institution within the meaning of the *Banking Act 1959 (Commonwealth)*.

**Investments:** Financial arrangements, including deposits with financial institutions, that are undertaken or acquired for producing income through interest.

**Liquidity Risk:** Risk that an investment product will be difficult to liquidate or involve transaction costs to liquidate.

**Market Risk:** Risk that changes in interest rates will adversely affect the fair value of an investment.

## 6. Related Legislations/Documents

1. *Banking Act (Commonwealth) 1959*;
2. *Local Government Act 2009* (the Act);
3. *Local Government Regulations 2012* (the Regulation);
4. *Statutory Bodies Financial Arrangements Act 1982*;
5. *Statutory Bodies Financial Arrangements Regulation 2007*;
6. *Statutory Bodies Financial Arrangements Act 1982 - Operational Guidelines*;
7. Investment Policy Guidelines for Local Governments July 2023 - Queensland (Department of State Development, Infrastructure, Local Government and Planning);
8. Investment Policy Procedure (Attachment A); and
9. Council Policy Procurement

This Policy supports the Scenic Rim Regional Council Corporate Plan 2025-2030.

## 7. Version Information

Version No	Adoption Date	Key Changes	Approved by
1	15/12/2009	Corporate and Community Services Committee Meeting 08/12/2009; Item No. 2.3 New Policy - Ordinary Meeting Item No. 5	Council
2	19/04/2011	Corporate and Community Services Committee Meeting 12/04/2011; Item No. 2.2 Review - Ordinary Meeting Item No. 5	Council
3	20/06/2013	Special Meeting	Council
4	28/07/2015	Finance Committee Meeting 21/07/2015; Item No. 2.1 Ordinary Meeting Item No. 6	Council
5	28/06/2016	Finance Committee Meeting 21/06/2016; Item No. 2.6 Ordinary Meeting; Item No. 6	Council
6	12/06/2019	Special Meeting Item No. 1.13 Annual Review	Council
7	06/07/2020	Special Meeting Item No. 5.16 Annual Review	Council
8	24/06/2021	Special Meeting Item No. 6.13 Annual Review	Council
9	11/07/2022	Special Meeting Item No. 6.16 Annual Review	Council
10	19/06/2023	Special Meeting Item No. 6.16 Annual Review	Council
11	28/06/2024	Special Meeting Item No. 5.16 Annual Review	Council
12	09/07/2025	Special Meeting Item No. 6.14 Annual Review	Council

## ATTACHMENT A: Investment Policy Procedure

### 1. Introduction

#### 1.1. Preamble

Council is granted authority to exercise Category 1 investment power under Part 6 of the *Statutory Bodies Financial Arrangements Act 1982*. This power permits Council to invest in a range of highly secure investments:

- Either at call; or
- For a fixed time of not more than one year.

The Treasurer may from time to time constrain the investing activities of local government by limitation, caveat, restriction and/or other relevant regulation. Where this occurs, this Investment Policy will be reviewed and reissued for the subsequent change in legislation.

Council has also been granted authority to enter into a Type 2 financial arrangement with its Central SEQ Distributor-Retailer Authority; Urban Utilities. This is due to Council being a participating local government as defined in section 5(b) of the *South East Queensland Water (Distribution and Retail Restructuring) Act 2009*. This approval gives Council the authority to enter into loan arrangements with Urban Utilities.

#### 1.2. Intent

The activities of officers or fund managers responsible for stewardship of Council's funds will be measured against the standards in this Policy and its objectives.

Activities that defy the spirit and intent of this Policy will be deemed contrary to the Policy.

### 2. Guidelines

#### 2.1. Authority

All investments are to be made in accordance with:

- *Statutory Bodies Financial Arrangements Act 1982*
- *Statutory Bodies Financial Arrangements Regulation 2007*

#### 2.2. Ethical Considerations

##### 2.2.1. Prudent person standard

The prudent person standard requires officers to exercise same care, diligence and skill that a prudent person would exercise in managing the affairs of other persons. Acting prudently applies to selecting investments and requires an individual to consider diversification, appropriateness of the investment, risk and anticipated return, liquidity, independent financial advice and to have a clear understanding of the investment and associated underlying risk.

## **2.2.2. Ethics And Conflicts Of Interest**

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 officer's ability to make impartial decisions.

This Policy requires officers to disclose any conflict of interest to the Chief Executive Officer.

## **2.3. Investment Objectives**

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.

Council encourages the development of competitive local businesses within the region. In accordance with Council Policy Procurement, Council will enhance the capabilities of local business and industries through:

The placement of investments where the local business is competitive under Council's evaluation process with regard to price, delivery and service required;

Actively seeking out potential local suppliers;

Ensuring that the principles of open and effective competition are applied and equal treatment is given to local offers, when being compared with other offers, on the basis of fair and equitable behaviour;

Giving preference to locally-sourced goods and services, where price, performance, quality, suitability and other evaluation criteria are comparable.

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

### **2.3.1. 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*

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

#### *Interest Rate Risk*

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

because of a change in interest rates. This will 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. Interest rate risk can also be limited by investing in shorter term securities

#### **2.3.2. 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 redeem an investment.

#### **2.3.3. Return On Investments**

The portfolio is expected to achieve a market average rate of return and take into account 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.

### **2.4. Portfolio Implementation**

#### **2.4.1. Authorised personnel**

Responsibility for implementation of these Procedures is delegated by the Chief Executive Officer to the General Manager Council Sustainability in accordance with Section 259 of the Act.

#### **2.4.2. Internal Controls**

The General Manager Council Sustainability 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 established processes will include monthly reporting (including compliance reporting), as well as regular review of the Investment Policy. The internal controls will address the following:

- Control of collusion;
- Separate the transaction authority from accounting and record keeping;
- Safekeeping;
- Avoid physical delivery of securities;
- Confirmation requirements for settlement of securities;
- Compliance and oversight of investment parameters; and
- Reporting of breaches.



## **2.5. Investment Parameters**

### **2.5.1. Investable funds**

For the purposes of this Policy, investable funds are the investment moneys available for investment at any one time and include the Council's bank account balance. Included in this balance is any moneys held by Council on behalf of external parties i.e. trust funds.

The investable funds should match the cash flow needs of Council after preparing the annual budget.

### **2.5.2. Authorised Investments**

Without specific approval from Council or the Treasurer, investments are limited to those prescribed by Section 44 of the *Statutory Bodies Financial Arrangements Act 1982*, which include:

- State/Commonwealth Government bonds, debentures or securities;
- Interest bearing deposits issued by an authorised deposit taking institution (ADI);
- Deposits with QIC or QTC.

### **2.5.3. Mandatory Conditions**

There are certain mandatory conditions that all investments must comply with:

- All investments must be in the name of Scenic Rim Regional Council. If using the services of an investment advisor or broker, Council must ensure that ownership is retained.
- All investments must be denominated in Australian dollars.

### **2.5.4. Prohibited Investments**

This Investment Policy prohibits any investment carried out for speculative purposes including:

- Derivative based instruments;
- 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.

The Investment Policy also prohibits the use of leveraging (borrowing to invest) of an investment.

### **2.5.5. Portfolio Investment Parameters And Credit Requirements**

The Policy contains the maximum acceptable institutional credit rating limits associated with applicable institutions based on their short-term Standard and Poor's or equivalent credit rating.

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

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