

# Investment - Statutory Policy

<b>Effective Date</b>	1 July 2024
<b>Policy Owner</b>	Chief Financial Officer
<b>Link to Corporate Plan</b>	Sustainable Organisation
<b>Review Date</b>	Special Meeting of Council Adopt 2025-26 Budget
<b>Related Legislation</b>	<ul style="list-style-type: none"> <li>• <i>Statutory Bodies Financial Arrangements Act 1982</i></li> <li>• <i>Statutory Bodies Financial Arrangements Regulation 2019</i></li> <li>• <i>Local Government Act 2009</i></li> <li>• <i>Local Government Regulation 2012</i></li> </ul>
<b>Related Documents</b>	<ul style="list-style-type: none"> <li>• Financial Management and Investment Strategy - Statutory Policy</li> </ul>

<b>Policy Version</b>	<b>Approval Date</b>	<b>Adopted/Approved</b>
1	20/06/2024	Special Meeting of Council - Adopt 2024/25 Budget

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## 1. PURPOSE

The purpose of this policy is to outline Council's investment policy regarding the investment of surplus funds, with the objective to maximise earnings in accordance with its adopted risk appetite.

## 2. SCOPE

For this Policy, investments are defined as arrangements that are undertaken or acquired with the expectation of achieving a financial return through interest, profit, or capital growth. This policy applies to the investment of all surplus funds held by Council and undertaken in accordance with the *Statutory Bodies Financial Arrangements Act 1982*.

## 3. POLICY

### 3.1 Policy Statement

Western Downs Regional Council (Council) has been granted authority to exercise Category 1 investment power under Part 6 of the *Statutory Bodies Financial Arrangements Act 1982* and Schedule 3 of the *Statutory Bodies Financial Arrangements Regulation 2019*.

Council has received approval from the State Treasurer (the Treasurer) to invest in investment products outside of its Category 1 power under Part 9 of the *Statutory Bodies Financial Arrangements Act 1982*.

The Treasurer may from time to time constrain the investing activities of statutory bodies by limitation, caveat, restriction, and/or other regulation. Where this occurs, this Policy will be reviewed and reissued to reflect such changes.

The activities of the investment officers or fund managers responsible for stewardship of Council's funds will be measured against the standards and objectives in this policy. This policy will be consistent with Council's *Financial Management and Investment Strategy Policy*.

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

### 3.2 Authority

All investments under this policy are to be made in accordance with:

- (a) *Local Government Act 2009*;
- (b) *Local Government Regulation 2012*;
- (c) *Statutory Bodies Financial Arrangements Act 1982*; and
- (d) *Statutory Bodies Financial Arrangements Regulation 2019*.

### 3.3 Ethics and conflicts of interest

#### Prudent person standard

The standard of prudence is to be used by investment officers when managing the overall portfolio. Investments will be managed with care, diligence, and skill that a prudent person would exercise in managing the affairs of other persons. This includes having in place appropriate reporting requirements that ensure the investments are being reviewed and overseen regularly.

Investment officers are to manage the investment portfolios not for speculation but for investment in accordance with the spirit of this policy and Council's *Financial Management and Investment Strategy Policy*. Investment officers are to avoid any transaction which might harm confidence in Council. They will consider the objectives of the policy when making an investment decision.

#### Ethics and conflicts of interest

Investment officers/employees shall refrain from personal activities which would conflict with the proper execution and management of Council's investment portfolio. This includes activities which would impair the investment officer's ability to make impartial decisions as outlined in the governance



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policies and practices outlined in the *Western Downs Regional Council Governance Framework*. This framework requires that employees and investment official disclose any conflict of interest or any investment positions which could be related to the investment portfolio.

## 3.4 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's priorities for investment activities are maintenance of liquidity, maximising return, and understanding risk.

### 3.4.1 Maintenance of liquidity

Pursuant to section 31 of the *Statutory Bodies Financial Arrangements Act 1982*, Council maintains a bank account with an acceptable financial institution for its day-to-day operating transactions.

In addition to the balances held in its bank account for routine operating requirements, 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 recall or sell an investment.

Other than term deposits, the investment products Council is empowered to invest in under its Category 1 investment powers and under its Specific Treasurer approvals, meet this liquidity requirement. Council will limit the amount of funds which can be invested in term deposits to ensure maintenance of liquidity as outlined in its *Financial Management and Investment Strategy Policy*.

### 3.4.2 Return on investments

The portfolio is expected to achieve a market average return and consider Council's risk tolerance, budget considerations, current interest rates, and the economic cycle.

#### *Comparison of performance*

The performance of managed funds held with either Queensland Treasury Corporation or Queensland Investment Corporation will be measured against the relevant funds defined performance criteria (for example, Queensland Investment Corporation Short-Term Income fund performance objective is to outperform Bloomberg AusBond Bank Bill Index by 1.5 per cent to 2.0 per cent).

### 3.4.3 Understanding risk

#### *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. Council will minimise credit risk by only investing in approved institutions and only in investment types authorised under current legislation and/or as approved for Council by the Treasurer. The investment portfolio is to be diversified as outlined in its *Financial Management and Investment Strategy 2023-2033* to further mitigate this risk.

#### *Interest rate risk*

Council will seek to minimise the risk of a change in the market value of the portfolio because of a change in interest rates. This risk will be mitigated by ensuring the portfolio is managed in accordance the counter party limits defined in this policy (Section 3.6). This will avoid having to recall or sell investments prior to maturity or outside of their recommended (optimal) investment period.

## 3.5 Portfolio implementation

### 3.5.1 Delegation of authority

*Investments under Category 1 investment power under Part 6 of the Statutory Bodies Financial Arrangements Act 1982:*



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- (a) Authority for implementation of this policy is delegated by Council to the Chief Executive Officer in accordance with section 257 of the *Local Government Act 2009*.
- (b) Authority for the day-to-day management of these Council investments is to be delegated by the Chief Executive Officer to the Chief Financial Officer in accordance with section 259 of the *Local Government Act 2009*.
- (c) This authority is subject to regular reviews with the General Manager Corporate Services and Chief Executive Officer.

*Investments outside of Category 1 investment power under Part 6 of the Statutory Bodies Financial Arrangements Act 1982 which are subject to specific approval from the Treasurer:*

- (a) A Council resolution is required for the investment or withdrawal of funds from these investments. Authority for the implementation of the Council resolution and the subsequent management of these investments is delegated by Council to the Chief Executive Officer in accordance with section 257 of the *Local Government Act 2009*.

## 3.5.2 Internal controls

The Chief Financial Officer shall establish internal controls and processes which 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 to Council as part of the Finance Report tabled at each ordinary meeting of Council. This policy will be reviewed annually during the preparation and adoption of Council's annual budget.

The internal controls will address:

- (a) control of collusion;
- (b) separation of transaction authority from accounting and record keeping;
- (c) confirmation requirements for settlement of securities;
- (d) compliance and oversight or investment parameters; and
- (e) reporting of breaches.

## 3.6 **Investment parameters**

### 3.6.1 Investible funds

For the purposes of this policy, investible funds are the investment moneys available for investment at any one time and include the Council's bank balance. This may include moneys held by Council which is subject to internal or external restrictions (for example, unspent grant monies, developer contributions). This policy does not extend to moneys held on trust for third parties where those funds are subject to specific conditions.

The investible funds should meet the cash flow needs of Council which are agreed by Council after preparing Council's budget. Investible funds will be invested after cash flow requirements have been met and with consideration of the term applicable to ensure investments do not need to be broken to meet cash flow obligations or the cessation of internal or external restrictions.

The cost of direct investment management by Council will be assessed relative to the return generated. This will be compared with the costs for investing funds with Queensland Treasury Corporation's capital guaranteed cash fund.

### 3.6.2 Authorised investments

Council may invest in the following investments which are prescribed by Part 6 of the *Statutory Bodies Financial Arrangements Act 1982* for statutory bodies with Category 1 investment power, and must be at call or for a fixed term of not more than one year:

- (a) interest bearing deposits with a financial institution;



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- (b) investment arrangements accepted, guaranteed, or issued by or for the Commonwealth or a State or financial institution;
- (c) Queensland Investment Corporation Cash Fund; and
- (d) Queensland Treasury Corporation Cash Fund.

Investments which Council may invest in by way of Treasurer approval are limited to:

- (a) Queensland Investment Corporation Long-Term Diversified Fund; and
- (b) Queensland Investment Corporation Short-Term Income Fund.

Council prohibits the use of investment arrangements outside of those listed above. All investments must be in Australian dollars.

### 3.6.3 Counter party limits and credit requirements

Council will use the Standard and Poor (S&P) Global Ratings to determine a financial institution's credit rating. If any of the financial institutions in which Council invests are downgraded below the credit ratings outlined below, or are placed on a negative credit watch, Council will divest the investment as soon as is practicable.

The following table shows the credit ratings and counterparty limits for Council. The percentage limits apply for the date of investment as a percentage of the market value of the portfolio.

Account Type	Standard and Poor Credit Rating	Maximum length of investment	Individual counterparty limit	Total limit
Day-to-day transactional banking	A+ (short-term rating)	At call	25%	100%
Savings account	A or better (short-term rating)	At call	25%	100%
Term Deposit	A or better (short-term rating)	Up to one year	25%	50%
Queensland Treasury Corporation Cash Fund	A (short-term rating)	At call	100%	100%
Queensland Investment Corporation Cash Fund	A (short-term rating)	At call	50%	50%*
Queensland Investment Corporation Short-Term Income Fund	A (average long-term rating of investment portfolio)	Up to three years*	50%	50%*
Queensland Investment Corporation Long-Term Diversified Fund	A (average long-term rating of investment portfolio)	Up to five years*	50%	50%*

*\*Queensland Investment Corporation are at call products, however Council's length of investment under this policy is based on the time horizons to maximise returns but mitigate risks. Council's total maximum investment with Queensland Investment Corporation will be fifty (50) per cent of its investment portfolio, which can be invested in a mix of the above investment products. The mix will be determined by resolution of Council.*



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## 4. REVIEW

This policy, together with the *Debt Policy* and *Financial Management and Investment Strategy Policy*, will be reviewed annually at the time of budget adoption. Any revisions outside of budget adoption may also prompt a review of this policy.

## 5. DEFINITIONS

Term	Definition
At call	An investment that can be redeemed and the monies invested can be returned to Council within twenty-four hours
Counterparty limit	The limit applicable to any one financial institution
Financial Institution	An authorised deposit taking institution within the meaning of the <i>Banking Act 1959 (Cwlth)</i> , Section 5
Investments	Arrangements that are undertaken or acquired for producing income
Market Value	Is the price at which an instrument can be purchased or sold in the current market

