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## INVESTMENT POLICY

### APPROVALS

<b>POLICY NUMBER</b>	CORP-POL-029	<b>DOC.ID</b>	3199390
<b>CATEGORY</b>	Statutory		
<b>POLICY OWNER</b>	Financial Services		
<b>APPROVAL DATE</b>	28 June 2023	<b>RESOLUTION NUMBER</b>	8357

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## OBJECTIVE

To provide Council with a contemporary Investment Policy based on an assessment of counterparty, market and liquidity risk within the legislative framework of the *Statutory Bodies Financial Arrangements Act and Regulations*.

## SCOPE

This policy applies to the investment of all surplus funds held by Isaac Regional Council in accordance with investment powers under Part 6 of the *Statutory Bodies Financial Arrangement Act 1982* (SBFAA). For the purpose of this policy, investments are defined as arrangements that are acquired or undertaken for the purpose of producing income and/or capital gains.

## DEFINITIONS

TERM / ACRONYM	MEANING
Council	Isaac Regional Council.
CEO	The person appointed to the position of Chief Executive Officer under the Act and anyone acting in that position.
Another Employee	All employees of Council including Executive Directors and Managers, but excluding the Chief Executive Officer.
Investment Officers	Employees engaged in activities related to the physical investment of funds.
The Act	<i>Local Government Act 2009</i> .
SBFAA	<i>Statutory Bodies Financial Arrangements Act 1982</i> (as amended).

## POLICY STATEMENT

### PROVISIONS

Investment of Council's funds is to be in accordance with Council's power of investment as set out in the following flow of legislative Authority:

- Section 101(1) of the *Local Government Act 2009* refers to Local Government as a Statutory Body under the *Statutory Bodies Financial Arrangements Act 1982*.
- Section 101(2) of the *Local Government Act 2009* points to Part 2B of the *Statutory Bodies Financial Arrangements Act 1982* to set out the way in which that Act affects Council's powers of Investment.

- Section 42 of the *Statutory Bodies Financial Arrangement Act 1982* refers to three different categories of Investment power.
- Schedule 3, 4 and 5 of the *Statutory Bodies Financial Arrangements Regulations 2019* list the statutory bodies' categories and investment power.
- Section 44 of the *Statutory Bodies Financial Arrangements Act 1982* dictates the types of Investments that Council may use.
- Section 8 of the *Statutory Bodies Financial Arrangements Regulations 2019* prescribes the rating of the Investment arrangements as prescribed under Section 44 (1) (e) of the *Statutory Bodies Financial Arrangements Act 1982*.

## POLICY OBJECTIVES

Isaac Regional Council's overall objective is 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.

Investment officers are to manage the investment 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 Isaac Regional Council.

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

## 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

Isaac Regional 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. The investment officer will minimise credit 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 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 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.

For these purposes, illiquid investments are defined as investments that are not publicly traded in sufficient volume to facilitate, under most market conditions, prompt sale without severe market price affect.

Examples include:

- investment in private placements;
- a security that is not supported or priced by at least two approved brokers/securities dealers;
- sub investment grade (i.e. a lower than rating BBB- (Standard and Poors or equivalent); and
- unrated securities.

## RETURN ON INVESTMENTS

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

## ETHICS AND CONFLICTS OF INTEREST

Investment officers/employees shall refrain from personal activities that would conflict with the proper execution and management of Isaac Regional 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.

## REQUIREMENTS

In accordance with Schedule 3 of the *Statutory Bodies Financial Arrangements Regulation 2019*, Isaac Regional Council has Category 1 investment power.

## PORTFOLIO INVESTMENT PARAMETERS

Section 44(1) of *SBFAA* states that the authorised investments comprise all or any of the following:

- deposits with a financial institution;
- investment arrangements accepted, guaranteed or issued by or for the Commonwealth or a State or a financial institution;

- other investment arrangements secured by investment arrangements accepted, guaranteed or issued by or for the Commonwealth or a State or a financial institution;
- investment with QIC Cash Trust, QIC Pooled Cash Fund, QTC Cash Fund, QTC 11 AM Fund or QTC Debt Offset Facility;
- an investment arrangement with a rating prescribed under a regulation for this paragraph;
- other investment arrangements prescribed under a regulation for this paragraph.

Section 44(2) of *SBFAA* states that the investment must be:

- at call; or
- for a fixed time of not more than 1 year.

## PROHIBITED INVESTMENTS

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

- Derivative based instruments (excluding floating rate notices);
- Principal only investments or securities that provide potentially nil or negative cash flow;
- Stand-alone securities that have the underlying futures, options, forward contracts and sways of any kind; and
- Securities issued in non-Australian dollars.

## PLACEMENT OF INVESTMENT FUNDS

Overall the amount invested with institutions should not exceed the following percentage ranges of average annual funds invested and appropriate documentation must be maintained. Also, when placing investments, consideration should be given to the relationship between credit rating and interest rate.

### Investments with Financial Institutions and Investment

LONG TERM RATING (STANDARD & POORS)	SHORT TERM RATING (STANDARD & POORS)	INDIVIDUAL COUNTERPARTY LIMIT	TOTAL PORTFOLIO LIMIT
AAA to AA-	A1+	Maximum 60%	No Limit
A+ to A	A1	Maximum 40%	Maximum 50%
A- to BBB+	A2	Maximum 30%	Maximum 40%
Unrated or below BBB+	Unrated or below A2	Maximum 20%	Maximum 25%
QTC Cash Management Fund	No Limit	No Limit	

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Council approves dealings with all financial institutions ('Financial Institution' is defined as an authorised deposit-taking institution within the meaning of the *Banking Act 1959* (Cwlth), Section 5(1)).

## **MATURITY**

The maturity structure of the portfolio will reflect a maximum term to maturity of one year.

## **LIQUIDITY REQUIREMENT**

Given the nature of the funds invested, no more than 20% of the investment portfolio will be in illiquid securities and at least 10% of the portfolio can be called at no cost or will mature within a maximum of seven (7) days.

## **IMPLEMENTATION**

### **INTERNAL CONTROLS**

The Director Corporate, Governance and Financial Services 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 written request is made in writing signed in accordance with Council's account signing authority.

### **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) (b).

Authority for the day to day management of Council's Investment Portfolio is to be delegated by the Chief Executive Officer to the Director Corporate, Governance and Financial Services.

### **BREACHES**

Any breach of this Investment Policy is to be reported to the Director Corporate, Governance and Financial Services 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.

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## LEGISLATIONS AND RELATED GUIDELINES

Relevant legislation with which this policy complies includes –

- *Local Government Act 2009*
- *Local Government Regulation 2012*
- *Statutory Bodies Financial Arrangements Act 1982*
- *Statutory Bodies Financial Arrangements Regulation 2019*
- *Banking Act 1959*