

INVESTMENT POLICY 2024/2025

TITLE:	Investment Policy 2024/2025
POLICY TYPE:	Statutory
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RESPONSIBLE OFFICER:	Director Community & Corporate
DEPARTMENT:	Community & Corporate Services

Version	Decision Number or CEO Approval	Decision Date	History
12	Ordinary Meeting of Council (ref. OM-074/20)	27 May 2020	Adopted by Resolution
13	Ordinary Meeting of Council (ref. OM-107/21)	26 May 2021	Adopted by Resolution
14	Ordinary Meeting of Council (ref. OM-064/22)	25 May 2022	Adopted by Resolution
15	Ordinary Meeting of Council (ref. OM-063/23)	24 May 2023	Adopted by Resolution
16	Ordinary Meeting of Council (ref. OM-068/24)	22 May 2024	Tabled for Adoption

1. BACKGROUND

Goondiwindi Regional Council ('Council') sets policy and guidelines regarding the investment of surplus cash funds, with the objective of maximising earnings within the approved investment guidelines and ensure the security of funds invested.

2. PURPOSE

Investments are defined as financial or monetary arrangements that are undertaken or acquired to generate income or favourable future returns and pertain to the cash investments of Council. This policy applies to the investment of all surplus cash funds held by Council.

3. OBJECTIVES

3.1 *Investment Objectives*

To set guidelines and boundaries for the investment of Council surplus cash balances which meet the requirements of the Statutory Bodies Financial Arrangements Act 1982 and Statutory Bodies Financial Arrangements Regulation 2019 ('Regulation'), support Council's investment and risk philosophy and provide a sequential process to be followed in undertaking investment activities. Investment activities will focus on preservation of capital, liquidity, and return.

3.2 *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.

3.3 *Credit Risk*

The Investment Officer will evaluate and assess credit risk prior to investment.

3.4 Interest Rate Risk

The Investment Officer shall seek to minimise the risk of a change in the market value of the portfolio due to a change in interest rates.

3.5 Maintenance of Liquidity

The Investment Officer shall maintain sufficient liquidity to meet all reasonable anticipated operational cash flow requirements of Council.

3.6 Return on Investment

The portfolio is expected to achieve a market average rate of return and take into account Council's risk tolerance.

The intent of this document is to outline Council's policy and guidelines regarding the investment of surplus cash funds, with the objective of maximising earnings within the approved investment guidelines and ensure the security of funds invested.

4. DEFINITIONS

At Call:	where the investment can be redeemed, and the money invested can be retrieved by the investor from the financial institution within 30 days without penalty
Broker/Dealer:	an individual or financial entity that trade securities for their own account or on behalf of clients. The entity could be a corporation, limited partnership, limited liability company, or a general partnership.
Capital Guaranteed:	an investment fund that guarantees return of the full capital value of the investment.
Category 1:	investment power that permits a local government to invest in a range of highly secure investments either at call or for a fixed time of not more than one (1) year.
Conflict of Interest:	a situation where an official's private interests may benefit from decisions or actions that they are entrusted to take.
Delegation of Authority:	authority for implementation of this policy is delegated by Council to the Chief Executive Officer (CEO) in accordance with Section 257(1)(b) — Delegation by Local Government of the Local Government Act 2009. Authority for the day-to-day management of Council's Investment Portfolio is to be delegated by the CEO to the Manager Finance and subject to regular reviews with the CEO and Director Community and Corporate.
Financial Institution:	an authorised deposit taking institution within the meaning of Section 5 of the Banking Act 1959.
Individual Counterparty Limit	the limit of exposure to any individual counterparties/institutions.
Investment Officer:	individuals that are to manage the portfolios not for speculation, but for investment and in accordance with the principle of this policy. Investment Officers are to avoid any transaction that might prejudice Council. They will consider the safeguarding of capital and the achievement of income objectives when making an investment decision.

Investment Portfolio:	pool of investments held by Council.
Market Risk:	the risk that the value of an investment will decrease due to movements in market factors such as interest rates, foreign exchange rates, equity prices and commodity prices. Preservation of Capital means an investment strategy with the primary goal of preventing losses in an investment's total value. In modern portfolio theory terms, it refers to a guaranteed investment of principal, which would provide a return of at least inflation.
Prudent Person Standard:	the standard of prudence to be used by Investment Officers when managing the portfolio. Investments will be managed with the 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 reviewed and overseen regularly.
Yield:	the annual rate of return on an investment.

5. POLICY STATEMENT

5.1 Portfolio Implementation

5.1.1 Authorised Personnel

The Manager Finance, Senior Accountant and delegated Investment Officer/s are authorised to invest Council's operational funds in investments consistent with this policy and legislation. The Investment Officer is not allowed to approve any such transactions, only recommend and collaborate with the dealers.

5.1.2 Internal Controls

Council's Manager Finance 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 internal controls will address the following:

- control of collusion;
- separate the transaction authority from accounting and record keeping;
- clearly delegate authority to Investment Officer;
- compliance and oversight of investment parameters;
- reporting of breaches; and
- safekeeping of records.

5.2 Investment Parameters

5.2.1 Funds Available for Investment

For the purposes of this policy, funds available for investment are the cash or cash equivalent funds available at any time excluding any moneys held by Council in trust on behalf of external parties. The funds available for investment should match the cash flow needs of Council allowing for working capital requirements. The investment strategy takes into account the Council's operating needs. Once the Manager Finance has determined that the cash flow forecast is achievable and can meet operational requirements, then the surplus cash funds may be invested for a specified term.

It is the responsibility of the Manager Finance to assess the cost of direct investment management by Council relative to the return generated. This should be compared with the

cost of investing funds with a capital guaranteed cash fund for example the Queensland Treasury Corporation (QTC) Capital Guaranteed Cash Fund.

5.2.2 Authorised Investments

Council is allocated category one (1) investment powers under the Regulation. Without specific approval from Council or the Treasurer, local governments with category one (1) investment power are limited to those prescribed by Part 6 of the Regulation, which include:

- interest bearing deposits;
- QTC Cash Fund;
- QTC Capital Guaranteed Cash Fund, debt offset facility;
- QTC Fixed Rate Deposit (up to 12 months); and
- QTC Working Capital Facility.

5.2.3 Prohibited Investments

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

- derivative based instruments (excluding floating rate notes);
- 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; and
- securities issued in non-Australian dollars.

5.2.4 Portfolio Investment Parameters and Credit Requirements

No more than 50% of Council's investments will be held with any one financial institution, or fund manager for investments other than Queensland Treasury Corporation (QTC) or the Queensland Investment Corporation (QIC) cash funds, where 100% of investments may be held.

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

Short Term Rating (Standard and Poor's) or equivalent	Individual Counterparty Limit	Total Limit (Max % of Portfolio)
A1+	50%	100%
A1	25%	50%
A2 — Financial Institutions only	15%	30%
A3 — Financial institutions only	5%	10%
Unrated	Nil	Nil
QTC Cash Management Fund	100%	100%

Approval must be obtained if an investment exceeds the maximum allowable limit or term for that rated counterparty.

5.2.5 Maturity

The maturity structure of the portfolio will reflect a maximum term to maturity of one (1) year.

5.2.6 Liquidity

Given the nature of the funds invested, no more than 20 percent of the investment portfolio will be held in non-liquid securities and at least \$8 million of the portfolio is to be on call or will mature within 0-7 days.

5.2.7 Breaches

Any breach of this policy is to be reported to the CEO and Director, Community and Corporate and rectified as soon as practicable.

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 the local government, either obtain Treasurer's approval for continuing with the investment arrangement or sell the investment arrangement (including, for example, withdrawing a deposit).

5.2.8 Safekeeping or records

Each transaction will require written confirmation by the bank. All security documents will be held by Council.

5.2.9 Brokers/Dealers

Council may utilise the expertise of a broker/dealer to assist with fixed term deposits only if the Manager Finance is satisfied that the use of such does not significantly have a negative effect on the investment opportunity (for example that any fees incurred by the broker does not outweigh the variance in the investment rate received from the broker compared to the rate Council would have received if they had done the deal directly).

5.2.10 Investment Guidelines

Council's investment portfolio should be realisable, without penalty, in a reasonable timeframe. The term to maturity of Council's fixed term investments should not exceed one (1) year. The Manager Finance may reduce these maturity limits to a shorter period.

Treasury and Council approval is required for investments with a period of greater than 12 months. This means approval is required from Council prior to submission to the Treasurer for approval.

5.2.11 Short Term Debt Ratings

Short term refers to investments with an initial maturity of less than one (1) year.

Standard and Poor's short-term ratings or equivalents to Moody's and Fitch.

	Standard & Poor's	Moody's	Fitch
Superior	A1+	P-1	F1+
	A1		F1
Strong	A2	P-2	F2
Acceptable	A3	P-3	F3

5.3 Reporting

The Manager Finance will prepare a detailed report to be included in the monthly finance meeting reports which includes an evaluation of the transactions, performance and compliance of the investment portfolio. The report will include:

- Interest rate of all deposits;
- List of all deposits and the Financial Institution where held;
- Maturity date; and
- Dollar amount invested.

6. REVIEW DATE

On an annual basis, this policy will be reviewed and amended, where required; any amendments are to be approved by Council prior to the implementation of the revised investment policy.

7. RELATED LEGISLATION

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

8. RELATED DOCUMENTS

- Goondiwindi Regional Council Revenue Policy 2024/2025
- Goondiwindi Regional Council Revenue Statement 2024/2025

9. ATTACHMENT

N/A