



Cloncurry Shire Council

**POLICY
NO.**

COR 1007

INVESTMENT POLICY

1. Purpose

This policy aims to provide Council with a prudent approach to investment of surplus funds based on an assessment of market and liquidity risk within the legislative framework of the *Statutory Bodies Financial Arrangements Act 1982* and the *Local Government Act 2009*.

2. Scope

This policy applies to all surplus funds of Council not immediately required for financial commitments.

This policy applies to all Council officers that are responsible for transactions which may affect Council's investment accounts.

3. Responsibilities

The Chief Executive Officer and Director of Corporate Services are responsible for ensuring that this policy is understood and adhered to by all Council officers.

4. Definitions

<i>At call</i>	an investment that can be redeemed and the money invested can be retrieved by the investor from the financial institution within 30 days without penalty
<i>Counterparty</i>	a legal and financial term that refers to the other individual or institution to an agreement or contract
<i>Credit risk</i>	the risk of loss due to the failure of the counterparty of an investment to meet its financial obligations in a timely manner
<i>Financial institution</i>	an authorised deposit-taking institution within the meaning of the <i>Banking Act 1959 (Cwlth)</i>
<i>Interest rate risk</i>	is the risk of a change in the market value of the investment portfolio, which arises due to a change in interest rates
<i>Investment portfolio</i>	a collection of short, medium, and long-term cash deposit investment accounts
<i>Liquidity risk</i>	the risk that Council will have insufficient cash available to meet its working capital needs
<i>Transaction risk</i>	the risk of a direct or indirect loss resulting from inadequate or failed internal processes, people or systems
<i>Market average rate of return</i>	an average interest rate corresponding to what would be achieved if an investment was made in an indexed fund with a similar risk profile

Preservation of capital

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

Responsible officer

Council officers who are responsible for activity directly related to the transfers of cash between Council's investment accounts (e.g., Finance officers).

All other definitions are in accordance with the *Local Government Act 2009*, *Local Government Regulation 2012*, *Statutory Bodies Financial Arrangements Act 1982*, and *Statutory Bodies Financial Arrangements Regulation 2019*.

5. Policy Statement

- Council will invest surplus funds not immediately required for financial commitments to maximum returns on funds for the community. Analysis will be undertaken prior to any investment to identify the amount of surplus funds available for investment and the effective term of such investment.
- In accordance with the *Statutory Bodies Financial Arrangements Act 1982*, Council 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
- Council will endeavour to:
 - (a) preserve capital through the effective management of the investment portfolios exposure to credit risk, interest rate risk, liquidity risk and transaction risk
 - (b) maintain sufficient liquidity of its investment portfolio to meet all reasonably anticipated cash flow requirements, as and when they fall due
 - (c) maintain an investment portfolio which is expected to achieve a market average rate of return.
- Council will ensure that appropriate records are kept and that adequate internal controls are in place to safeguard public monies.

6. Investment Guidelines

a) Investment Term

As a statutory body with Category 1 investment powers under the *Statutory Bodies Financial Arrangements Act 1982*, all investments must be at call or for a fixed time of not more than 1 year.

b) Authorised Investments

As a statutory body with Category 1 investment powers under the *Statutory Bodies Financial Arrangements Act 1982*, authorised investments for Council **include** the following:

- i. Interest bearing deposits with a financial institution
- ii. Investment arrangements accepted, guaranteed or issued by or for the Commonwealth or a State or a financial institution
- iii. Other investment arrangements secured by investment arrangements accepted, guaranteed or issued by or for the Commonwealth or a State or a financial institution
- iv. Queensland Investment Corporation
- v. Queensland Treasury Corporation Guaranteed Cash Fund, debt offset facility, fixed rate deposit (up to 12 months) and QTC Working Capital Facility.

c) Prohibited Investments

This Investment Policy prohibits any investment carried out for speculative purposes.

As a statutory body with Category 1 investment powers under the *Statutory Bodies Financial Arrangements Act 1992*, authorised investments for Council **exclude** the following:

- i. Derivative based instruments (excluding floating rate notes)
- ii. Principal only investments or securities that provide potentially nil or negative cash flow
- iii. Standalone securities issued that have underlying futures, options, forward contracts and swaps of any kind
- iv. Securities issued in currencies other than Australian dollars.

d) Portfolio Investment Parameters and Credit Requirements

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

Short Term Rating (S&P or equivalent)	Individual Counterparty Limit	Total Limit (Max % of Portfolio)	Maximum Funds (any one institution)
A1+	50%	50%	Unlimited
A1	50%	50%	Unlimited
A2 – Financial institutions only	50%	50%	Unlimited
A3 – Financial institutions only	25%	25%	Unlimited
QIC/QTC Pooled Cash Management Funds	100%	100%	Unlimited

None of the investment portfolio is to be invested in Floating Rate Notes.

e) Maintenance of Liquidity

Given the nature of the funds invested, no more than 50 per cent of the investment portfolio will be held in non-liquid securities and at least \$3.5 million (1 months budgeted operational expenditure) of the portfolio is to be on call or will mature within 0-7 days.

f) Internal Controls

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:

- i. A person is to be identified as the responsible officer for the investment function
- ii. Authority to implement the Investment Policy is delegated by Council to the Chief Executive Officer in accordance with the *Local Government Act 2009*, section 257(1)(b)
- iii. Authority for the day to day management of Council's Investment portfolio is to be delegated and authorised by Director of Corporate Services
- iv. Confirmation advices from the Financial Institution are to be recorded in Council's record management system
- v. A person, other than the responsible officer, is to perform the bank reconciliation at the end of each month (alternatively, the reconciliation needs to be reviewed by another officer)
- vi. 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
- vii. Council is at all times to comply with the legislation applicable to the investment function within Local Government. Council will use its Category 1 investment powers to earn interest revenue on its operating funds to supplement Council's other sources of revenue
- viii. Council will maintain appropriate internal controls to prevent the fraudulent use of public monies
- ix. The management of Council's investments is to be documented and the policy followed at all times.

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

g) Records and Reporting

In accordance with the *Statutory Bodies Financial Arrangements Act 1992*, Council must keep records that show it has invested in the way most appropriate in all the circumstances.

A monthly report will be provided to Council, detailing the investment portfolio and its performance, as well as any potential counterparty and other risk exposures.

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.

7. Related Policies and Legislation

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

8. Associated Council Documents

- Adopted Budget
- Long Term Financial Plan
- Long Term Asset Management Plan
- Debt Policy

9. Review

This policy is to be reviewed in line with the Corporate Policy Framework and referenced as part of the annual budget process.

Adopted by Council Resolution

This policy was adopted by Council and shall hereby supersede any previous policies of the same intent.

POLICY VERSION AND REVISION INFORMATION

Version No.	Approval	Date Adopted	Review Date
1	14.100720	20 July 2010	
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1	18.140715	15 July 2014	
2	14.150623	23 June 2015	
3	02.170704	4 July 2017	
4	02.180724	24 July 2018	
5	02.190716	16 July 2019	
5.1	04.200730	30 July 2020	
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7	159.2025	17 June 2025	June 2026

Policy Endorsed by: Philip Keirle



Title: Chief Executive Officer