

1. Purpose & Scope

1.1 The purpose of this Policy is to provide Council with investment guidelines based on an assessment of risk within the legislative framework of the *Statutory Bodies Financial Arrangements Act 1982*. This includes:

- a) Investing Council funds not immediately required for financial commitments.
- b) Maximising earnings from authorised investments after assessing counterparty, market, and liquidity risks.
- c) Actively managing the net debt position with core surplus funds.
- d) Ensuring appropriate records are kept and adequate internal controls are in place to safeguard public funds.

The Policy applies to the investment of surplus funds held by Council in accordance with Category One (1) Investment power under Part 6 of the *Statutory Bodies Financial Arrangements Act 1982* (SBFAA) and section 7 of the *Statutory Bodies Financial Arrangements Regulation 2019* (SBFAR).

2. Commencement of Policy

2.1 This Policy will commence from 1 July 2024. It replaces all other policies relating to investment activities (whether written or not).

3. Application Of Policy

3.1 This Policy applies to everyone acting for and on behalf of the Charters Towers Regional Council, including Councillors, employees, consultants, and contractors.

4. Definitions

4.1 To assist in interpretation, the following definitions shall apply:

Term	Definition
At Call Investment	Refers to investments that can be redeemed within 30 days without penalty.
Authorised Deposit-taking Institution (ADI)	Institutions (banks, building societies and credit unions) that take deposits and are supervised by the Australian Prudential Regulation Authority (APRA).
CEO	Chief Executive Officer – A person who holds an appointment under section 194 of the <i>Local Government Act 2009</i> . This includes a person acting in this position.
Counterparty	The other individual or institution to an agreement or contract.
Credit Risk	The risk that arises through the inability of the counterparty to meet its financial obligations resulting in a financial loss to Council.
Employee	Local government employee: (a) The CEO; or A person holding an appointment under section 196 of the <i>Local Government Act 2009</i> .
Financial Institution	An authorised deposit-taking institution within the meaning of Section 5 of the <i>Banking Act 1959</i> (Commonwealth).
Illiquid Investment	Securities or assets that cannot be easily sold or exchanged for cash without a substantial loss in value.
Interest Rate Risk	The risk that Council will suffer financial loss or reduced earnings due to the adverse movements in interest rates.
Investments	Arrangements that are undertaken or acquired with the expectation of achieving a financial return through interest, profit, or capital growth.
Investment Risk Management	Is defined as the management of the liquidity of the Council to ensure that the financial assets are managed in an economic and efficient manner, whilst maximising the return on surplus funds within acceptable levels of risk.

Liquid investments	Investments that are not publicly traded in sufficient volume to facilitate, under most market conditions, prompt sale without severe market price effect.
Liquidity Risk	The risk that an unforeseen event or miscalculation in the required liquidity level will result in poor interest income earnings.
Negotiable Certificate of Deposit	Certificates of deposit are negotiable bearer debt securities. They are issued at a discount to the face value and do not require endorsement when sold.
Operational Risk	Exists where inadequate or inappropriate policies and procedures lead to financial mismanagement or fraud.
QTC	Queensland Treasury Corporation.
SBFAA	<i>Statutory Bodies Financial Arrangements Act 1982.</i>
SBFAR	<i>Statutory Bodies Financial Arrangements Regulation 2019.</i>
S&P's	Standard & Poor's - Company known as the creator of financial market indices, and an issuer of credit ratings for companies and debt obligations.
Term Deposit	An investment where money is placed for a fixed period at a stated rate of interest, which will apply for the durations of the term.
Treasurer	State Treasurer.

5. Policy Provisions

5.1 Authority

Investment of Council funds is in accordance with the relevant power of investment under the SBFAA and SBFAR and their subsequent amendments and regulations. Investment officers manage the investment portfolio not for speculation, but for investment and in accordance with this Investment Policy. Investment officers avoid transactions that might harm confidence in Council.

5.2 Delegation of authority

Authority for the implementation of the Policy is delegated by Council to the CEO in accordance with section 257(1)(b) of the *Local Government Act 2009*.

Authority for the day-to-day management of Council's Investment Portfolio is sub-delegated in accordance with section 259 of the *Local Government Act 2009* by the CEO to the Chief Financial Officer (CFO) and the Financial Services Coordinator (FSC).

5.3 Ethics and Conflicts of Interest

Investment officers and employees shall refrain from personal activities that conflict with the proper execution and management of Council's investment portfolio. This includes activities that would impair the investment officers' ability to make impartial decisions.

This Policy requires that investment officers and employees disclose to the CEO any conflict of interest that could be related to the investment portfolio.

5.4 Investment Objectives

Council's overall objective is to invest funds at the most advantageous rate of interest available at the time, for that investment type, and in a way that it considers most appropriate given the circumstances. In order of priority, the order of investment activities is preservation of capital, maintenance of liquidity, and return on investments.

5.4.1 Preservation of capital

Preservation of capital is the principal objective of the investment portfolio. Investments are performed in a manner to ensure security of principal of the overall portfolio. This includes managing credit risk and interest rate risk within the given risk management parameters and avoiding transactions that would prejudice confidence in Council or its associated entities.

5.4.1 Credit risk

Council evaluates and assesses 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 minimises credit risk in the investment portfolio by pre-qualifying all transactions including the brokers/securities dealers they do business with, diversify the investment portfolio and limit transactions to secure investments.

5.4.2 Interest rate risk

Investment officers seek to minimise the risk of a change in the market value of the investment portfolio because of a change in interest rates. This is achieved by considering the cash flow requirements of Council and structuring the investment portfolio accordingly. This avoids having to sell securities prior to maturity in the open market. Secondly, interest rate risk can be limited by investing in shorter term securities.

5.4.3 Maintenance of liquidity

The investment portfolio maintains 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:

- a) Investment in private placements.
- b) A security that is not supported or priced by at least two approved brokers/ securities dealers.
- c) Sub investment grade - that is, a lower than rating BBB- (S&P's or equivalent), and in most cases, BBB rated investments.
- d) Unrated securities.

5.4.4 Return on Investments

The investment 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 in this policy.

5.5 Support of Local Business

While ensuring appropriate security, liquidity and return on investment, Council will, where possible, support the development of local businesses through the allocation of investment to locally based financial institutions.

5.6 Investment Parameters

5.6.1 Investable funds

For the purposes of the Policy, investable funds are the surplus funds available for investment at any one time, including Council's bank account balance. However, the Policy does not apply to monies held on trust for third parties where those funds are subject to specific conditions.

The investable funds should match the cash flow needs of Council, as determined by the CFO after preparing Council's budget. In this regard, it is appropriate for the CFO to be conservative so that where possible, investments should not be broken to meet cash flow obligations.

5.7 Authorised investments (per SBFAA)

Section 44(1) of the SBFAA provides Council with the power to invest in authorised investments which include:

- 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 arrangements, managed or offered by QTC, prescribed under a regulation for this paragraph.
- An investment arrangement with a rating prescribed under a regulation for this paragraph; and
- Other investment arrangements prescribed under a regulation for this paragraph.

5.8 Prohibited Investments

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

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

5.9 Portfolio investment parameters

The amount invested with institutions or fund managers should not exceed the following percentage ranges of average annual funds invested. When placing investments, consideration will be given to the relationship between credit rating and interest rate.

Short Term Rating (S&P's)	Individual Counterparty Limit	Total Portfolio Limit
QTC Cash Funds	No Limit	No Limit
A1+	30%	No limit
A1	15%	50%
A2 (Financial Institutions only)	10%	30%
A3 (Financial Institutions only)	5%	10%
Unrated	Nil	Nil

5.10 Maturity

The maturity structure of the investment portfolio reflects the maximum term to maturity of one (1) year.

5.11 Liquidity Requirement

Given the nature of the funds invested, no more than 30% of the investment portfolio is in illiquid securities and at least 20% of the portfolio can be called at no cost or will mature within a maximum of seven days.

5.12 Internal Controls

The CFO establishes internal controls and processes to ensure investment objectives are met and investment portfolios are protected from loss, theft, or inappropriate use. The established processes

include the regular update of the Investment Register, the preparation of a monthly reconciliation report and a quarterly compliance report. As a minimum the internal controls address the following:

- a) Approved banks.
- b) Portfolio performance.
- c) Compliance and oversight of investment parameters.
- d) Maintenance and safekeeping of investment records.
- e) Delegation of control.

5.13 Breaches

Any breach of this policy must be reported to the CEO and CFO 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, either obtain Treasurer approval for continuing the investment arrangement or exit from the investment arrangement.

6. Variations

6.1 CTRC reserves the right to vary, replace or terminate this Policy from time to time.

Associated Documents

- *Local Government Regulation 2012.*
- *Statutory Bodies Financial Arrangement Act 1982.*
- CTRC Investment Register

Document Review			
Date Adopted by Council	26 June 2024	Council Resolution	4243
Date Adopted by ELT	29 May 2024	Next Review Date	June 2025
ECM No.	1446401	Document Contact	Chief Financial Officer