



# BOULIA SHIRE COUNCIL

## INVESTMENT POLICY 2024/25

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<b>Responsible Officer:</b>	Director of Corporate & Financial Services
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# BOULIA SHIRE COUNCIL

## PURPOSE:

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 surplus funds in accordance with investment powers under Part 6 of the Statutory Bodies Financial Arrangement Act 1982 (SBFAA).

## DEFINITIONS:

For the purpose of these guidelines the following definitions shall apply:

**CEO** – shall mean the person appointed to the position of Chief Executive Officer under the Act and anyone acting in that position.

**Council** – shall mean the Boulia Shire Council.

**Investment Officer/s** – shall mean the CEO and any other employees who have delegated authority to engage in activities related to the physical investment of funds (eg investment placement and redemption, reconciliations, checking).

**The Act** – shall mean the *Local Government Act 2009* (as amended).

**SBFAA** – shall mean the Statutory Bodies Financial Arrangements Act 1982 (as amended).

**Short Term** - Is defined as an investment of money that is placed at call, overnight or generally for a term of less than seven days.

**Long Term** - is defined as any investment of money other than Short term investments.

## BACKGROUND:

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 104(5) of the Local Government Act 2009 under Chapter 4 Finances and Accountability requires as part of the Long-Term Financial Plan an Investment Policy.

Section 5 (2) (e) Part 2A – The Act refers to Local Government as a *Statutory Body* under the Statutory Bodies Financial Arrangements Act 1982.

Section 42 – 52 Part 6 points to the Statutory Bodies Financial Arrangements Act 1982 to determine Council's power of Investment.

Section 42 of the Statutory Bodies Financial Arrangement Act 1982 refers to three different categories of Investment power.



# BOULIA SHIRE COUNCIL

Section 42 Investment power depends on allocation under regulation:

- (1) A statutory body may invest under this part depending on whether a category 1, 2 or 3 investment power is allocated to the body.
- (2) A regulation may allocate to a statutory body 1 of the following powers—  
category 1 investment power.  
category 2 investment power.  
category 3 investment power.
- (3) However, if a statutory body has control of more than 1 fund (including, for example, as a trustee), a different category of investment power for each fund may be allocated to it.
- (4) Also, if no category of investment power is allocated under a regulation to a statutory body, the body does not have power to invest under this part.

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 Arrangement Act 1982 dictates the types of Investments that Council may use.

## **Section 44 Category 1 investment power**

- (1) Category 1 investment power is the power to invest in all or any of the following -**
  - (a) deposits with a financial institution;
  - (b) investment arrangements accepted, guaranteed or issued by or for the Commonwealth or a State or a financial institution;
  - (c) other investment arrangements secured by investment arrangements accepted, guaranteed or issued by or for the Commonwealth or a State or a financial institution;
  - (d) investment arrangements, managed or offered by QIC or QTC, prescribed under a regulation for this paragraph;
  - (e) an investment arrangement with a rating prescribed under a regulation for this paragraph;
  - (f) other investment arrangements prescribed under a regulation for this paragraph.
- (2) However, the investment must be -**
  - (a) at call; or
  - (b) for a fixed time of not more than 1 year.

Section 8 of the Statutory Bodies Financial Arrangements Regulations 2007 prescribes the rating of the Investment arrangements as prescribed under Section 44

- (1) (e) of the Statutory Bodies Financial Arrangements Act 1982. Section 8 Category 1 investment power—Act, s 44(1)(e)



# BOULIA SHIRE COUNCIL

For section 44(1)(e) of the Act, the rating prescribed for an investment arrangement is -

- (a) a rating by Fitch (Australia) Pty Ltd of AA, AA+ or AAA or
- (b) a rating by Moody's Investors Service of Aa2, Aa1, Aaa ; or
- (c) a rating by Standard and Poor's of AA, AA+ or AAA.

## **INVESTMENT OBJECTIVES:**

Boulia Shire Council's overall objective is to maximize investment returns whilst acting responsibly given the fiduciary responsibility to protect the capital investment and not to speculate.

Investment officers are to avoid any transaction that might harm confidence in the Boulia Shire 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.

Council has decided to utilize the Commonwealth Bank as its primary banking institution and the Qld Treasury Corporation as a major source of loan finance, both institutions are highly rated and well-established financial institutions for Local Government.

### a) Credit Risk

Boulia Shire Council will evaluate and assess credit risk prior to investment. Credit risk is the risk of loss due to the failure of an investment issue or guarantor. The investment officer will minimise credit risk in the investment portfolio by restricting investments to well established major Banking Institutions in Australia and the Treasury Corporation of Queensland.

### b) 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.



# BOULIA SHIRE COUNCIL

## **RETURN ON INVESTMENT:**

The portfolio is expected to achieve a market average rate of return and take into account Boulia Shire 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 CONFLICT OF INTEREST:**

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

## **INVESTMENTS WITH LOCAL BANKS:**

Notwithstanding any other clause in this policy the investment officers/employees shall give preference to lodging Council cash investments through any bank that maintains a full time branch presence in Boulia.

In making this decision Council acknowledges that the intention is to maintain the viability of a local bank hence, in turn, providing full banking services to the residents of Boulia Shire.

## **REQUIREMENTS:**

In accordance with Schedule 3 of the Statutory Bodies Financial Arrangements Regulation 2007 - Statutory bodies allocated category 1 investment power Boulia Shire Council has been allocated a Category 1 investment power.

## **PORTFOLIO INVESTMENT PARAMETERS:**

Section 44(1) of SBFAA details the investment powers allocated to Category 1 authorities:

- (a) deposits with a financial institution;
- (b) investment arrangements accepted, guaranteed or issued by or for the Commonwealth or a State or a financial institution;
- (c) other investment arrangements secured by investment arrangements accepted, guaranteed or issued by or for the Commonwealth or a State or a financial institution;
- (d) investment arrangements, managed or operated by Queensland Investment Corporation or Queensland Treasury Corporation, prescribed under a regulation for this paragraph;
- (e) an investment arrangement with a rating prescribed under a regulation for this paragraph;
- (f) other investment arrangements prescribed under a regulation for this paragraph.



# BOULIA SHIRE COUNCIL

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

- (a) at call; or
- (b) 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:**

### **Short Term:**

Council's investment officers are authorised to invest with either the Commonwealth Bank or Qld Treasury Corporation as required. At any one time no less than 10% of the investment portfolio should be short term.

### **Long Term:**

Council investment officers are to seek competitive Quotes from the Commonwealth Bank, Queensland Treasury Corporation, ANZ, National and Westpac Banks and invest funds with due regard to the best benefit to Council taking into account not only the rate quoted but any transfer costs or bank fees.

Investment Officers will generally seek to maintain a balance of funds so that at any one time not more than 50% of the Long-Term portfolio should be with any one institution.

## **MATURITIES:**

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

## **IMPLEMENTATION**

### **INTERNAL CONTROLS:**

The Chief Executive Officer 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 CEO shall also ensure that the manner in which investment quotes are obtained is transparent and recorded so as to ensure that decisions are based on the investment principles established by Council.



# BOULIA SHIRE COUNCIL

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.

## **BREACHES:**

Any breach of this Investment Policy is to be reported to Chief Executive Officer and rectified within seven (7) days of the breach occurring.