



Investment Policy

Policy: I001

Head of Power

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

Objective

To provide Council with an investment framework aimed at maximising the return on funds invested within approved risk guidelines and to ensure the security of funds. To ensure capital preservation of the investment portfolio and maintain sufficient liquidity to meet all reasonably anticipated cash flow requirements.

Definitions

Unless otherwise indicated, all terms used in this Policy are to have the meanings outlined in the *Local Government Act 2009*, the *Local Government Regulation 2012*, the *Statutory Bodies Financial Arrangements Act 1982*, and the *Statutory Bodies Financial Arrangements Regulation 2019*.

CEO means Council's Chief Executive Officer.

Instruments of a non-cash nature include, but are not limited to, shares, managed funds, Collateralised Debt Obligations (CDOs), debentures and derivative based instruments.

Law includes Council policies and local laws.

Application

This policy applies to the investment of all cash holdings of Pormpuraaw Aboriginal Shire Council. 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.

Policy Statement

Authority for Investment

Investment of Council funds is to be in accordance with the relevant power of investment under the SBFAA and SBFAR and their subsequent amendments and regulations.

Investment officers are to manage 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 Pormpuraaw Aboriginal Shire Council.



Ethics and Conflicts of Interest

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

This Policy requires employees to disclose to the Chief Executive Officer any conflict of interest or any investment positions that could be related to the investment portfolio.

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 the principle of the overall portfolio. This can be achieved by managing credit and interest rate risk with given risk management parameters and avoiding any transactions that would prejudice confidence in Council or its associated entities.

Credit Risk

The amount invested with any one financial institution should be in accordance with the Credit Risk Guidelines as described in Table 1. Credit risk will be minimised by Council by pre-qualifying all institutions with which we do business, diversifying the portfolio and limiting transactions to secure investments.

Interest Rate Risk

Minimising the risk of a change in the market value can be managed by maintaining Council's investment portfolio in line with cash flow requirements and limiting investments to short term investments.

Maintenance of Liquidity

This refers to Council's ability to access funds in the short-term to meet its day to day liquidity requirements. The investment portfolio will maintain sufficient liquidity to meet all reasonable 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.

Return on Investment

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

Authorised Investments

Pormpuraaw Aboriginal Shire Council is allocated Category 1 Investment Powers as per Part 6 SBFA Act 1982. All investments must be denominated in Australian Dollars and undertaken in Australia. All investments undertaken by Council should be in accordance with the authorised investments definitions and restrictions as specified throughout this policy.

The following investments are authorised by this Investment Policy:

- **Managed Fund Investments.** The total amount invested with any one fund manager should not exceed the limits as described in the Credit Risk Guidelines Table 1 below
- **Direct Investments**



Prohibited Investment

This Investment Policy prohibits any investment carried out for speculative purposes. In line with Part 6 *SFBA Act 1982*, 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
- Standalone securities that have the underlying futures, options, forward contracts and sways of any kind, and
- Securities issued in non-Australian dollars

Portfolio Investment Parameters and Credit Requirements

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

Long Term Rating (Standards & Pooors)	Short Term Rating (Standards & Pooors)	Investment Quality	Credit Worthiness	Individual Counter party Limit	Total Portfolio Limit
AAA	A-1+	Prime	Almost Nil Risk	No Limit	No Limit
AA+ to AA-	A-1+	High Grade	Low Risk	No Limit	No Limit
A+ to A	A1	Upper Medium Grade	Low Risk	No Limit	No Limit
A- to BBB+	A2	Lower Medium Grade	Medium Risk	Maximum 25%	Maximum 25%
Unrated or below BBB-	Unrated or below A2	Junk	High Risk	Maximum 5%	Maximum 5%
QTC Cash Fund AA+	QTC Cash Fund A-1+	High Grade	Low Risk	No Limit	No Limit

Internal Controls

No new investment products will be allowed until a full risk assessment has been undertaken by management. These assessments will be signed off by the CEO and reported to Council.

The Executive Manager of Corporate Services will report to Council annually (if required), detailing the investment portfolio in terms of performance and counterparty exposure.

Breaches

Any breach of this policy is to be reported to the Chief Executive Officer and Executive Manager of Corporate Services and rectified within 7 days of the breach occurring.

Where Council holds an investment arrangement that is downgraded below the minimum acceptable rating level as prescribed under regulation, Council shall within 28 days after the change becomes known, either obtain the CEO's approval for continuing with the investment arrangement or sell/redeem/withdraw the investment arrangement.



Related Documents

Investments of Council's funds are to be in accordance with Council's power of investment as set out in the following legislative authority:

- I. Section 101(1) of the *Local Government Act 2009* under Part 3 – Financial sustainability and accountability refers to Local Government as a Statutory Body under the *Statutory Bodies Financial Arrangements Act 1982*;
- II. Section 101(2) points to the *Statutory Bodies Financial Arrangements Act 1982* to determine Council's power of investment;
- III. Section 42 of the *Statutory Bodies Financial Arrangements Act 1982* refers to the three different categories of investment power;
- IV. Schedules 3, 4 & 5 of *Statutory Bodies Financial Arrangements Regulation 2019* list statutory bodies and their investment power;
- V. Section 44 of the *Statutory Bodies Financial Arrangements Act 1982* dictates the types of investments that Council may use; and
- VI. Section 8 of *Statutory Bodies Financial Arrangements Regulation 2019* prescribes the rating of the investment arrangements as prescribed under Section 44(1)(e) of the *Statutory Bodies Financial Arrangements Act 1982*

This Policy compliments and is to be implemented in conjunction with other Council policies and directives including but not limited to:

- R002 - Risk Management Policy
- Employee Code of Conduct
- Register of Interest Disclosures by Elected Members or Executive Management

Review Triggers

This Policy will be reviewed for applicability, continuing effect and consistency with related documents and the law when any of the following occurs:

1. The related documents are amended.
2. The related documents are replaced by new documents.
3. Amendments affecting the scope and effect of a Policy of this nature are made to the Law.

Otherwise, this Policy is to be reviewed annually for relevance and effectiveness.



Pormpuraaw Aboriginal Shire Council

Responsibility

Authority for implementation of the Investment Policy is delegated by Council to the Chief Executive Officer in accordance with sections 257 and 259 of the *Local Government Act 2009*.

Authority for the day to day management of Council's Investment Portfolio is delegated by the Chief Executive Officer to the Executive Manager of Corporate Services and subject to regular reviews with the Chief Executive Officer.

Version Control

Policy: I001		Official Version: I001-V6
Version	Adoption (Council Resolution Number)	Date
V1	November 2012 Council Meeting (2012/11/xx)	22/11/2012
V5	July 2020 Council Meeting (2020/07/04)	29/07/2020
V6	July 2021 Council Meeting (2021/07/20)	28/07/2021

Approved by CEO:

Signature

