

 Central Highlands Regional Council	CENTRAL HIGHLANDS REGIONAL COUNCIL POLICY:	
	TITLE: Investment Policy	POLICY REF NO: CHRCP: 0010

1.0 Policy Purpose

- 1.1 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.
- 1.2 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).

2.0 Policy Statement

3.0 Investment Activities

In priority, the order of investment activities shall be:

3.1 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.

3.1.1 Credit Risk

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 pre-qualifying all transactions including the brokers/securities dealers with which they do business, diversifying the portfolio and limiting transactions to secure investments.

3.1.2 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.

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Investment officers are to manage the investment 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 Council.

3.2 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.

3.3 Return on Investments

The 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 within this Investment Policy.

3.4 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 businesses within the guidelines of this policy and where return is not disadvantaged.

3.5 Ethics and Conflicts of Interest

Investment officers shall refrain from personal activities that would conflict with the proper execution and management of Central Highlands Regional 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.

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4.0 Requirements

In accordance with Schedule 3 of the *Statutory Bodies Financial Arrangements Regulation 2007*, Council has been allocated a Category 1 investment power.

4.1 Portfolio Investment Parameters

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

- 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 operated by Queensland Treasury Corporation (QTC), prescribed under a regulation for this paragraph;
- An investment arrangement with a rating prescribed under a regulation for this paragraph;
- Other investment arrangements prescribed under a regulation for this paragraph.

Section 44(2) states that the investment must be: at call; or for a fixed time of not more than one (1) year.

4.2 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.

4.3 Placement of Investment Funds

Overall the amount invested with institutions should not exceed the following percentage ranges of overall annual funds invested and appropriate documentation must be maintained. Also, when placing investments, consideration should be given to the relationship between credit rating and interest rate. Council approves dealings with all financial institutions.

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Investments with Financial Institutions and Investment Arrangements Offered by QTC

Long Term Rating (Standard & Poors)	Short Term Rating (Standard & Poors)	Individual Counterparty Limit	Total Portfolio Limit
AAA to AA-	A1+	Maximum 50%	No limit
A+ to A	A1	Maximum 20%	Maximum 50%
A- to BBB+	A2	Maximum 10%	Maximum 15%
Unrated or below BBB+	Unrated or below A2	Maximum \$ 5,000,000 or 5% (whichever is lower)	Maximum 10%
QTC Cash Management Fund		No Limit	No Limit

4.4 Maturity

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

4.5 Liquidity Requirement

Given the nature of the funds invested, no more than 20% of the investment portfolio will be in illiquid securities and at least 10% of the portfolio can be called at no cost or will mature within a maximum of seven (7) days.

5.0 Implementation

5.1 Internal Controls

The 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.

5.2 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*. Authority for the day to day management of Council's Investment Portfolio is to be delegated by the Chief Executive Officer to the General Manager Corporate Services and/or the Manager Finance.

5.3 Breaches

Any breach of this Investment Policy is to be reported to the General Manager Corporate Services within seven (7) days of the breach occurring. The General Manager Corporate Services is delegated discretion to take appropriate action to rectify breaches. Except, that where Council holds an investment that is downgraded below the minimum acceptable rating level (as prescribed under regulation for the

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investment arrangement) Council shall, within 28 days after the change becomes known to Council, either obtain Treasurer approval for continuing with the investment arrangement or sell the investment arrangement.

6.0 Definitions

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

6.2 **Council** refers to Central Highlands Regional Council.

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

6.4 **The Regulation** shall mean the *Local Government Regulation 2012* (as amended).

6.5 **Investment Officer/s** shall mean employees engaged in activities related to the physical investment of funds (e.g. investment placement and redemption, reconciliations, checking).

6.6 **Manager Finance** shall mean the person holding that position in Council's hierarchy or in their absence the General Manager Corporate Services.

6.7 **General Manager Corporate Services** shall mean the person holding that position in Council's hierarchy or in their absence the Chief Executive Officer.

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

6.7 **Financial Institution** shall mean an authorised deposit-taking institution within the meaning of Section 5 of the *Banking Act 1959* (Commonwealth).

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Strategic Link	Local Government Act 2009 Local Government Regulation 2012 Statutory Bodies Financial Arrangements Act 1982 Statutory Bodies Financial Arrangements Regulation 2007 Banking Act 1959
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Related Documents	N/A

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