

PURPOSE

- 1) Pursuant to section 191 of the *Local Government Regulation 2012* a local government must prepare and adopt an investment policy which outlines Councils investment objectives and overall risk philosophy and includes a framework for the procedures to achieve the goals related to investment.
- 2) The intent of this document is to outline North Burnett Regional Council's investment policy and guidelines regarding the investment of surplus funds, with the objectives to maximise earnings within approved risk guidelines and to ensure the security of funds.

SCOPE

- 3) This policy applies to all surplus Council funds not immediately required for operational purposes.
- 4) North Burnett Regional Council has been granted authority to exercise Category 1 investment power under Part 6 of the *Statutory Bodies Financial Arrangement Act 1982* (SBFA Act).
- 5) Amounts of less than \$5 million are to be invested in a capital guaranteed cash fund or an approved cash management product. Category 1 investment power allows for investment at call or for a fixed term up to one year in the Queensland Treasury Corporation (QTC) Capital Guaranteed Cash Fund or the Queensland Investment Corporation (QIC) Cash Fund without further approval.

DEFINITIONS

Term	Definition
Council	North Burnett Regional Council (NBRC)
Investable funds	For the purposes of this policy, investable funds are the surplus funds available for investment at any one time, including council's bank account balance. However, this policy does not apply to monies held on trust for third parties where those funds are subject to specific conditions.
Investments	For the purpose of this policy, investments are defined as arrangements that are undertaken or acquired with the expectation of achieving a financial return through interest, profit, or capital growth.
UBS Index	For the purpose of this policy UBS Index is defined in the State Government's Investment Policy Guidelines for Local Governments July 2023 as; the UBS Australia Bank Bill Index is constructed as a benchmark to represent the performance of a passively managed short-term money market portfolio. It comprises 13 Bank Bills of equal face value, each with a maturity seven days apart. The average term to maturity is approximately 45 days

POLICY

OBJECTIVES

- 6) This policy sets the framework for Council to establish and maintain investment portfolios which preserve capital, maintain liquidity and provide return on investments.

PRINCIPLES

- 7) This policy will ensure:
 - a) the protection of Council's investment funds while obtaining the most beneficial return for Council, with due recognition given to the risk profile of the institution being invested with; and
 - b) compliance with the legislative frameworks when investing Council funds.

POLICY STATEMENT

8) Ethics and conflicts of interest

a) Prudent Person Standard

Prudence is to be used by investment officers when managing the investment portfolio. Investments will be managed with the care, diligence, and skill that a prudent person would exercise in managing the affairs of other persons. This includes having in place appropriate reporting requirements that ensure the investments are reviewed regularly.

Council officers with delegated authority to act as Investment officers are to manage the investment portfolio in accordance with the spirit of this policy, and not for speculation. Investment officers are to avoid any transaction that might harm confidence in council. They will consider the security of capital and income objectives when making an investment decision.

b) Ethics and conflicts of interest

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

This policy requires that investment officers disclose to the Chief Executive Officer (CEO) and General Manager Corporate and Community any conflict of interest or any holding of investment positions that could be related to the investment portfolio.

c) Delegation of authority

Authority for the implementation of this policy is delegated to the CEO in accordance with the *Statutory Bodies Financial Arrangements Act 1982*.

Authority for the day-to-day management of council's investment portfolio is delegated by the CEO to the Financial Services Manager with oversight by the General Manager Corporate and Community.

9) Investment objectives

Council's overall objective is to invest its surplus funds at the most advantageous rate of interest available at the time, and in a way that it considers most appropriate given the circumstances.

In order of priority, the objectives of undertaking investment activities shall be preservation of capital, maintenance of liquidity, and return on investments.

a) Preservation of capital

Preservation of capital shall be the principal objective of the investment portfolio, and investments are to be undertaken in a manner that seeks to ensure security of principal of the overall portfolio. This includes managing credit risk and interest rate risk within given risk management parameters and avoiding any transactions that would prejudice confidence in council.

i) Credit risk

Council will evaluate and assess credit risk prior to undertaking an investment. Credit risk is the risk of loss due to the failure of an investment issuer or insurer. The investment officer will minimise credit risk by pre-qualifying all transactions and the brokers/securities dealers with whom they do business, diversifying the investment portfolio and limiting transactions to secure investments.

ii) Interest rate risk

The investment officers shall seek to minimise the risk of a change in the market value of the investment portfolio due to a change in interest rates, by considering the cash flow requirements of council and structuring the portfolio accordingly. This will avoid the need to sell securities prior to maturity in the open market. Interest rate risk can also be limited by investing in shorter term securities.

b) Maintenance of liquidity

Pursuant to section 31 of the *Statutory Bodies Financial Arrangements Act 1982*, Council maintains a deposit and withdrawal account with National Australia Bank for its day-to-day operating transaction requirements.

In addition to the balances held in its bank account, 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 any need to sell an investment.

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 effect. Examples include:

- investment in private placements,
- a security that is not supported or priced by at least two approved brokers or securities dealers,
- sub investment grade securities i.e., a lower than rating BBB- (Standard & Poor's) or equivalent, and
- unrated securities.

c) Return on investments

The investment portfolio is expected to achieve a market average rate of return, considering Council's risk tolerance, 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 policy.

Council should ensure it achieves value for money or a competitive price after considering the costs of the investment.

d) 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

10) Portfolio implementation

a) Authorised personnel

The Financial Services Manager is authorised to invest council's surplus funds in investments that are consistent with this policy and relevant legislation.

b) Internal controls

The Financial Services Manager, in consultation with the General Manager Corporate and Community, will establish and maintain internal controls and processes that will ensure investment objectives are met, and that the investment portfolio is protected from loss, theft, or misappropriation.

The internal controls will address the following:

- collusion,
- separation of transaction authority from accounting and record keeping,
- safekeeping of records,
- avoidance of physical delivery of securities,
- clear delegation of authority to investment officers,
- confirmation requirements for the settlement of securities,
- compliance and oversight of investment parameters, and

- reporting of breaches of this Policy.

The established processes will include quarterly reporting (including compliance reporting), as well as an annual review of this policy.

11) Investment parameters

a) Investable funds

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

It is the responsibility of the Financial Services Manager to assess the cost of direct investment management by council relative to the return generated. This should be compared with the cost of investing funds with a capital guaranteed cash fund, such as the QTC Capital Guaranteed Cash Fund.

b) Authorised investments

Investments are limited to those prescribed by Part 6 of the *Statutory Bodies Financial Arrangements Act 1982* for local governments with Category 1 investment power.

All investments will be either at call or for a fixed term of no more than one year.

c) Prohibited investments

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

- derivative based instruments (excluding floating rate notes),
- securitised debt instruments,
- structured products,
- principal only investments or securities that provide potentially nil or negative cash flow,
- stand-alone securities that have underlying futures, options, forward contracts, and swaps of any kind, and
- securities issued in non-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's)	Individual Counterpart Limit	Total Limit
A1+	30%	100%
A1	15%	50%
A2 (Financial Institutions only)	10%	30%
A3 (Financial Institutions only)	5%	10%
Unrated	Nil	Nil
QIC/QTC Cash Funds	100%	100%

A maximum of 20 per cent of the investment portfolio is to be invested in Floating Rate Notes.

e) Maturity

The maturity structure of the investment portfolio will reflect a maximum term to maturity of one year and include an interest rate reset of no longer than six months (185 days).

f) Liquidity requirement

Given the nature of the funds invested, a maximum of 20 per cent of the investment portfolio will be held in illiquid securities, and at least 10 per cent of the portfolio will be held in investments that can be called at no cost or that will mature within 7 days.

g) New investment products

A new investment product requires a full risk assessment and approval by council.

h) Breaches

Any breach of this policy is to be immediately reported to the CEO and the General Manager Corporate and Community, with risk mitigation measures implemented to rectify the breach within 24 hours of the breach being identified.

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 Treasurer's approval for continuing with the investment arrangement or sell/redeem/withdraw the investment arrangement.

i) Safekeeping of records

Each transaction will require written confirmation by the relevant financial institution. Council will hold all security documents, or alternatively a third-party custodian authorised by the CEO may hold security documents.

12) Investment Guidelines

a) Placement of Investment

i) When placing investments, consideration will be given to the relationship between credit rating and interest rate and Council's objectives. To minimise risk Council will manage investments so there is an acceptable range of institutions used. This being:

- A) Not less than 60% of investment funds in AA long-term rating or above or Queensland Treasury Corporation
- B) Up to 40% of investment funds within an institution within the A long-term rating range; and/or
- C) Up to 10% of investment funds within an institution with not less than BB long-term rating

13) Reporting

The Financial Services Manager will prepare a monthly evaluation report of the transactions, concentrations, and performance of the investment portfolio. The report is to be provided to the CEO within 10 days of the end of the reporting period, and will include:

- a list of securities held by maturity date/call date,
- the weighted average yield to maturity,
- percentage held by investment type, and
- the performance of the investment portfolio relative to the UBS Index benchmark.

On a quarterly basis, the Financial Services Manager will provide the Audit and Risk Committee and council a detailed report on the investment portfolio, including a statement of compliance with the SBFA Act. The report is to list securities held by issue name, maturity date, par value, and dollar amount invested.

14) Performance measurement

The return for the investment portfolio shall be measured using the market value of the portfolio (which will include changes in the capital value of assets held, income from managed investment portfolio

assets, proceeds of sales of assets sold, and cost of assets acquired), and the total performance of the portfolio compared to the UBS Index.

The market value of the portfolio is to be calculated at least monthly to coincide with monthly reporting. In defining market value, at least two pricing sources should be included in the valuation of the securities.

ROLES AND RESPONSIBILITIES

- 15) The CEO, and/or delegate are responsible for ensuring that this policy is understood and adhered to by all employees involved in investments for Council.
- 16) The CEO has the authority to delegate Investment Officer responsibilities.

APPLICABLE LEGISLATION AND REGULATION

- 17) Applicable legislation and regulation:
 - a) *Local Government Act 2009*
 - b) *Local Government Regulation 2012*
 - c) *Statutory Bodies Financial Arrangements Act 1982 (SBFA)*
 - d) *Statutory Bodies Financial Arrangements Regulation 2007 (SBFAR)*

RELATED DOCUMENTS

- 18) Related documents are:
 - a) Council Annual Budget 2024-2025
 - b) Council Annual Financial Statements 2024-2025
 - c) Operational Plan 2024-2025
 - d) Investment Policy Guidelines for Local Governments July 2023 (external)

RESPONSIBLE OFFICER

General Manager Corporate and Community

APPROVAL DATE

10 July 2024

REVIEW DATE

June 2025 (Annual Review)

REVISION HISTORY

Version	Meeting	Approval Date	History
1	Budget Meeting	07/07/2015	Revised for 2015/2016
2	Budget Meeting	08/07/2016	Revised for 2016/2017
3	General Meeting	21/06/2017	Revised for 2017/2018
4	General Meeting	27/06/2018	Revised for 2018/2019
5	Budget Meeting	17/07/2019	Revised for 2019/2020
6	General Meeting	24/06/2020	Revised for 2020/2021
7	Budget Meeting	30/06/2021	Revised for 2021/2022
8	Budget Meeting	27/06/2022	Revised for 2022/2023
9	Budget Meeting	28/06/2023	Revised for 2023/2024
10	Budget Meeting	10/07/2024	Revised for 2024/2025