

Investment Policy



Policy Number:	KASC-STAT-007
Responsible Manager:	Executive Manager Corporate and Financial Services
Legislation:	Local Government Act 2009 Local Government Regulation 2012 Statutory Bodies Financial Arrangements Act 1982 Statutory Bodies Financial Arrangements Regulation 2007
Approval Date:	26 July 2022

1. Purpose

- 1.1. The Investment Policy (this 'Policy') applies to the investment of investable funds in accordance with Category One (1) investment power under Part 6 of the Statutory Bodies Financial Arrangement Act 1982 (SBFAA) and the Statutory Bodies Financial Arrangement Regulations 2007 (SBFAR).

2. Scope

- 2.1. To provide Council with a contemporary investment policy based on an assessment of risk within the legislative framework of the SBFAA and SBFAR, which includes:
 - ensuring the preservation of Council's capital;
 - investing Council funds not immediately required for financial commitments;
 - maximising earnings from authorised investments of investable funds in accordance with section 47(1) of the SBFAA;
 - consideration and actively managing Council's net debt position when determining the use of investable funds; and
 - ensuring that appropriate procedures and adequate internal controls are established to safeguard public funds and ensure documentary evidence is kept of all investment decisions made by officers within their delegated authority.

3. Terms and Definitions

3.1. In this policy:

Act:	Local Government Act 1982
At-call:	For an investment by a statutory body, means the body may, without penalty, obtain all amounts under the investment: <ul style="list-style-type: none"> • Immediately it gives written or oral notice to the person with whom the investment is made; or • Within 30 days after written or oral notice is given to the person with whom the investment is made.
Authorised investment:	Investments allowed by the SBFAA & SBFAR and authorised for investment purposes by Council and/or Council's Chief Executive Officer.
Investable funds:	Funds not required in the short term (30 days) to meet the cash flow requirements of Council and available for investment.
Investment portfolio:	The term portfolio refers to any combination of financial risk such as stocks, bonds, or cash. It is a generally accepted principle that a portfolio is designed according to the investor's risk tolerance, time frame and investment objectives. The monetary value of each asset may influence the risk/reward ratio of the portfolio and is referred to as the asset allocation of the portfolio.
Liquidity:	A measure of the extent to which a person or organisation has cash to meet immediate and short-term obligations, or assets that can be quickly converted to do this.
Prohibited investments:	Investments not allowed by the SBFAA & SBFAR and not authorised for investment purposes by Council and/or Council's Chief Executive Officer.
Regulation:	Local Government Regulation 2012
SBFAA:	Statutory Bodies Financial Arrangements Act 1982
SBFAR:	Statutory Bodies Financial Regulation 2007
Speculation:	Speculation is the practice of engaging in risky financial transactions to profit from fluctuations in the market value of a tradable good such as a financial instrument, rather than attempting to profit from the underlying financial attributes embodied in the instrument such as capital gains, interest, or dividends.

4. Acronyms and Abbreviations

4.1. In this policy:

KASC:	means Kowanyama Aboriginal Shire Council
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5. Policy statement

5.1. 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.

Investment officers are to manage the investment portfolio in accordance with the spirit of the 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.

5.2. 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.

The Policy requires that investment officers disclose to the Chief Executive Officer (CEO) any conflict of interest or any holding of investment positions that could be related to the investment portfolio.

5.3. Authority for investment

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

5.4. Investment objectives

Councils' primary objectives for investment activities are to:

- a. Preserve capital
- b. Maintain an appropriate level of liquidity
- c. Maximise interest returns at the most advantageous rate of interest available at the time, while investing in accordance with section 47(1) of the SBFAA.

5.4.1. Preservation of capital

Preservation of capital is the principle objective of the investment portfolio. Investments are to be made in a manner that seeks to ensure security of the principle invested.

5.4.2. Credit risk

Council will evaluate and assess credit risk prior to undertaking an investment. 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.

5.4.3. 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.

5.4.4. Maintenance on liquidity

The investment portfolio will be maintained in such a way that sufficient liquidity is available to meet all reasonably anticipated cash flow requirements of Council, as and when they fall due, without incurring significant transaction costs due to making an early withdrawal request on any of Council's invested funds.

5.4.5. Return on investments

The investment portfolio is expected Return on investments 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 the Policy.

6. Investment parameters

6.1. Investable funds

For the purposes of this policy, investable funds are Council's cash holdings available for investment at any one time. The investable funds should match the cash flow needs of Council deemed by the Executive Manager Corporate and Financial Services after preparing Council's annual budget and cash flow forecasts.

Once it is determined that the cash flow forecast can be met, surplus funds may be invested for an appropriate period.

6.2. Portfolio investment parameters

The structure and features of Council's investments are to be consistent within the time horizon, risk parameters, liquidity requirements and operational guidelines of Council.

6.2.1. Authorised investments

Kowanyama Aboriginal Shire Council (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 authorised by this policy are:

- interest bearing deposits;
- commercial paper;
- bank accepted/endorsed bank bills; 35
- bank negotiable certificates of deposit;
- short term bonds;
- floating rate notes;
- QIC Cash Fund; and
- QTC Capital Guaranteed Cash Fund, Debt Offset Facility, Fixed Rate Deposit and Working Capital Facility.

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

6.2.2. Prohibited investments

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. They will consider the safety of capital and income objectives when making an investment decision.

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.

7. Procedures for internal control

The Executive Manager Corporate and Financial Services shall establish processes and internal controls that will ensure investment objectives are met and that Council's investment portfolio is protected from loss, theft, or inappropriate use.

The established processes will include:

- a list or reference to authorised and prohibited investments;
- requirement to obtain at least three (3) quotes prior to authorising any investment;
- compliance and oversight of investment parameters;
- maintenance of an investment register and associated documents which outline investment decisions as authorised;
- reconciliation of an investment register monthly; and
- segregation of duties and delegations.

7.1. Breaches

Any breach of this policy is to be reported to the Executive Manager Corporate and Financial Services and rectified within seven (7) days of the breach occurring. Breaches that result in a material or reportable loss as defined in the regulation must be reported and actioned as per section 307A of the Regulation.

7.2. Delegation and authority

Authority for implementation of this Policy is delegated by Council to the Chief Executive Officer in accordance with section 257(1) of the Act.

Authority for the day-to-day management of Council's investment portfolio is delegated by the Chief Executive Officer to the Executive Manager Corporate and Financial Services, as per section 259(1) of the Act.

7.3. Recordkeeping

Each transaction will require written confirmation by the broker/dealer/bank. Council will hold all security documents, or alternatively a third-party custodian authorised by the Executive Manager Corporate and Financial Services may hold security documents.

8. Approved Financial Institutions

- 8.1. Council considers that investing with the following financial institutions provides the most advantageous financial position of Council after considering cash flow and the financial risk profile.

Financial Institution	Fund Type	Maximum Term Length	Maximum Investment to be Held
National Australia Bank	Investment Account	Unlimited	Unlimited
Queensland Treasury Corporation	Agreed Term Fixed Rate Deposits	Unlimited	Unlimited

- 8.2. Investment cannot be undertaken with other financial institutions without this policy being amended.

9. Policy Review

This Policy is reviewed when any of the following occur:

- The related information is amended or replaced; or
- Other circumstances as determined from time to time by the Council. Notwithstanding the above, this Policy is to be regularly reviewed as required by section 104(6) of the Act. These reviews will be at intervals of no more than one year.

10. Approval

This policy was duly authorised by Council on 26 July 2022 as Kowanyama Aboriginal Shire Council's Investment Policy and shall hereby supersede any previous policies of the same intent.