

Investment Policy

Responsible Manager	Chief Financial Officer
Head of power	<i>Local Government Act 2009</i> <i>Local Government Regulation 2012</i> Statutory Bodies Financial Arrangements Act 1982 Statutory Bodies Financial Arrangements Regulation 2007
Authorised by	Council
Authorised on	23 June 2020
Implemented from	1 July 2020
Last reviewed	2020
Review history	2012, 2013, 2015, 2016, 2017, 2018, 2019
To be reviewed on	June 2021
Corporate Plan	People, Sustainability and Prosperity

1. Purpose

To provide Council with guidelines for the investment of Council's surplus cash in compliance with section 191 of the *Local Government Regulation 2012* and the *Statutory Bodies Financial Arrangements Act 1982*. This policy supports Council's investment and risk philosophy and the process for undertaking investment activities.

2. Application

This policy applies to the investment of all cash holdings of the Torres Strait Island Regional Council.

3. Definitions

Surplus Cash Balances are Council's cash holdings available for investment at any one time after consideration of the amount and timing of Council's cash flow needs. Surplus cash balances do not include Council's trust account balances.

4. Legislation/Policies

The following sets out the Investment Policy as required by chapter 5, part 4, and section 191 of the *Local Government Regulation 2012*.

Torres Strait Island Regional Council has been granted authority to exercise Category 1 investment power under Part 6 of the *Statutory Bodies Financial Arrangements Act 1982* and Schedule 2 Section 5 of the *Statutory Bodies Financial Arrangements Regulation 2007*.

All investments are to be made in accordance with:

- *Statutory Bodies Financial Arrangements (SBFA) Act 1982*
- *Statutory Bodies Financial Arrangements (SBFA) Regulation 2007*
- *Local Government Act 2009*
- *Local Government Regulation 2012*

5. Ethics and Conflicts of Interest

(a) Prudent Person Standard

The standard of prudence is to be used by investment officers when managing the overall portfolio. Investments will be managed with the care, diligence and skills 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 being reviewed and overseen regularly.

Investment officers are to manage the investment portfolios not for speculation, but for investment and in accordance with the spirit of this policy. Investment officers are to avoid any transaction that might harm confidence in Torres Strait Island Regional Council. They will consider the safety of capital and income objectives when making an investment decision.

(b) Ethics and conflicts of interest

Investment officers and employees shall refrain from personal activities that would conflict with the proper execution and management of Council's investment portfolio. This includes activities that would impair the investment officer's or employee's ability to make impartial decisions as outlined in Council's Code of Conduct. This policy requires

that employees and investment officials disclose to the Chief Financial Officer any conflict of interest or any investment positions that could be related to the investment portfolio.

(c) Delegation of Authority

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

6. Investment Objectives

As the custodian of public monies, Council chooses to secure its capital base but takes the opportunity to produce revenue from cash assets as far as possible within established risk adverse constraints. At a minimum, any financial investment should offset the devaluing effects of inflation.

Investment Risk Philosophy

In order of priority, the objective of undertaking investment activities shall be preservation of capital, maintenance of liquidity and return on investment. Council maintains a conservative and risk adverse investment philosophy for its surplus cash investments.

Preservation of capital

Preservation of capital shall be the principal objective of the investment portfolio. This can be achieved by managing credit and interest rate risk with given risk management parameters and avoiding any transaction that would prejudice confidence in Council or its associated entities.

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 issuer 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, diversify the portfolio and limit 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

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. Options for surplus funds and a list of approved investments for short term cash surpluses.

7. Investment Procedures

Authorised Investments

Authorised investments are as permitted in accordance with Category 1 Investment Powers applicable to Torres Strait Island Regional Council under the *Statutory Bodies Financial Arrangements Regulation 2007*

Credit risk guidelines

Cash (surplus and working capital) is only to be invested within QIC, QTC or the Council nominated banker whom is required to attain a long-term credit rating of:

- AA, AA+ or AAA (Fitch Australia Pty Ltd); or
- Aa2, Aa1 or AAA (Moody's Investors Service Pty Ltd); or
- AA, AA+ or AAA (Standard and Poor's (Australia) Pty Ltd).

New Investments

New investments are to be with either Queensland Investment Corporation or Queensland Treasury Corporation.

The available investment arrangements are as listed below:

- Queensland Investment Corporation Cash Fund
- Queensland Treasury Corporation Capital Guaranteed Cash Fund
- Queensland Treasury Corporation Fixed Rate Deposit (up to 12 months)
- Queensland Treasury Corporation Working Capital Facility

A new investment product requires a full risk assessment. It is permissible for working capital (non-surplus cash) to remain in the Torres Strait Island Regional Council's nominated operating accounts.

Manager Responsible for Review:

Chief Financial Officer

Adopted: 24/06/2020
Due for revision: 30/06/2021



Bruce Ranga
Chief Executive Officer