

Purpose

Section 104(5)(c) of the *Local Government Act 2009* (Qld) (The Act) and section 191 of the Local Government Regulation 2012 (The Regulation) state that a local government must prepare and adopt an Investment Policy which outlines: -

1. the local government's investment objectives and overall risk philosophy; and
2. procedures for achieving the goals related to investment stated in the policy.

The purpose of this Policy is to comply with section 191 of the Regulation and to set guidelines for investment of Whitsunday Regional Councils surplus cash balances which meet the requirements of the Statutory Bodies Financial Arrangements (SBFA) Act 1982 (Qld) (The SBFAA) and its Regulation (The SBFA Regulations).

The Policy supports Council's investment and risk appetite and provides a process to be followed in undertaking investment activities.

To outline the investment strategy and guidelines for the prudent investment of surplus funds with the aim of maximising return on investment after assessing market and liquidity risks.

Scope

This Policy applies to the investment of all surplus funds held by Council.

Authority for implementation of the Investment Policy is delegated by Council to the CEO in accordance with section 257(1)(b) of the Act.

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

Guiding Principles

1. Legislative Framework

- 1.1 Pursuant to section 101 of the Act and section 5(2)(e) of the SBFAA, all local governments are a "statutory body" for the purposes of the SBFA and all their Investments must be managed in accordance with the investment powers under Part 6 of the SBFA.
- 1.2 Pursuant to section 42 of the SBFA, a statutory body may invest depending on whether a category 1, 2 or 3 investment power is allocated to the body as outlined in Schedules 3, 4 and 5 of the SBFA Regulations.
- 1.3 Schedule 3 of the SBFA Regulations allocates a category 1 investment power to Council.

1.4 Section 44 of the SBFA outlines the category 1 investment powers and therefore dictates the types of Investments that Council may engage in without further approval from the Treasurer.

1.5 Section 8 of the SBFA Regulations prescribes the rating of the investment arrangements as per section 44(1)(e) of the SBFA.

2. Policy Objectives

2.1 To establish a framework for:-

2.1.1 Ensuring that adequate procedures are in place to safeguard public monies.

2.1.2 Optimising potential returns, while maintaining levels of risk within acceptable parameters and in keeping with Council's Risk Management Policy and Framework.

2.1.3 Maintaining liquidity for day-to-day operations in accordance with the legislative requirements.

3. Investment Objectives and Overall Risk Philosophy

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

3.2 Council will manage its investments with a view to optimising the returns while maintaining risks at levels as identified in its Risk Management Framework. Council will avoid speculative high-risk Investments that could compromise the financial sustainability of the Council, harm its reputation, or damage the ratepayers' confidence in Council.

3.3 In priority, the order of Investment activities shall be preservation of capital, liquidity, and return.

Preservation of Capital

3.4 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 risk, interest rate risk and transactional risk within given risk management parameters and avoiding any transactions that would prejudice confidence in Council or its associated entities.

3.4.1 Credit Risk

Council will evaluate and assess Credit Risk prior to Investment. Council will minimise Credit Risk in the Investment Portfolio by undertaking appropriate due diligence and pre-qualifying all transactions (including the brokers/securities dealers with whom they do business), diversifying the portfolio and ensuring investment arrangements are rated in accordance with section 44(1)(e) of the SBFA and section 8 of the SBFA Regulations.

3.4.2 Interest Rate Risk

Council shall seek to minimise the risk of a change in the market value of the Investment Portfolio because of a change in interest rates, by structuring the Investment arrangements having regard to factors such as cash flow requirements and the term of the Investment.

4.1.3 Transactional Risk

Council shall seek to minimise the risk of loss resulting from an internal deficiency or failure, by ensuring appropriate governance, systems and processes are in place and by providing appropriate training and supervision to Investment Officers.

3.5 Council will manage the Investment Portfolio not for speculation, but for generating an acceptable return on investment and in accordance with this Policy.

Maintenance of Liquidity

3.6 Council will seek to ensure that the Investment Portfolio is structured to 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 or penalties due to withdrawing (cancelling or terminating early) an investment before its maturity/term and/or sell an investment.

3.7 Council should generally avoid illiquid Investments, being Investments that are not publicly traded in sufficient volume to facilitate, under most market conditions, prompt sale without the market price being detrimentally impacted. Examples include (without limitation):

3.7.1 Investment in private placements; and

3.7.2 A security that is not supported or priced by at least two approved brokers/securities dealers.

Return on Investments

3.8 Council will strive to achieve the most advantageous interest rate available to it at the time of the investment for an investment of the proposed type, taking into account Council's risk appetite, the current market interest rates, budget considerations, current and future cash flow requirements and the economic cycle.

4. Procedures

Ethics & Conflicts of Interest

4.1 Investment Officers are to manage the Investment Portfolio not for speculation, but for Investment and in accordance with the spirit of this Policy.

4.2 Investment Officers must exercise the high level of care, diligence, ethical behaviour, skill, and accountability that a prudent person would (or could reasonably be expected to) exercise in managing public monies. In doing so, Investment Officers should have regard to any best practice or other guidance provided by the QTC and/or the Department of Local Government.

4.3 Investment Officers are to avoid any transaction that might harm Council's reputation or reduce public confidence in Council.

4.4 Investment Officers engaged in making Investment decisions 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 Officers' ability to make impartial decisions.

- 4.5 Investment Officers engaged in making Investment decisions must immediately upon becoming aware, disclose to the CEO any (potential, perceived or real) conflicts of interest or any investment positions that could be related to Council's Investment Portfolio in accordance with Council's Employee Code of Conduct.

Supporting Financial Services in the Region

- 4.6 Council may, at its sole discretion invest with banks, credit unions, and building societies that offer commercial banking services through a physical presence in at least one town within the region, as a means of supporting those organisations that provide an essential service to the citizens of the region.
- 4.7 The Investment Institutions for such investments shall be identified in the Investment Guideline, as required in clause 4.13, and be approved by the CEO. The Investment Guideline shall also identify the value and term limits for such Investments.

Authorised Investments

- 4.8 Whitsunday Regional Council has Category 1 Investment Power under the SBFA Act 1982. Section 44(1) of the SBFA Act 1982 provides Council with the power to invest in the following authorised investments:
- 4.8.1 Deposits with a financial institution.
 - 4.8.2 Investment arrangements accepted, guaranteed, or issued by or for the Commonwealth or a State or a financial institution.
 - 4.8.3 Other investment arrangements secured by investment arrangements accepted, guaranteed, or issued by or for the Commonwealth or a State or a financial institution.
 - 4.8.4 Investment arrangements, managed or offered by QIC or QTC, prescribed under a regulation for this paragraph.
 - 4.8.5 An investment arrangement with a rating prescribed under a regulation for this paragraph; and
 - 4.8.6 Other investment arrangements prescribed under a regulation for this paragraph.
- 4.9 However, the Investment/s must be at call or for a fixed time of not more than 1 year in accordance with section 44(2) of the SBFAA.
- 4.10 Investments outside the scope of these powers require the Treasurer's specific approval under Part 7A (type 2 financial arrangements) of the SBFAA.

Prohibited Investments

- 4.11 This Policy prohibits any Investment carried out for speculative purposes.
- 4.12 This Policy prohibits the following Investments:
- 4.12.1 Derivative based instruments (excluding floating rate notes).
 - 4.12.2 Principal only investments or securities that provide potentially nil or negative cash flow.

4.12.3 Stand-alone securities that have underlying futures, options, forward contracts, and swaps of any kind.

4.12.4 Securities issued in a currency other than Australian dollars.

Investment Parameters

4.13 The Manager Financial Services shall prepare and maintain the Investment Guideline (containing a list of approved Investment Institutions incorporating the following) for the investment of funds:

4.13.1 Approved banks.

4.13.2 Approved commercial paper and medium term note issuers.

4.13.3 Approved credit unions/building societies; and

4.13.4 Approved brokers/dealers and direct issuers for purchase or sale of security with a minimum credit rating of A-.

4.14 The Investment Guideline must be approved by the CEO.

4.15 The Investment Guideline shall identify the approved Investment Institutions (as appointed under section 59 of the SBFAA) and the maximum amounts and terms for Investments with such Investment Institutions. When placing Investments, consideration should be given to the relationship between credit rating and interest rate.

4.16 The maturity structure of the portfolio will reflect the forecast cash flow requirements of Council and will be limited to a maximum term to maturity of one (1) year. At least 10% of the Investment Portfolio must be capable of being liquidated at no cost within seven (7) days.

Internal Controls

4.17 At least three (3) written quotations must be obtained and noted from authorised institutions when investing surplus cash, however this requirement does not apply to investing within the prescribed investment arrangements.

4.18 The DCS 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.

4.19 A Cash Investment Register must be updated weekly and forwarded to the DCS and Manager Financial Services to ensure investment opportunities are identified to maximise return on investment. The established process will include a report from the Manager Financial Services to the Council, on a monthly basis, no more than forty-five (45) days after the end of the report period, containing the following information:

4.19.1 All investments held as at the specified date; and

4.19.2 A summary of the returns generated by the portfolio and its maturity profile.

4.20 The established process will also involve Council maintaining records to show it has invested in the way most appropriate in all the circumstances, in accordance with section 47(2) of the SBFAA.

Delegation of Authority

- 4.21 Authority for the implementation of this Policy is delegated to the CEO in accordance with the Act.
- 4.22 Authority for undertaking the identified activities within this policy is delegated by the CEO to the DCS and the Investment Officers.

Breaches

- 4.23 Any breach of this Policy is to be reported to the CEO and rectified within seven (7) days of the breach occurring. All breaches shall also be reported to Council's Risk and Audit Committee.
- 4.24 In accordance with section 52 of the SBFAA, where Council holds an Investment that is downgraded below the minimum acceptable rating level, as prescribed under the SBFA Regulations for the investment arrangement, Council shall, as soon as practicable but in any event no later than twenty-eight (28) days after the change becomes known to Council, either apply for approval to the Treasurer for continuing with the Investment or break (cancel or terminate early), redeem, withdraw or sell (as the case may be) the Investment.

Related Policies and Legislation

Local Government Act 2009 (Qld) (Act)

Local Government Regulation 2012 (Qld) (Regulation)

Statutory Bodies Financial Arrangements Act 1982 (Qld) (SBFA)

Statutory Bodies Financial Arrangements Regulation 2019 (Qld) (SBFA Regulations)

Banking Act 1959 (Commonwealth) (Banking Act)

Employee Code of Conduct

Employee Conflict of Interest Policy

Investment Administrative Guideline

Risk Management Policy

Risk Management Framework

Definitions

CEO refers to the Chief Executive Officer of Council appointed in accordance with the Act, or any person acting in that role.

Council refers to the Whitsunday Regional Council.

Council Officers refers to the Mayor, Councillors, CEO, employees, and contractors of Council.

Investment Institutions means the other organisation to a transaction, agreement, or contract.

Credit Risk is the risk of loss due to the failure of an investment issuer or guarantor.

DCS refers to the Director Corporate Services of the Council appointed in accordance with the Act, or any person acting in that role.

STRATEGIC POLICY: Finance

Investment Policy

Endorsed by Council

18 June 2025

Financial Institution refers to an authorised deposit-taking institution within the meaning prescribed by section 5 of the Banking Act.

Investment refers to financial arrangements that are acquired or undertaken for the purpose of producing income and/or capital gains and are made in accordance with all applicable legislation.

Investment Officers refers to Council Officers who are engaged in activities related to the Investment of Council's funds.

Investment Portfolio refers to a collection of short, medium, or long-term investments.

MFS refers to the Manager Financial Services of the Council appointed in accordance with the Act, or any person acting in that role.

QIC refers to the Queensland Investment Corporation.

QTC refers to the Queensland Treasury Corporation.

Treasurer refers to the treasurer of the Government of the State of Queensland.

COUNCIL POLICY

Date Adopted by Council	18 June 2025	Council Resolution	SM2025/06/18.13
Effective Date	01 July 2025	Next Review Date	30 June 2026
Responsible Officer(s)	Manager Financial Services	Revokes	