



**Policy Subject/Title:** INVESTMENT POLICY 2024-2025

**Policy Number:** F / 010

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**Responsible Officer:** Director Finance

**Legislative or Regulatory Reference:** Local Government Regulation 2012

**Related Policies / Procedures:** Nil

**Authorised by:** Somerset Regional Council

**Authorised on:** Special Meeting 10 July 2024  
[Doc Id 1641402]

**Amendment dates:**

## **1. OBJECTIVE**

The intent of this document is to outline Somerset Regional Council's investment policy for the forthcoming financial year and guidelines regarding the investment of surplus funds, with the objective to maximize earnings within approved risk guidelines and to ensure the security of funds.

The activities of the investment officers or fund managers responsible for stewardship of Somerset Regional Council's funds will be measured against the standards in this Policy and its objectives.

Activities that defy the spirit and intent of this Policy will be deemed contrary to the Policy.

## **2. BACKGROUND**

Somerset Regional Council (Council) has been granted authority to exercise Category 1 investment power under Part 6 of the *Statutory Bodies Financial Arrangement Act 1982* (the Act).

The Treasurer may from time to time constrain the investing activities of local government by limitation, caveat, restriction and/or other relevant regulation. Where this occurs, this Investment Policy will be reviewed and reissued for the subsequent change in legislation.

## **3. PURPOSE**

Compliance with the *Local Government Act 2009* and other legislation

## **4. SCOPE**

For the purpose of this policy, investments are defined as arrangements that are undertaken or acquired for producing income and apply only to the cash investments of Somerset Regional Council. This policy applies to the investment of all surplus funds held by Somerset Regional Council but does not apply to loans or similar monetary assets in favour of Council from Urban Utilities, to any right to participate in the profits of Urban Utilities or any investment requiring Treasury approval.

Funds are to be invested in a capital guaranteed cash fund or an approved cash management product. Category 1 investment power allows for investment with Queensland Treasury Corporation (QTC) Capital Guaranteed Cash Fund without further approval.

This policy supersedes and replaces the 2023/2024 equivalent policy.

## **5. POLICY**

### **5.1 AUTHORITY**

All investments are to be made in accordance with:

- *Statutory Bodies Financial Arrangements Act 1982*
- *Statutory Bodies Financial Arrangements Regulation 2019*

### **5.2 ETHICS AND CONFLICTS OF INTEREST**

#### *5.2.1 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 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 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 Investment Policy. Investment officers are to avoid any transaction that might harm confidence in Somerset Regional Council.

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

#### *5.2.2 Ethics and conflicts of interest*

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

This policy requires that employees and investment officials making final investment decisions disclose to the Chief Executive Officer any conflict of interest or any investment positions that could be related to the investment portfolio.

#### *5.2.3 Authority*

The Chief Executive Officer has authority for implementation of the Investment Policy and may delegate this authority in accordance with this policy.

### **5.3 INVESTMENT OBJECTIVES**

Somerset Regional Council's overall objective is to invest its 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.

In priority, the order of investment activities shall be:

1. preservation of capital
2. liquidity, and
3. return

#### *5.3.1 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 with given risk management parameters and avoiding any transactions 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, seeking quotations from a range of qualifying institutions in order to diversify the investment portfolio (and to maximise returns) and limit transactions to secure investments.

#### *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.

#### *5.3.2 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.

#### *5.3.3 Return on investments*

The portfolio is expected to achieve a market average rate of return and take into account Somerset Regional 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.

### **5.4 PORTFOLIO IMPLEMENTATION**

#### *5.4.1 Authorised personnel*

The Chief Executive Officer will authorise officers to invest Somerset Regional Council's operating funds at their discretion in investments consistent with this Investment Policy and legislation.

#### *5.4.2 Internal controls*

The Director 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.

The established processes will include an annual review of the Investment Policy.

### **5.5 INVESTMENT PARAMETERS**

#### *5.5.1 Investable funds*

For the purposes of this policy, investable funds are the investment moneys available for investment at any one time and include the Somerset Regional Council's bank account balance.

Included in this balance is any moneys held by Council on behalf of external parties.

The investable funds should match the cash flow needs of Council deemed by the Director Finance after preparing Somerset Regional Council's budget. Once the Director Finance has determined that the cash flow forecast can be met, if required, funds may be invested for the required term.

It is appropriate for the Director Finance to be conservative and 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 for example QTC Capital Guaranteed Cash Fund.

#### *5.5.2 Authorised investments*

Without specific approval from Council or the Treasurer, investments are limited to those prescribed by Part 6 of the Act for local governments with Category 1 investment power.

#### *5.5.3 Liquidity requirement*

Given the nature of the funds invested at least 5 per cent of the portfolio can be called at no

cost or will mature within 0-7 days.

#### 5.5.4 Breaches

Any breach of this Investment Policy is to be reported to the Chief Executive Officer and rectified within 24 hours of the breach occurring.

#### 5.5.5 Safekeeping and custody

Each transaction will require written confirmation by the relevant financial institution. Somerset Regional Council will hold security documents, or alternatively a third party custodian authorised by the Director Finance and evidenced by safekeeping receipts may hold security documents.

### 5.6 INVESTMENT GUIDELINES

The following overall investment limits apply for the forthcoming financial year:

Long Term Rating (Standard and Poor's) or equivalent	Total Limit
QIC/QTC Pooled Cash Management Fund	100% of the available funds less \$1 million preserved for qualifying local banks
A+(plus) rated products at A+(plus) rated financial institutions or better	95% of the available funds less \$1 million preserved for qualifying local banks
BBB+ (plus) rated products at BBB+(plus) rated qualifying local banks or better (defined below)	\$1 million
All other approved deposit taking institutions regulated by APRA regardless of rating subject to an individual counterparty limit of \$250,000 (government guarantee only) per deposit/institution.	10% of the available funds less \$1 million preserved for qualifying local banks. Competitive quotations are not required for this type of investment.

#### 'Qualifying Local Banks'

In order to qualify for investment, qualifying local banks must meet the following criteria to the satisfaction of the Chief Executive Officer:

- Qualifying local banks must operate a branch which is open for at least 12 hours per week within the Somerset Regional Council area;
- Qualifying local banks must provide a benefit to the community, outside of standard financial institution services within the Somerset Regional Council area; and
- Be able to provide competitive term deposit rates that rival those able to be obtained from better rated institutions.

### 6. EFFECTIVE FROM

This policy is in effect to 31 July 2025

The purchase of investment products that mature beyond the policy expiry date are subject to this policy. Conversely products purchased prior to the adoption of the current version of this policy are outside of the scope of this version of the policy.

## **7. CONTROLS**

As outlined in this policy.

## **8. DATE OF RESOLUTION**

This policy was approved by the Chief Executive Officer and adopted by the Somerset Regional Council at the Special Meeting of 10 July 2024.

Signed:

Dated: 10 July 2024