



ESC – S004 Investment Policy

POLICY VERSION AND REVISION

Version History	Meeting date	
GMCCS4 17 th May 2017 Res No: 2017/GM GMCCS3 7 th June 2018 Res No: 2018/GM2323 GMCCS2 19 th June 2019 Res No: 2019/GM2638 GMCCS 17 th June 2020 Res No: 2020/GM2902 Special Meeting 26 th July 2023 Res No: SP23.07.19 Special Meeting 24 th July 2024 Res No: SP24.07.20 Special Meeting 21 st July 2025 Res No: SP25.07.02	28 th July 2026	
	Resolution number	
	# SP26.07.02	
Approval by CEO		
Effective date	Review date	
1 st July 2026	31 st July 2027	
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1. PURPOSE

Section 191 of the *Local Government Regulation 2012* (the Regulation) requires Council to adopt an Investment Policy that addresses: -

- The local government's investment objectives and overall risk philosophy, and
- Procedures for achieving the goals related to investment stated in the Policy.

Consequently, the purpose of this Policy is to identify Council's philosophy and strategy for investment, overall risk philosophy and the investment objectives and expectations. The Policy will guide Council's investment decisions based on an assessment of counterparty, market and liquidity risk within the legislative framework of the *Statutory Bodies Financial Arrangements Act 1982* and *Regulation 2019*.

2. SCOPE

This Policy applies to the investment of surplus funds in accordance with investment powers under Part 6 of the *Statutory Bodies Financial Arrangement Act 1982* (SBFAA).

3. OBJECTIVES

The objectives of this Policy are:

1. To adopt a Policy on investing surplus funds that provides for responsible financial management and statutory compliance; and
2. To ensure an acceptable investment ratio is maintained so that new investments do not impede Council's ability to maintain an appropriate cash flow to service debt and operational payments.

4. POLICY STATEMENT

Council's investments will be made in accordance with: -

- The Act & the Regulation
- Part 6 of the SBFAA; and

All investments are to be denominated in Australian Dollars / currency.

To mitigate risk and protect the capital value of investments, funds will only be placed with Queensland Treasury Corporation or other allowable financial institutions as defined in the *Statutory Bodies Financial Arrangements Act 1982*.

4.1. INVESTMENT OBJECTIVES

Etheridge Shire 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 the most appropriate given the circumstances.

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

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



a) Credit Risk

Etheridge Shire Council will evaluate and assess credit risk prior to investment. Credit risk is the risk of loss due to the failure of an investment issue 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, diversifying the portfolio and limiting transactions to secure investments.

b) 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.

II. 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.

III. Return on Investments

The portfolio is expected to achieve a market average rate of return and take into account Etheridge Shire Council's risk tolerance and current interest rates, budget considerations, and the economic cycle.

4.2. ETHICS & CONFLICTS OF INTEREST

Staff involved in managing Council's finances and investment portfolios shall refrain from personal activities that would conflict with the proper execution and management of Etheridge Shire Council's investment portfolio. This includes activities that would impair the officers' ability to make impartial decisions.

5. IMPLEMENTATION

5.1. INTERNAL CONTROLS

The Finance Manager 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 Chief Executive Officer shall issue a letter to any approved counterparty advising that funds transferred from investments to Council must only be deposited into Council's General Account or Trust Account. This instruction cannot be varied unless a written request is made in writing signed in accordance with Council's account signing authority.

5.2. DELEGATION OF AUTHORITY

Authority for implementation of the Investment Policy is delegated by Council to the Chief Executive Officer in accordance with the Local Government Act 2009, Section 257 (1). Authority for the day-to-day management of Council's Investment Portfolio is to be delegated by the Chief Executive Officer to the Director Corporate Services and/or the Finance Manager.

5.3. BREACHES

Any breach of this Investment Policy is to be reported to Chief Executive Officer and rectified within seven (7) days of the breach occurring.

6. REVIEW

This Policy is to be reviewed annually.