INVESTMENT POLICY 2026/2027

SCOPE

This Policy applies to the investment of surplus funds in accordance with Section 191 of the *Local Government Regulation 2012* and investment powers under Part 6 of the *Statutory Bodies Financial Arrangement Act 1982 (SBFAA).*

LEGISLATION

Local Government Regulation 2012
Statutory Bodies Financial Arrangement Act 1982
Statutory Bodies Financial Arrangement Regulation 2019

OBJECTIVE

To adopt a policy on investments based on an assessment of counterparty, the market, and liquidity risk within the framework of the Statutory Bodies Financial Arrangements Act (SBFAA) and regulations.

DEFINITIONS

Investment	For the purposes of this Policy, investment is taken to mean an interest-bearing financial instrument that is surplus to the Council's short-term operating requirements.
Investment Officer	For the purposes of this Policy, the holders of the following positions are designated as Investment Officers: • Chief Executive Officer (CEO) • Director Corporate and Community Services • Manager Finance
QIC	Queensland Investment Corporation
QTC	Queensland Treasury Corporation

POLICY

Banana Shire Council's (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.

Council's principal objective in investing funds is the preservation of capital. Funds are to be invested in a manner that seeks to ensure the security of the principal of the overall portfolio.

POLICY DETAILS

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 Banana Shire Council.

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

1 Investment Activities

1.1 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 the security of the 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

Banana 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 the 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.

1.2 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.

1.3 Return on Investments

The portfolio is expected to achieve a market average rate of return and consider 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 Policy.

2 Ethics and Conflicts of Interest

Investment Officers/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 Officers' ability to make impartial decisions.

This Policy requires that employees and investment officers disclose to the CEO any conflict of interest or any investment positions that could be related to the investment portfolio.

3 Requirements

In accordance with Schedule 3 of the *Statutory Bodies Financial Arrangements Regulation 2019*, Council has been allocated a Category 1 investment power.

3.1 Portfolio Investment Parameters

Section 44(1) of SBFAA details the investment powers allocated to Category 1 authorities:

(a) Deposits with a financial institution.
(b) Investment arrangements accepted, guaranteed, or issued by or for the Commonwealth or a State or a financial institution.
(c) Other investment arrangements secured by investment arrangements accepted, guaranteed, or issued by or for the Commonwealth or a State or a financial institution.
(d) Investment arrangements, managed or operated by QIC or QTC, prescribed under a regulation for this paragraph.
(e) An investment arrangement with a rating prescribed under a regulation for this paragraph.
(f) Other investment arrangements prescribed under a regulation for this paragraph.

3.2 Section 44(2) states that the investment must be:

(a) at call; or
(b) for a fixed time of not more than one year.

3.3 Prohibited Investments

This Policy prohibits any investment carried out for speculative purposes. The following investments are prohibited by this Policy.

- Derivative-based instruments (excluding floating rate notices).
- Principal-only investments or securities that provide potentially nil or negative cash flow.
- Stand-alone securities that have the underlying futures, options, forward contracts, and sways of any kind.
- Securities issued in non-Australian dollars.

4 Placement of Investment Funds

Overall, the amount invested with institutions should not exceed the following percentage ranges of overall annual funds invested and appropriate documentation must be maintained. Also, when placing investments, consideration should be given to the relationship between credit rating and interest rate.

Long-Term Rating (Standard & Poors)	Short Term Rating (Standard & Poors)	Individual Counterparty Limit	Total Portfolio Limit
AAA to AA-	A-1+	Maximum 30%	No limit
A+ to A	A-1	Maximum $1,000,000	Maximum 30%

5 Council shall ensure that investment policy is conducted in a manner that reflects and preserves the Human Rights Principles outlined in the *Human Rights Act 2019.*

PROCEDURE

Procedures as approved and issued by the Chief Executive Officer, and subject to further revision, amendment, and issue under the authority of the Chief Executive Officer.

CERTIFICATION

…………………………………….. 7 April 2026 …………………………
CHIEF EXECUTIVE OFFICER **DATE**
BANANA SHIRE COUNCIL