

# Investment - Governing Policy

## 1. Purpose of policy

The following policy is intended to outline the University's investment policy regarding the investment of surplus funds, with the overarching objective to maximise earnings within approved risk guidelines to ensure the security of funds and to:

- (a) provide guidance with respect to the strategic management of the University's financial assets;
- (b) provide an overview of the University's investment and debt management approach within the parameters of the governing acts; and
- (c) provide a flexible management approach to the University's investments.

## 2. Policy scope and application

The policy applies to the investment arrangements held by the University and undertaken in accordance with the following authorities:

- *University of the Sunshine Coast Act 1998* (Qld)
- *Statutory Bodies Financial Arrangements Act 1982 (SBFA Act)* (Qld)
- *Statutory Bodies Financial Arrangements Regulation 2019* (Qld)

## 3. Definitions

Please refer to the university Glossary of Terms for policies and procedures. Terms and definitions identified below are specific to this policy and are critical to the effectiveness of it:

Prudent Person is the reasonable person of the common law representing an objective standard against which any individual's conduct can be measured. It is used to determine if a breach of the standard of care has occurred, provided a duty of care can be given.

## 4. Policy Statement

4.1 The University will adopt a systematic approach to the financial management of University funds to achieve the following objectives:

- (a) ensure that the University complies with statutory and legislative requirements;
- (b) preserve and improve the value of the University's investment assets over time;
- (c) maintain access to funds in accordance with the University's cash flow requirements, including access to a reasonable level of funds at short notice for unforeseen requirements; and
- (d) earn a return commensurate with the term of the University's investments and the credit worthiness of the underlying counterparties.

## 5. Principles

5.1 The University will adopt a passive investment strategy with the objective of ensuring security of principal capital and at the same time generate a return commensurate with the risk taken.

5.2 All decisions taken within treasury management are to be within University risk appetite or approved by Council where outside appetite.

5.3 Prudent person standard

5.3.1 The standard of prudence is to be used by designated 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.

### APPROVAL AUTHORITY

Council

### RESPONSIBLE EXECUTIVE MEMBER

Vice-Chancellor and President

### DESIGNATED OFFICER

Chief Operating Officer

### FIRST APPROVED

30 August 2011

### LAST AMENDED

19 October 2021

### REVIEW DATE

8 October 2026

### STATUS

Active

5.3.2 Designated officers are to manage the investment portfolios not for speculation, but for investment in accordance with the spirit of the policy. Designated officers are to avoid any transaction that might harm confidence in the University and must consider the safety of principal capital and income objectives when making an investment decision.

#### 5.4 Ethics and conflicts of interest

5.4.1 Designated officers/employees must refrain from personal activities that would conflict with the proper execution and management of the University's investment portfolio. This includes activities that would impair the designated officer's ability to make impartial decisions.

5.4.2 The policy requires that employees and investment officials disclose to the Vice Chancellor and President any conflict of interest or any investment positions that could be related to the investment portfolio.

#### 5.5 Delegation of authority

5.5.1 Authority for implementation of the policy is delegated by Council to the Vice-Chancellor and President in accordance with the *University of the Sunshine Coast Act 1998* (Qld).

5.5.2 Authority for the day-to-day management of the University's treasury portfolio is to be delegated by the Vice-Chancellor and President to the Chief Operating Officer and subject to regular reviews by the Planning and Resources Committee.

5.5.3 The Planning and Resources Committee is responsible to Council for the approval of treasury management policies for the University.

#### 5.6 Investment management

5.6.1 The Chief Operating Officer is responsible for the active management of the University's treasury portfolio in accordance with this policy. Documented treasury procedures must incorporate appropriate internal controls and segregation of duties. Speculative transactions are not permitted. The security of principal capital and income objectives will be the major consideration when making an investment decision.

5.6.2 The University may engage a fund manager to actively manage its long term investments. In accordance with the SBFA Act engagement of a fund manager will generally be QTC/QIC unless approved otherwise by the Treasurer.

#### 5.7 Investment objectives

5.7.1 The University'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. The investment quantum and duration is to be aligned to the University's short, medium, and long term cash flow requirements.

5.7.2 In priority, the order of investment activities shall be security of principal capital, liquidity and return:

##### Security of principal capital

Security 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 includes managing credit and interest rate risk within given risk management parameters and avoiding any transactions that would prejudice confidence in the University or its associated entities.

##### Maintenance of liquidity

Pursuant to section 31 of the SBFA Act, the University will maintain a deposit and withdrawal account(s) for its day-to-day operating transactions. In addition, the investment portfolio will maintain sufficient liquidity to meet all reasonably anticipated operating cash flow requirements of the University, as and when they fall due, without incurring significant transaction costs due to being required to sell an investment.

For these purposes, illiquid investments are defined as investments that are not publicly traded in sufficient volume to facilitate, under most market conditions, prompt sale without severe market price effect.

##### Return on investments

The portfolio is expected to achieve a market average rate of return and take into account the University's risk tolerance and current interest rates, budget considerations, and the economic cycle. Any additional return target set by the Council will also consider the risk limitations, prudent investment principles and cash flow characteristics identified within the policy.

#### 5.8 Investment categories

5.8.1 The University's investable funds are to be matched to the liability profile and cash flow (liquidity) needs of the University, and fall within the following categories:

#### Short term (under one year)

The objective of the short term component is to ensure there is sufficient liquidity to meet operating expenses, while holding minimal cash in low interest bearing accounts. These investments should be held in cash with QTC or placed in short term cash investments with appropriately rated financial institutions within the approved investment parameters.

#### Medium term (one to five years)

The objective of the medium term component is to maintain liquidity to meet the cash demand for operating activities and capital works programs planned to occur within a period of one to five years. These investments should be held in secure financial instruments that are liquid and have negligible chance of loss of principal capital.

#### Long term (above five years)

The objective of the long term component is to improve the financial stability and capacity of the University, to provide strength to the balance sheet and deliver a return in perpetuity which could be reinvested to build a substantial corpus, or be drawn upon to meet specific University funding requirements.

5.8.2 These investments are primarily placed with the approved investment funds manager utilising a combination of investment parcels matched to the chosen risk/return requirements of the investment pools such as endowment funds, provisions or sinking funds.

### 5.9 Investment parameters

#### 5.9.1 Investible funds

For the purposes of the policy, investible funds are the investment monies available for investment at any one time and include the University's bank account balance. Included in this balance is any monies held by the University on behalf of external parties. However, the policy does not apply to monies held on trust for third parties where those funds are subject to specific conditions.

The investible funds should match the cash flow needs of the University deemed by the Chief Operating Officer after preparing the University's budget. Once the Chief Operating Officer has determined that the cash flow requirements can be met, funds may be invested for the required term. In this regard, it is appropriate for the Chief Operating Officer to be conservative (i.e. where possible, investments should not be broken to meet cash flow obligations).

It is the responsibility of the Chief Operating Officer to assess the cost of direct investment management by the University relative to the return generated. This should be compared with the cost of investing funds with a capital guaranteed cash fund (for example, the QTC Capital Guaranteed Cash Fund).

#### 5.9.2 Authorised investments

Without specific approval from Council or the Qld Treasurer, investments are limited to those prescribed within the authority of the SBFA Act, particularly Part 6 of the SBFA Act for statutory bodies with Category 3 investment power.

#### 5.9.3 Prohibited investments

The policy prohibits any investment carried out for speculative purposes. The policy prohibits any investment not authorised under the SBFA Act or specific approval from Council or the Qld Treasurer.

#### 5.9.4 Portfolio investment parameters and credit requirements

For investments at call or for a short (<1 year) or medium (1<3 year) fixed term the University is permitted, under section 44 and 45 of the SBFA Act, to use investments with a financial institution rating by S&P per the tables below.

5.9.5 The following tables show the credit ratings and counterparty limits for the University.

SHORT TERM RATING (S&P)	INSTITUTION LIMIT OF TOTAL PORTFOLIO	MAXIMUM % OF TOTAL PORTFOLIO
QTC/QIC	100%	100%
A-1+	60%	100%
A-1	30%	70%

LONG TERM RATING (S&P)	INSTITUTION LIMIT	MAXIMUM % OF TOTAL PORTFOLIO
QIC	100%	100%

5.9.6 For the purposes of the University's investment portfolio, the percentage limits apply effective from the date of purchase as a percentage of the market value of the portfolio.

#### 5.10 Internal controls

5.10.1 The Chief Operating Officer will establish internal controls and processes that will ensure policy objectives are met and that the treasury portfolio is protected from loss, theft or inappropriate use.

5.10.2 The internal controls will address the following:

- (a) control of collusion;
- (b) separate the transaction authority from accounting and record keeping;
- (c) safekeeping;
- (d) avoid physical delivery of securities;
- (e) clearly delegate authority to designated officers;
- (f) confirmation requirements for settlement of securities;
- (g) compliance and oversight of treasury parameters; and
- (h) reporting of breaches.

5.10.3 Each transaction will require written confirmation by the broker/dealer/bank. The University will hold security documents, or alternatively a third party custodian authorised by the Chief Operating Officer and evidenced by safekeeping receipts, may hold security documents.

#### 5.11 Criteria of authorised dealers and broker

5.11.1 The University will maintain a list of authorised financial institutions and securities brokers that the designated officers may deal with. These financial intermediaries must have a minimum long term rating of at least either A+/A1/A+ from Standard and Poor's, Moody's or Fitch IBCA.

5.11.2 All transactions undertaken on behalf of the treasury portfolio of the University will be executed either by the University directly, or through securities brokers registered as Australian Financial Service Licensees (ASIC) with an established sales presence in Australia, or direct issuers that directly issue their own securities which are registered on the University's approved list of brokers/dealers and direct issuers.

#### 5.12 Queensland Treasurer Approval

5.12.1 Approval is required from the Council in relation to any investments requiring Treasurer approval, prior to submission to the Treasurer.

#### 5.13 Reporting

5.13.1 The Chief Financial Officer will document and report the analysis performed to determine which financial institution has the most advantageous rate when benchmarked with Queensland Treasury to evidence the requirements of Division 43 section 47 of the SBFA Act. This analysis report will be recommended to the Chief Operating Officer by the Chief Financial Officer at least quarterly and/or prior to making each investment.

5.13.2 The Chief Operating Officer will prepare a report and evaluation of the transactions, concentrations, performance and compliance of the investment portfolio. The report is to be provided to the Planning and Resources Committee in accordance with the meeting schedule. The report will include:

- (a) analysis of cash investment balances that reports the level of externally restricted, internally restricted and unrestricted balances;
- (b) list of securities held at the end of the reporting period by maturity date/call date;
- (c) weighted average yield to maturity of the portfolio;
- (d) percentage of the portfolio held by investment type; and
- (e) performance of the portfolio.

#### 5.14 Performance measurement

5.14.1 The investment return for the portfolio shall be measured using the market value of the portfolio, including withdrawals and deposits, and total performance of the portfolio compared to the Consumer Price Index (CPI). This is to include changes in the capital value of assets held (where applicable), income from managed investment portfolio assets, proceeds of sales of assets sold and cost of assets acquired.

5.14.2 The market value of the portfolio is to be calculated to coincide with financial management reporting and the annual financial statements.

#### 5.15 Breaches

5.15.1 Any breach of this policy is to be reported to the Vice-Chancellor and President and rectified within 24 hours of the breach occurring. The Planning and Resources Committee will report the breach to the Council at its next meeting.

5.15.2 Where the University holds an investment that is downgraded below the minimum acceptable rating level, as prescribed under regulation for the investment arrangement, the University shall within 28 days after the change becomes known, either obtain Treasurer's approval for continuing with the investment arrangement or sell the investment arrangement (including, for example, withdrawing a deposit).

### 6. Authorities / Responsibilities

6.1 The following authorities are delegated under this policy:

ACTIVITY	UNIVERSITY OFFICER
Perform day-to-day investment operations at their discretion in accordance with this policy and legislation.	Chief Operating Officer (may be delegated to Chief Financial Officer)
Enter into an investment arrangement in accordance with this Policy that does not require specific approval from Council or Treasury.	Chief Operating Officer (may be delegated to Chief Financial Officer)
Enter into an investment requiring Qld Treasurer approval	Council (on recommendation by Planning & Resources Committee)
Oversee the development and update of the policy and its guidelines; recommend to Council modifications to the policy; monitor compliance with the Act; and review the investment reports by the University.	Planning & Resources Committee
Report to the Planning and Resources Committee on behalf of the Vice Chancellor and President for treasury guidelines and oversight of treasury activities for the purposes of the policy.	Chief Operating Officer
Establishment of internal controls to ensure treasury portfolio integrity.	Chief Operating Officer

END

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#### RELATED DOCUMENTS

- Delegations Framework - Governing Policy
- Financial Management Practices - Operational Policy
- Resolution of Complaints (Staff) - Guidelines
- Staff Code of Conduct - Governing Policy

#### RELATED LEGISLATION / STANDARDS

- Financial Management Practices Manual
- University of the Sunshine Coast Act 1998 (Qld)
- Financial and Performance Management Standard 2009 (Qld)
- Financial Accountability Act 2009 (Qld)
- Statutory Bodies Financial Arrangements Act 1982 (Qld)
- Statutory Bodies Financial Arrangements Regulation 2007