

INVESTMENT POLICY

(STATUTORY POLICY)

1. Scope

Livingstone Shire Council has been granted authority to exercise Category One (1) investment power under Part 6 of the *Statutory Bodies Financial Arrangements Act 1982* (SBFAA) and the *Statutory Bodies Financial Arrangement Regulations 2019* (SBFAR).

2. Purpose

As per section 191 of the *Local Government Regulation 2012*, Council is required to prepare and adopt an Investment Policy. The intent of this policy is to outline Council's investment policy and guidelines regarding the investment of surplus funds, with the objective to maximise earnings within approved risk guidelines and to ensure the security of funds.

To provide Council with an Investment Policy based on an assessment of risk within the legislative framework of the SBFAA and SBFAR. This includes:

- ensuring the preservation of Council's capital;
- investing Council funds not immediately required for financial commitments;
- maximising earnings from authorised investments of investable funds in accordance with section 47(1) of the SBFAA;
- consideration and actively managing Council's net debt position when determining the use of investable funds; and
- ensuring that appropriate procedures and adequate internal controls are established to safeguard public funds and ensure documentary evidence is kept of all investment decisions made by officers within their delegated authority.

3. Reference (e.g. legislation, related documents)

Local Government Act 2009

Local Government Regulation 2012

Statutory Bodies Financial Arrangements Act 1982

Statutory Bodies Financial Arrangement Regulations 2019

Public Sector Ethics Act 1994

[*Queensland Government Investment Policy Guidelines for Local Government \(July 2023\)*](#)

4. Definitions

To assist in interpretation, the following definitions shall apply:

At-call	For an investment by a statutory body, means the body may, without penalty, obtain all amounts under the investment – (a) Immediately it gives written or oral notice to the person with whom the investment is made; or
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	(b) Within 30 days after written or oral notice is given to the person with whom the investment is made.
Financial Institution	Those organisations listed on the Register of Approved Deposit Institutions (ADIs) on the Australian Prudential Regulation Authority website.
Investable funds	Surplus funds available for investment at any one time, including Council's bank account. It does not include monies held on trust for third parties where those funds are subject to specific conditions.
Investment portfolio	Any combination of financial risk such as stocks, bonds or cash. The investment portfolio is designed according to Council's risk tolerance, time frame and investment objectives.
Investment arrangement	Securities, investments and other similar arrangements, including, for example, bills of exchange, bonds, certificates of deposit and promissory notes.
Liquidity	A measure of the extent to which a person or organisation has cash to meet immediate and short-term obligations, or assets that can be quickly converted to do this.
Market average rate of return	An index of money market cash investment rates available to Council as per the SBFAA and SBFAR that is averaged over the same investment period as Council's investment portfolio to provide a comparison to Council's investment portfolio performance.
Prudent investment principles	Generally, any use of financial assets that is suitable for the risk and return profile and the time horizon of a given investor (Council). The prudent investor rule only holds that persons must make sound money management decisions for their clients based on the information available. The outcome of their investment decision, whether good or bad, is not a factor in whether the investment is considered prudent.
Segregation of duties	Segregation of duties are specific internal controls implemented to ensure no one officer has so much control over an activity that mistakes could go undetected or that the officer could be placed in a situation where they could be tempted by an inappropriate activity. The emphasis is the segregation of functional responsibilities and to create a system of checks and balances, so that a duty performed by one officer would be checked by another officer in the ordinary course of work.
The Act	<i>Local Government Act 2009.</i>
The Regulation	<i>Local Government Regulation 2012.</i>

5. Policy Statement

Investments are arrangements that are undertaken or acquired with the expectation of achieving a financial return through interest, profit or capital growth. This policy applies to the investment of all surplus funds held by Council.

Amounts of less than \$5 million are to be invested in a capital guaranteed cash fund or an approved cash management product. Category 1 investment power allow for investment at

call or for a fixed term up to one year in the Queensland Treasury Corporation Guaranteed Cash Fund without further approval.

5.1 Investment approach

Council has adopted a passive investment approach. The objective of a passive investment approach is to ensure the return of capital and at the same time generate a return commensurate with the risk taken. This will be achieved primarily through investing in fixed interest rate term deposits that will be held to maturity and at-call investments.

5.2 Authority for investment

The investment of Council's investable funds is to be in accordance with the relevant power of investment under the SBFAA and SBFAR and their subsequent amendments and regulations.

5.3 Ethics and conflict of interest

- a) A 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 their own financial affairs.
- b) Investment officers are to manage Council's investment portfolio not for speculation, but for investment in accordance with the spirit of this policy.
- c) Investment officers shall refrain from personal activities that conflict with the proper execution and management of Council's investment portfolio. This includes activities that impair the investment officer's ability to make impartial decisions.
- d) This Policy requires that employees in their role as an investment officer to disclose to the Chief Executive Officer any conflict of interest or any holding of investment positions that could be related to the investment portfolio.

5.4 Risk management

Council's risk management approach to managing its investable funds includes:

- a) embedding risk management in the requirements of this policy;
- b) meeting the legislative requirements of the SBFAA and SBFAR; and
- c) reviewing available credit ratings of financial institutions and investment arrangements.

5.5 Investment objectives

Council's primary objectives in order of investment activities are to:

- a) preserve capital;
- b) maintain an appropriate level of liquidity; and
- c) maximise interest returns at the most advantageous rate of interest available at the time, rate while investing in accordance with section 47(1) of the SBFAA.

5.5.1 Preservation of capital

Preservation of capital is the principle objective of the investment portfolio. Investments are to be made in a manner that seeks to ensure security of the principal invested. This includes managing credit risk and interest rate risk within given risk management parameters and avoiding transactions that would prejudice confidence in Council.

5.5.2 Maintenance of liquidity

The investment portfolio will be maintained in such a way that sufficient liquidity is available to meet all reasonably anticipated cash flow requirements of Council, as and when they fall due, without incurring significant transaction costs due to making an early withdrawal request on any of Council's invested funds.

5.5.3 Return on investments

The portfolio is expected to achieve a market average rate of return and consider Council's risk tolerance, current interest rates obtainable in the marketplace and budget considerations. Any additional return target set by Council will also consider the risk limitations, prudent investment principles and cash flow characteristics identified within this Policy.

Council should ensure it achieves value for money or a competitive price after considering the costs of the investment.

5.6 Authorised investments

- a) Council will only invest investable funds within the constraints of section 44(1) of the SBFAA.
- b) The maturity structure of the portfolio will be in accordance with section 44(2) of the SBFAA.

5.7 Prohibited investments

This policy prohibits any investment carried out for speculative purposes. Prohibited investments include:

- a) investment in private placements;
- b) sub investment grade securities ie lower than rating BBB- (Standard & Poor's) or equivalent;
- c) derivative type investments;
- d) principal only investments or securities that provide potentially nil or negative cash flow;
- e) stand alone securities issued that have underlying futures, options, forward contracts and swaps of any kind; and
- f) securities issued in denominations other than Australian dollars.

5.8 Limitation of investment power

As per section 43 of the SBFAA Council is limited to investments that are:

- a) in Australian dollars; and
- b) undertaken in Australia.

5.9 Portfolio Investment Parameters

The amount invested with institutions or fund managers should not exceed the following percentage ranges of average annual funds invested. When placing investments, consideration should be given to the relationship between credit rating and interest rate.

Short Term Rating equivalent rating			Individual Counterparty Limit	Total Limit
(Standard & Poors)	Moody's	Fitch		
A1+	P-1	F1+	Maximum 30%	Maximum 100%
A1		F1	Maximum 20%	Maximum 50%
A2 (Financial Institutions only)	P-2	F2	Maximum 10%	Maximum 30%

A3 (Financial Institutions only)	P-3	F3	Maximum 5%	Maximum 10%
Unrated			Nil	Nil
QTC Cash Funds			100%	100%

The maturity structure of the investment portfolio will reflect a maximum term of maturity of one year. The Treasurer's approval is required for long-term investments (i.e., with a maturity of greater than 12 months), as these investments fall outside council's Category 1 investment power. Council's approval is required prior to any application being submitted to the Treasurer.

5.10 Procedures and internal controls

The Chief Financial Officer shall establish processes and internal controls that will ensure investment objectives are met and that Council's investment portfolio is protected from loss, theft or inappropriate use. The established processes will include:

- a) a list or reference to authorised and prohibited investments;
- b) requirement to obtain at least three (3) quotes prior to authorising any investment;
- c) each transaction to be supported by written confirmation by the broker/dealer/bank and Council will hold all security documents or alternatively a third-party custodian may be authorized by the CFO to hold security documents
- d) compliance and oversight of investment parameters;
- e) maintenance of an investment register and associated documents which outline investment decisions as authorised;
- f) reconciliation of an investment register on a monthly basis; and
- g) segregation of duties and delegations.

The established processes will include monthly report as well as an annual review of the Policy.

5.11 Breaches

Any breach of this policy is to be reported to the Chief Financial Officer and rectified within seven (7) days of the breach occurring. Breaches that result in a material or reportable loss as defined in the regulation must be reported and actioned as per section 307A of the Regulation.

5.12 Delegation of authority

- a) Authority for implementation of this Policy is delegated by Council to the Chief Executive Officer in accordance with section 257(1) of the Act.
- b) Authority for the day to day management of Council's investment portfolio is delegated by the Chief Executive Officer to the Chief Financial Officer, as per section 259(1) of the Act.

5.13 Availability of investment policy

- a) This investment policy will be available for public access and inspection at any of Council's public offices and on Council's website as required of section 199 of the Regulation.

- b) Council will provide the ability for the public to purchase a copy of this policy as per section 199 of the Regulation.

6. Changes to this Policy

This Policy is reviewed when any of the following occur:

- 1) The related information is amended or replaced; or
- 2) Other circumstances as determined from time to time by the Council.

Notwithstanding the above, this Policy is to be regularly reviewed as required by section 104(6) of the Act.

7. Repeals/amendments

This policy repeals the former Livingstone Shire Council policy titled 'Investment Policy (v9.1)'.

Version	Date	Action
1	14/02/2014	Adopted
2	22/07/2015	Amended Policy Adopted
3	24/07/2015	Amended Policy Adopted
4	12/07/2016	Amended Policy Adopted
5	27/06/2017	Amended Policy Adopted
6	17/07/2018	Amended Policy Adopted
7	20/06/2019	Amended Policy Adopted – minor updates to wording, removal of section 5.7(b)
8	16/06/2020	Amended Policy Adopted - section 2, 5.3, 5.4, 5.5, 5.5.2, 5.5.3, 5.7 and 5.9 updated
9	15/06/2021	Reviewed Policy Adopted
9.1	25/07/2023	Minor administrative amendments made
10.0	18/02/2025	Amended Policy Adopted – Full Review Undertaken

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