

Investment Policy

Policy Identifier:	F1.8
Version	2
Date Adopted	30 July 2025
Next Review Date	30 July 2026
Responsible Officer	Chief Executive Officer

1. PURPOSE

The purpose of this policy is to establish a clear and consistent framework for the investment of surplus funds held by Palm Island Aboriginal Shire Council. It ensures that all investments are managed in a manner that prioritises the preservation of capital, maintains sufficient liquidity to meet operational needs, and generates reasonable returns. The policy also ensures compliance with relevant legislative requirements and supports the long-term financial sustainability of the Council.

2. SCOPE

This policy applies to all surplus funds held by the Council, including general funds, reserves, and trust funds. It does not apply to borrowings, operational expenditure, or funds held on behalf of third parties under specific contractual arrangements. The policy is intended to guide investment decisions made by authorised Council officers and ensure consistency across all financial activities involving surplus funds.

3. DEFINITIONS

Term	Definition
Council	Palm Island Aboriginal Shire Council and its authorised representatives
Investment	Placement of surplus funds into approved financial instruments to earn a return.
Surplus Funds	Funds not immediately required for operational or capital expenditure.
Liquidity	Ability to convert an investment into cash quickly without significant loss.
Return	Income earned from an investment, typically in the form of interest.
Risk	Potential for financial loss or underperformance in an investment.
At Call	Investment that can be redeemed within 30 days without penalty.
Credit Risk	Risk of loss due to the failure of the counterparty to meet obligations.
Interest Rate Risk	Risk of market value change due to interest rate fluctuations.
Liquidity Risk	Risk that Council will have insufficient cash to meet working capital needs.
Transaction Risk	Risk of loss from failed internal processes, people, or systems.
Preservation of Capital	Strategy focused on preventing losses in the total value of the investment.

4. POLICY STATEMENT

Council's investment activities will be guided by three primary objectives, listed in order of priority: security, liquidity, and return. The preservation of capital is the highest priority, ensuring

that funds are not exposed to unnecessary risk. Liquidity is essential to ensure that investments can be accessed when needed to meet Council's cash flow requirements. Finally, Council seeks to earn a reasonable return on its investments, taking into account the level of risk and prevailing market conditions.

5. PERMITTED INVESTMENTS

Council will only invest in financial instruments permitted under Part 6 of the *Statutory Bodies Financial Arrangements Act 1982 (Qld)*. These include deposits with the Queensland Treasury Corporation (QTC), deposits with Australian financial institutions that hold a long-term credit rating of A or higher, and other approved investments as authorised by regulation. Council will not invest in speculative or high-risk instruments such as derivatives, equities, or foreign currencies. All investments must be denominated in Australian currency.

6. INVESTMENT MANAGEMENT APPROACH

Council's investment portfolio will be managed centrally on a corporate basis, applying a conservative investment strategy. This approach ensures that Council maintains sufficient liquidity to meet all reasonably anticipated cash flow requirements as they fall due. The primary objective is to safeguard public funds while achieving a reasonable return on investments.

7. RISK MANAGEMENT

To manage investment risk, Council will diversify its investment portfolio across different institutions and maturity dates. Credit ratings and market conditions will be monitored regularly to ensure the continued suitability of investments. Prior to any investment, a future cash flow analysis will be conducted to determine the amount of surplus funds available and the appropriate investment term. A risk assessment will also be undertaken for each investment, considering the credit rating of the institution and Council's liquidity requirements. If an investment is downgraded and no longer complies with this policy, it will be divested as soon as practicable.

8. ETHICAL CONSIDERATIONS

Council will avoid investments that conflict with community values or strategic objectives. This includes avoiding investments linked to industries such as tobacco, gambling, or those that are environmentally harmful. Council is committed to ethical financial practices that reflect the values of the Palm Island community.

9. ROLES AND RESPONSIBILITIES

Investment decisions must be made in accordance with Council's financial delegations. The Chief Executive Officer (CEO) holds delegated authority under this policy and may further delegate this authority as appropriate. The Financial Reporting Team is responsible for preparing regular cash management reports and ensuring compliance with this policy.

10. PROCEDURES

Before any investment is made, Council will obtain a minimum of two quotes from authorised financial institutions, one of which must be the QTC Cash Fund. The quote offering the best return, net of costs, will be selected. The maximum amount invested with any single financial

institution must not exceed 50% of the total average annual funds invested, except for the QTC Cash Fund, which may hold any amount.

All transactions between Council accounts require approval from the CEO and written confirmation from the financial institution. Council will maintain documentation for all investment transactions to ensure transparency and accountability. Certificates confirming investment amounts must be obtained from fund managers at the end of each financial year for audit purposes.

11. REPORTING AND PERFORMANCE MEASUREMENT

The Financial Reporting Team will prepare weekly cash management reports to monitor Council's investment activities. A comprehensive monthly investment report will be submitted to the CEO and included in Council's financial reporting. This report will detail the performance of the investment portfolio, counterparty exposure, and investment income earned against the year-to-date budget.

12. LEGISLATIVE FRAMEWORK

This policy is guided by relevant Queensland legislation, including but not limited to:

- *Local Government Act 2009*
- *Local Government Regulation 2012*
- *Statutory Bodies Financial Arrangements Act 1982*
- *Statutory Bodies Financial Arrangements Regulation 2007*
- *Banking Act 1959 (Cwlth)*

Supporting internal documents:

- *PIASC Investigations and Prosecutions Policy*
- *PIASC Records Management Policy*
- *PIASC Code of Conduct*
- *PIASC Public Interest Disclosure Policy*

13. REVIEW AND COMPLIANCE

This policy will be reviewed annually, or earlier where legislative amendment, audit recommendation, or operational necessity requires. Each review will confirm that the policy remains lawful, relevant, and aligned with Council's strategic and compliance obligations. Council will monitor compliance through routine reporting and internal assurance processes.