

Central Coast Council

Investments Management Policy

Date Adopted: 22/07/2025
Revision: 1

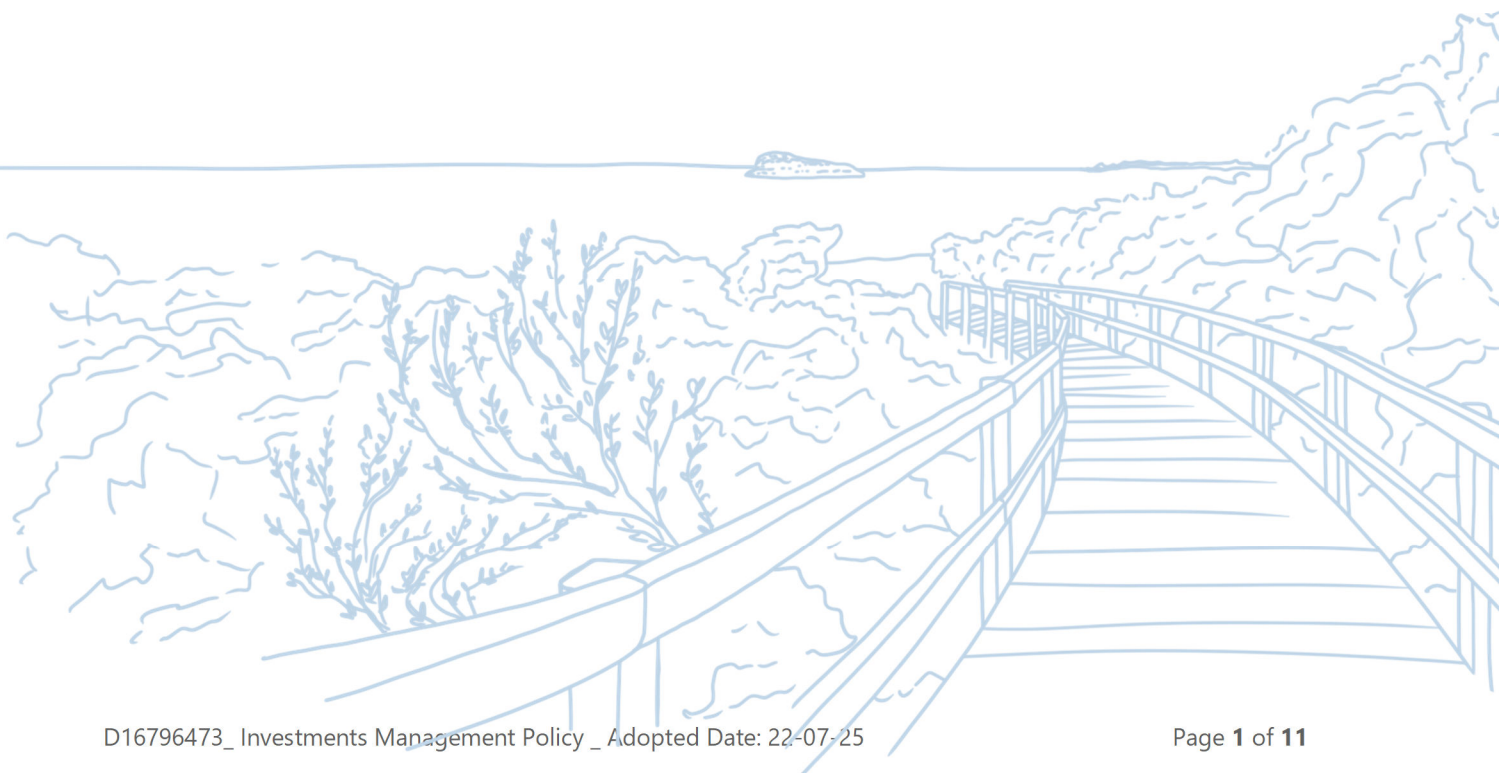


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1. Policy Objectives

- 1.1. The objective of this Policy is:
 - 1.1.1. To provide an effective, accountable, and transparent framework for decision making, with respect to investing surplus funds held by Council in accordance with the *Local Government Act 1993* (**the Act**), *Local Government (General) Regulation 2021* (**the Regulation**), and the NSW Local Government Minister's Orders dated 12 January 2011 (**Investments Order**).
 - 1.1.2. To maximise investment returns while maintaining the security of investments and preserving capital through the prudent management of risk.
 - 1.1.3. To ensure there is sufficient liquidity to meet all reasonably anticipated cashflow requirements as and when they fall due.
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2. Policy Scope

- 2.1. This Policy applies to all employees who actively manage, or supervise employees who actively manage, Council's cash and investments portfolio.
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3. Policy Statement

- 3.1. This Policy establishes an effective, accountable, and transparent framework for decision making with respect to managing Council's cash and related Investment Portfolio.
 - 3.2. Investing activities must be conducted in a manner that is financially prudent, ensuring the preservation of capital, liquidity and returns.
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4. Investments Management

- 4.1. Investments are to be placed in a manner that seeks to ensure security and the safeguarding of the investment portfolio. This includes managing credit and interest rate risk within identified thresholds and parameters.
- 4.2. **Approach to investing surplus funds:**
 - 4.2.1. A strategic approach will be taken when investing funds surplus to immediate requirements, considering short and long term cashflow requirements as identified in Council's Long Term Financial Plan.
 - 4.2.2. Each investment in the portfolio will be evaluated and monitored against a performance benchmark appropriate to the risk and time period of the investment concerned.

4.2.3. All investments under consideration will be assessed to ensure delivery of a level of return appropriate with their risk profile and are competitive with an appropriate peer group of alternative investment options.

4.2.4. The eligibility of an investment is determined by the prevailing Ministerial Investments Order as updated from time to time.

4.3. Risk Management Criteria

Detailed decisions on the purchase and sale of cash investment assets will be mindful of the following risk categories:

Risk	Mitigants
Risk of Capital Loss	Diligent product research, diversification and an intention to hold assets to maturity.
Liquidity risk	Cash flow forecasting, allocation of investment funds to time horizons, maintenance of a "liquidity reserve" through conservative assumptions in cash flow forecasting.
Market timing risk ("not getting a good price on the day")	Stagger investment dates, maintain spread of maturity dates.
Credit risk	Credit risk guidelines imposing required credit rating targets for the portfolio.
Concentration risk ("all eggs in one basket")	Concentration risk guidelines imposing maximum exposure for Individual institutions.
Product risk	Undertake rigorous product research.
Interest Rate (duration) risk	Invest in products within policy with staggered maturity dates to mitigate exposure to interest rate fluctuations.
Income risk	Conservative approach to investment income budgeting.
Reinvestment/Rollover risk	The risk that income will not meet expectations or budgeted requirements because interest rates are lower than expected in future.
Regulatory risk	Portfolio actively managed to comply with legislation, regulations and policy.
Fraud risk	Documented investment procedures and manage portfolio in compliance with policy.
Safe keeping/Clear title risk	Documented investment procedures.

4.4. Credit Management Criteria

- 4.4.1. All new investments must comply with the risk criteria at the time of placement.
- 4.4.2. Prior to investing with a new institution, a diligent review of the credit worthiness of that institution will be undertaken. The Chief Executive Officer or his/her delegate must form their own opinion of the risk attached to an institution and not solely rely on published credit ratings.
- 4.4.3. Standard & Poor's (or equivalent Moody's and Fitch) ratings attributed to each individual institution will be used to determine maximum holdings. If an investment is rated by more than one rating agencies, Council shall use the lower of the ratings.
- 4.4.4. The maximum available limits in each rating category are as follows:

Table 1: Maximum Portfolio Weighting Per Rating Category

Long Term Credit Ratings	Maximum Portfolio Weighting
AAA Category	100%
AA Category or Major Bank^	100%
A Category	70%
BBB Category	45%
Unrated	0%

4.5. Concentration Risk (Counterparty/Institution Credit Framework):

Exposure to individual counterparties/financial institutions will be restricted by their rating as per the APRA standard above, so that single entity exposure is limited, as detailed in the table below:

Table 2: Counter Party Risk

Individual Institution Limits	
Long Term Credit Ratings	Maximum Exposure
AAA Category*	100%
AA Category*	30%
A Category	10%
BBB Category	5%
Unrated Category	0%

4.6. Product, Interest Rate and Income Risk/Term to Maturity Framework:

- 4.6.1. The investment portfolio is to be invested with a conservative approach to income budgeting within the following term to maturity constraints, subject to rigorous product research.
- 4.6.2. To ensure Council has available funds to meet its short-term and long-term operational and capital cash commitments, liquidity targets as set in Table 3 are to be maintained.

Table 3: Term to Maturity

Description	Maximum Exposure
Portfolio allocation:	
Portfolio % < 1Year	100%
Portfolio % > 1 Year < 3 Years	70%
Portfolio % >3 Years < 5 Years	40%
Portfolio % > 5 Years	5%
Maturity of financial institution securities:	
ADI issues rated A or above	5+ years
ADI issues rated BBB to A	5 years
ADI issues BBB- (Term Deposits only)	1 years

4.7. Regulatory, Fraud and Safekeeping/Clear Title Risk

- 4.7.1. The regulatory framework for investments is embedded within this policy.
- 4.7.2. Risk of fraud is mitigated by documented investment procedures, separation of responsibilities for investment decision making and transaction settlement, with only one account for payment of redemption proceeds, including the use of licensed custodians or third-party registries where applicable.
- 4.7.3. Council uses the following benchmarks to measure investment performance, in relation to both current month and 12-month rolling returns against its return/income objectives:
- (a) Bloomberg AusBond Bank Bill Index
 - (b) 30-day Bank Bill Rate
- 4.7.4. All investments to be in Australian dollars and held in the name of Council.

5. Responsibilities

Compliance, monitoring and review

- 5.1. Pursuant to section 223 of the Act, the elected Council is responsible for ensuring Council is, as far as possible, financially sustainable. Therefore, it is the responsibility of the elected Council to ensure this policy is designed to achieve that.
- 5.2. Pursuant to section 335 of the Act, the Chief Executive Officer is responsible to conduct the day-to-day management of Council in accordance with the strategic plans, programs, strategies, and policies adopted by the elected Council. Therefore, the Chief Executive Officer is responsible for implementing the elected Council's decisions in accordance with investments as outlined in this Policy.
- 5.3. The Responsible Accounting Officer is responsible for reporting and reviewing of investments.
- 5.4. The Chief Financial Officer is responsible for compliance with this Policy and its review at least once a year or as required in the event of legislative changes. This Policy may also be changed as a result of other amendments that are to the advantage of Council and in the spirit of this Policy. Any amendments to this Policy must be by way of Council resolution.

Reporting

- 5.5. Documentary evidence must be held for each investment and details thereof maintained in an Investment Register. The documentary evidence must provide Council legal title to the investment.
- 5.6. Certificates must be obtained from the financial institutions confirming the amounts of investments held on Council's behalf as at 30 June each year and reconciled to the Investment Register.
- 5.7. All investments are to be appropriately recorded in Council's financial records and reconciled at least monthly.
- 5.8. A monthly report will be provided to the elected Council. The report will detail the investment portfolio in terms of performance, percentage exposure of total portfolio, maturity date and investment interest earned for the year.

Records management

- 5.9. Staff must maintain all records relevant to administering this policy in accordance with Council's [Information and Records Management Policy](#).

6. Policy Definitions

Act	means the <i>Local Government Act 1993</i> (NSW)
Active Secondary Market	means a market where investors purchase securities or assets from other investors, rather than from issuing companies themselves on an arm's length (independent) basis.
ADIs	means Authorised Deposit Taking Institutions A financial institution licensed by the Australian Prudential Regulatory Authority (APRA) to carry on banking business, including accepting deposits from the public. This includes banks, building societies and credit unions.
Bank Bill Swap Reference Rate (BBSW)	means an independent reference rate that is used for pricing securities. Fixed income investors use BBSW since it's the benchmark to price floating rate bonds and other securities. The BBSW is an average of the bank bill rates supplied by banks for various maturities.
Cash	Cash comprises both cheque accounts and daily call accounts with Authorised Deposit Taking Institutions (ADIs). Cash assets typically have a maturity term at the time of placement of being immediately available or available within 24 hours. Cash assets are closely linked with investments but do not constitute investments. Cash is used to meet immediate operational cash needs.
Council	means Central Coast Council.
Delegated Authority	means any function, duty or power vested in the Council by the Act, that the Council may, within the terms of the Act, delegate to a Council member, Committee of the Council, Chief Executive Officer, employee or person or class of persons approved for the purpose.
Externally Restricted Reserves	means those cash and investments where Council is bound by legislation or third-party contractual agreement that restricts the use of funds held.
Internally Restricted Reserves	means those cash and investments that Council has allocated by resolution to identified purposes.

Investment	comprises term deposits and bonds with an active secondary market placed with government (including NSW T-Corp) and ADI's. Investment assets have maturities at the time of placement of 30 days or more.
Major banks	means Australian banking groups: <ul style="list-style-type: none"> • Australia and New Zealand Banking Group Limited • Commonwealth Bank of Australia • National Australia Bank Limited • Westpac Banking Corporation This includes ADI subsidiaries whether or not explicitly guaranteed, and brands (such as St George). Council may ratify an alternative definition from time to time.
Year	means from July 1 to June 30 (financial year).

7. Policy Administration

Business Group	Corporate Services
Responsible Officer	Chief Financial Officer
Policy Review Date	Annually
File Number / Document Number	D16796473
Relevant Legislation (reference specific sections)	<p>This Policy supports Council's compliance with the following legislation:</p> <ul style="list-style-type: none"> ▪ <i>Local Government Act 1993</i> (NSW) ▪ <i>Local Government (General) Regulation 2021</i> (NSW) ▪ Ministerial Investment Order (12 January 2011)
Link to Community Strategic Plan	<p>Theme 4: Responsible</p> <p>Goal G: Good governance and great partnerships</p> <p>R-G3: Provide leadership that is transparent and accountable, makes decisions in the best interest of the community, ensures Council is financially sustainable and adheres to a strong audit process.</p>
Related Policies / Protocols / Procedures / Documents (reference document numbers)	<ul style="list-style-type: none"> ▪ Australian Accounting Standards ▪ Code of Conduct ▪ Delegations Register ▪ Information and Records Management Policy ▪ Investment Register ▪ Local Government Code of Accounting Practice and Financial Reporting ▪ Division of Local Government Investment Policy Guidelines 2010

8. Policy Authorisations

No.	Authorised Function	Authorised Business Unit / Role(s)
1	Management of investments	Finance

9. Policy History

Revision	Date Approved / Authority	Description Of Changes
1	22 July 2025	New Policy adopted (separation of the previous Policy for Investment Management and Debt Management Policy)
