Investment Policy

26 August 2026

Policy

Contents

1 Key Information

Investment Policy	
Purpose	The Investment Policy provides a framework for the investment of Bayside Council's (Council) surplus funds to achieve market aligned returns, while ensuring adequate liquidity and appropriate management of investment risk.
Scope	This Policy applies to all funds held by Council that are available for investment. The policy governs all investment related activities, including investment selection, portfolio management, and the monitoring and reporting of investment performance. It applies to all Council officers with delegated authority for investment activities. All investments must be undertaken in accordance with applicable legislative requirements, relevant obligations and Council's approved delegations of authority.
Related Documents	Always read this policy in conjunction with the Related Documents: • Statutory delegations • Administrative delegations • Financial delegations
Compliance Requirements	This Policy acknowledges the legislative requirements and obligations for the investment of Council's surplus funds. In the event of inconsistencies with this Policy, Council will comply with investment regulations and directions from the Office of Local Government. All investments are to comply with the following: • Local Government Act 1993 Section 412 and 625; • Prevailing Ministerial Investment Order dated 12 January 2011; • NSW Local Government (General) Regulation 2021 – Clause 212; • Trustee Act 1925 *(as amended by The Trustee Amendment (Discretionary Investments) Act 1997)* – Section 14; • Office of Local Government Code of Accounting Practice and Financial Reporting; • Australian Accounting Standards; • Office of Local Government Investment Policy Guidelines; and • Office of Local Government Circulars
Policy Owner	Manager Finance

Date Adopted	26/08/2026	Review Date	26/08/2027

2 Definitions

Term	Meaning
Act	Local Government Act, 1993
Ausbond Bank Bill Index	Bloomberg calculates a daily Bank Bill Index representing the performance of a notional rolling parcel of bank bills with an average maturity of 45 days.
Austraclear	Austraclear is a clearing and settlement facility licensed by the Australian Securities and Investments Commission (ASIC), which enables the electronic settlement and custody of debt securities. It is subject to financial stability standards administered by the Reserve Bank of Australia (RBA).
Australian Prudential Regulation Authority (APRA)	APRA (Australian Prudential Regulation Authority) is the prudential regulator of the Australian financial services industry. APRA enforces prudential standards and practices (e.g. capital adequacy and other risk management issues) of banks, credit unions, building societies, insurance companies and friendly societies.
Authorised Deposit-Taking Institutions (ADI)	Authorised Deposit-Taking Institutions (ADIs) are corporations authorised under the Banking Act 1959 (Cwth) to accept deposits from customers
Bill of Exchange	A bill of exchange is an unconditional written order, signed by one party and addressed to another requiring the recipient to pay a specified sum of money on demand or at a fixed or determinable future time to a specified person or bearer.
BBSW	The Bank Bill Swap Rate (BBSW) is the average of mid-rate bank-bill quote from brokers on the BBSW Panel. The BBSW is calculated daily. Floating rate securities are most commonly reset quarterly to the 90-day BBSW.
Council Funds	Surplus monies available for investment in accordance with section 625 of the Act
Credit Rating	A credit rating is an independent assessment of the credit worthiness of an issuer or a specific debt instrument, expressed as a short term or long term rating.
Debenture	A debenture is a document evidencing an acknowledgement of a debt issued by a corporation to raise capital, typically for medium to long term funding.
Direct Deposits	Direct Deposits refer to investments made by Council (or on behalf of Council) directly with financial institutions.
FRN	A Floating Rate Note (FRN) is a medium to long term fixed interest investment where the coupon is a fixed margin ("coupon margin") over a benchmark, also described as a "floating rate". The benchmark is usually the BBSW and is reset at regular intervals – most commonly quarterly.
LGGR	Local Government (General) Regulation 2021 (NSW)
Minister's Order	Refers to the Order of the Minister for Local Government relating to Investments made by Councils. Last Minister's

	Order was dated 12 January 2011.
Negotiable Certificate of Deposit – NCD	Is a short-term investment in an underlying security being a negotiable certificate of deposit (NCD) where the term of the security is usually for a period of 185 days or less (sometimes up to 2 years). NCDs are generally discount securities, meaning they are issued and on-sold to investors at a discount to their face value.
OLG	NSW Office of Local Government
Responsible Accounting Officer – RAO	Responsible Accounting Officer of a council is the staff member designated by the General Manager, or if no such designation has been made, the General Manager, as defined under clause 196 of the LGGR.
T-Corp	New South Wales Treasury Corporation

3 Policy Principles

3.1 Policy Objectives

The primary objective of Council's investment portfolio is the preservation of capital. Investments are to be placed in a manner that safeguards the investment portfolio, including managing credit and interest rate exposure risk within identified thresholds and parameters.

Other objectives include:

- to optimise the return to Council in line with all requirements of the policy;
- to comply with the legislative requirements and regulations relevant to the management of Council's investments;
- to ensure sufficient liquidity to meet all reasonably anticipated cash flow requirements;
- to establish a framework for monitoring investments. Investments are expected to achieve a market average rate of return in line with Council's risk tolerance;
- to confirm delegations and other relevant governance matters in relation to Council's investments.

The optimisation of returns within these parameters, taking into account market conditions, cash flow requirements, and Council's financial strategy, is addressed through Council's investment strategy and operational practices.

3.2 Legislative & Regulatory Framework

Authorised Investments

Investments must only be made in compliance with the most current Ministerial Investment Order that has been issued by the NSW Minister for Local Government and in accordance with this Policy.Approved investments include:

- Commonwealth / State / Territory Government securities e.g. bonds;
- Interest bearing deposits / senior securities issued by an eligible ADI;
- Bills of Exchange, (< 200 days duration) guaranteed by an ADI;
- Debentures issued by a NSW Council under Local Government Act (1993);
- Investments with NSW Treasury Corporation (T-Corp) &/or Investments in a T-Corp Managed Funds;

- Term Deposits guaranteed for the full term by the Australian Federal Government (Refers to Term Deposits that would not otherwise comply with this policy).

Prohibited Investments

This investment policy prohibits the following types of investment:

- Derivative based instruments
- Principal only investments or securities that provide potentially nil or negative cash flow.
- Stand-alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind.
- Leveraging (borrowing to invest) of an investment.
- Foreign Currency investments.

3.3 Delegated Authority

Authority for the implementation of the Investment Policy is delegated by Council to the General Manager in accordance with the Local Government Act 1993.

The General Manager may, in turn sub-delegate responsibility for the day-to-day management of Council's investment portfolio to the Responsible Accounting Officer or other officers through Council's delegated authority process.

Council officers will have the appropriate level of skills and knowledge to undertake the investment functions of Council and not engage in activities that conflict with the proper implementation and management of Council's Investment Policy.

3.4 Prudent Person Standard

The investment portfolio will be managed with the care, diligence and skill that a prudent person would exercise. As trustees of public monies, officers are to manage Council's investment portfolios to safeguard the portfolio in accordance with the spirit of this Investment Policy.

Investments made in accordance with this policy framework will be deemed compliant with the prudent person standard.

3.5 Ethics and Conflict of Interest

Officers shall refrain from personal activities that would conflict with the proper execution and management of Council's investment portfolio. Disclosure of any conflict of interest should be made in accordance with the Code of Conduct.

Where appointed, independent investment advisors are required to declare that they have no actual or perceived conflicts of interest.

3.6 Risk Management Framework

Investments obtained are to be considered in light of the following key criteria:

- ***Preservation of Capital*** – the requirement for preventing losses in an investment portfolio's total value.
- ***Credit Risk*** – The risk of loss due to the failure of an institution/entity with which an investment is held to pay the interest and/or repay the principal of an

investment.

- ***Diversification*** – a limit placed on the allowable amount invested with one institution or government treasury authority. Diversification assists with reducing credit risk.
- ***Liquidity Risk*** – the risk, Council is unable to redeem investments at a fair price within a timely period, and thereby Council incurs additional costs (or in the worst case is unable to execute its spending plans).
- ***Market Risk*** – the risk that fair value or future cash flows will fluctuate due to changes in market prices, or benchmark returns will unexpectedly overtake the investment's return.
- ***Maturity Risk*** – the risk relating to the length of term to maturity of the investment. The longer the term, the greater the length of exposure and risk to market volatilities.

3.7 Investment Advisor

Council may engage an independent investment advisor. This advisor will be licensed by the Australian Securities and Investment Commission.

The advisor must be independent and have no actual or potential conflict of interest in relation to investment products being recommended and is free to choose the most appropriate product within the terms and conditions of the policy. This includes receiving no commissions or other benefit in relation to the investment being recommended or reviewed.

Council's investment advisor will not receive any commission, brokerage or trailers, unless rebated to Council (as the beneficiary) in full.

Each appointment of an independent investment advisor will be for a period up to three (3) years.

3.8 Approved Investments

3.8.1 Principles

Council must only invest surplus funds in accordance with the latest Minister's Order – Forms of Investment as further restricted to prohibit the investment in the products of branches of foreign banks (ADIs), and investments in those ADIs which do not hold an investment grade credit rating (at least BBB- equivalent).

In the event of any conflict between this policy and any legislative instrument or direction from the Minister or Office of Local Government, these instruments will prevail over the policy.

However, any regulatory change that renders a formerly compliant investment outside policy will not necessarily impose a forced disposal. Subject to grandfathering rules, Council will seek advice and resolve how to deal with such investments. Investment guidelines and parameters

3.8.2 Limits

This section provides criteria for:

- Limits on a single financial institution;
- Limits on term of direct investments;
- Minimum credit ratings of investments, and allocation to rating bands.

3.8.3 Strategy

A separate investment strategy will consider Council's current investment portfolio, its financial position and financial commitments, current legislative constraints, the global investment environment, and specify investment goals for the forthcoming year. This shall address the following risks:

- Preservation of Capital: Preventing losses in an investment portfolio's total value
- Credit Risk: The risk that a party or guarantor to a transaction will fail to fulfil its obligations – a failure of an investee institution/entity to pay interest and/or principal on schedule, or effects of exposure to other parties such as brokers or custodians
- Diversification: Avoiding over-exposure to a particular issuer or sector of the investment market
- Liquidity Risk: The risk that Council, or an institution, runs out of cash – as a result of which, Council is unable to redeem investments at a fair price within a timely period, and thereby Council incurs additional costs (or in the worst case is unable to execute its spending plans)
- Market Risk: Fair value or future cash flows will fluctuate due to changes in market prices, or that benchmark returns will unexpectedly overtake the investment's return

3.8.4 General investment criteria – all investments

- Investments must be denominated in Australian dollars;
- Investments must be held in the name of Bayside City Council.
- The Custodian nominated by T-Corp for its Managed Funds.

3.8.5 Credit ratings

Creditworthiness of investments is primarily determined using industry standard credit ratings but also has regard to the term and seniority of the investment as well as the external support expected for ADI deposits and the secured assets backing covered bonds.

The primary creditworthiness of investments will be assessed with reference to the Standard & Poor's (S&P) long term credit and fund ratings and Moody's and Fitch equivalents. Reporting will be carried out on S&P ratings where available, and any implications for policy compliance noted.

The S&P ratings are broadly defined as follows:

Rating band	**Description**
AAA	Extremely strong capacity to repay
AA+, AA, AA- (AA Rated)	A very strong capacity to repay
A+, A, A- (A Rated)	A strong capacity to repay

BBB+, BBB, BBB- (BBB Rated)	Adequate protection and adequate capacity to pay
Non-investment grade: BB+, BB, BB	Less vulnerable to non-payment, however adverse economic conditions could lead to inadequate capacity to meet financial obligations.
CCC	Vulnerable to non-payment and requires positive economic conditions to meet its financial obligations

Investments with credit ratings downgraded to the extent that they no longer comply will be assessed as soon as practicable, having regard to the risks of default and prevailing market liquidity as well as break costs and any constraints on redemption. Where the recommendation is to retain the investment, Council will be notified of the circumstances and the reason for the recommendation.

Where an investment has a "split rating" (different rating bands for different agencies), they can only be purchased where they comply with policy under the lowest rating. However, when considering the compliance of existing investments and the need for divestment, the highest rating may be considered. As such, no breach of policy results from a single downgrade.

The following credit rating parameters apply to Council's investment portfolio:

Type of investment/credit rating	**Maximum % of portfolio**
Government (Federal & State) bonds/debentures/securities	100%
AAA Rated	100%
AA Rated, or Major Bank^^	100%
A Rated	50%
BBB Rated (Refer to note below)	30%

The ADI deposit or senior guaranteed principal and interest ADI securities issued by the major Australian Banking Groups:

- Australia and New Zealand Banking Group Limited
- Commonwealth Bank of Australia
- National Australia Bank Limited
- Westpac Banking Corporation

Including ADI subsidiaries (such as Bank of Western Australia Ltd) whether or not explicitly guaranteed, and brands (such as St George).

Investments must be placed with APRA-regulated Authorised Deposit-Taking Institutions (ADIs) rated BBB- or higher, except for Commonwealth and State government securities.

The Australian Prudential Regulation is listed under definitions and further references.

Credit ratings on institutions can be verified in real time at the three agencies' websites as follows:

www.standardandpoors.com

www.moodys.com
www.fitchratings.com

3.8.6 Diversification

Council will invest across a range of different issuers and investments to reduce risk, as no single type of investment consistently performs better than another. However, investments other than deposits need to demonstrate a clear advantage.

Decisions made regarding the composition of Council's investment portfolio must ensure adequate levels of diversification are maintained at all times.

The table below specifies the maximum proportion of Council's investment portfolio which may be held with an individual institution:

Type of investment credit rating range	**Maximum Limit with a single institution (%)**	**Maximum Duration of a single investment**
Government (Federal & State) bonds/debentures/securities	100%	5 years
AAA Rated	100%	5 years
AA Rated or Major Bank	60%	5 years
A Rated	40%	5 years
BBB Rated	5%	3 years

3.8.7 Investment duration

Decisions made regarding the duration of Council's investment portfolio must ensure adequate levels of liquidity are maintained at all times.
The maximum investment term for each maturity band, as shown in the table below.

Investment duration	**Minimum % of total investment portfolio**	**Maximum % of total investment portfolio**
0 – 12 months	50%	100%
1 – 3 years	0%	50%
3 – 5 years	0%	25%

3.9 Performance

3.9.1 Benchmarking

The performance of each investment will be assessed against the benchmarks listed in the following table.

Investment	**Performance Benchmark**	**Time Horizon**

11 am Account, short dated bills, deposits issued by financial institutions of appropriate term.	Official RBA Cash Rate	3 months or less
Term Deposits, Senior FRN's & Fixed Bonds	Ausbond Bank Bill Index (BBI)	3 months to 5 years

It is Council's expectation that the performance of each investment will be greater than or equal to the applicable benchmark by sufficient margin to justify the investment considering risks, liquidity and other benefits of the investment.

3.9.2 Monitoring and reporting

Reporting & Reviewing Requirements (Accounting)
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. All investments are to be appropriately recorded in Council's financial records and reconciled at least on a monthly basis.

For audit purposes, certificates must be obtained from the banks/fund managers/custodian confirming the amounts of investment held on Council's behalf at 30 June each year and reconciled to the Investment Register.

A monthly report will be provided to Council. The report will detail the investment portfolio in terms of performance, percentage exposure of total portfolio, maturity date and changes in market value.

Council will comply with appropriate accounting standards in valuing its investments and quantifying its investment returns.

4 Roles and Responsibilities

Amendments

The General Manager or the Responsible Accounting Officer is authorised to approve variations to this Investment Policy in response to legislative changes or significantly altered economic or market conditions. Amendments may also be made where they are considered beneficial to Council and consistent with the intent of this policy.

All such variations must be reported to Council at the next available Council Meeting.

Internal review

Investment reports are reviewed internally and reported to Council monthly.
The Investment Policy will be reviewed annually or in the event of legislative change.

External audit

Council's external auditor is required to review Council's investments as part of the audit of the Annual Financial Reports.

Role	Responsibility
Council	Approve Investment Policy, delegates implementation to General Manager
General Manager	Endorse the Policy for Council approval, delegates implementation to the Director – City Performance
Responsible Accounting Officer	Director – City Performance is the RAO for Council Implementation of the policy
Manager Finance	Writing and review of Investment Policy Compliance with Investment Policy
Finance Team	Compliance with Investment Policy

5 Compliance

Compliance with this policy is mandatory. A breach of this policy may be dealt with in accordance with Council's Code of Conduct.

6 Consultation

This policy was reviewed in consultation with Council's Investment advisor (Arlo Advisory Pty Ltd) and the Responsible Accounting Officer.Approval and Review

7 Approval & Review

Approval and Review	
Date Adopted	26/08/2026
Approver	General Manager
Owner	Manager Finance
Endorser	Executive Committee
Review period	1 year
Review Date	26/08/2027
Date to commence next review	26/11/2026
Class of document	Council Policy
Published	Council Website and Intranet
Unsubstantial administrative changes	The Council authorises the General Manager to approve non-significant and/or minor editorial amendments that do not change the substance of this Policy.

8 Document Control

Content Manager			
Policy reference (PP)	PP19/10	**Bayside Policy Register folder reference**	F16/951
Word document reference	19/221372[v4]	**Word document folder reference**	F16/259
Evidence of approval		BP26/2663	

9 Version History

Version	Date Adopted	Approved By	Author	Comment
1.0	12/06/2019	Council	Manager Finance	New document

2.0	18/01/2024 (Executive) and 22/02/2024 (Director City Performance)	Executive	Manager Finance	Update policy document following review with investment adviser. Approved by Executive on 18/01/2024 and approved for publication by Director City Performance on 22/02/2024.
3.0	17/04/2025 (Director City Performance)	Director City Performance	Manager Finance	Annual policy review completed by Finance, no changes made. Approved for publication by Director City Performance on 23/04/2024.
4.0	26/08/2026	Council	Manager Finance	Policy transferred to new format. Updated policy following review with Director City Performance and investment adviser.

10 Appendices

10.1 Appendix 1 – How may councils invest?

Local Government Act 1993 - Section 625 How may councils invest?

(1) A council may invest money that is not, for the time being, required by the council for any other purpose.

(2) Money may be invested only in a form of investment notified by order of the Minister published in the Gazette.

Note: See Gazette No 152 of 24.11.2000, p 12041.

(3) An order of the Minister notifying a form of investment for the purposes of this section must not be made without the approval of the Treasurer.

(4) The acquisition, in accordance with section 358, of a controlling interest in a corporation is not an investment for the purposes of this section.

10.2 Appendix 2 – Discretionary Investments

The Trustee Amendment (Discretionary Investments) Act 1997 Sections 14A (2), 14C (1) & (2);

Section 14A - Duties of trustee in respect of power of investment

(1) This section has effect subject to the instrument (if any) creating the trust.

(2) A trustee must, in exercising a power of investment:

(a) if the trustee's profession, business or employment is or includes acting as a trustee or investing money on behalf of other persons, exercise the care, diligence and skill that a prudent person engaged in that profession, business or employment would exercise in managing the affairs of other persons, or
(b) If the trustee is not engaged in such a profession, business or employment, exercise the care, diligence and skill that a prudent person would exercise in managing the affairs of other persons.

Note: Some Acts deem investments under the Acts to be investments that satisfy the prudent person test. See, for example, section 39 of the Public Authorities (Financial Arrangements) Act 1987.

(3) A trustee must exercise a power of investment in accordance with any provision of the instrument (if any) creating the trust that is binding on the trustee and requires the obtaining of any consent or approval with respect to trust investments.

(4) A trustee must, at least once in each year, review the performance (individually and as a whole) of trust investments.

Section 14C - Matters to which trustee is to have regard when exercising power of investment

(1) Without limiting the matters that a trustee may take into account when exercising a power of investment, a trustee must, so far as they are appropriate to the circumstances of the trust, if any, have regard to the following matters:
(a) the purposes of the trust and the needs and circumstances of the beneficiaries,
(b) the desirability of diversifying trust investments,
(c) the nature of, and the risk associated with, existing trust investments and other trust property,
(d) the need to maintain the real value of the capital or income of the trust,
(e) the risk of capital or income loss or depreciation,
(f) the potential for capital appreciation,
(g) the likely income return and the timing of income return,
(h) the length of the term of the proposed investment,
(i) the probable duration of the trust,
(j) the liquidity and marketability of the proposed investment during, and on the determination of, the term of the proposed investment,
(k) the aggregate value of the trust estate,
(l) the effect of the proposed investment in relation to the tax liability of

the trust,

(m) the likelihood of inflation affecting the value of the proposed investment or other trust property,

(n) the costs (including commissions, fees, charges and duties payable) of making the proposed investment,

(o) the results of a review of existing trust investments in accordance with section 14A (4).

(2) A trustee may, having regard to the size and nature of the trust, do either or both of the following:

(a) obtain and consider independent and impartial advice reasonably required for the investment of trust funds or the management of the investment from a person whom the trustee reasonably believes to be competent to give the advice,

(b) pay out of trust funds the reasonable costs of obtaining the advice.

(3) A trustee is to comply with this section unless expressly forbidden by the instrument (if any) creating the trust.

10.3 Appendix 3 – Reports on council investments

Local Government (General) Regulation 2021 – Clause 212 Reports on council investments

(1) The responsible accounting officer of a council:

(a) must provide the council with a written report (setting out details of all money that the council has invested under section 625 of the Act) to be presented:

(i) if only one ordinary meeting of the council is held in a month, at that meeting, or

(ii) if more than one such meeting is held in a month, at whichever of those meetings the council by resolution determines, and

(b) must include in the report a certificate as to whether or not the investment has been made in accordance with the Act, the regulations and the council's investment policies. The report must be made up to the last day of the month immediately preceding the meeting.

Note: Section 625 of the Act says how a council may invest its surplus funds (Appendix 1)

10.4 Appendix 4 – Policy and Records

Local Government Code of Accounting Practice and Financial Reporting

Section 11.3.4

Councils must maintain a separate record of money it has invested under 625 of the LGA.

The record must specify:
(a) the source and amount of money invested; and
(b) particulars of the security or form of investment in which the money is invested; and
(c) if appropriate, the rate of interest to be paid, and the amount of money that the council has earned, in respect of the money invested.

Section 11.3.5

Council must maintain an investment policy that complies with the Act and ensures *"it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing council funds".*

For an extensive list of matters a prudent person would be expected to consider, reference is made to Section 4 of the NSW Local Government Investments Best Practice Code

Bayside Council
Serving Our Community

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