Policy title	Investment Policy
Responsible manager(s)	Director Corporate and Community
Contact officer(s)	Financial Accountant
Directorate	Corporate and Community
Approval date	24 July 2026
Outcome area	LE. Leadership LE1 Lead, govern and regulate with integrity, fairness, transparency, and accountability

Purpose/Objective

Hilltops Council's policy is designed to ensure that Council's investments reflect the preference to reduce risk and comply with current NSW Local Government investing policy guidelines, 'best practice' and the current Ministerial Order.

This policy is a requirement of the *Local Government Code of Accounting Practice and Financial Reporting* issued by the Office of Local Government (OLG) pursuant to section 412 of the *Local Government Act 1993 (NSW)* (LG Act) as set out below:

> *"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."*

The *Trustee Amendment (Discretionary Investments) Act 1997* (NSW) section 14A(2) provides further guidance on a "prudent person": *"A prudent person is expected to act with considerable duty of care, not as an average person would act, but as a wise, cautious and judicious person would."*

The Accounting Code defines "investments" as: *"money that is not, for the time being, required by the Council for any other purpose"*.

Council's Investment Policy objective is to maximise returns from the investment of Council funds, whilst having due consideration of risk and security for that investment type and ensuring that Council's liquidity requirements are being met. A report is prepared each month and submitted to the Ordinary Meeting of Council detailing investments held.

Both the policy and investing practices of the Council must comply with Section 625 of the *Local Government Act 1993* as set out below:

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.

The Ministerial Investment Order as at 12 January 2011 was current at the date of adopting thispolicy and is included in this document (see Attachment 1).

In formulating this policy, the Council has also considered the 'Investment Policy Guidelines' issued by the OLG in May 2010. While it is the belief of the Council that these guidelines are not binding, it is also the Council's belief that they represent best practice and should be incorporated within the adopted investment policy.

Policy aims

This policy aims to ensure that:

- Council has appropriate working capital funds available to carry out its strategic plans as outlined in its delivery program and operational plan (or management plan);
- Long term core investments are limited or avoided in favour of a focus on working capital investments so that funds are readily available if required;
- A reasonable level of funds are immediately accessible in the event of a disaster or unexpected failure of infrastructure;
- Council is able to meet its liability commitments as they fall due;
- Legally restricted funds are appropriately accounted for and invested so as to earn reasonable income towards their purposes. Legally restricted funds include trusts, developer contributions, unexpended grants, Crown reserves etc.; and
- All statutory requirements are met.

Policy statement

1	**Application** This policy applies to the investment of Hilltops Council's surplus funds.
2	**Legislation** Hilltops Council will comply with Section 625 of the *Local Government Act (NSW) 1993*; The *Trustee Amendment (Discretionary Investments) Act 1997 (NSW)* section 14A(2); Local Government Code of Accounting Practice and Financial Reporting and Investment Policy Guidelines dated May 2010 (issued by the Office Local Government).
3	**Delegated authority** Authority for implementation of the Investment Policy is delegated by Council to the General Manager in accordance with the *Local Government Act (1993).* The General Manager has in turn delegated the day-today management of Councils investment to those currently recorded in the Delegated Authority register. Delegated officers are required to acknowledge they have received a copy of this policy and understand their obligations in this role when investing funds on behalf of Council in accordance with this policy. Adequate controls are in place to safeguard Council's assets, such as the separation of duties in relation to authorising and executing transactions through the requirement of two authorised signatories for each transaction.
4	**Prudent Person Standard** The delegated officers will ensure that Council investments are managed with the care, diligence and skill that a prudent person would exercise. As trustees of public monies, officers are to safeguard the portfolio in accordance with the spirit of this Investment Policy, and not for speculative purposes.
6	**Ethics and Conflicts of Interest** Officers shall refrain from personal activities that would conflict with proper execution and management of Council's investment portfolio. Council's Code of Conduct provides guidance for recognising and disclosing any conflicts of interest.
7	**Authorised Investments** All investments must be denominated in Australian Dollars. Authorised Investments are limited to those allowed by the Ministerial Investment Order and 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) and/or Investments in a T-Corp managed funds.
8	**Prohibited Investments** In accordance with the Ministerial Investment Order, this Investment Policy prohibits any investment carried out for speculative purposes including: • 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, forward contracts and swaps of any kind. This policy also prohibits the use of leveraging (borrowing to invest) of an investment
9	**Risk Management Guidelines** Investments to be placed 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. **Interest rate risk** The sensitivity of the value of assets, liabilities and future cash flows to a change in interest rates.

Credit default risk
The risk that a party or guarantor to a transaction will fail to fulfil its obligations. In the context of this document, it relates to the risk of loss due to the failure of an institution/entity with which an investment is held to pay the interest and/or the principal of an investment.

Diversification
The requirement to place investments in a broad range of products so as not to be over exposed to a particular sector of the investment market.

Liquidity risk
The risk an investor is unable to redeem the investment at a fair price within a timely period thereby incurring additional costs.

Market risk
The risk that the fair value or future cash flows of an investment will fluctuate due to changes in market prices, or benchmark returns unexpectedly overtake the investment's return.

Maturity risk
The risk relating to the length of the term to maturity of the investment. The longer the term, the greater the length of exposure and the risk to market volatilities.

Rollover/Reinvestment risk
The risk that income will not meet expectations or budget because interest rates are lower than predicted in the future.

A minimum of three quotes shall be obtained from comparable authorised institutions when an investment is proposed.

10. Capital security, liquidity and maturity

Credit quality limits
Credit guidelines to be adopted reference the Standard & Poors (S&P) ratings system criteria and format –however, references to the Minister's Order also recognise Moody's and Fitch Ratings and any of the three may be used where available.

Ratings in no way guarantee the investment or protect Council against investment losses. The prescribed ratings should not be misinterpreted as an implicit guarantee of investments or entities that have such ratings. Even given this challenge, ratings provide the best independent information available.

Since credit ratings cannot be considered a consistent indicator of risk across different investment types, to provide a more effective risk management framework, this policy sets different exposure and duration terms for different categories of investments.

The following table provides a comparison of the rating equivalents between the different rating agencies:

	S&P	Moody's	Fitch
Prime	AAA	Aaa	AAA
High Grade	AA+	Aa1	AA+
	AA	Aa2	AA
	AA-	Aa3	AA-
Upper Medium Grade	A+	A1	A+
	A	A2	A
	A-	A3	A-

Lower Medium Grade	BBB+	Baa1	BBB+
	BBB	Baa2	BBB
	BBB-	Baa3	BBB-
Non-Investment Grade Speculative	BB+	Ba1	BB+
	BB	Ba2	BB
	BB-	Ba3	BB-
Highly Speculative	B+	B1	B+
	B	B2	B
	B-	B3	B-

To minimise risk and to maximise protection of capital, Council will only invest in Prime, High Grade and Upper Medium Grade investment classes.

All investments must have a S&P long term credit rating of A- or stronger. Council will not invest in any products with an S&P long term credit rating of BBB+ or lower.

The maximum holding limit in each rating category and the target credit quality weighting for Council's portfolio shall be:

S&P Long Term Rating Range (or Moody's / Finch equivalent)	Maximum Holding
AAA Category	100%
AA Category or Major Bank^	100%
A Category	80%
BBB Category	0%

^ For the purpose of this Policy, "Major Banks" are defined as the ADI deposits 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 whether or not explicitly guaranteed, and brands (such as St George).

If any of Council's investments are downgraded such that they no longer fall within these policy guidelines, they will be divested as soon as is practicable after consultation with an investment advisor.

10.1 Terms to maturity

The term to maturity framework is structured around the cash requirements of the Council and the management of liquidity risk. The investment portfolio will diversify its maturity profile within the following term to maturity constraints.

Investment Horizon	Maturity Date	Minimum Allocation	Maximum Allocation
Working Capital Funds	0-3 months	10%	100 %
Short Term Funds	3-12 months	20%	100 %
Short to Medium Term Funds	1-2 years	0%	70%
Medium Term Funds	2-5 years	0%	50%
Long Term Funds	5-10 years	0%	25%

11. Diversification

Counterparty exposure

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

Individual Institution Limits	
S&P Long Term Rating Range (or Moody's / Finch equivalent)	Maximum Holding
AAA Category	40%
AA Category or Major Bank	40%
A Category	25%
BBB Category	0%

Percentage limits in the table refer to percentages of the total portfolio. It excludes any government guaranteed investments.

This table does not apply to any structured investment where it is not possible to identify a single counterparty exposure.

100% Commonwealth Government and Government-guaranteed deposits are included in the AAA category, but without any upper limit applying to the government as counterparty.

12. Benchmarking

As Council traditionally invests in short term deposits, the performance benchmark to be used is the interbank rate, which is available on the Reserve Bank of Australia website http://www.rba.gov.au.

13.	**Investment Advisor** Should the Council deem it necessary to consult an investment advisor, the investment advisor must be approved by Council and licensed by the Australian Securities and Investment Commission. The advisor must be an independent person who has no actual or potential conflict of interest in relation to the investment products being recommended and is free to choose the most appropriate product within the terms and conditions of the investment policy. To date, no investment advisor has been approved by Council for the purpose of investing Hilltops Council funds.
14.	**Monitoring and reporting** **Reporting & Reviewing Requirements (Accounting)** Documentary evidence must be held for each investment and details 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 (i.e. investment income earned versus budget year to date and relevant performance benchmarks as outlined in this policy), percentage of holdings, maturity date and changes in market value and confirm compliance of Council's investments within legislative and policy limits. Council will comply with appropriate accounting standards in valuing its investments and quantifying its investment returns. In addition to recording investment income according to accounting standards, published reports may show a break-down of its duly calculated investment returns into realised and unrealised capital gains and losses, and interest. Other relevant issues will be considered in line with relevant Australian Accounting Standards, such as discount or premium, designation as held-to-maturity or on a fair value basis, and impairment
15.	**Duties and responsibilities of the Council officers** Council officers must act with the duty of care, skill, prudence and diligence that a prudent person would exercise when investing and managing their own funds. The "prudent person" principle is set out in section 14 of the Trustee Act.
15.1	**Ethics and conflicts of interest** Officers shall refrain from personal activities that would conflict with the proper execution and management of Council's investment portfolio. This policy requires officers to disclose any conflict of interest to the General Manager as soon as they rise

16.	**Non-Financial Factors** When assessing an investment opportunity as part of the prudent person rule there will always be a number of factors, which are not easily quantifiable that should be considered. These factors may lead to accepting a lower rate of return on a particular investment. Such decisions should be documented with reasons to support the decision. This will ensure accountability and transparency and enable those reasons to be identified at a later date. The highest rate should not always be accepted, but the investment which delivers the best value to Council, should be selected. This allows officers to include other factors when choosing an investment. Factors which may be considered when choosing investments include: • Transaction costs • Ease of making transactions • Ability to switch out of the investment • Level of service from an institution • Benefit to local government • Liquidity terms • Reduced costs to other services
17.	***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.
18.	**Borrowings** **Borrowing considerations** Council may: • borrow for capital projects identified in its adopted Resourcing Strategy; or • borrow to fund income producing assets. Council will: • not borrow for operational purposes; • borrow in accordance with the Local Government Act 1993, the Minister for Local Government's Borrowing Order and its borrowing limit reported to the Office of Local Government each financial year; • not borrow for terms that exceed the expected economic life of the asset being funded; and • ensure its borrowings are sustainable. **Internal Borrowings** Funds can be used from internally restricted revenues as an internal loan in place of external borrowings. A repayment schedule to repay internal borrowings will be drafted to ensure repayments to internal reserves can be funded. All such borrowings must be approved by Council resolution and cannot be delegated.

18.1	**Risk parameters** **Interest Rate Risk** The establishment of interest rate risk parameters has the objective of managing Council's exposure to movements in interest rates in order to: • manage the total interest expense associated with Council's debt portfolio; • manage variations in interest expense from year-to-year; and • recognise Council's exposure to economic markets and maintain flexibility to take advantage of favourable interest rate movements and protect against unfavourable movements. Council will, based on its assessment of market conditions and forecasts at the time of borrowing, use the following interest rate risk management instruments: • Floating Rate Debt; • Fixed Rate Debt; or • A combination of Floating and Fixed Rate Debt. **Liquidity/Funding Risk** Liquidity/Funding risk parameters focus on the ability of Council to raise new debt or refinance existing debt as required and will be managed by: • ensuring debt maturity / re-negotiation dates are set to avoid a concentration of more than $50 million falling due during a single financial year; • commencing negotiation of funding requirements at least three months prior to the need to drawdown on a new loan facility or the maturity of an existing loan. **Credit Risk** The credit quality of the institutions from which Council borrows is an important consideration in the management of potential financial impacts arising from a credit event. To manage its credit risk, Council will only borrow from: • banks licensed by APRA which have a minimum Standard & Poor's long term credit rating of 'A-' (or the Moody's or Fitch ratings equivalents) • NSW Treasury Corporation • Australian State or Federal Government agency. • a formalised debenture arrangement with other NSW Councils

Variation
The Investment Policy will be reviewed at least once a year or as required in the event of legislative change. Council reserves the right to vary the terms and conditions of this policy. Any amendment to the Policy must be by way of Council resolution.

Governance

This policy should be read in conjunction with any related legislation, codes of practice, relevantinternal policies, and guidelines.

Related legislation and policies

Name	Link
Local Government Act (1993) Section 625	Local Government Act 1993 No 30 - NSW Legislation
Local Government (General) Regulation (2021) Clause 212	Local Government (General) Regulation 2021 - NSW Legislation
Trustee Amendment (Discretionary Investments) Act 1997	act-1997-102
Ministerial Investment Order 12 January 2011 Appendix A	local Government Act 1993 - Investment Order - 2011
Office of Local Government Code of Accounting Practice and Financial Reporting 2024/25	Code of Accounting Practice and Financial Reporting Update 2024-25 Section 1 General Purpose Financial Statements
Office of Local Government Investment PolicyGuidelines	Department of Premier and Cabinet (Local Government), Investment Policy Guidelines
Office of Local Government Circulars	Circulars - Office of Local Government NSW

Related external references

Name	Link
Office of Local Government (OLG)	www.olg.nsw.gov.au/

Supporting documents

Name	Link
OLG Circular re: Revised Ministerial Order (17 Feb 2011)	11-01 - Revised Ministerial Investment Order - Office of Local Government NSW

Document History

Date	Status	Version	Resolution	Description
22 June 2022	Draft	0.1		Draft Investment Policy – presented to Council for 28-day public exhibition and submissions
22 June 2022	Draft	0.2	22/130	Draft Investment Policy approved for 28-day public exhibition and submissions.
28 July 2022	Final	1.0	22/130	No submissions received after 28-day exhibition – Investment Policy adopted
28 May 2025	Draft	1.1		Draft Investment Policy – presented to Council for 28-day public exhibition and submissions
28 May 2025	Draft	1.2	25/139	Draft Investment Policy approved for 28-day public exhibition and submissions.
1 July 2025	Final	2.0	25/139	No submissions received after 28-day exhibition – Investment Policy adopted.
24 June 2026	Draft	2.1		Draft Investment Policy – presented to Council for 28-day public exhibition and submissions
24 June 2026	Draft	2.2	HC 141/2026	Draft Investment Policy approved for 28-day public exhibition and submissions.
24 July 2026	Final	3.0	HC 141/2026	No submissions received after 28-day Exhibition – Investment Policy adopted.

- This Investment Policy shall be reviewed within 12 months of an election, and thereafter annually. Any review will ensure this Policy continues to meet all statutory requirements and the operational needs of Hilltops Council. The Policy may also be reviewed at other times as determined by Hilltops Council.
- This Policy commences on and from the date of adoption by Hilltops Council as listed in the document history and replaces all previous versions.

Attachment 1 – Ministerial Investment Order 12 January 2011

LOCAL GOVERNMENT ACT 1993 - INVESTMENT ORDER
(Relating to investments by councils)

I, the Hon. Barbara Perry MP, Minister for Local Government, in pursuance of section 625(2) of the ***Local Government Act 1993*** **and with the approval of the Treasurer, do, by this my Order, notify for the purposes of section 625 of that Act that a council or county council may only invest money (on the basis that all investments must be denominated in Australian Dollars) in the following forms of investment:**

(a) any public funds or securities issued by or guaranteed by, the Commonwealth, any State of the Commonwealth or a Territory;

(b) any debentures or securities issued by a council (within the meaning of the *Local Government Act* **1993 (NSW));**

(c) interest bearing deposits with, or any debentures or bonds issued by, an authorised deposit-taking institution (as defined in the *Banking Act* 1959 (Cwth)), but excluding subordinated debt obligations;

(d) any bill of exchange which has a maturity date of not more than 200 days; and if purchased for value confers on the holder in due course a right of recourse against a bank which has been designated as an authorised deposit-taking institution by the Australian Prudential Regulation Authority;

(e) a deposit with the New South Wales Treasury Corporation or investments in an Hour-Glass investment facility of the New South Wales Treasury Corporation;

All investment instruments (excluding short term discount instruments) referred to above include both principal and investment income.

Transitional Arrangements

(i) Subject to paragraph (ii) nothing in this Order affects any investment made before the date of this Order which was made in compliance with the previous Ministerial Orders, and such investments are taken to be in compliance with this Order.

(ii) Paragraph (i) only applies to those investments made before the date of this Order and does not apply to any restructuring or switching of investments or any re-investment of proceeds received ondisposal or maturity of such investments, which for the avoidance of doubt must comply with this Order.

Key Considerations

An investment is not in a form of investment notified by this order unless it also complies with an investment policy of council adopted by a resolution of council.

All councils should by resolution adopt an investment policy that is consistent with this Order and any guidelines issued by the Chief Executive (Local Government), Department of Premier and Cabinet, from time to time.

The General Manager, or any other staff member, with delegated authority by a council to invest funds on behalf of a council, must do so in accordance with the council's adopted investment policy.

Councils have a fiduciary responsibility when investing. Councils should exercise the care, diligence and skill that a prudent person would exercise in managing the affairs of other persons.

When exercising the power of investment councils should consider, but not be limited by, the risk of capital or income loss or depreciation, the likely income return and the timing of income return, the length of the term of the proposed investment, the liquidity and marketability of the proposed investment, the likelihood of inflation affecting the value of the proposed investment and the costs (including commissions, fees, charges and duties payable) of making the proposed investment.

Dated this 12th day of January 2011.
The Hon. BARBARA PERRY, M.P.,
Minister for Local Government