

Addendum Report

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**REPORTS FROM THE DIRECTOR CORPORATE SERVICES**

**a30 [CS-CM] Monthly Investment and Section 94 Contributions Report for Period Ending 31 March 2014**

**SUBMITTED BY: Financial Services**

Valid



**Civic Leadership**

**LINKAGE TO INTEGRATED PLANNING AND REPORTING FRAMEWORK:**

- 1 Civic Leadership
  - 1.3 Delivering the objectives of this plan
  - 1.3.1 Council's organisation will be resourced to provide the essential services and support functions to deliver the objectives of this Plan
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**SUMMARY OF REPORT:**

The "Responsible Accounting Officer" must report monthly to Council, setting out details of all the funds Council has invested. The Manager Financial Services, being the Responsible Accounting Officer, certifies that investments have been made in accordance with Section 625 of the Local Government Act (1993), Clause 212 of the Local Government (General) Regulations and Council policies. Council had **\$176,053,384** invested as at **31 March 2014** and the accrued net return on these funds was **\$574,871** or **3.91%** annualised for the month.

**RECOMMENDATION:**

**That in accordance with Section 625 of the Local Government Act 1993 the monthly investment report as at period ending 31 March 2014 totalling \$176,053,384 be received and noted.**

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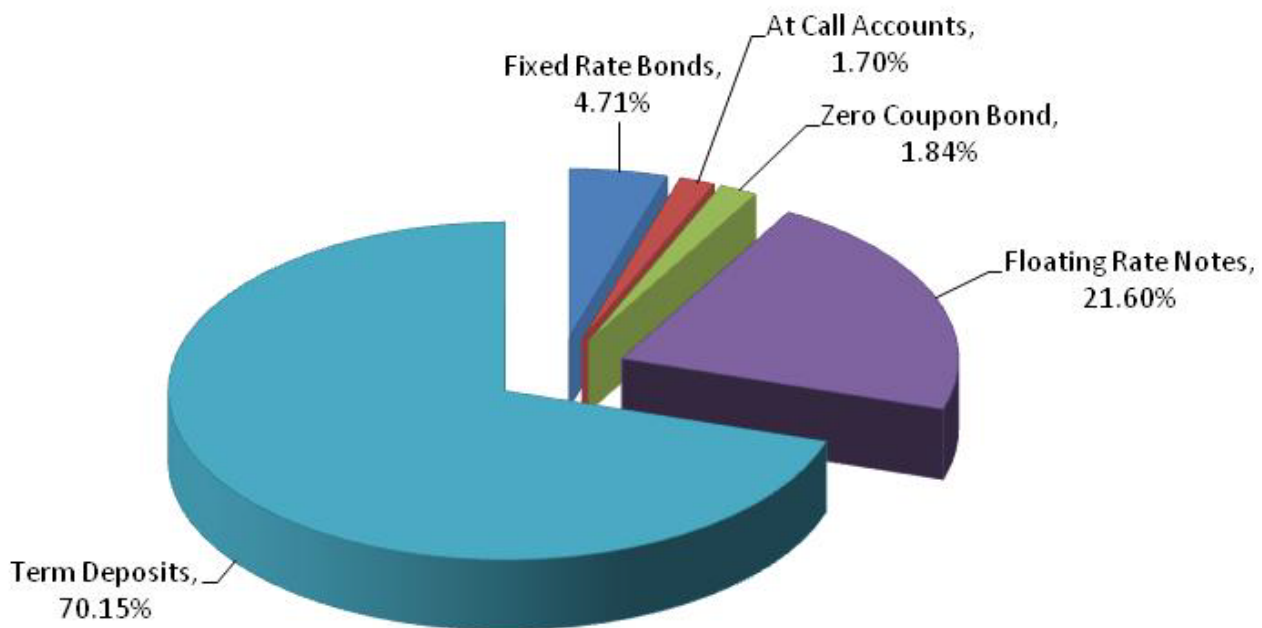
**REPORT:**

**1. Restricted Funds as at 1 July 2013**

Description	(\$'000)			
	General Fund	Water Fund	Sewer Fund	Total
<b>Externally Restricted</b>	1,126	18,785	39,653	<b>59,564</b>
Crown Caravan Parks	15,926			<b>15,926</b>
Developer Contributions	25,917	3,916		<b>29,833</b>
Domestic Waste Management	10,075			<b>10,075</b>
Grants	4,975			<b>4,975</b>
<b>Internally Restricted</b>	26,122			<b>26,122</b>
Employee Leave Entitlements	5,123			<b>5,123</b>
Grants	5,930			<b>5,930</b>
Unexpended Loans	10,328			<b>10,328</b>
<b>Total</b>	<b>105,522</b>	<b>22,701</b>	<b>39,653</b>	<b>167,876</b>

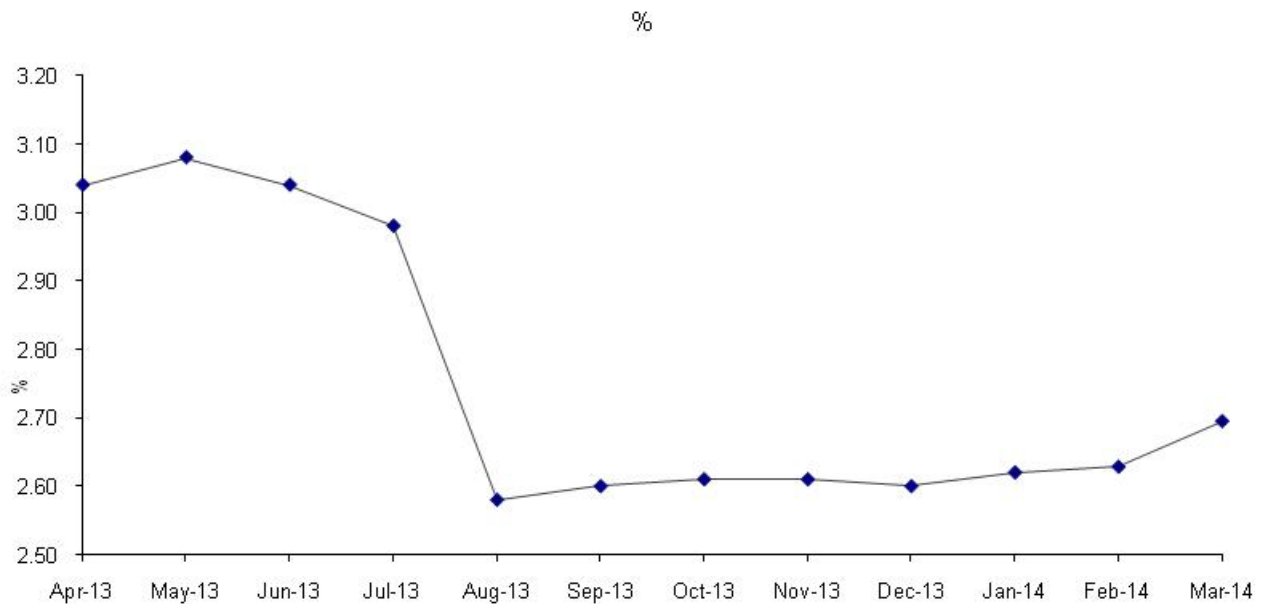
*Note: Restricted Funds Summary updated September 2013, corresponding with the Annual Financial Statements as at 30 June 2013*

**2. Investment Portfolio by Category**



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3. Investment Rates - 90 Day Bank Bill Rate



4. Direct Securities

Counterparty	Face Value	Market Value	% Return on Face Value	Investment Type	Maturity Date
AMP (ANZ) (03/16)	1,700,000.00	1,718,904.00	3.75	FRN	14/03/2016
AMP (RBS) (06/14)	2,000,000.00	2,008,240.00	3.85	FRN	06/06/2014
AMP (RIM) (05/17)	2,500,000.00	2,532,800.00	3.78	FRN	29/05/2017
ANZ (11/18)	1,000,000.00	1,006,690.00	3.51	FRN	06/11/2018
Bendigo (FIIG) (11/15) +1.25%	1,000,000.00	1,018,160.00	4.06	FRN	02/11/2015
Bendigo (RBS) (05/17)	3,000,000.00	3,029,610.00	3.78	FRN	17/05/2017
Bendigo (RBS) (11/18)	1,000,000.00	1,009,710.00	3.86	FRN	14/11/2018
BOQ (ANZ) (05/16)	1,000,000.00	1,013,610.00	3.98	FRN	30/05/2016
BOQ (RBS) (05/16)	1,000,000.00	1,013,610.00	3.98	FRN	30/05/2016
CBA (08/16) 1.17%	3,000,000.00	3,063,480.00	3.78	FRN	02/08/2016
CBA Retail Bond (12/15)	2,000,000.00	2,017,000.00	3.70	FRN	24/12/2015
CBA/Merrill Lynch Zero Coupon Bond (01/18)	4,000,000.00	3,230,400.00	7.17	Fixed Rate Bond	22/01/2018

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Counterparty	Face Value	Market Value	% Return on Face Value	Investment Type	Maturity Date
CUA (Mar 2017) (CBA)	1,000,000.00	1,001,650.00	3.96	FRN	20/03/2017
Heritage (RBS) (06/17)	1,000,000.00	1,065,000.00	7.25	Fixed Rate Bond	20/06/2017
ING (RBS) (08/16)	1,000,000.00	1,012,440.00	4.25	Fixed Rate Bond	23/08/2016
ING (RBS) (09/15)	2,000,000.00	2,065,320.00	5.50	Fixed Rate Bond	03/09/2015
ING (RBS) (09/15)	2,000,000.00	2,065,320.00	5.50	Fixed Rate Bond	03/09/2015
ME Bank (CBA) (09/15)	1,400,000.00	1,408,400.00	3.87	FRN	03/09/2015
ME Bank (CBA) (11/16)	1,000,000.00	1,005,190.00	3.88	FRN	28/11/2016
ME Bank (Morgans) (11/16)	1,000,000.00	1,005,190.00	3.88	FRN	28/11/2016
NAB (06/16)	2,000,000.00	2,031,900.00	3.80	FRN	21/06/2016
NAB (11/15)	1,000,000.00	1,019,100.00	3.83	FRN	05/11/2015
NAB Direct (12/14)	1,000,000.00	1,009,320.00	3.95	FRN	19/12/2014
Rabo (RBS) (09/18)	1,000,000.00	1,009,840.00	3.96	FRN	25/09/2018
Suncorp (05/14)	2,000,000.00	2,009,020.00	3.74	FRN	26/05/2014
Suncorp (Westpac) (04/15)	2,000,000.00	2,036,160.00	4.13	FRN	23/04/2015
Suncorp Covered (RIMSEC) (12/16)	2,000,000.00	2,086,680.00	4.75	Fixed Rate Bond	06/12/2016
Westpac (Morgans) (02/19)	4,000,000.00	4,026,880.00	3.57	FRN	25/02/2019
Westpac (RBS) (02/17)	1,000,000.00	1,034,760.00	4.28	FRN	20/02/2017
	49,600,000.00	49,554,384.00	4.25		
<b>LEGEND</b>	ABS = Asset Backed Security				
<b>Investment Type</b>	Bond = Fixed Rate Bond				
	CDO = Collateralised Debt Obligation				
	FRN = Floating Rate Note				
<b>Counterparty</b>	BB = Bendigo Bank		ME = Members Equity Bank		
AMP = AMP Bank	Heritage = Heritage Bank		RaboDirect = Rabo Bank		
ANZ = ANZ Bank	ING = ING Bank		Rural = Rural Bank		
BOQ = Bank of Queensland	Investec = Investec Bank		Suncorp = Suncorp Metway Bank		
CBA = Commonwealth Bank	Macquarie = Macquarie Bank		WBC = Westpac Banking Corporation		
	NAB = National Australia Bank				

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## 5. Term Deposits

Lodged or Rolled	DUE	Counterparty	PRINCIPAL	TERM	% Yield
26-Nov-13	01-Apr-14	Widebay Australia	2,000,000.00	126	3.75
07-Jan-14	07-Apr-14	Westpac (Apr 2016) quarterly interest	2,000,000.00	90	3.93
08-Jan-14	08-Apr-14	BOQ (Apr 2014)	2,000,000.00	90	4.13
09-Jan-14	09-Apr-14	ING (RIMSEC) (Jul 2014)	2,000,000.00	90	4.09
15-Oct-13	15-Apr-14	MEB (Jul 2013)	4,000,000.00	182	3.85
23-Jan-14	23-Apr-14	NAB (July 2013) annual interest	2,000,000.00	90	3.92
24-Jan-14	24-Apr-14	ING (FIIG) (Jul 2014)	3,000,000.00	90	4.07
28-Jan-14	28-Apr-14	ING (RIMSEC)	2,000,000.00	90	3.62
02-Aug-13	29-Apr-14	AMP	4,000,000.00	270	4.00
06-Feb-14	06-May-14	Investec (RIMSEC) (Aug 2013)	1,000,000.00	89	4.18
12-Feb-14	12-May-14	NAB (Feb 2015) annual interest	2,000,000.00	89	4.05
11-Feb-14	12-May-14	NAB (RBS) (Aug 2015) quarterly interest	2,000,000.00	90	4.59
15-Aug-13	13-May-14	MEB	3,000,000.00	271	4.05
11-Feb-14	13-May-14	Maitland BS (RIMSEC) (May 2014)	2,000,000.00	91	3.75
17-Feb-14	16-May-14	Westpac (Nov 2014)	2,000,000.00	91	3.98
18-Feb-14	19-May-14	Westpac (Feb 2016)	2,000,000.00	90	3.83
18-Feb-14	20-May-14	Beyond Bank	1,000,000.00	91	3.67
20-Feb-14	20-May-14	ING (RIMSEC) (Feb 2015)	1,000,000.00	89	4.03
24-Feb-14	26-May-14	BOQ (Feb 2016)	1,000,000.00	91	4.23
26-Nov-13	27-May-14	Rural (Curve) (Nov 2013)	2,000,000.00	182	3.80
27-Feb-14	27-May-14	NAB (RBS) (Aug 2015)	2,000,000.00	92	3.84
04-Mar-14	03-Jun-14	NPBS	2,000,000.00	91	3.50
03-Dec-13	03-Jun-14	Bendigo Bank	2,000,000.00	182	3.70
10-Mar-14	10-Jun-14	Investec (RIMSEC) (Jun 2014)	1,000,000.00	90	4.60

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Lodged or Rolled	DUE	Counterparty	PRINCIPAL	TERM	% Yield
10-Sep-13	<b>10-Jun-14</b>	AMP (CURVE) (Sept 2013) annual interest	500,000.00	273	3.80
03-Dec-13	<b>10-Jun-14</b>	ME Bank	2,000,000.00	189	3.83
17-Mar-14	<b>16-Jun-14</b>	Westpac (Sept 2014)	4,000,000.00	91	3.80
11-Jun-13	<b>17-Jun-14</b>	MEB (RIMSEC) (June 2014) BOQ (Sept 2016) quarterly interest	4,000,000.00	371	4.15
20-Mar-14	<b>20-Jun-14</b>		2,000,000.00	90	3.96
07-Jan-14	<b>11-Jul-14</b>	RaboDirect (Curve) (Jan 2015)	1,000,000.00	185	4.20
24-Jul-13	<b>24-Jul-14</b>	RaboDirect (RIMSEC) annual interest	2,000,000.00	734	4.25
26-Jul-13	<b>26-Jul-14</b>	RaboDirect (Curve) (Jul 2015)	1,000,000.00	365	5.20
26-Jul-13	<b>26-Jul-14</b>	RaboDirect (Curve) (Jul 2016)	1,000,000.00	365	5.40
30-Jul-13	<b>29-Jul-14</b>	MEB annual interest	4,000,000.00	364	4.15
30-Jul-13	<b>30-Jul-14</b>	AMP (Curve) annual interest	1,000,000.00	365	4.00
20-Feb-14	<b>19-Aug-14</b>	ING (FIIG) (Aug 2014)	1,000,000.00	180	3.80
18-Feb-14	<b>19-Aug-14</b>	Heritage Bank (Feb 2014) NAB (Sept 2013) annual interest	2,000,000.00	182	3.75
03-Sep-13	<b>03-Sep-14</b>		4,000,000.00	546	4.05
03-Sep-13	<b>03-Sep-14</b>	BOQ (Mar 2016)	3,000,000.00	365	4.05
03-Sep-13	<b>03-Sep-14</b>	Investec (RIMSEC) (Sept 2015) annual interest	1,000,000.00	365	4.14
04-Sep-13	<b>04-Sep-14</b>	NAB (Sept 2016)	4,000,000.00	1098	4.25
11-Sep-13	<b>11-Sep-14</b>	Investec (Sept 2015) annual interest	2,000,000.00	365	4.37
20-Sep-13	<b>20-Sep-14</b>	BOQ (Sept 2015) annual interest	2,000,000.00	365	4.20
11-Oct-13	<b>11-Oct-14</b>	CBA (Oct 2015) annual interest	1,000,000.00	365	4.85
15-Oct-13	<b>15-Oct-14</b>	ING (Curve) (March 2013)	2,000,000.00	365	4.01

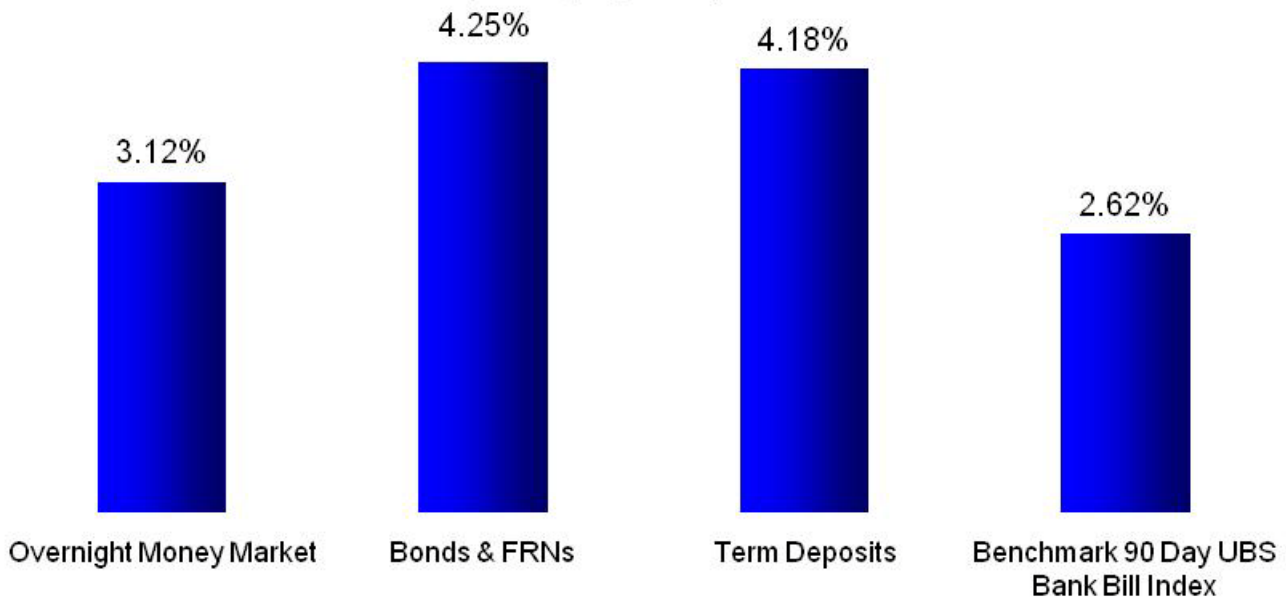


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6. Performance by Category

Category	Face Value	Market Value	Average Return	Above or (Below) 90 day BBSW Benchmark
Overnight Money Market	3,000,000.00	3,000,000.00	3.12%	0.50%
Bonds & FRNs	49,600,000.00	49,554,384.00	4.25%	1.63%
Term Deposits	123,500,000.00	123,500,000.00	4.18%	1.56%
Benchmark 90 Day UBS Bank Bill Index	176,100,000.00	176,054,384.00	2.62%	

Performance by Category Compared with Benchmark



7. Total Portfolio Income v Budget





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**8. Investment Policy Diversification and Credit Risk**

Total Portfolio Credit Limits Compared to Policy Limits					
Long-Term Credit Ratings	Investment Policy Limit	Actual Portfolio	Short-Term Credit Ratings	Investment Policy Limit	Actual Portfolio
AAA Category	100%	1.17%	A-1+	100%	6.21%
AA Category	100%	29.74%	A-1	100%	3.74%
A Category or below	60%	16.69%	A-2	60%	29.09%
BBB Category or below	20%	4.22%	A-3	0%	0.00%
Unrated	10%	1.14%	Unrated	10%	8.00%

**9. Term to Maturity**

Maturity Profile	Actual % Portfolio	Policy Limits
Less than 365 days	41.27%	Minimum 40% of portfolio
More than 365 days and less than 3 years	47.52%	Maximum 60%
3 years and less than 5 years	11.21%	Maximum 35%
Total	100.00%	

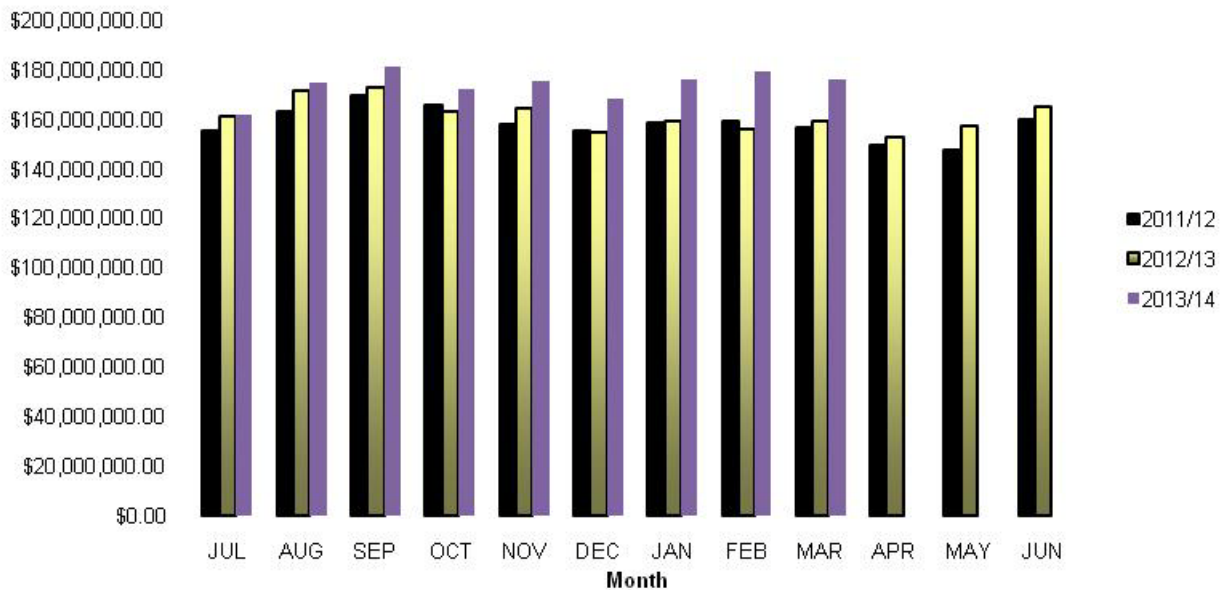
**10. Investment Alternatives Explained**

Investment Product	Maturity Range	Usual term to maturity	Major Benefits	Major risks
At Call Cash	At Call	Immediate to a few months	Highly liquid - same day access to funds with no impact on capital	Not a capital growth asset
			Highly secure as a bank deposit	Underperforms other asset classes in the long term
Bank Bill	1 - 180 days	Less than 1 year	Highly liquid - same day access to funds, usually with no or minimal impact on capital	Not a growth asset
			Highly secure (bank risk)	Underperforms other asset classes in the long term
				May incur a small loss for early redemption
Term Deposit	Up to 5 years	Less than 2 years	Liquid - same day access to funds	Will incur a small capital loss for early termination
			Highly secure as a bank deposit	Underperforms growth assets in the

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Investment Product	Maturity Range	Usual term to maturity	Major Benefits	Major risks
				longer term
Floating rate Note Bond	1 - 5 years	Greater than 2 years	Increased yield over bank bills	Not a growth asset
			Can accrue capital gain if sold ahead of maturity and market interest rates have fallen	Can incur capital losses if sold ahead of maturity and market interest rates have risen
			Coupon interest rate resets quarterly based on 90 day bank bill swap rate	Credit exposure to company issuing the paper
			Relatively liquid	May not be bank guaranteed
			Less administration than bank bills	Underperforms other asset classes in the long term
Fixed Rate Bond	1 - 5 years	Greater than 3 years	Can accrue capital gain if sold before maturity and market interest rates have fallen	Can incur capital losses if sold before maturity and market interest rates have risen
			Fixed return - semi annual coupons	Credit exposure to company issuing paper
			Generally liquid	
			Can be government or corporate issuer	

11. Monthly Comparison of Total Funds Invested



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## 12. Section 94 Developer Contributions - Monthly Balances &amp; Receipts

Contribution Plan	Plan Description	End of Month Balance	Contributions Received for Month
1	DCP3 Open Space	3,940,070	
2	Western Drainage	564,193	
3	DCP3 Community Facilities	1,480	
4	TRCP Road Contributions	9,428,071	392,077
5	Open Space	795,437	14,770
6	Street Trees	142,569	3,709
7	West Kingscliff	422,594	
10	Cobaki Lakes	-1,270	
11	Libraries	1,643,544	34,149
12	Bus Shelters	68,998	1,368
13	Cemeteries	-2,745	5,012
14	Mebbin Springs	84,920	
15	Community Facilities	602,083	39,934
16	Surf Lifesaving	349,124	1,356
18	Council Administration/Technical Support	952,346	53,484
19	Kings Beach	425,693	
20	Seabreeze Estate	708	
21	Terranora Village	29,074	
22	Cycleways Shirewide	119,740	19,275
23	Carparking Shirewide	1,467,810	
25	SALT	1,024,521	
26	Open Space Shire wide	2,103,481	200,531
27	Tweed Heads Masterplan	97,874	
28	Seaside City	104,344	
91	DCP14	101,626	
92	Public Reserve Contributions	127,460	
95	Bilambil Heights	496,960	
	<b>Total</b>	<b>25,090,703</b>	<b>765,665</b>

## Addendum Report

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### 13. Economic Commentary

#### **Australian and World Economy and Cash Rate**

The Reserve Bank of Australia (RBA) met on 1 April 2014 and the cash rate remained unchanged at 2.50%.

Growth in the global economy was a bit below trend in 2013, but there are reasonable prospects of a pick-up this year. The United States economy, while affected by adverse weather, continues its expansion and the euro area has begun a recovery from recession, albeit a fragile one. Japan has recorded a significant pick-up in growth. China's growth remains generally in line with policymakers' objectives, though it may have slowed a little in early 2014. Commodity prices have declined from their peaks but in historical terms remain high.

Financial conditions overall remain very accommodative. Long-term interest rates and most risk spreads remain low. Equity and credit markets are well placed to provide adequate funding, though for some emerging market countries conditions are considerably more challenging than they were a year ago.

In Australia, the economy grew at a below trend pace in 2013. Recent information suggests slightly firmer consumer demand over the summer and foreshadows a solid expansion in housing construction. Some indicators of business conditions and confidence have improved from a year ago and exports are rising. But at the same time, resources sector investment spending is set to decline significantly and, at this stage, signs of improvement in investment intentions in other sectors are only tentative, as firms wait for more evidence of improved conditions before committing to expansion plans. Public spending is scheduled to be subdued.

The demand for labour has remained weak and, as a result, the rate of unemployment has continued to edge higher. It will probably rise a little further in the near term. Growth in wages has declined noticeably. If domestic costs remain contained, some moderation in the growth of prices for non-traded goods could be expected over time, which should keep inflation consistent with the target, even with lower levels of the exchange rate.

Monetary policy remains accommodative. Interest rates are very low and savers continue to look for higher returns in response to low rates on safe instruments. Credit growth is slowly picking up. Dwelling prices have increased significantly over the past year. The decline in the exchange rate from its highs a year ago will assist in achieving balanced growth in the economy, but less so than previously as a result of the rise over the past few months. The exchange rate remains high by historical standards.

Looking ahead, continued accommodative monetary policy should provide support to demand, and help growth to strengthen over time. Inflation is expected to be consistent with the 2–3 per cent target over the next two years.

#### **Council's Investment Portfolio**

Council's investment portfolio is conservatively structured in accordance with Division of Local Government guidelines with 71.85% of the portfolio held in cash and term deposits. Term deposit and bonds are still paying above average margins over the 90 day bank bill rate.

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The historic low cash rate is still translating to lower total investment yields. This situation continues to present difficulties obtaining reasonable investment income without risking capital.

All investment categories including cash at call out-performed the UBS 90 day bank bill benchmark this month. Overall, the investment portfolio has returned an average 1.23% pa above the 90 day UBS bank bill index for the last month.

*Source: RBA Commentary*

**14. Investment Summary**

<b>GENERAL FUND</b>	CORPORATE FIXED RATE BONDS	11,525,160.00	
	FLOATING RATE NOTES	38,029,224.00	
<b>WATER FUND</b>	TERM DEPOSITS	46,000,000.00	
	CALL ACCOUNT	3,000,000.00	<b>98,554,384.00</b>
<b>SEWERAGE FUND</b>	TERM DEPOSITS	31,500,000.00	
	FUND MANAGERS	0.00	<b>31,500,000.00</b>
	TERM DEPOSITS	46,000,000.00	
	FUND MANAGERS	0.00	<b>46,000,000.00</b>
	<b>TOTAL INVESTMENTS</b>		<b>176,054,384.00</b>

It should be noted that the General Fund investments of \$98 million are not available to be used for general purpose expenditure. It is virtually all restricted by legislation and council resolution for such purposes as unexpended loans, developer contributions, unexpended grants and various specific purpose reserves such as domestic waste, land development and employee leave entitlements.

All Water and Sewerage Fund investments can only be expended in accordance with Government regulation and Council resolution.

**Statutory Statement - Local Government (General) Regulation 2005 Clause 212**

I certify that Council's investments have been made in accordance with the Local Government Act 1993, the Local Government (General) Regulations and Council's investment policies.



**Responsible Accounting Officer**  
Acting Director Corporate Services  
Tweed Shire Council

**OPTIONS:**

Not Applicable.

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**CONCLUSION:**

Not Applicable.

**COUNCIL IMPLICATIONS:**

**a. Policy:**

Corporate Policy Not Applicable.

**b. Budget/Long Term Financial Plan:**

Not Applicable.

**c. Legal:**

Local Government (General) Regulations 2005 - Section 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.*

*(2) The report must be made up to the last day of the month immediately preceding the meeting."*

**d. Communication/Engagement:**

**Inform** - We will keep you informed.

**UNDER SEPARATE COVER/FURTHER INFORMATION:**

Nil.

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