

AMENDED REPORT



Item No: 5.5
Title: Investment Report for June 2019
Department: Finance

22 July 2019 Ordinary Council Meeting

Trim Reference: F2004/06604 - D13594512

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Report Purpose

To present the monthly report on the investment portfolio as required in accordance with cl. 212 of the *Local Government (General) Regulation 2005*.

Summary

This report details Council's investments as at 30 June 2019.

Recommendation

That Council receive the report on Investment Report for June 2019.

Background

Council's investments are made in accordance with the *Local Government Act 1993*, *Local Government (General) Regulation 2005*, the investment policy adopted at the Ordinary Council Meeting on 27 November 2017, Ministerial Investment Order issued February 2011 and Division of Local Government (as it was then known) Investment Policy Guidelines published in May 2010.

Current Status

Council's current cash and investment portfolio totals \$472.85million at 30 June 2019.

| Source of Funds | Value (\$'000) |
|---|------------------|
| Investment Portfolio | \$455,661 |
| Transactional accounts and cash in hand | \$27,191 |
| Total | \$472,852 |

This investment report will focus on the investment portfolio of \$445.66 million.

Cash flows are managed primarily through term deposit and floating rate note maturities, with a net outflow of \$ 20.49 million in Council's total funds in June 2019.

5.5 Investment Report for June 2019 (contd)

Total net return on the portfolio for Council, in June was \$ 701K, comprising entirely of interest earnings. The total value of the Council's investment portfolio as at 30 June 2019 is outlined in Table 1 below.

Table 1 – Portfolio movement

| Description | 2017-18 | Quarter | Quarter | Quarter | Quarter | FYTD |
|-------------------------|-----------|---------|---------|---------|---------|---------|
| | Financial | 1 | 2 | 2 | 4 | |
| | Year | | | | | |
| | \$'000 | 2018/19 | 2018/19 | 2018/19 | 2018/19 | 2018/19 |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Opening Balance | 409,890 | 467,254 | 470,791 | 470,628 | 493,455 | 467,254 |
| Movement for the period | 57,364 | 3,537 | -163 | 22,827 | -47,794 | -21,593 |
| Closing Balance | 467,254 | 470,791 | 470,628 | 493,455 | 445,661 | 445,661 |
| Interest earnings | 11,625 | 3,196 | 3,280 | 3,572 | 2,916 | 12,965 |

Council's investments are evaluated and monitored against a benchmark appropriate to the risk (Standard and Poor's BBB long term or above) and time horizon of the investment concerned. Council's investment portfolio includes rolling maturity dates to ensure that Council has sufficient funds at all times to meet its obligations. A summary of the term deposit and floating rate notes maturities are listed in Table 2 below.

Table 2 - Investment Maturities

| Time Horizon | Percentage Holdings | Maturity on or before | Value \$'000 |
|--------------------------|---------------------|-----------------------|----------------|
| At Call | 3.55% | Immediate | 15,812 |
| Investments | | | |
| 0 - 3 months | 30.68% | Sep-2019 | 136,750 |
| 4 - 6 months | 16.83% | Dec-2019 | 75,000 |
| 7 - 12 months | 27.85% | Jun-2020 | 124,098 |
| 1 - 2 years | 8.75% | Jun-2021 | 39,000 |
| 2 - 3 years | 5.61% | Jun-2022 | 25,000 |
| 3 - 4 years | 2.24% | Jun-2023 | 10,000 |
| 4 - 5 years | 4.49% | Jun-2024 | 20,000 |
| Total Investments | 96.45% | | 429,848 |
| Total Portfolio | 100.00% | | 445,661 |

The investment portfolio is concentrated in AA/A1 above (69.71%), A/A2-A1 (12.34%) and BBB/A2-A3 (17.73%).

The investments in AA/A1 are of a higher credit rating and BBB/A2 represented the best returns at the time of investment within Policy guidelines. Financial institutions issuing fixed

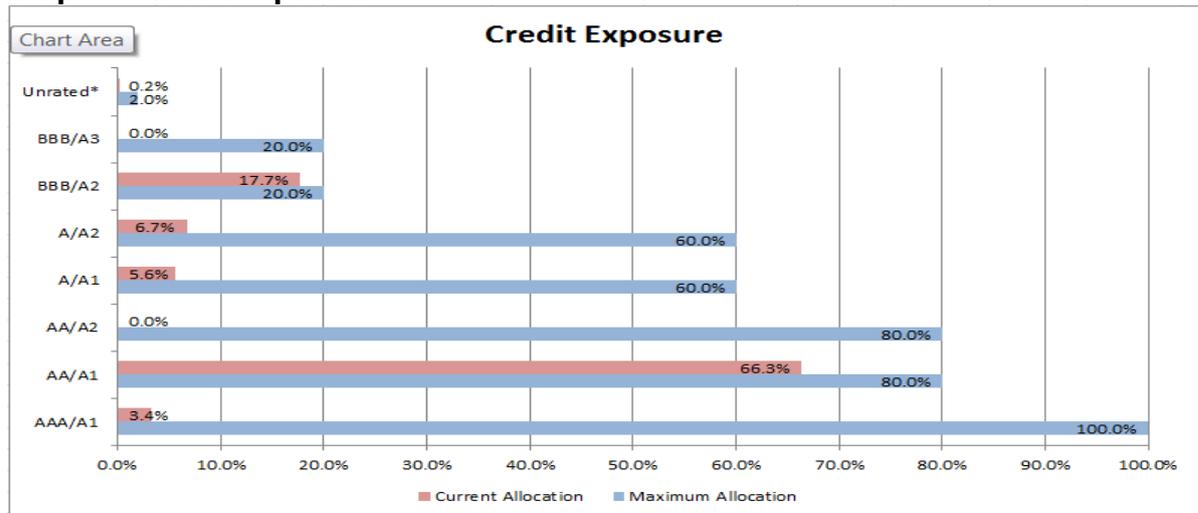
5.5 Investment Report for June 2019 (contd)

income investments and bonds are considered investment grade (IG) if its Long Term credit rating is BBB or higher by Standard and Poor (S&P).

Council continues to monitor the portfolio and manage investments taking into consideration credit ratings of financial institutions, interest rates offered for the maturity dates required and the amount of our investment portfolio already held with each financial institution.

The current spread of investments is listed in Graph 1 and counter party credit exposure is listed in Graph 2.

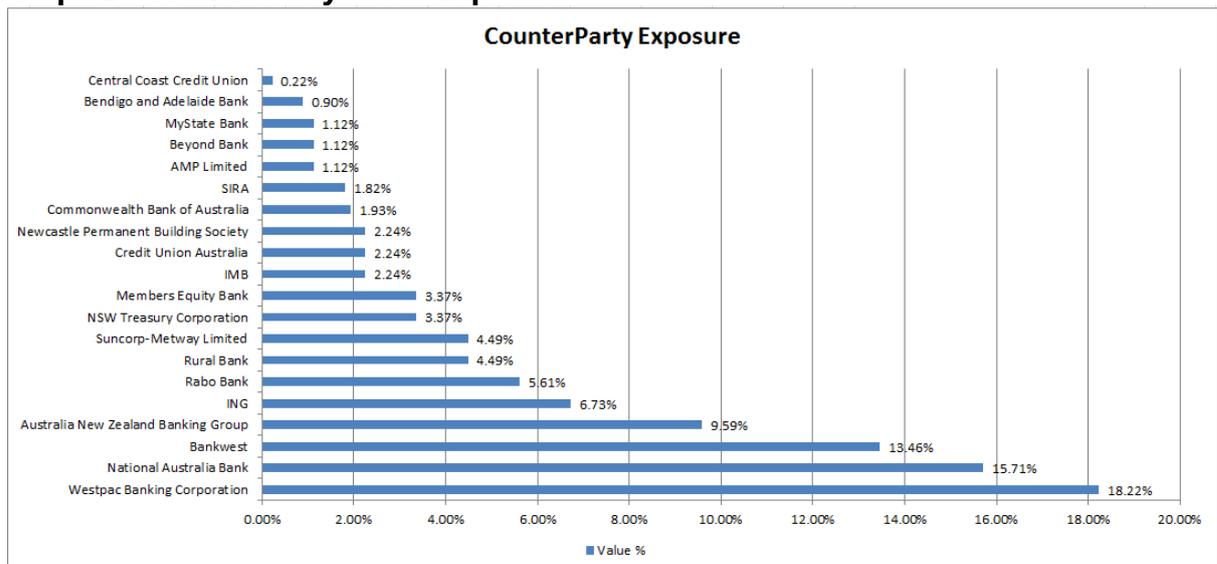
Graph 1 – Credit Exposure



* **AA/A1:** Council has provided security for self-insurance by way of a term deposit invested in an ADI (with a short term S & P rating of A1) through State Insurance Regulatory Authority (formerly WorkCover NSW). This security has been included as part of Council's investment portfolio. Council regularly conducts a review to identify the optimal security providing Council with the best return possible.

** **Unrated:** Unrated investment comprises of a term deposit with Central Coast Credit Union

Graph 2 - Counter Party Credit Exposure

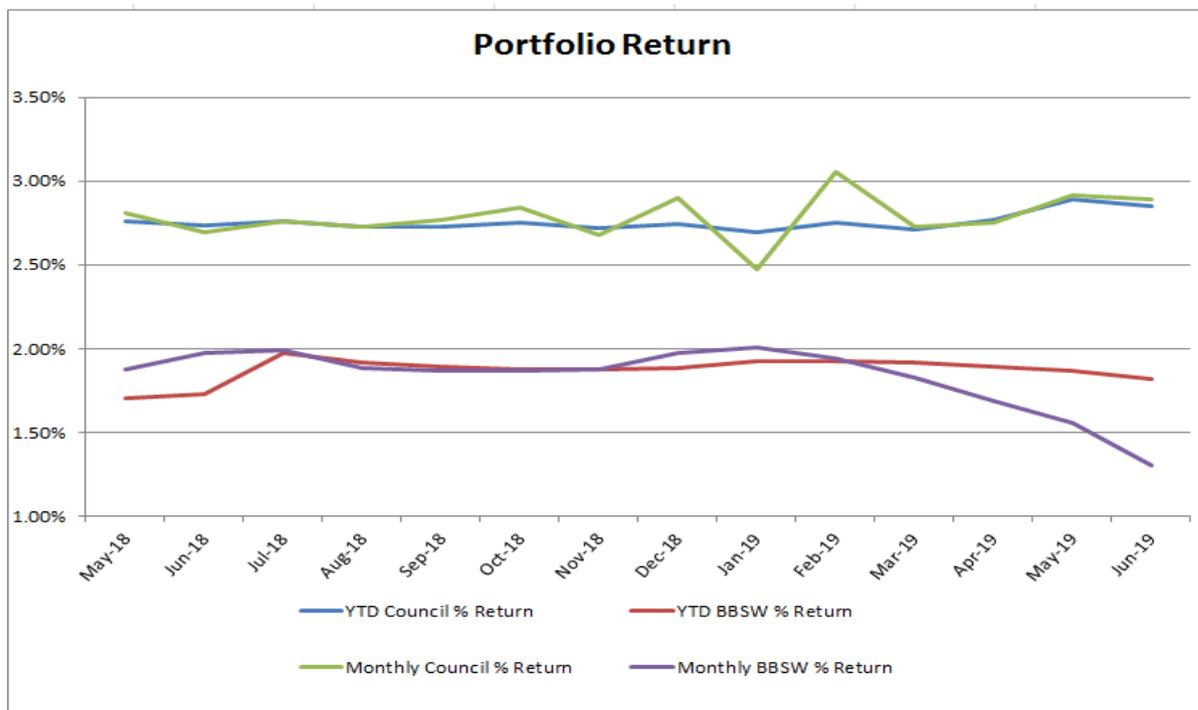


Green Investments

Council continues to look for 'Green' investment opportunities subject to prevailing investment guidelines. A list of current green investments held is contained on the investment listing, highlight in green. For the month of June, there have been no new green investments undertaken.

Portfolio Return

Interest rates on investments in the month, ranged from 2.01% to 3.50%, all of which exceeded the monthly Bank Bill Swap Rate (BBSW) benchmark of 1.30%. The annualised financial year to date return for June of 2.85% for Central Coast Council is favourable compared to benchmark bank bill swap (BBSW) *financial year to date* calculated Bank Bill Index of 1.82% as shown in Graph 3 - Portfolio returns.



Council’s portfolio by Source of Funds

Council is required to restrict funds received for specific purposes. Restricted funds consist of funds in the investment portfolio and in transactional accounts as follows:

| Source of Funds | Value (\$'000) |
|---|------------------|
| Investment Portfolio | \$445,661 |
| Transactional accounts and cash in hand | \$27,191 |
| Total | \$472,852 |

5.5 Investment Report for June 2019 (contd)

| | |
|--------------------|-----------|
| Restricted Funds | \$406,087 |
| Unrestricted Funds | \$66,765 |

Attachment 1 details Investments by Type held by Council at 30 June 2019 and Attachment 2 details Restrictions for Council by fund as at 31 May 2019

The restrictions for June 2019 will be finalised after completion of the financial statements for the year ending 30 June 2019.

Link to Community Strategic Plan

Choose Priority

Goal G: Good governance and great partnerships

G4: Serve the community by providing great customer experience, value for money and quality services.

Attachments

- 1 Summary of Investments by Type at 30 June 2019 D13594438
- 2 Summary of restrictions as at 31 May 2019 D13594439

| Central Coast Council Summary of Investments as at 30-June-2019 | | | | | | | |
|--|------------------------------|-------------------|------------------|---------------|----------------------|-------------------------------|-----------------|
| Financial Institution | Type of Investment | Short Term Rating | Long Term Rating | Maturity Date | Portfolio Balance \$ | As a % of the total Portfolio | Interest Rate % |
| CASH AT CALL: | | | | | | | |
| Westpac Banking Corporation | Corporate Investment Account | A1 | AA | Daily | 7,210,742 | 1.62% | 1.60% |
| Bankwest | At Call Deposit | A1 | AA | Daily | 1,578 | 0.00% | 1.75% |
| Commonwealth Bank of Australia | Business On-line Saver | A1 | AA | Daily | 8,600,000 | 1.93% | 1.20% |
| Total Cash At Call | | | | | 15,812,320 | 3.55% | |
| TERM DEPOSITS, FLOATING RATE NOTES & BONDS: | | | | | | | |
| Bankwest | Term Deposit | A1 | AA | 03-Jul-2019 | 10,000,000 | 2.24% | 2.80% |
| Credit Union Australia | Term Deposit | A2 | BBB | 03-Jul-2019 | 10,000,000 | 2.24% | 2.82% |
| Rural Bank | Term Deposit | A2 | BBB | 09-Jul-2019 | 10,000,000 | 2.24% | 2.85% |
| Bankwest | Term Deposit | A1 | AA | 17-Jul-2019 | 10,000,000 | 2.24% | 2.78% |
| Suncorp-Metway Limited | Term Deposit | A1 | A | 19-Jul-2019 | 10,000,000 | 2.24% | 2.76% |
| Australia New Zealand Banking Group | Floating Rate Note | A1 | AA | 25-Jul-2019 | 2,750,000 | 0.62% | BBSW + 0.82% |
| Rural Bank | Term Deposit | A2 | BBB | 06-Aug-2019 | 10,000,000 | 2.24% | 2.85% |
| National Australia Bank | Term Deposit | A1 | AA | 19-Aug-2019 | 10,000,000 | 2.24% | 2.80% |
| MyState Bank | Term Deposit | A2 | BBB | 03-Sep-2019 | 5,000,000 | 1.12% | 2.85% |
| National Australia Bank | Term Deposit | A1 | AA | 03-Sep-2019 | 5,000,000 | 1.12% | 2.80% |
| Beyond Bank | Term Deposit | A2 | BBB | 12-Sep-2019 | 5,000,000 | 1.12% | 2.20% |
| Members Equity Bank | Term Deposit | A2 | BBB | 12-Sep-2019 | 5,000,000 | 1.12% | 2.10% |
| National Australia Bank | Term Deposit | A1 | A | 13-Sep-2019 | 10,000,000 | 2.24% | 2.01% |
| IMB | Term Deposit | A2 | BBB | 14-Sep-2019 | 10,000,227 | 2.24% | 2.10% |
| AMP limited | Term Deposit | A1 | A | 15-Sep-2019 | 5,000,000 | 1.12% | 2.30% |
| Suncorp-Metway Limited | Term Deposit | A1 | A | 15-Sep-2019 | 5,000,000 | 1.12% | 2.05% |
| National Australia Bank | Term Deposit | A1 | AA | 17-Sep-2019 | 10,000,000 | 2.24% | 2.64% |
| Westpac Banking Corporation | Term Deposit | A1 | AA | 24-Sep-2019 | 4,000,000 | 0.90% | 3.20% |
| Bankwest | Term Deposit | A1 | AA | 02-Oct-2019 | 10,000,000 | 2.24% | 2.66% |
| Australia New Zealand Banking Group | Term Deposit | A1 | AA | 15-Oct-2019 | 10,000,000 | 2.24% | 2.77% |
| Bankwest | Term Deposit | A1 | AA | 16-Oct-2019 | 10,000,000 | 2.24% | 2.68% |
| Bankwest | Term Deposit | A1 | AA | 30-Oct-2019 | 10,000,000 | 2.24% | 2.69% |
| Australia New Zealand Banking Group | Term Deposit | A1 | AA | 12-Nov-2019 | 10,000,000 | 2.24% | 2.78% |
| Westpac Banking Corporation | Term Deposit | A1 | AA | 25-Nov-2019 | 10,000,000 | 2.24% | 2.73% |
| ING | Term Deposit | A2 | A | 13-Dec-2019 | 5,000,000 | 1.12% | 2.83% |
| National Australia Bank | Term Deposit | A1 | AA | 16-Dec-2019 | 10,000,000 | 2.24% | 2.70% |
| National Australia Bank | Term Deposit | A1 | AA | 15-Jan-2020 | 10,000,000 | 2.24% | 2.78% |
| Bankwest | Term Deposit | A1 | AA | 20-Jan-2020 | 10,000,000 | 2.24% | 2.60% |
| Central Coast Credit Union | Term Deposit | Unrated | Unrated | 15-Feb-2020 | 1,000,000 | 0.22% | 2.75% |
| ING | Term Deposit | A2 | A | 26-Feb-2020 | 5,000,000 | 1.12% | 2.75% |
| Australia New Zealand Banking Group | Term Deposit | A1 | AA | 02-Mar-2020 | 10,000,000 | 2.24% | 2.50% |
| Westpac Banking Corporation | Floating Rate Note | A1 | AA | 05-Mar-2020 | 10,000,000 | 2.24% | BBSW + 0.77% |
| ING | Term Deposit | A2 | A | 12-Mar-2020 | 10,000,000 | 2.24% | 2.55% |
| Westpac Banking Corporation | Term Deposit | A1 | AA | 17-Mar-2020 | 10,000,000 | 2.24% | 3.10% |
| Australia New Zealand Banking Group | Term Deposit | A1 | AA | 18-Mar-2020 | 10,000,000 | 2.24% | 2.55% |
| Members Equity Bank | Floating Rate Note | A2 | BBB | 05-Apr-2020 | 10,000,000 | 2.24% | 3.05% |
| National Australia Bank | Term Deposit | A1 | AA | 14-Apr-2020 | 10,000,000 | 2.24% | 2.58% |
| SIRA | Term Deposit | A1 | AA | 02-May-2020 | 8,098,000 | 1.82% | 2.40% |
| Westpac Banking Corporation | Term Deposit | A1 | AA | 07-May-2020 | 10,000,000 | 2.24% | 2.65% |
| ING | Term Deposit | A2 | A | 21-May-2020 | 10,000,000 | 2.24% | 2.70% |
| Bendigo and Adelaide Bank | Floating Rate Note | A2 | BBB | 18-Aug-2020 | 4,000,000 | 0.90% | BBSW +1.10% |
| Rabo Bank | Term Deposit | A1 | AA | 07-Sep-2020 | 5,000,000 | 1.12% | 3.50% |
| Suncorp-Metway Limited | Floating Rate Note | A1 | A | 20-Oct-2020 | 4,500,000 | 1.01% | BBSW +1.25% |
| Suncorp-Metway Limited | Floating Rate Note | A1 | A | 20-Oct-2020 | 500,000 | 0.11% | BBSW +1.25% |
| National Australia Bank | Term Deposit | A1 | AA | 10-Dec-2020 | 5,000,000 | 1.12% | 2.80% |
| Westpac Banking Corporation | Term Deposit | A1 | AA | 10-Dec-2020 | 10,000,000 | 2.24% | 2.90% |
| Westpac Banking Corporation | Term Deposit | A1 | AA | 21-Jun-2021 | 10,000,000 | 2.24% | 2.07% |
| Rabo Bank | Term Deposit | A1 | AA | 05-Jul-2021 | 10,000,000 | 2.24% | 2.92% |
| Westpac Banking Corporation | Floating Rate Note | A1 | AA | 26-Nov-2021 | 5,000,000 | 1.12% | 2.67% |
| Newcastle Permanent Building Society | Floating Rate Note | A2 | BBB | 24-Jan-2022 | 10,000,000 | 2.24% | BBSW + 1.65% |

| Central Coast Council Summary of Investments as at 30-June-2019 | | | | | | | |
|--|--------------------|-------------------|------------------|---------------|----------------------|-------------------------------|-----------------|
| Financial Institution | Type of Investment | Short Term Rating | Long Term Rating | Maturity Date | Portfolio Balance \$ | As a % of the total Portfolio | Interest Rate % |
| Rabo Bank | Term Deposit | A1 | AA | 12-Dec-2022 | 10,000,000 | 2.24% | 3.18% |
| Westpac Banking Corporation | Floating Rate Note | A1 | AA | 27-Nov-2023 | 5,000,000 | 1.12% | 2.87% |
| NSW Treasury Corporation | Bonds | A1 | AAA | 15-Dec-2028 | 15,000,000 | 3.37% | 3.00% |
| Total Term Deposit & Bonds: | | | | | 429,848,227 | 96.45% | |
| TOTAL PORTFOLIO | | | | | 445,660,547 | 100.00% | |
| Current | | | | | 351,660,547 | 78.91% | |
| Non-Current | | | | | 94,000,000 | 21.09% | |
| TOTAL PORTFOLIO | | | | | 445,660,547 | 100.00% | |

Green Investments

SUMMARY OF RESTRICTIONS as at 31 May 2019

| FUND | SOURCE | Principal Amount \$'000 |
|--|--|------------------------------------|
| GENERAL FUND | Cemeteries Surplus | 769 |
| | Contributions to works | 7,068 |
| | Developer Contributions | 85,304 |
| | Developer Contributions (Bonus Provisions) | 4,918 |
| | Developer Contributions (Prepaid) | 1,802 |
| | Developer Contributions (VPA) | 2,535 |
| | Holiday Park Surplus | 10,290 |
| | Internal commitments | 84,160 |
| | Other Crown Land | 1,532 |
| | RMS Advances | 216 |
| | Self Insurance | 6,320 |
| | Stormwater Levy | 811 |
| | Unexpended grants | 14,267 |
| | Waste Management (Tip Rehabilitation) | 27,712 |
| TOTAL GENERAL FUND RESTRICTIONS | 247,704 | |
| Water FUND | Developer Contributions | 38,954 |
| | Contributions to works | 0 |
| | Developer Contributions (Prepaid) | 59 |
| | Developer Contributions (VPA) | 2,412 |
| | Internal commitments | 1,007 |
| | Self Insurance | 611 |
| | Unexpended grants | 2,355 |
| TOTAL WATER FUND RESTRICTIONS | 45,397 | |
| SEWER FUND | Contributions to works | |
| | Developer Contributions | 22,678 |
| | Developer Contributions (VPA) | 389 |
| | Internal commitments | 1,034 |
| | Self Insurance | 1,522 |
| TOTAL SEWER FUND RESTRICTIONS | 25,623 | |
| DRAINAGE FUND | Contributions to works | 100 |
| | Developer Contributions | 29,026 |
| | Internal commitments | 181 |
| | Unexpended grants | 0 |
| TOTAL SEWER FUND RESTRICTIONS | 29,307 | |
| DOMESTIC WASTE FUND | Domestic Waste Management | 57,021 |
| | Unexpended grants | 1,035 |
| TOTAL SEWER FUND RESTRICTIONS | 58,055 | |
| TOTAL RESTRICTED FUNDS | | 406,087 |