

## AMENDED ITEM



**Item No:** 2.2  
**Title:** Investment Report January 2019  
**Department:** Finance

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25 February 2019 Ordinary Council Meeting

Trim Reference: F2018/00020-06 - D13452280

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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 31 January 2019.

### Recommendation

***That Council receive the Investment Report January 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 \$483.22million at 31 January 2019.

Source of Funds	Value (\$'000)
Investment Portfolio	\$477,738
Transactional accounts and cash in hand	\$5,483
<b>Total</b>	<b>\$483,221</b>

This investment report will focus on the investment portfolio of \$477.74 million.

## 2.2 Investment Report January 2019 (contd)

Cash flows are managed primarily through term deposit and floating rate note maturities, with a net outflow of \$ 8.5 million in Council's *total funds* in January 2019.

Total net return on the portfolio for Council, in January was \$ 0.98m, comprising entirely of interest earnings. The total value of the Council's investment portfolio as at 31 January 2019 is outlined in Table 1 below.

**Table 1 – Portfolio movement**

Description	2017-18 Financial Year \$'000	Quarter 1 2018/19 \$'000	Quarter 2 2018/19 \$'000	January 2018/19 \$'000	FYTD 2018/19 \$'000
<b>Opening Balance</b>	<b>409,890</b>	<b>467,254</b>	<b>470,791</b>	<b>470,628</b>	<b>467,254</b>
Movement for the period	57,364	3,537	-163	7,110	10,484
<b>Closing Balance</b>	<b>467,254</b>	<b>470,791</b>	<b>470,628</b>	<b>477,738</b>	<b>477,738</b>
Interest earnings	11,625	3,012	3,193	978	7,183

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
<b>At Call</b>	2.62%	Immediate	12,535
<b>Investments</b>			
0 - 3 months	15.58%	Apr-2019	74,453
4 - 6 months	25.69%	Jul-2019	122,750
7 - 12 months	29.10%	Jan-2020	139,000
1 - 2 years	13.40%	Jan-2021	64,000
2 - 3 years	7.33%	Jan-2022	35,000
3 - 4 years	2.09%	Jan-2023	10,000
4 - 5 years	4.19%	Jan-2024	20,000
<b>Total Investments</b>	<b>97.38%</b>		<b>465,203</b>
<b>Total Portfolio</b>	<b>100.00%</b>		<b>477,738</b>

The investment portfolio is concentrated in A1/AA (80.04%) and A2/BBB (19.07%).

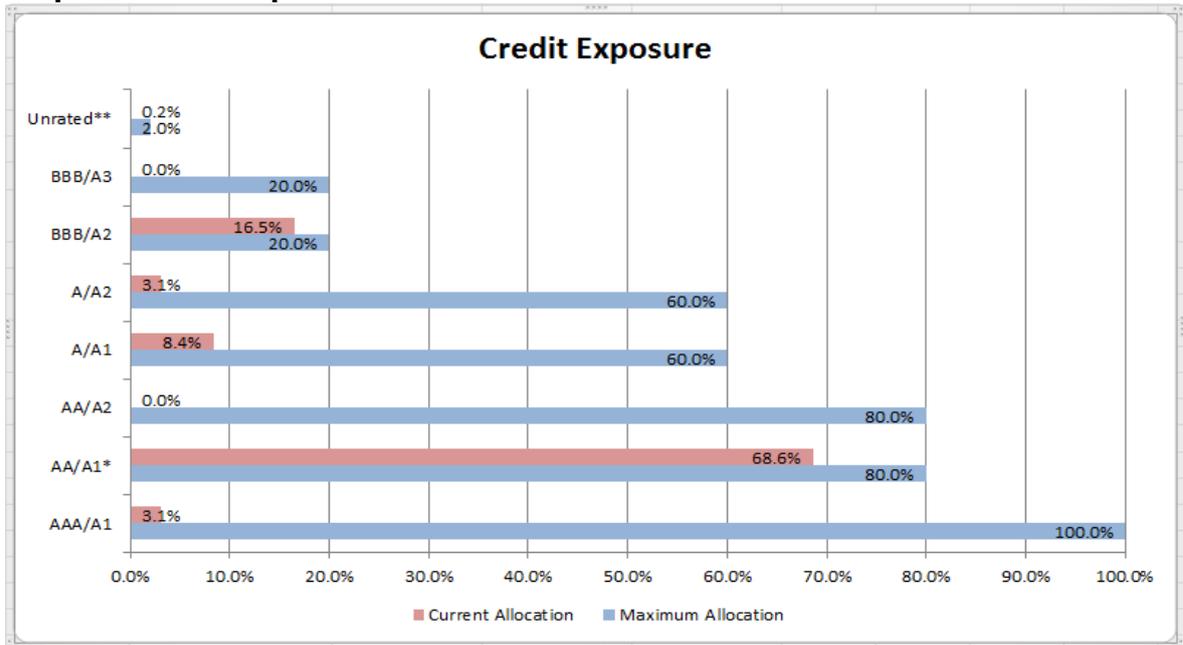
The investments in A1/AA are of a higher credit rating and A2/BBB represented the best returns at the time of investment within Policy guidelines. Financial institutions issuing fixed

income investments and bonds are considered investment grade (IG) if its 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.

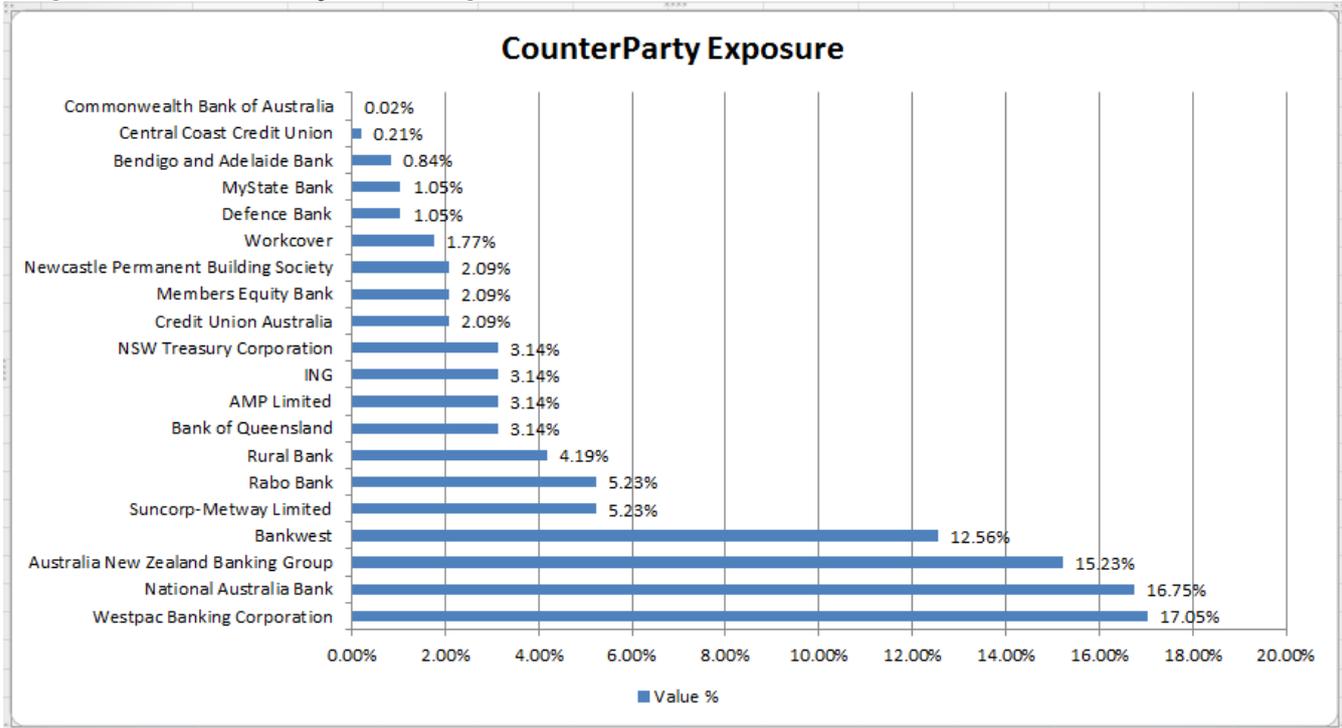
**Graph 1 – Credit Exposure**



\* **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.

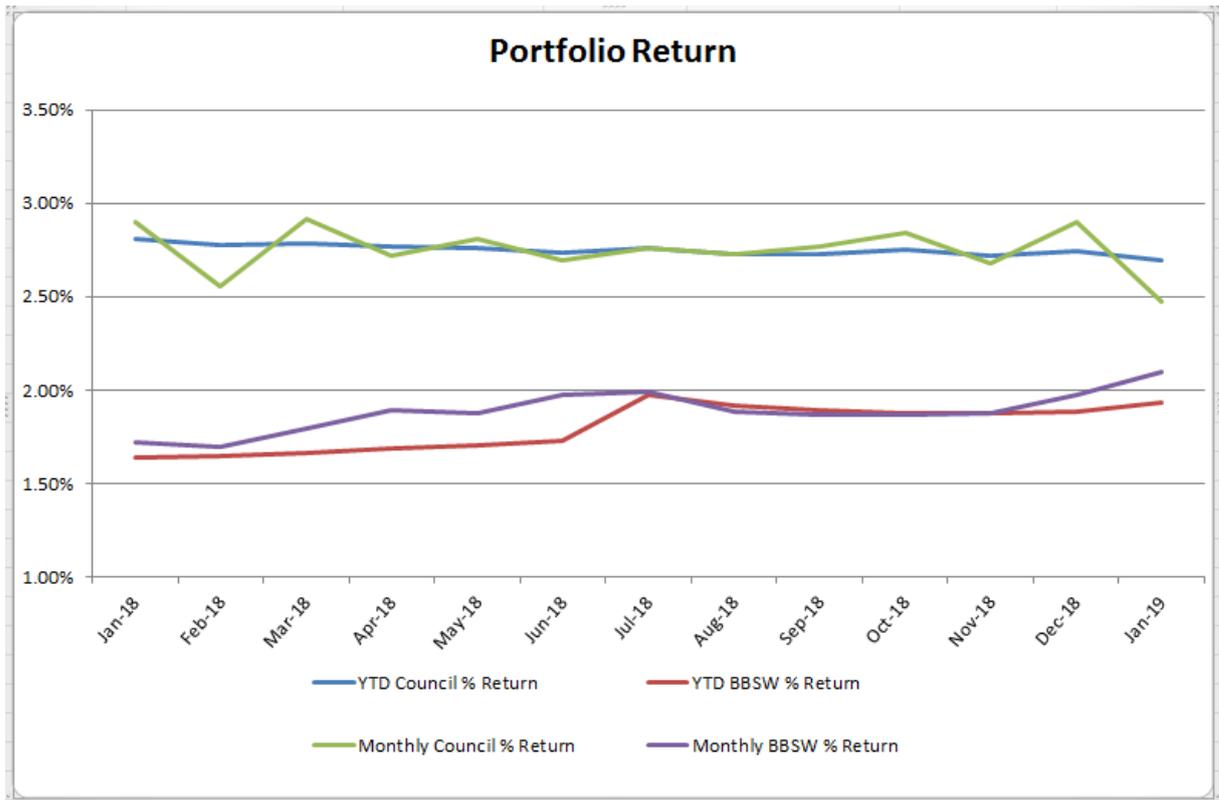
\*\* **Unrated:** Unrated investment comprises of a term deposit with Central Coast Credit Union

Graph 2 - Counter Party Credit Exposure



**Portfolio Return**

Interest rates on investments in the month, ranged from 2.07% to 4.87%, all of which exceeded the annualised monthly Bank Bill Swap Rate (BBSW) benchmark of 2.10%. The annualised financial year to date return for January of 2.7% for Central Coast Council is favourable compared to benchmark bank bill swap (BBSW) *financial year to date* Bank Bill Index of 1.93% 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	\$477,738
Transactional accounts and cash in hand	\$5,483
<b>Total</b>	<b>\$483,221</b>
Restricted Funds	\$393,985
Unrestricted Funds	\$89,236

Attachment 1 details Investments by Type held by Council at 31 January 2019 and Attachment 2 details Restrictions for Council by fund as at 31 December 2018. The restrictions for January 2019 will be finalised after completion of the financial statements for the month.

**Link to Community Strategic Plan**

Theme 4: Responsible

**Goal G: Good governance and great partnerships**

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

**Attachments**

- |          |  |           |
|----------|--|-----------|
| <b>1</b> | Updated 14.2.19 Summary of Investments by Type 31 January 2019 | D13461812 |
| <b>2</b> | Summary of restrictions at 31 December 2018                    | D13470652 |

Central Coast Council Summary of Investments as at 31-January-2019							
Financial Institution	Type of Investment	Short Term Rating	Long Term Rating	Maturity Date	Portfolio Balance as at 31 December 2018 \$	As a % of the total Portfolio	Interest Rate %
<b>CASH AT CALL:</b>							
Westpac Banking Corporation	Corporate Investment Account	A1	AA	Daily	12,433,435	2.60%	1.60
Workcover	At Call Deposit	A1	AA	Daily	-	0.00%	1.60
Bankwest	At Call Deposit	A1	AA	Daily	1,567	0.00%	1.75
Commonwealth Bank of Australia	Business On-line Saver	A1	AA	Daily	100,000	0.02%	1.20
<b>Total Cash At Call</b>					<b>12,535,001</b>	<b>2.62%</b>	
<b>TERM DEPOSITS, FLOATING RATE NOTES &amp; BONDS:</b>							
National Australia Bank	Term Deposit	A1	AA	12-Feb-2019	10,000,000	2.09%	2.45
Central Coast Credit Union	Term Deposit	Unrated	Unrated	16-Feb-2019	1,000,000	0.21%	2.75
Westpac Banking Corporation	Floating Rate Note	A1	AA	25-Feb-2019	5,000,000	1.05%	BBSW + 0.94%
Suncorp-Metway Limited	Term Deposit	A1	A	26-Feb-2019	10,000,000	2.09%	2.67
Australia New Zealand Banking Group	Term Deposit	A1	AA	06-Mar-2019	10,000,000	2.09%	2.75
Australia New Zealand Banking Group	Term Deposit	A1	AA	20-Mar-2019	10,000,000	2.09%	2.40
National Australia Bank	Term Deposit	A1	AA	03-Apr-2019	10,000,000	2.09%	3.10
Australia New Zealand Banking Group	Term Deposit	A1	AA	17-Apr-2019	10,000,000	2.09%	2.69
Workcover	Term Deposit	A1	AA	18-Apr-2019	8,453,000	1.77%	2.72
Australia New Zealand Banking Group	Term Deposit	A1	AA	02-May-2019	10,000,000	2.09%	2.70
Australia New Zealand Banking Group	Term Deposit	A1	AA	15-May-2019	10,000,000	2.09%	2.70
Bank of Queensland	Term Deposit	A2	BBB	27-May-2019	10,000,000	2.09%	2.75
AMP Limited	Term Deposit	A1	A	04-Jun-2019	5,000,000	1.05%	2.85
Defence Bank	Term Deposit	A2	BBB	04-Jun-2019	5,000,000	1.05%	2.86
AMP Limited	Floating Rate Note	A1	A	11-Jun-2019	5,000,000	1.05%	BBSW +1.10%
AMP Limited	Term Deposit	A1	A	18-Jun-2019	5,000,000	1.05%	2.90
ING	Term Deposit	A2	A	18-Jun-2019	5,000,000	1.05%	2.70
Bank of Queensland	Term Deposit	A2	BBB	24-Jun-2019	5,000,000	1.05%	2.75
National Australia Bank	Term Deposit	A1	AA	28-Jun-2019	10,000,000	2.09%	2.80
Bankwest	Term Deposit	A1	AA	03-Jul-2019	10,000,000	2.09%	2.80
Credit Union Australia	Term Deposit	A2	BBB	03-Jul-2019	10,000,000	2.09%	2.82
Rural Bank	Term Deposit	A2	BBB	09-Jul-2019	10,000,000	2.09%	2.85
Bankwest	Term Deposit	A1	AA	17-Jul-2019	10,000,000	2.09%	2.78
Suncorp-Metway Limited	Term Deposit	A1	A	19-Jul-2019	10,000,000	2.09%	2.76
Australia New Zealand Banking Group	Floating Rate Note	A1	AA	25-Jul-2019	2,750,000	0.58%	BBSW + 0.82%
Rural Bank	Term Deposit	A2	BBB	06-Aug-2019	10,000,000	2.09%	2.85
National Australia Bank	Term Deposit	A1	AA	19-Aug-2019	10,000,000	2.09%	2.80
MyState Bank	Term Deposit	A2	BBB	03-Sep-2019	5,000,000	1.05%	2.85
National Australia Bank	Term Deposit	A1	AA	03-Sep-2019	5,000,000	1.05%	2.80
National Australia Bank	Term Deposit	A1	AA	17-Sep-2019	10,000,000	2.09%	2.64
Westpac Banking Corporation	Term Deposit	A1	AA	24-Sep-2019	4,000,000	0.84%	3.20
Bankwest	Term Deposit	A1	AA	02-Oct-2019	10,000,000	2.09%	2.66
Australia New Zealand Banking Group	Term Deposit	A1	AA	15-Oct-2019	10,000,000	2.09%	2.77
Bankwest	Term Deposit	A1	AA	16-Oct-2019	10,000,000	2.09%	2.68
Bankwest	Term Deposit	A1	AA	30-Oct-2019	10,000,000	2.09%	2.69
Australia New Zealand Banking Group	Term Deposit	A1	AA	12-Nov-2019	10,000,000	2.09%	2.78
Westpac Banking Corporation	Term Deposit	A1	AA	25-Nov-2019	10,000,000	2.09%	2.73
ING	Term Deposit	A2	A	13-Dec-2019	5,000,000	1.05%	2.83
National Australia Bank	Term Deposit	A1	AA	16-Dec-2019	10,000,000	2.09%	2.70
Bankwest	Term Deposit	A1	AA	20-Jan-2020	10,000,000	2.09%	2.60
ING	Term Deposit	A2	A	26-Feb-2020	5,000,000	1.05%	2.75
Westpac Banking Corporation	Term Deposit	A1	AA	17-Mar-2020	10,000,000	2.09%	3.10
Members Equity Bank	Floating Rate Note	A2	BBB	05-Apr-2020	10,000,000	2.09%	3.05
Bendigo and Adelaide Bank	Floating Rate Note	A2	BBB	18-Aug-2020	4,000,000	0.84%	BBSW +1.10%

Rabo Bank	Term Deposit	A1	AA	07-Sep-2020	5,000,000	1.05%	3.50
Suncorp-Metway Limited	Floating Rate Note	A1	A	20-Oct-2020	4,500,000	0.94%	BBSW +1.25%
Suncorp-Metway Limited	Floating Rate Note	A1	A	20-Oct-2020	500,000	0.10%	BBSW +1.25%
National Australia Bank	Term Deposit	A1	AA	10-Dec-2020	5,000,000	1.05%	2.80
Westpac Banking Corporation	Term Deposit	A1	AA	10-Dec-2020	10,000,000	2.09%	2.90
Westpac Banking Corporation	Term Deposit	A1	AA	21-Jun-2021	10,000,000	2.09%	2.07
Rabo Bank	Term Deposit	A1	AA	05-Jul-2021	10,000,000	2.09%	2.92
Westpac Banking Corporation	Floating Rate Note	A1	AA	26-Nov-2021	5,000,000	1.05%	2.67
Newcastle Permanent Building Society	Floating Rate Note	A2	BBB	24-Jan-2022	10,000,000	2.09%	BBSW + 1.65%
Rabo Bank	Term Deposit	A1	AA	12-Dec-2022	10,000,000	2.09%	3.18
Westpac Banking Corporation	Floating Rate Note	A1	AA	27-Nov-2023	5,000,000	1.05%	2.87
NSW Treasury Corporation	Bonds	A1	AAA	15-Dec-2028	15,000,000	3.14%	3.00
Westpac Banking Corporation	Floating Rate Note	A1	AA	05-Mar-2020	10,000,000	2.09%	BBSW + 0.77%
National Australia Bank	Term Deposit	A1	AA	15-Jan-2020	10,000,000	2.09%	2.78
Total Term Deposit & Bonds:					<b>465,203,000</b>	<b>97.38%</b>	
<b>TOTAL PORTFOLIO</b>					<b>477,738,001</b>	<b>100.00%</b>	
Current					348,738,001	73.00%	
Non-Current					129,000,000	27.00%	
<b>TOTAL PORTFOLIO</b>					<b>477,738,001</b>	<b>100.00%</b>	

Green Investments

<b>FUND</b>	<b>SOURCE</b>	<b>Principal Amount \$'000</b>
<b>GENERAL FUND</b>	Cemeteries Surplus	752
	Contributions to works	6,403
	Developer Contributions	81,223
	Developer Contributions (Bonus Provisions)	4,918
	Developer Contributions (Prepaid)	1,802
	Developer Contributions (VPA)	2,535
	Holiday Park Surplus	9,792
	Internal commitments	84,118
	Other Crown Land	1,387
	RMS Advances	171
	Self Insurance	6,320
	Stormwater Levy	1,105
	Unexpended grants	10,908
	Waste Management (Tip Rehabilitation)	27,712
	<b>TOTAL GENERAL FUND RESTRICTIONS</b>	<b>239,146</b>
<b>Water FUND</b>	Developer Contributions	37,130
	Developer Contributions (Prepaid)	59
	Developer Contributions (VPA)	2,326
	Internal commitments	1,007
	Self Insurance	611
	Unexpended grants	2,355
	<b>TOTAL WATER FUND RESTRICTIONS</b>	<b>43,488</b>
<b>SEWER FUND</b>	Contributions to works	33
	Developer Contributions	20,311
	Developer Contributions (VPA)	389
	Internal commitments	1,034
	Self Insurance	1,522
	<b>TOTAL SEWER FUND RESTRICTIONS</b>	<b>23,289</b>
<b>DRAINAGE FUND</b>	Contributions to works	100
	Developer Contributions	28,620
	Internal commitments	543
	Unexpended grants	31
	<b>TOTAL SEWER FUND RESTRICTIONS</b>	<b>29,294</b>
<b>DOMESTIC WASTE FUND</b>	Domestic Waste Management	57,021
	Unexpended grants	1,747
	<b>TOTAL SEWER FUND RESTRICTIONS</b>	<b>58,768</b>
<b>TOTAL RESTRICTED FUNDS</b>		<b>393,985</b>