

Report

Subject	Investments - September 2020
TRIM Record No	BP20/542:EF20/252
Prepared by	Management Accountant
Reason	Required by Local Government Act 1993, Local Government (General) Regulation 2005 and Council's Investment Policy
Strategic Theme	Leadership and participation
Strategy	We provide effective management and responsible governance.
Action	Ensure the efficient and effective operation of Council.

Executive Summary

Investments as at 30 September 2020 are estimated to be \$86,167,000.

The interest rate reported for September 2020 is estimated to be 0.99% which is above the 90 Day Bank Bill Index of 0.09%. The final interest return may vary due to actual returns achieved on investments advised after month end.

Recommendation

That the report be received and noted.

Background

The *Local Government Act, 1993* (Section 625), *Local Government (General) Regulations 2005* (Clause 212) and Council's Investment Policy requires a monthly report be submitted to Council on investments. The report is to include the source and amount of funds invested, investment portfolio performance for the period and a statement of compliance in relation to the requirements of the *Local Government Act, 1993*.

Report on Investments

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|---|---------------------|
| • <i>Confirmation of Investments – at Market Value – 31 August 2020</i> | <i>\$85,537,000</i> |
| • <i>Estimated Investments – at Market Value – 30 September 2020</i> | <i>\$86,167,000</i> |

Investments increased from the time of writing the August 2020 Investment Report to the end of the month by \$2.66 million. This increase was mainly due to payments being received from Roads & Maritime Service of \$994,000, Grant Funding for the Oakes/Crozier redevelopment project of \$506,200 and the ATO BAS refund of \$280,200 as well as rates instalments due 31 August being received close to month end.

The total funds held in the Business On Line account are still slightly higher than usual. This is due to many institutions still not taking funds as their liquidity levels are too high. This will reduce into October as creditors and staff payments are made at a time when there is not a lot of income due to be received.

The current rate of return on investments for September 2020 is estimated to be 0.99% using actual returns where available, and estimates based on the previous period balances and interest rates. This is above the 90 Day Bank Bill Index of 0.09%.

The estimated interest earned for September 2020 is less than the pro rata 2020/21 Budget. Estimated interest earned for September 2020 is \$243,698 compared to the pro rata budget of \$316,300. This is an unfavourable variance for the month of \$72,602. The current investing environment has altered dramatically in the past months since the budget process commenced. A budget adjustment will be reported as part of the September Quarterly Budget Review Statement.

Compliance with New Policy Requirements

A new investment policy was adopted by Council in May 2020. This policy shows a move towards framework suggested by TCorp to comply with their borrowing requirements into the future.

A plan to move towards the new policy requirements is being followed, but as can be expected, this will take time, especially in the current COVID climate. As investments come due, wherever possible they are moved to comply with the new policy. No deposits will be broken early to fit within the new framework.

The following is a summary of where Council's investments currently sit in relation to the adopted policy requirements:-

Long Term Rating	Maximum Portfolio Limit	Current Holding	Divestment Required
AAA	100%		
AA+ to AA-	100%	38%	
A+ to A	100%	13%	
A-	40%		
BBB+	20%	12%	
BBB	10%	17%	7%
BBB- and below – Local ADI's	5%	2%	
BBB- and below - other	5%	17%	12%
TCorp	100%		

Fossil Free investments

As part of the new policy framework and within the limits of prevailing Legislation, Council's investments will be made in consideration of the principals of ethical investment management.

To meet the new adopted Investment Policy requirements, the holdings in some institutions that are fossil fuel free have been divested as they do not meet the new rating criteria. Investments in institutions that are not fossil fuel free but provide green term deposits and bonds are being investigated and will be considered within the investment framework as they become available and fit within the policy criteria.

Following is a summary of the movement from 31 August 2020:-

Type of Investment	As at 31 August 2020			As at 30 September 2020		
	Number of Institutions	Value of Investments	% of Portfolio	Number of Institutions	Value of Investments	% of Portfolio
No Investment in Fossil Fuel Industry	13	\$40,000,000	87%	13	\$43,000,000	50%
Investment in Fossil Fuel Industry	5	\$42,877,000	13%	5	\$43,167,000	50%

The information for the assessment has been sourced from the website www.marketforces.org.au which is an affiliate project of the Friends of the Earth Australia. This is still considered the best information available to make this assessment.

Comments

Finance

All investments with various financial institutions have been made in accordance with the Local Government Act 1993, Local Government (General) Regulations 2005 and Council's Investment Policy.

Conclusion

A report on investments is required to be submitted to Council monthly. As at 30 September 2020, investments total \$86,167,000 and the annualised rate of return is estimated at 0.99%.

Attachment/s

1. Capital Value Movements including name of institution, purchase date and maturity
2. Estimated Interest showing interest rate and estimated interest earned for the year
3. Total Investment Portfolio held by month and Weighted Average Interest Rate graphical
4. Investment by Type - Graphical
5. Investment by Institution as a percentage of total portfolio graphical

**Estimated Interest
on Investments
for September 2020**

Name of Investment / & Counterparty	Type of Investment	Rating	Annualised Coupon / Interest Rate	Current market Value	Estimated Interest for Period	Weighted Interest for Period
Cash Based Returns						
CBA Business On Line Banking A/C	Cash Management Account	AA-	0.25%	\$ 11,167,000	\$ 2,295	0.03%
AMP Bank Cash Management Account	Cash Management Account	BBB	0.55%	\$ 3,000,000	\$ 1,356	0.02%
National Australia Bank	Term Deposit	AA-	0.86%	\$ 3,000,000	\$ 2,121	0.03%
IMB Bank	Term Deposit	BBB	1.25%	\$ 1,000,000	\$ 1,027	0.01%
National Australia Bank	Term Deposit	AA-	0.89%	\$ 3,000,000	\$ 2,195	0.03%
Bank of Sydney Ltd	Term Deposit	Not Rated	0.75%	\$ 1,000,000	\$ 616	0.01%
MyState Bank Limited	Term Deposit	BBB	1.25%	\$ 1,000,000	\$ 1,027	0.01%
Auswide Bank Ltd	Term Deposit	BBB-	0.70%	\$ 1,000,000	\$ 575	0.01%
AMP Bank	Term Deposit	BBB	1.65%	\$ 3,000,000	\$ 4,068	0.06%
Bank of Sydney Ltd	Term Deposit	Not Rated	0.80%	\$ 1,000,000	\$ 658	0.01%
Suncorp	Term Deposit	A+	1.30%	\$ 1,000,000	\$ 1,068	0.02%
IMB Bank	Term Deposit	BBB	0.55%	\$ 1,000,000	\$ 452	0.01%
Suncorp	Term Deposit	A+	0.73%	\$ 2,000,000	\$ 1,200	0.02%
MyState Bank Limited	Term Deposit	BBB	1.65%	\$ 1,000,000	\$ 1,356	0.02%
National Australia Bank	Term Deposit	AA-	0.80%	\$ 2,000,000	\$ 1,315	0.02%
Auswide Bank Ltd	Term Deposit	BBB-	0.70%	\$ 1,000,000	\$ 575	0.01%
IMB Bank	Term Deposit	BBB	0.55%	\$ 1,000,000	\$ 211	0.00%
Westpac Banking Corporation	Term Deposit	AA-	0.88%	\$ 4,000,000	\$ 2,893	0.04%
Westpac Banking Corporation	Term Deposit	AA-	0.87%	\$ 4,000,000	\$ 2,860	0.04%
ME Bank	Term Deposit	BBB	0.60%	\$ 1,000,000	\$ 493	0.01%
Commonwealth Bank of Australia	Term Deposit	AA-	0.74%	\$ 2,000,000	\$ 1,216	0.02%
ME Bank	Term Deposit	BBB	0.60%	\$ 1,000,000	\$ 230	0.00%
Bank of Queensland	Term Deposit	BBB+	0.80%	\$ 2,000,000	\$ 1,315	0.02%
Suncorp	Term Deposit	A+	0.70%	\$ 3,000,000	\$ 1,668	0.02%
Bank of Us (B & E Ltd)	Term Deposit	Not Rated	0.50%	\$ 1,000,000	\$ 260	0.00%
Bank of Queensland	Term Deposit	BBB+	0.80%	\$ 2,000,000	\$ 877	0.01%
Auswide Bank Ltd	Term Deposit	BBB-	1.95%	\$ 1,000,000	\$ 1,603	0.02%
Summerland Credit Union	Term Deposit	Not Rated	2.95%	\$ 1,000,000	\$ 2,425	0.03%
Suncorp	Term Deposit	A+	0.70%	\$ 4,000,000	\$ 2,301	0.03%
MyState Bank Limited	Term Deposit	BBB	0.65%	\$ 1,000,000	\$ 107	0.00%
National Australia Bank	Term Deposit	AA-	0.92%	\$ 2,000,000	\$ 1,512	0.02%
Police Credit Union Ltd (SA)	Term Deposit	Not Rated	1.90%	\$ 1,000,000	\$ 1,562	0.02%
ME Bank	Term Deposit	BBB	0.60%	\$ 1,000,000	\$ 460	0.01%
Bank of Sydney Ltd	Term Deposit	Not Rated	0.90%	\$ 1,000,000	\$ 493	0.01%
Suncorp	Term Deposit	A+	0.65%	\$ 1,000,000	\$ 142	0.00%
Australian Military Bank Ltd	Term Deposit	Not Rated	1.75%	\$ 1,000,000	\$ 1,438	0.02%
Auswide Bank Ltd	Term Deposit	BBB-	0.75%	\$ 1,000,000	\$ 123	0.00%
Bendigo Adelaide Bank	Term Deposit	BBB+	0.60%	\$ 1,000,000	\$ 493	0.01%
Police Credit Union Ltd (SA)	Term Deposit	Not Rated	1.75%	\$ 1,000,000	\$ 1,438	0.02%

**Estimated Interest
on Investments
for September 2020**

Name of Investment / & Counterparty	Type of Investment	Rating	Annualised Coupon / Interest Rate	Current market Value	Estimated Interest for Period	Weighted Interest for Period
P & N Bank	Term Deposit	BBB	3.35%	\$ 1,000,000	\$ 2,753	0.04%
Australian Military Bank Ltd	Term Deposit	Not Rated	1.90%	\$ 1,000,000	\$ 1,562	0.02%
Bendigo Adelaide Bank	Term Deposit	BBB+	0.70%	\$ 2,000,000	\$ 1,151	0.02%
Commonwealth Bank of Australia - Green TD	Term Deposit	AA-	0.71%	\$ 2,000,000	\$ 1,128	0.02%
Bendigo Adelaide Bank	Term Deposit	BBB+	1.60%	\$ 1,000,000	\$ 1,315	0.02%
Bendigo Adelaide Bank	Term Deposit	BBB+	0.70%	\$ 2,000,000	\$ 1,151	0.02%
Auswide Bank Ltd	Term Deposit	BBB-	1.80%	\$ 1,000,000	\$ 1,479	0.02%
RaboBank	Term Deposit	Not Rated	3.45%	\$ 1,000,000	\$ 2,836	0.04%
RaboBank	Term Deposit	Not Rated	3.35%	\$ 1,000,000	\$ 2,753	0.04%
Investment on Hand				\$ 86,167,000	\$ 64,157	0.91%

Note 1

Interest on Investments Redeemed during month to reporting date (25/09/20)

ME Bank	Term Deposit	BBB	0.75%	\$ 1,000,000	\$ 41	0.00%
Australian Military Bank Ltd	Term Deposit	Not Rated	1.70%	\$ 1,000,000	\$ 140	0.00%
Bank of Sydney Ltd	Term Deposit	Not Rated	1.20%	\$ 1,000,000	\$ 329	0.00%
IMB Bank	Term Deposit	BBB	1.25%	\$ 1,000,000	\$ 548	0.01%
ME Bank	Term Deposit	BBB	0.90%	\$ 1,000,000	\$ 395	0.01%
Hunter United Employees Credit Union	Term Deposit	Not Rated	1.95%	\$ 1,000,000	\$ 908	0.01%
Suncorp	Term Deposit	A+	1.45%	\$ 1,000,000	\$ 874	0.01%
Auswide Bank Ltd	Term Deposit	BBB-	2.90%	\$ 1,000,000	\$ 1,907	0.03%
MyState Bank Limited	Term Deposit	BBB	1.05%	\$ 1,000,000	\$ 690	0.01%

0.99%

\$ 69,989

Investment Income Earned vs. Budget Year to Date

Estimated interest earned to date	\$ 243,698
Pro Rata annual budget	\$ 316,300

Note 1:

Estimated Interest for Period is calculated by multiplying the annualised rate by the purchase price and reflects both interest accrued and received.

Note 4:

"Indicative" Interest Earned based on the restricted/unrestricted fund balances reported in the 2018/19 Financial Reports.

"Indicative" Interest Earned

Externally Restricted - Water Fund	\$ 9,798
Externally Restricted - Wastewater Fund	\$ 27,995
External Restricted - Other	\$ 16,097
Internally Restricted	\$ 15,397
Unrestricted	\$ 700
	<u>\$ 69,989</u>

WEIGHTED AVERAGE INTEREST RATE

