

EC1 – Investment of Funds as at 31 August 2017

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TRIM 1022-5

EXECUTIVE SUMMARY

- This report provides details of Council’s invested funds as at 31 August 2017.
- It is recommended that the information and certification in relation to the investment of Council funds as at 31 August 2017 be noted.

REPORT

At its last meeting, the Reserve Bank maintained the cash rate at 1.50%. In relation to the domestic market, the Board of the Reserve Bank commented that:

“The recent data have been consistent with the Bank’s expectation that growth in the Australian economy will gradually pick up over the coming year...Retail sales have picked up recently, although slow growth in real wages and high levels of household debt are likely to constrain future growth in spending.

Employment growth has been stronger over recent months and has increased in all states. The various forward-looking indicators point to solid growth in employment over the period ahead. The unemployment rate is expected to decline a little over the next couple of years.

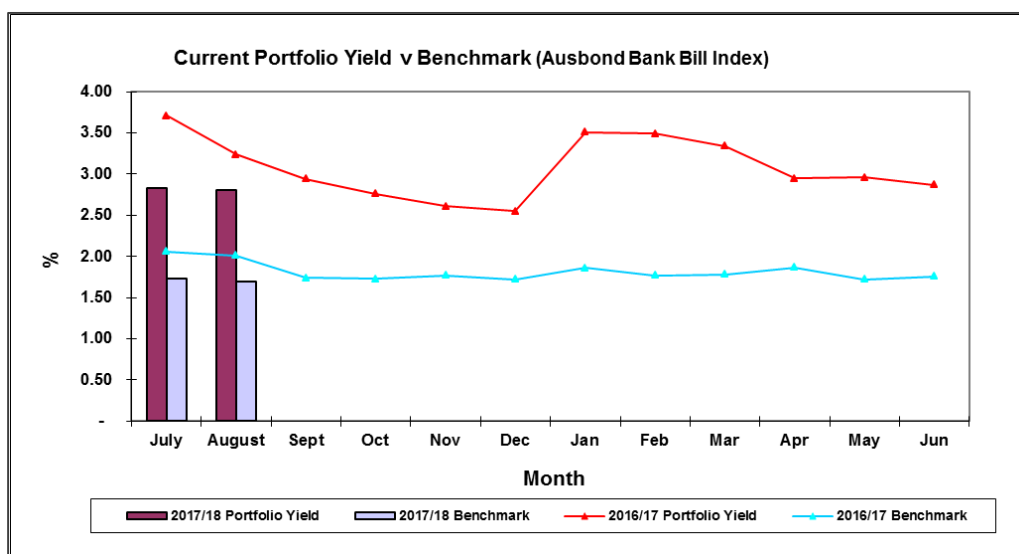
Wage growth remains low. This is likely to continue for a while yet, although stronger conditions in the labour market should see some lift in wages growth over time. Inflation also remains low and is expected to pick up gradually as the economy strengthens.”

The majority of Council’s investment portfolio (96%) is invested in deposits / securities with Australian Authorised Deposit taking Institutions (ADI’s). Council has been taking advantage of term deposit “specials” from various institutions without overexposing the portfolio to any one institution. Note that the marked to market valuations on some of the direct investment products in Council’s portfolio remain at less than the face value of the investment. The marked to market value of these investments is expected to be equal to or greater than the face value by the time they reach their maturity date. Early exit from these products would realise losses.

The following chart compares Council’s portfolio yield with the benchmark AusBond Bank Bill Index rate in each month for 2016/17 and 2017/18.

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As shown in the chart above, Council’s portfolio yield has continually exceeded the benchmark AusBond 3 month Bank Bill Index due to the prudent investment of Council’s portfolio.

Under Reg 212 of the Local Government (General) Regulation 2005, Council’s Responsible Accounting Officer must provide Council each month with a written report setting out details of all money that Council has invested under section 625 of the Act.

Council’s investment portfolio as at 31 August 2017 is summarised below.

By Product	Face Value (\$)	Current Value (\$)	Current Yield (%)
Bonds	2,000,000.00	1,980,960.00	7.1692
Cash	3,121,000.00	3,121,000.00	1.5500
Floating Rate Note	15,000,000.00	15,179,667.71	2.8287
Mortgage Backed Security	1,629,895.21	1,100,606.75	2.2044
Term Deposit	37,750,000.00	38,157,585.55	2.7821
	59,500,895.21	59,539,820.01	2.8608

Details of Council’s investment portfolio as at 31 August 2017 are provided in attachment 1.

CONSULTATION

Independent advice regarding the investment of Council funds was provided by Prudential Investment Services Corp.

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FINANCIAL IMPLICATIONS

Interest earned is allocated to restricted cash and income in accordance with Council's adopted budget, policy and legislative requirements.

The RBA has continued to keep interest rates low and the expected investment income will be reviewed and revised as more information becomes available.

CERTIFICATION

I hereby certify that Council's investments have been made in accordance with Sec 625 of the Local Government Act 1993, clause 212 of the Local Government (General Regulations) 2005 and Council's Investment Policy.

Ashley Christie
Chief Financial Officer
WOLLONDILLY SHIRE COUNCIL

ATTACHMENT INCLUDED IN A SEPARATE BOOKLET

1. Investment Summary Report as at 31 August 2017.

RECOMMENDATION

That the information and certification in relation to the investment of Council funds as at 31 August 2017 be noted.