

**EC4 – Investment of Funds as at 30 September 2017**

EC4

**Investment of Funds as at 30 September 2017**

112

TRIM 1022-5

**EXECUTIVE SUMMARY**

- This report provides details of Council's invested funds as at 30 September 2017.
- It is recommended that the information and certification in relation to the investment of Council funds as at 30 September 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 Australian economy expanded by 0.8 per cent in the June quarter. This outcome and other recent data are consistent with the Bank's expectation that growth in the Australian economy will gradually pick up over the coming year.*

*Over recent months there have been more consistent signs that non-mining business investment is picking up. A consolidation of this trend would be a welcome development. Business conditions as reported in surveys are at a high level and capacity utilisation has risen. A large pipeline of infrastructure investment is also supporting the outlook. Against this, slow growth in real wages and high levels of household debt are likely to constrain growth in household spending.*

*Employment has continued to grow strongly over recent months. Employment has increased in all states and has been accompanied by a rise in labour force participation. The various forward-looking indicators point to solid growth in employment over the period ahead, although the unemployment rate is expected to decline only gradually over the next couple of years.*

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

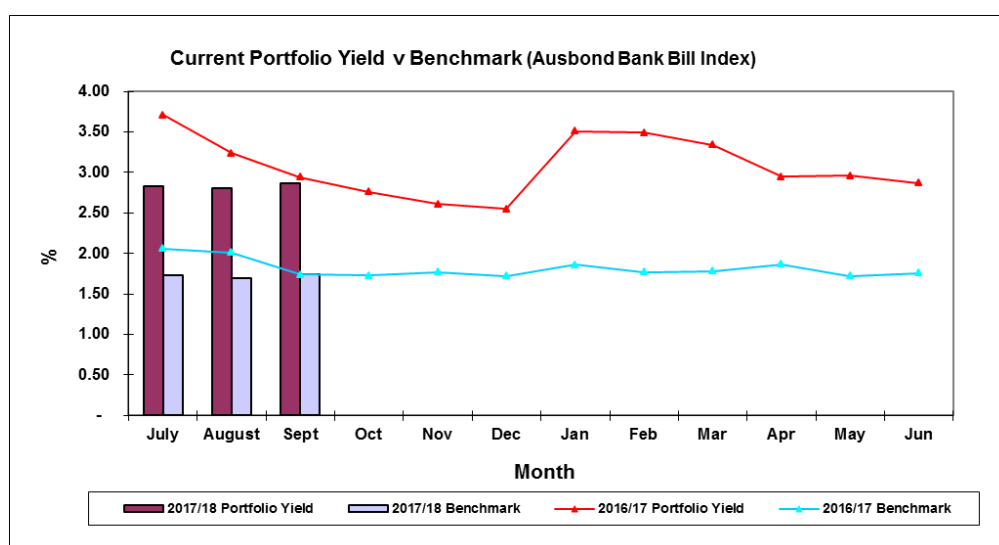
The majority of Council's investment portfolio (96%) is invested in deposits / securities with Australian Authorised Deposit taking Institutions (ADI's). Council has been taking advantage of term deposit "specials" from various institutions without overexposing the portfolio to any one institution.

Efficient and Effective Council  
Report to the Ordinary Meeting of Council held on Monday 20 November 2017

**EC4 – Investment of Funds as at 30 September 2017**

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.



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 30 September 2017 is summarised below.

By Product	Face Value (\$)	Current Value (\$)	Current Yield (%)
Bonds	2,000,000.00	1,984,800.00	7.1692
Cash	2,411,000.00	2,411,000.00	1.5500
Floating Rate Note	15,000,000.00	15,183,319.05	2.8298
Mortgage Backed Security	1,629,895.21	1,103,559.87	2.2044
Term Deposit	38,750,000.00	39,106,671.43	2.7488
	<b>59,790,895.21</b>	<b>59,789,350.35</b>	<b>2.8538</b>

Council

Efficient and Effective Council  
Report to the Ordinary Meeting of Council held on Monday 20 November 2017

---

**EC4 – Investment of Funds as at 30 September 2017**

Details of Council's investment portfolio as at 30 September 2017 are provided in attachment 1.

**CONSULTATION**

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

**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

**ATTACHMENTS INCLUDED IN A SEPARATE BOOKLET**

1. Investment Summary Report as at 30 September 2017.

**RECOMMENDATION**

That the information and certification in relation to the investment of Council funds as at 30 September 2017 be noted.