

**EC6 – Investment of Funds as at 31 March 2018**

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TRIM 1022-5

**EXECUTIVE SUMMARY**

- This report provides details of Council's invested funds as at 31 March 2018.
- That the information and certification in relation to the investment of Council funds as at 31 March 2018 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 grew by 2.4 per cent over 2017. The Bank's central forecast remains for faster growth in 2018. Business conditions are positive and non-mining business investment is increasing. Higher levels of public infrastructure investment are also supporting the economy. Stronger growth in exports is expected after temporary weakness at the end of 2017. One continuing source of uncertainty is the outlook for household consumption, although consumption growth picked up in late 2017. Household income has been growing slowly and debt levels are high.*

*Employment has grown strongly over the past year, with employment rising in all states. The strong growth in employment has been accompanied by a significant rise in labour force participation, particularly by women and older Australians. The unemployment rate has declined over the past year, but has been steady at around 5½ per cent over the past six months. The various forward-looking indicators continue to point to solid growth in employment in the period ahead, with a further gradual reduction in the unemployment rate expected. Notwithstanding the improving labour market, wages growth remains low. This is likely to continue for a while yet, although the stronger economy should see some lift in wages growth over time. Consistent with this, the rate of wages growth appears to have troughed and there are reports that some employers are finding it more difficult to hire workers with the necessary skills.*

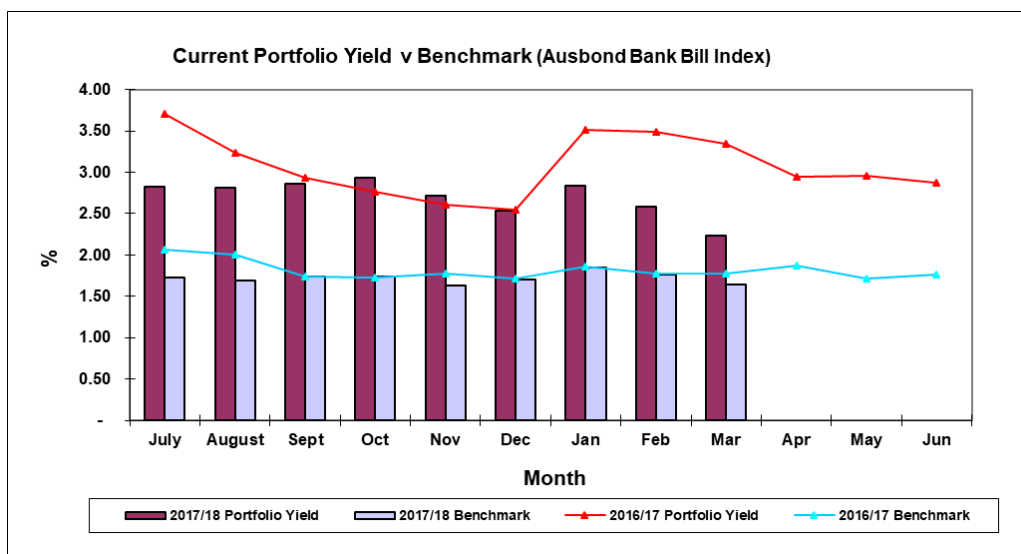
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*Inflation remains low, with both CPI and underlying inflation running a little below 2 per cent. Inflation is likely to remain low for some time, reflecting low growth in labour costs and strong competition in retailing. A gradual pick-up in inflation is, however, expected as the economy strengthens. The central forecast is for CPI inflation to be a bit above 2 per cent in 2018.*

*The low level of interest rates is continuing to support the Australian economy. Further progress in reducing unemployment and having inflation return to target is expected, although this progress is likely to be gradual. Taking account of the available information, the Board judged that holding the stance of monetary policy unchanged at this meeting would be consistent with sustainable growth in the economy and achieving the inflation target over time.”*

The majority of Council’s investment portfolio (97%) 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 March 2018 is summarised below.

By Product	Face Value (\$)	Current Value (\$)	Current Yield (%)
Cash	2,981,000.00	2,981,000.00	1.5500
Floating Rate Note	16,200,000.00	16,378,148.98	2.9616
Mortgage Backed Security	1,600,491.41	1,080,242.41	2.2962
Term Deposit	39,000,000.00	39,484,963.47	2.7040
	<b>59,781,491.41</b>	<b>59,924,354.86</b>	<b>2.7096</b>

Details of Council’s investment portfolio as at 31 March 2018 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 Reserve Bank of Australia 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

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**ATTACHMENT INCLUDED IN SEPARATE BOOKLET**

1. Investment Summary Report as at 31 March 2018

**RECOMMENDATION**

That the information and certification in relation to the investment of Council funds as at 31 March 2018 be noted.