

REPLACEMENT REPORT

REPORTS THROUGH THE GENERAL MANAGER

REPORTS FROM THE DIRECTOR TECHNOLOGY AND CORPORATE SERVICES

47 [TCS-CM] Monthly Investment Report for Period Ending 31 October 2009

ORIGIN:

Financial Services

SUMMARY OF REPORT:

The "Responsible Accounting Officer" must report monthly to Council, setting out details of all the funds Council has invested and certification has been made in accordance with Section 625 of the Local Government Act (1993), Clause 212 of the Local Government (General) Regulations and Council policies.

Council had **\$128,241,586** invested as at 31 October 2009 and the net return on these funds was **\$454,672** or **4.25%** annualised for the month.

RECOMMENDATION:

That in accordance with Section 625 of the Local Government Act 1993 the monthly investment report as at 31 October 2009 totalling \$128,241,586 be received and noted.

REPLACEMENT REPORT

REPORT:

Report for Period Ending 31 October 2009

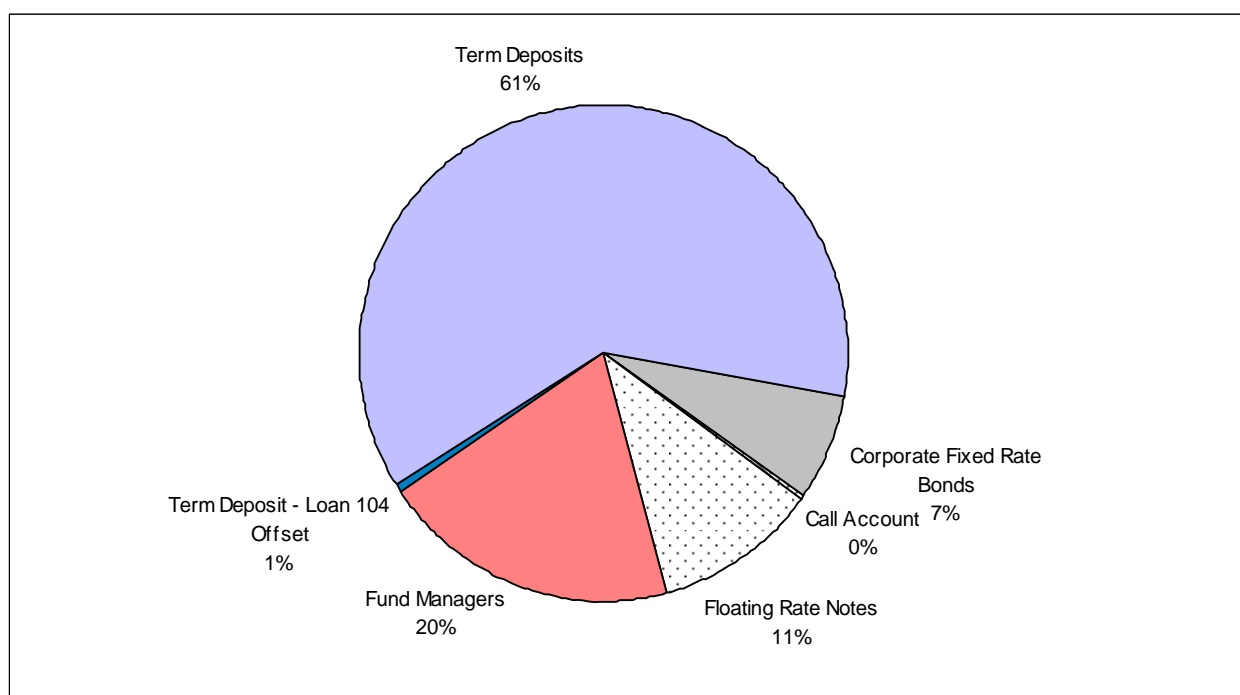
The "Responsible Accounting Officer" must report monthly to Council, setting out details of all the funds Council has invested and certification has been made in accordance with Section 625 of the Local Government Act (1993), Clause 212 of the Local Government (General) Regulations and Council policies.

1. RESTRICTED FUNDS AS AT 1 JULY 2009

Description	(\$'000)			Total
	General Fund	Water Fund	Sewer Fund	
Externally Restricted	15,427	13,980	14,908	44,315
Crown Caravan Parks	10,145			10,145
Developer Contributions	29,762	19,327		49,089
Domestic Waste Management	8,035			8,035
Grants	3,794			3,794
Internally Restricted	13,816			13,816
Employee Leave Entitlements	1,685			1,685
Grants	2,535			2,535
Unexpended Loans	5,889			5,889
Total	91,088	33,307	14,908	139,303

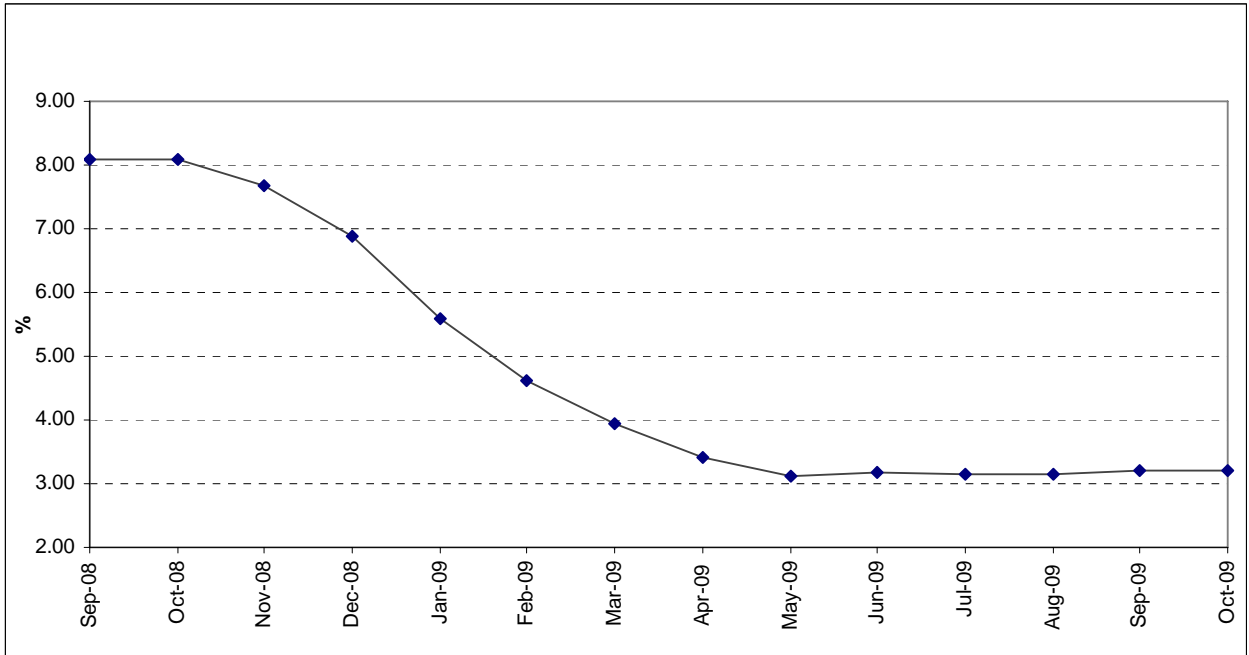
Note: Restricted Funds Summary updated September 2009

2. CURRENT INVESTMENT PORTFOLIO BY CATEGORY

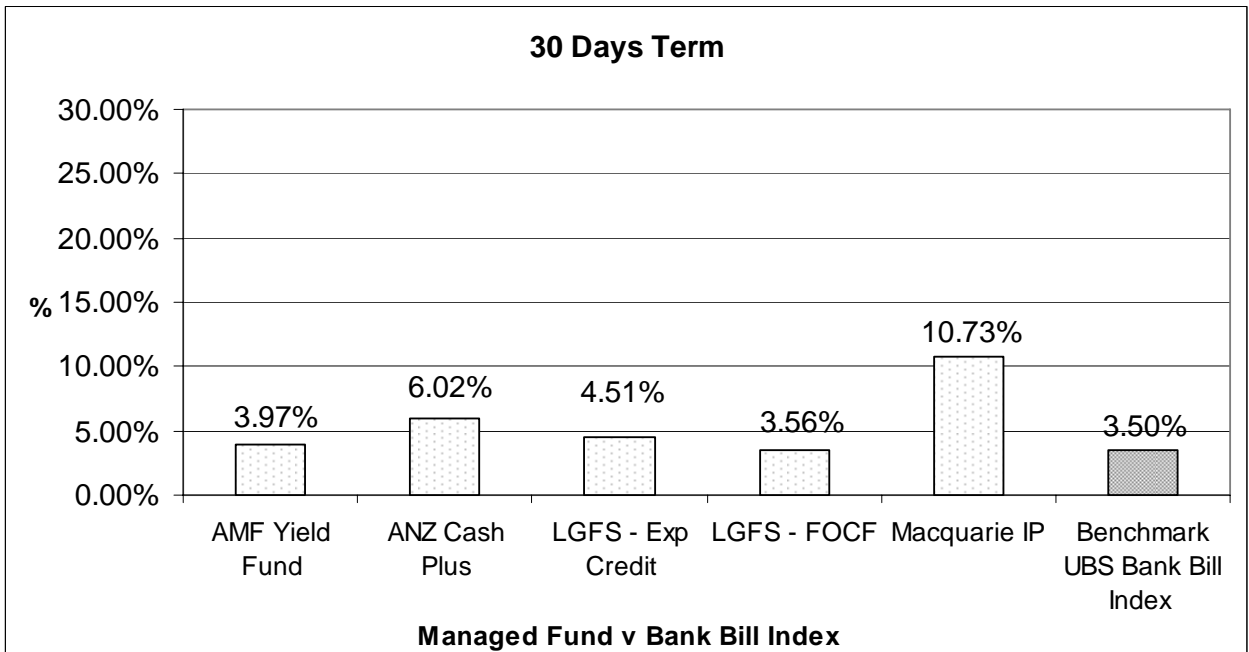


REPLACEMENT REPORT

3. INVESTMENT RATES - 90 DAY BANK BILL RATE (%)

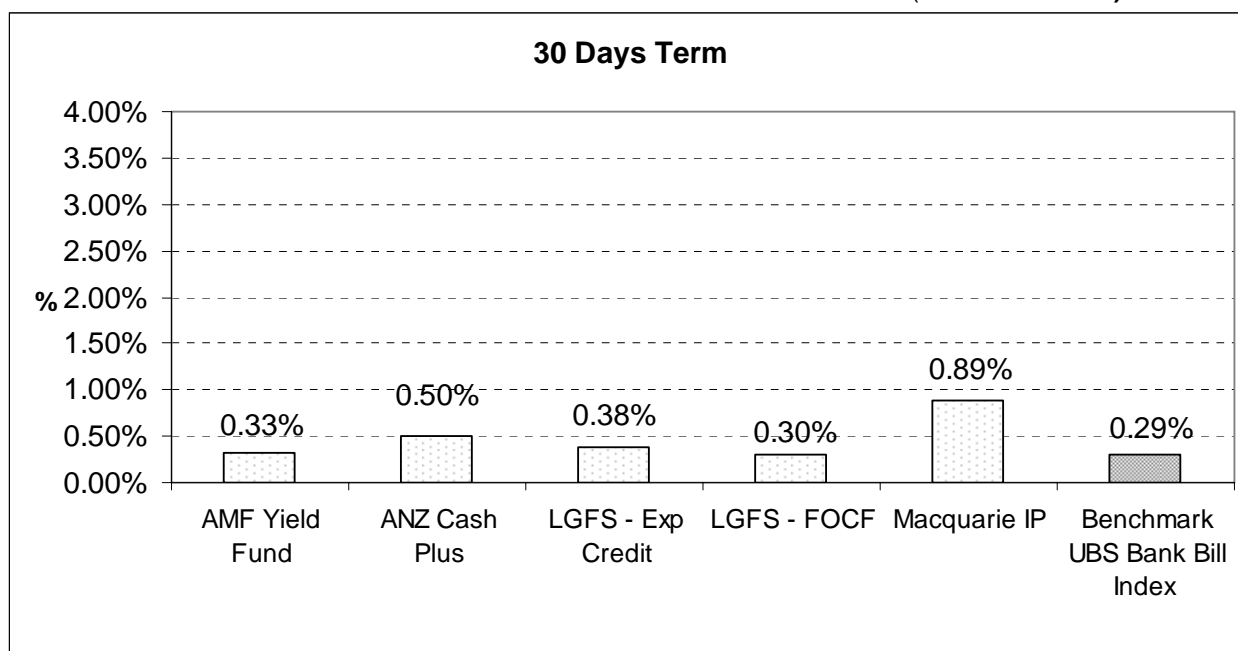


4. FUNDS MANAGERS PERFORMANCE FOR MONTH - NET OF FEES (ANNUALISED)



REPLACEMENT REPORT

5. FUNDS MANAGERS PERFORMANCE FOR MONTH - NET OF FEES (NOT ANNUALISED)



6. FUND MANAGERS - DETAILED INFORMATION

Fund	Credit Rating	Percentage of Total Fund Managers Current Month	Fund Managers Balance end of Previous month	Fund Managers Balance end of Current month	Distribution for Month/Quarter	Coupon Paid
AMF Yield Fund	AAA	4.41%	\$1,111,105	\$1,114,730	\$3,626	Monthly
ANZ Cash Plus	AA	3.54%	\$888,797	\$893,218	\$600	Monthly
LGFS - Enhanced Cash	n/a	22.28%	\$5,604,156	\$5,625,194	\$21,038	Monthly
LGFS - FOCF	AA-	25.50%	\$6,419,037	\$6,438,131	\$19,093	Monthly
Macquarie IP	A	44.27%	\$11,081,196	\$11,177,513	\$0	Quarterly
Total		100%	\$25,104,291	\$25,248,786	\$44,357	

REPLACEMENT REPORT

7. DIRECT SECURITIES

Investment Type	Final Maturity	Counterparty/ Product Name	Face Value	Market Value	% Return on Face Value	Credit Rating
Bond	22/01/2018	Merrill Lynch Zero Coupon Bond	2,000,000.00	2,280,000.00	7.28	AA
Bond	08/11/2011	ANZ	1,000,000.00	1,011,660.00	5.15	AA
Bond	22/04/2013	ANZ	1,000,000.00	1,074,950.00	8.65	AA
Bond	02/12/2010	Bank of Queensland	1,500,000.00	1,529,310.00	5.55	BBB+
Bond	02/12/2010	Bank of Queensland	1,000,000.00	1,019,540.00	6.00	BBB+
Bond	24/09/2012	Westpac	1,000,000.00	1,034,160.00	4.90	AA
Bond	24/09/2012	Westpac	1,000,000.00	1,034,160.00	5.15	AA
FRN	17/08/2010	ANZ	1,000,000.00	988,139.00	3.57	AA
FRN	20/07/2010	CBA	1,000,000.00	998,810.14	3.41	AA
FRN	21/01/2011	CBA	1,000,000.00	1,002,635.70	4.80	AA
FRN	21/01/2011	CBA	2,000,000.00	2,005,271.41	4.80	AA
FRN	17/04/2012	CBA	1,000,000.00	1,018,672.12	4.41	AA
FRN	23/11/2012	Deutsche Bank	1,000,000.00	857,196.00	4.33	A+
FRN	24/01/2011	Macquarie/HSBC	2,000,000.00	1,956,593.50	4.43	A
FRN	08/03/2012	Members Equity	2,000,000.00	1,898,720.00	4.44	BBB-
FRN	26/11/2010	NAB	2,000,000.00	2,014,437.01	3.75	AA
FRN	22/07/2010	Westpac	1,000,000.00	999,670.00	4.02	AA
ABS = Asset Backed Security		Total	24,500,000.00	22,723,924.88	4.98	
Bond = Fixed Rate Bond						
CDO = Collateralised Debt Obligation						
FRN = Floating Rate Note						

8. TERM DEPOSITS

Lodged or Rolled	DUE	Counterparty	PRINCIPAL	TERM	% Yield	INCOME RECEIVABLE
08-Jul-09	10-Nov-09	ANZ	2,000,000.00	125	4.200	28,767.12
11-Aug-09	17-Nov-09	Adelaide/Bendigo Bank	2,000,000.00	98	4.400	23,627.40
18-Aug-09	18-Nov-09	IMB	1,000,000.00	90	4.530	11,169.86
02-Jun-09	01-Dec-09	National Australia Bank	1,000,000.00	106	4.390	12,749.04
10-Jun-09	15-Dec-09	Bank of Queensland	1,000,000.00	188	4.550	23,435.62
01-Jul-09	21-Dec-09	Westpac Bank	5,000,000.00	173	4.570	108,302.74
13-Aug-09	21-Dec-09	Bank of Queensland	3,000,000.00	130	4.450	47,547.95
13-Oct-09	11-Jan-10	Westpac Bank	4,000,000.00	90	4.660	45,961.64

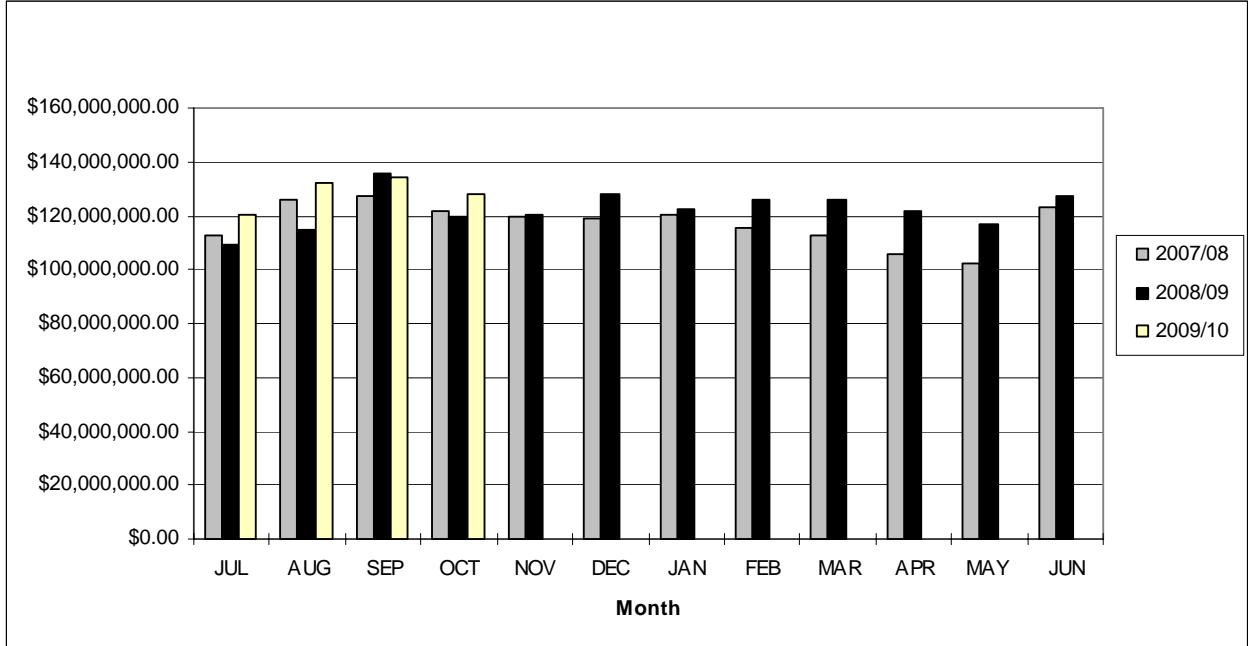
REPLACEMENT REPORT

Lodged or Rolled	DUE	Counterparty	PRINCIPAL	TERM	% Yield	INCOME RECEIVABLE
12-Oct-09	12-Jan-10	LGFS	2,000,000.00	92	4.500	22,684.93
10-Sep-09	12-Jan-10	Suncorp Metway	2,000,000.00	124	4.700	31,934.25
29-Jul-09	19-Jan-10	Westpac Newcastle Permanent Building Society	4,000,000.00	174	4.600	87,715.07
13-Aug-09	09-Feb-10	Westpac Bank	1,000,000.00	180	4.910	24,213.70
10-Sep-09	09-Feb-10	Westpac Bank	2,000,000.00	152	4.860	40,477.81
21-Aug-09	17-Feb-10	Westpac Bank	4,000,000.00	180	4.800	94,684.93
25-Aug-09	23-Feb-10	National Australia Bank	3,000,000.00	182	4.610	68,960.55
01-Sep-09	03-Mar-10	National Australia Bank	8,000,000.00	183	4.930	197,740.27
10-Sep-09	09-Mar-10	National Australia Bank	2,000,000.00	180	4.910	48,427.40
28-Oct-09	28-Apr-10	CBA	868,875.00	182	4.505	19,517.79
27-May-09	27-May-10	ANZ	2,000,000.00	365	4.450	89,000.00
16-Sep-09	13-Jul-10	Suncorp Metway Bank of Queensland	2,000,000.00	300	5.200	85,479.45
21-Aug-09	24-Aug-10	National Australia Bank	2,000,000.00	368	5.300	106,871.23
01-Sep-09	01-Sep-10	Westpac	4,000,000.00	365	5.530	221,200.00
05-Nov-09	05-Oct-10	Westpac	2,000,000.00	334	6.260	114,566.58
07-Oct-09	05-Oct-10	Suncorp Metway Members Equity Bank	1,000,000.00	363	6.010	59,770.68
07-Jul-09	05-Oct-10	Bankwest	1,000,000.00	182	4.600	22,936.99
20-Oct-09	19-Oct-10	Bank of Queensland	1,000,000.00	364	6.000	59,835.62
20-Oct-09	19-Oct-10	Elders Rural Bank	1,000,000.00	364	6.050	60,334.25
17-Feb-09	16-Feb-11	Adelaide Bendigo Bank	1,000,000.00	729	4.620	92,273.42
17-Feb-09	17-Feb-11	Suncorp Metway	2,000,000.00	730	4.700	188,000.00
02-Apr-08	01-Apr-11	Suncorp Metway	3,000,000.00	1095	8.300	747,000.00
28-May-09	30-May-11	LGFS	5,000,000.00	730	4.180	418,000.00

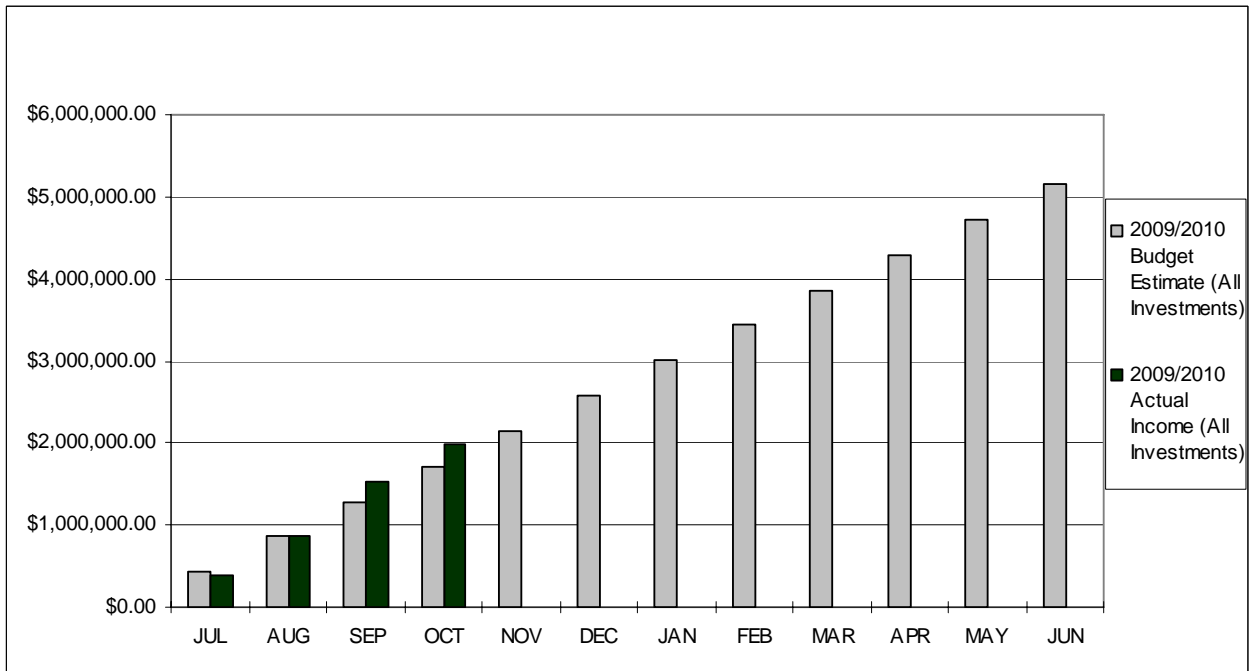
REPLACEMENT REPORT

Lodged or Rolled	DUE	Counterparty	PRINCIPAL	TERM	% Yield	INCOME RECEIVABLE
12-Nov-08	11-Nov-11	Suncorp Metway	4,000,000.00	1094	6.880	824,846.03
12-Nov-08	16-Nov-11	Investec Bank	1,000,000.00	1099	6.880	207,153.97
			79,868,875.00		5.092	

9. MONTHLY COMPARISON OF TOTAL FUNDS INVESTED



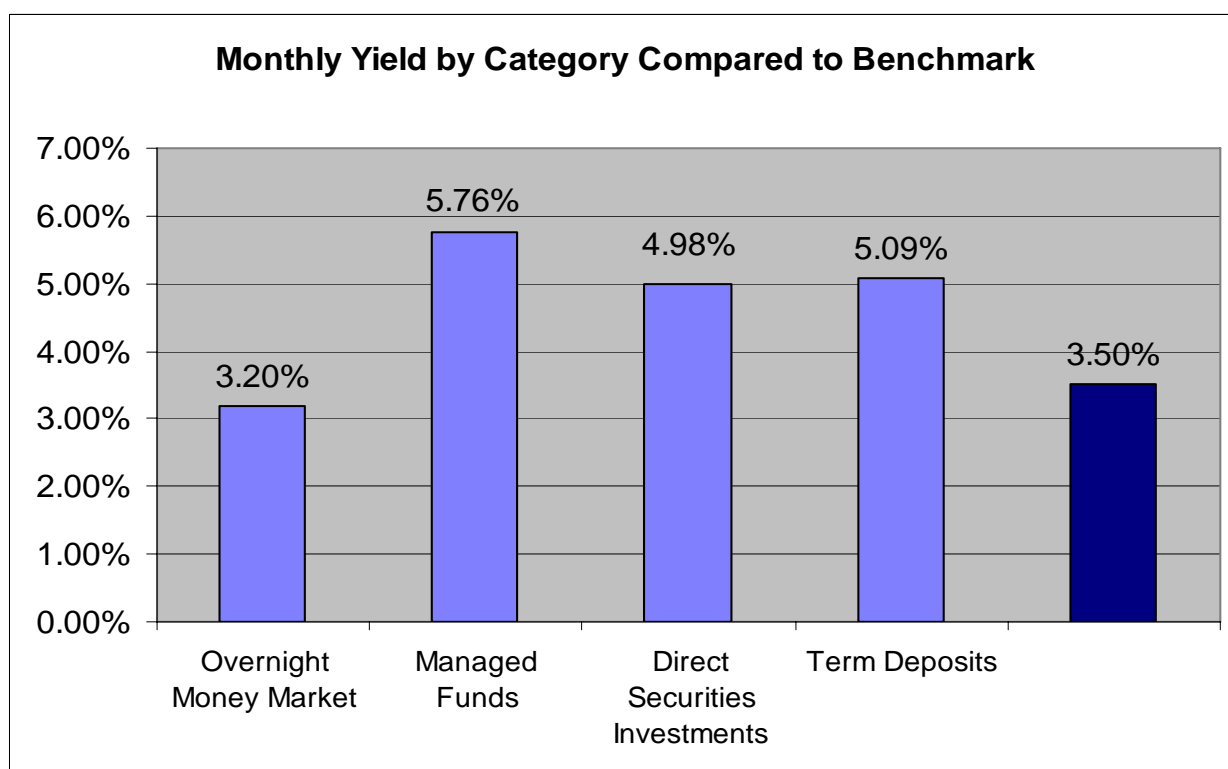
10. TOTAL PORTFOLIO INCOME YEAR TO DATE



REPLACEMENT REPORT

11. PERFORMANCE BY CATEGORY

Category	Face Value	Market Value	Average Yield	Above/(Below) 30 day BBSW Benchmark
Overnight Money Market	\$400,000.00	\$400,000.00	3.20%	-0.30%
Managed Funds	\$25,248,786.26	\$25,248,786.26	5.76%	2.26%
Direct Securities Investments	\$24,500,000.00	\$22,723,924.88	4.98%	1.48%
Term Deposits	\$82,868,875.00	\$82,868,875.00	5.09%	1.59%
	\$133,017,661.26	\$131,241,586.14	3.50%	Benchmark 30 Day UBS Bank Bill Index



12. SECTION 94 DEVELOPER CONTRIBUTIONS - MONTHLY BALANCES REPORT PERIOD ENDING 30 SEPTEMBER 2009

Contribution Plan	Plan Description	End of Month Balance	Contributions received this month
01	DCP3 Open Space	3,674,243.19	\$0
02	Western Drainage	454,647.86	\$0
03	DCP3 Community Facilities	33,036.60	\$0
04	Tweed Road Contribution Plan	11,049,466.68	\$127,327
05	Open Space	1,393,570.45	\$22,577
06	Contribution Street Trees	188,183.44	\$0
07	West Kingscliff	814,317.33	\$0

REPLACEMENT REPORT

Contribution Plan	Plan Description	End of Month Balance	Contributions received this month
10	Cobaki Lakes	-161.33	\$0
11	Libraries	1,506,275.48	\$6,602
12	Bus Shelters	38,323.30	\$422
13	Cemeteries	2,189.67	\$2,438
14	Mebbin Springs	68,391.18	\$0
15	Community Facilities	1,225,368.13	\$0
16	Surf Lifesaving	419,991.89	\$3,530
18	Council Admin - Tech Support	1,602,279.14	\$37,168
19	Kings Beach	1,043,015.30	\$0
20	Seabreeze Estate	570.56	\$0
22	Shirewide Cycleways	447,943.83	\$6,548
23	Shirewide Carparking	1,529,516.92	\$0
25	Salt Development	772,797.29	\$0
26	Plan 26 Shirewide Open Space	4,084,461.80	\$56,034
27	Tweed Heads Masterplan & Streetscaping	76,271.18	\$0
28	Seaside City	-640.07	\$0
91	DCP14	81,846.11	\$0
92	Public Reserve Contributions	102,895.62	\$0
95	Bilambil Heights	490,121.25	\$0
96	Community Facilities Shire Wide	68,156.40	\$0
Total		\$31,167,079	\$262,646

13. ECONOMIC COMMENTARY

Global Economy

Asia is at the forefront of the global recovery. Asian economies are benefiting from a recovery in domestic demand, underpinned by stimulatory settings of both monetary and fiscal policy. Growth in China and India has been particularly strong.

Most advanced economies have grown during the three months to the end of September. Many of these advanced economies are operating with a high level of excess capacity and face significant medium-term fiscal challenges. Core inflation is low in most countries.

2010 presents a challenging global economic environment as consumers and businesses continue to deleverage as a combination of rising interest rates and withdrawal of government fiscal stimulus create headwinds. The economic recovery currently underway in many countries may stall under these added pressures and a "double-dip" recession is a possibility.

REPLACEMENT REPORT

Domestic Economy

A recovery in housing construction is now underway with leading indicators well above the levels of late 2008, although financing issues are constraining developers in the apartment market. The Australian population is growing at the fastest rate since the 1960s and this is leading to increased housing demand, particularly in metropolitan areas.

The labour market is generally not as weak as earlier forecast with unemployment steady at around 5.75% for the past five months. While there has been no growth in employment over the past year, the rise in unemployment has been contained by greater flexibility in the labour market, with many firms and workers agreeing to reduce working hours as the economy slowed as well as a decline in the participation rate.

Conditions in the Australian economy are significantly better than expected when the Reserve Bank (RBA) lowered the cash rate to 3% earlier in 2009. The Australian economy is operating with less spare capacity than thought likely and the outlook for the next few years has improved, according to the RBA. The RBA judged it prudent to lessen the degree of monetary stimulus by increasing the cash rate by 25 basis points at both its October and November meetings. The current 3.5% cash rate remains at an historic low level and a further gradual lessening of monetary stimulus is likely to be required as the "emergency" cash rate is replaced by a neutral cash rate. The move to a neutral cash rate is considered necessary if monetary policy is to promote sustainable growth in the Australian economy and keep inflation within the 2-3% target range.

Risks remain that withdrawal of fiscal and monetary stimulus measures in Australia during 2010, combined with any further financial "shocks" overseas, particularly in the US banking system or China generally, may lead to the economy suddenly returning to recessionary levels.

Council's Investment Portfolio Performance

During November Council will close both the AMF Yield Fund and the ANZ Cash Plus Fund. The AMF Yield Fund, while returning a set 50 basis point margin above the 90DBBSW benchmark, is underperforming term deposits. For example Westpac Bank term deposits are returning 5.23% at the moment, or 1.73% above the benchmark.

The ANZ Cash Plus Fund has been closed to new deposits and redemptions since November 2008 and is in the processing of being wound up. The current exit fee of approximately 2.5% of the amount redeemed is viewed as favourable compared with exit fees during the past year ranging between 5% and 12%.

All investment categories out-performed the UBS 30 day bank bill benchmark this month. Most managed funds in the Portfolio performed well, returning on average 5.76% annualised for the month or 2.26% above benchmark, compared with bonds 4.98% and term deposits 5.09%.

REPLACEMENT REPORT

An indication of Portfolio performance is provided by totalling investment income for the month and disregarding changes in capital values. Council had **\$128,241,586** invested as at 31 October, 2009 and the accrued net return on these funds was **\$454,672** or **4.25%** annualised for the month.

Source: Oakvale Capital Limited

14. INVESTMENT SUMMARY AS AT 31 OCTOBER 2009

General Fund

Collateralised Debt Obligations	0.00	
Commercial Paper	0.00	
Corporate Fixed Rate Bonds	8,983,780.00	
Floating Rate Notes	13,740,144.88	
Asset Backed Securities	0.00	
Fund Managers	5,211,771.17	
Term Deposit - Loan 104 Offset	868,875	
Term Deposits	45,000,000.00	
Call Account	400,000.00	74,204,571.05

Water Fund

Term Deposits	30,000,000.00	
Fund Managers	17,372,394.06	47,372,394.06

Sewerage Fund

Term Deposits	4,000,000.00	
Fund Managers	2,664,621.04	6,664,621.04

Total Investments **128,241,586.15**

It should be noted that the General Funds investments of \$74 million are not available to be used for general purpose expenditure. It is virtually all restricted by legislation and council resolution for such purposes as unexpended loans, developer contributions, unexpended grants and various specific purpose reserves such as domestic waste, land development and employee leave entitlements.

All Water and Sewerage Fund investments can only be expended in accordance with Government regulation and Council resolution.

Statutory Statement - Local Government (General) Regulation 2005 Clause 212

I certify that Council's investments have been made in accordance with the Local Government Act 1993, the Local Government (General) Regulations and Council's investment policies.



**Chief Financial Officer
(Responsible Accounting Officer)**

LEGAL/RESOURCE/FINANCIAL IMPLICATIONS:

Nil.

REPLACEMENT REPORT

POLICY IMPLICATIONS:

Nil.

UNDER SEPARATE COVER/FURTHER INFORMATION:

*To view any "**non confidential**" attachments listed below, access the meetings link on Council's website www.tweed.nsw.gov.au or visit Council's offices at Tweed Heads or Murwillumbah (from Friday the week before the meeting) or Council's libraries (from Monday the week of the meeting).*

Nil.
