

Addendum Report

REPORTS FROM THE DIRECTOR TECHNOLOGY AND CORPORATE SERVICES

a16 [TCS-CM] Monthly Investment Report for Period Ending 31 December 2010

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), Cl. 212 of the Local Government (General) Regulations and Council policies.

Council had \$173,152,669 invested as at 31 December, 2010 and the accrued net return on these funds was \$692,258 or 4.8% annualised for the month

RECOMMENDATION:

That in accordance with Section 625 of the Local Government Act 1993 the monthly investment report as at 31 December 2010 totalling \$173,152,669 be received and noted.

Addendum Report

REPORT:

Report for Period Ending 31 December 2010

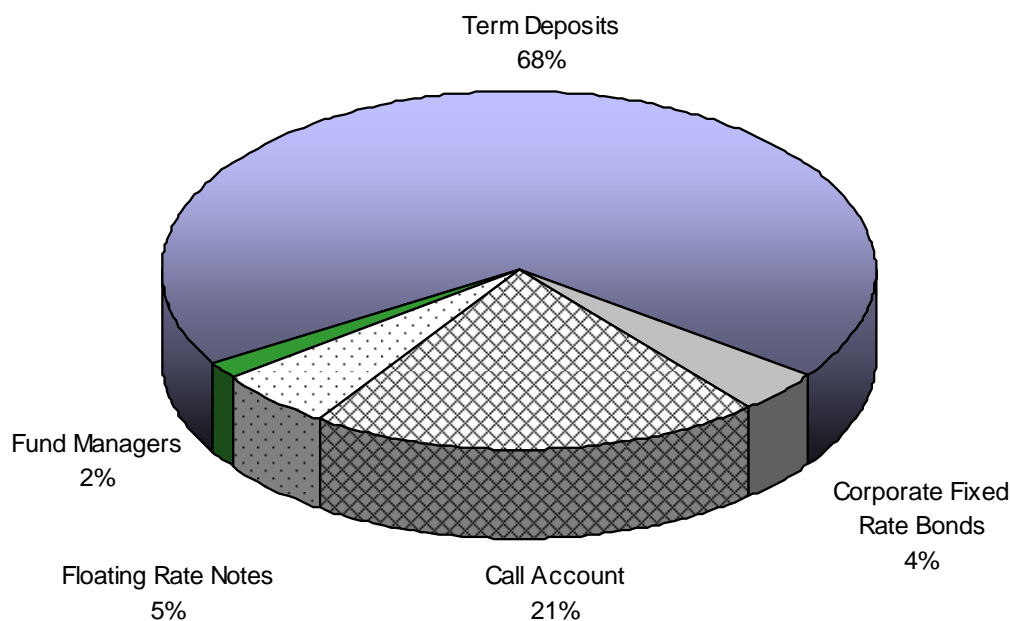
The "Responsible Accounting Officer" must report monthly to Council, setting out details of all the funds Council has invested and certification has been made in accordance with Section 625 of the Local Government Act (1993), Clause 212 of the Local Government (General) Regulations and Council policies.

1. RESTRICTED FUNDS AS AT 1 JULY 2010

| Description | (\$'000) | | | |
|------------------------------|---------------|---------------|---------------|----------------|
| | General Fund | Water Fund | Sewer Fund | Total |
| Externally Restricted | 948 | 14,977 | 37,039 | 52,964 |
| Crown Caravan Parks | 11,013 | | | 11,013 |
| Developer Contributions | 30,195 | 16,801 | | 46,996 |
| Domestic Waste Management | 8,262 | | | 8,262 |
| Grants | 4,261 | | | 4,261 |
| Internally Restricted | 15,097 | | | 15,097 |
| Employee Leave Entitlements | 1,833 | | | 1,833 |
| Grants | 3,185 | | | 3,185 |
| Unexpended Loans | 9,847 | | | 9,847 |
| Total | 84,641 | 31,778 | 37,039 | 153,458 |

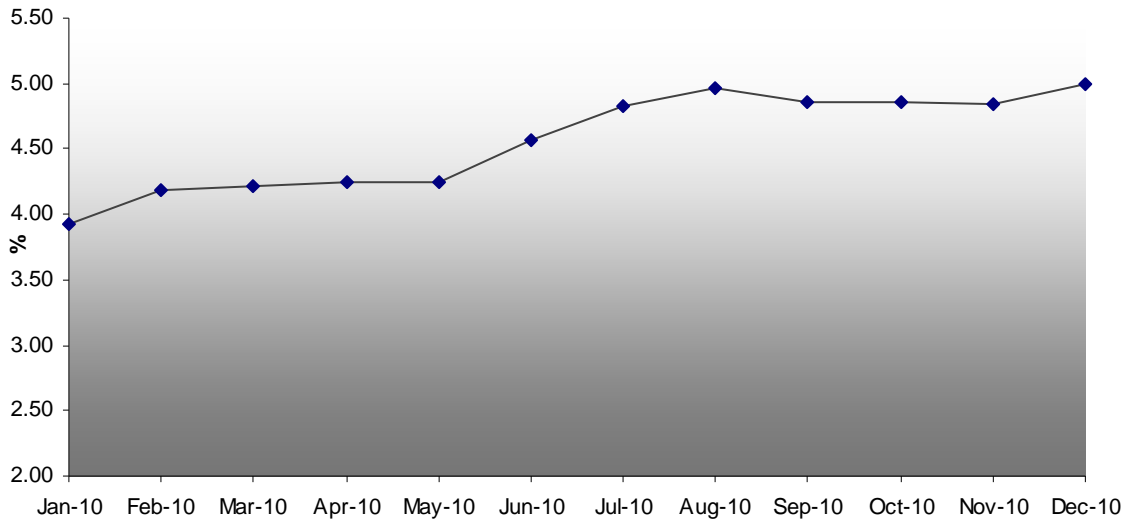
Note: Restricted Funds Summary next update September 2011

2. CURRENT INVESTMENT PORTFOLIO BY CATEGORY



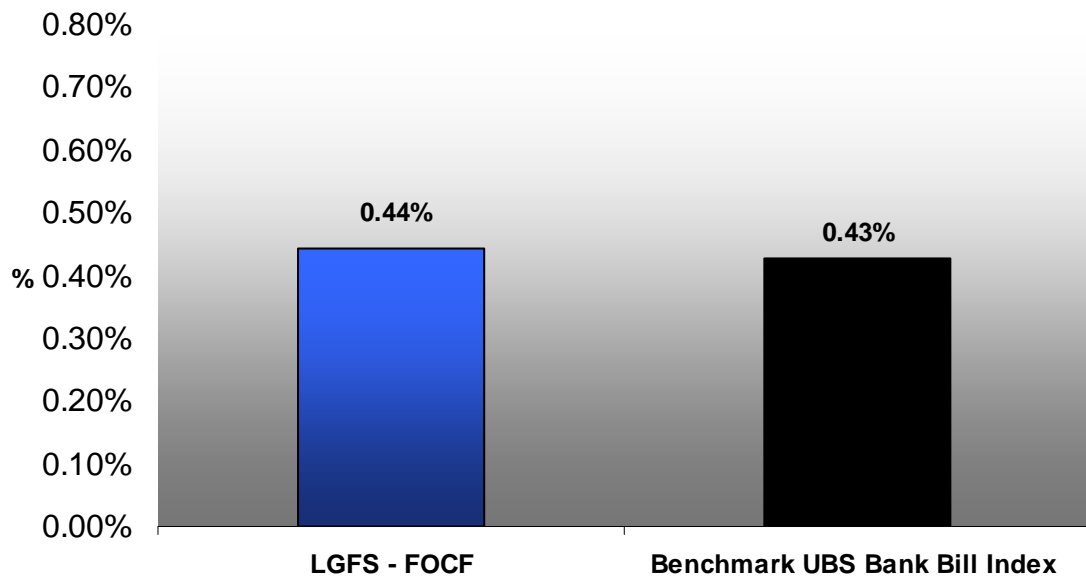
Addendum Report

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



4. FUNDS MANAGERS PERFORMANCE FOR MONTH - NET OF FEES AND CAPITAL VALUE CHANGES (NOT ANNUALISED)

30 Days Term



Note: ANZ Managed Fund performance not included as \$25k balance not material. Total Fund Managers \$2.7m

Addendum Report

5. 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 |
|---------------|---------------|---|---|--|--------------------------------|
| ANZ Cash Plus | AA | 0.92% | \$57,483 | \$25,067 | \$105 |
| LGFS - FOCF | AA- | 99.08% | \$2,685,522 | \$2,698,206 | \$12,479 |
| Total | | 100% | \$2,743,005 | \$2,723,273 | \$12,584 |

6. DIRECT SECURITIES

| Counterparty / Product Name | Face Value | Market Value | % Return on Face Value | Investment Type | Final Maturity Date |
|------------------------------------|----------------------|----------------------|------------------------|--------------------|---------------------|
| ANZ Bank | 1,000,000.00 | 1,017,680.00 | 5.150 | Fixed Rate Bond | 08/11/2011 |
| ANZ Bank | 1,000,000.00 | 1,067,140.00 | 8.650 | Fixed Rate Bond | 22/04/2013 |
| CBA | 1,000,000.00 | 1,010,441.37 | 6.042 | Floating Rate Note | 17/04/2012 |
| CBA | 1,000,000.00 | 1,023,674.14 | 5.220 | Floating Rate Note | 21/01/2011 |
| CBA Retail Bond | 1,000,000.00 | 999,400.00 | 6.000 | Floating Rate Note | 24/12/2015 |
| CBA/Merrill Lynch Zero Coupon Bond | 4,000,000.00 | 2,352,800.00 | 7.280 | Fixed Rate Bond | 22/01/2018 |
| Deutsche Bank | 1,000,000.00 | 906,425.00 | 6.055 | Floating Rate Note | 23/11/2012 |
| Macquarie/HSBC | 2,000,000.00 | 2,018,825.33 | 5.387 | Floating Rate Note | 24/01/2011 |
| Members Equity Bank | 2,000,000.00 | 1,940,640.00 | 6.040 | Floating Rate Note | 06/03/2012 |
| National Australia Bank | 1,000,000.00 | 1,009,750.00 | 6.200 | Floating Rate Note | 05/11/2015 |
| Westpac Bank | 1,000,000.00 | 1,041,310.00 | 5.150 | Fixed Rate Bond | 24/09/2012 |
| Westpac Bank | 1,000,000.00 | 1,041,310.00 | 4.900 | Fixed Rate Bond | 24/09/2012 |
| Total | 17,000,000.00 | 15,429,395.84 | 6.01 | | |

ABS = Asset Backed Security
 Bond = Fixed Rate Bond
 CDO = Collateralised Debt Obligation
 FRN = Floating Rate Note

Addendum Report

7. TERM DEPOSITS

| TERM DEPOSITS SORTED BY MATURITY AS AT 31/12/10 | | | | | | | | |
|---|-----------|---------------------------|--------------|------|---------|-------------------|------|---------------------------------------|
| Lodged or Rolled | DUE | Counterparty | PRINCIPAL | TERM | % Yield | INCOME RECEIVABLE | FORM | Notes |
| 06-Jul-10 | 04-Jan-11 | Bankwest | 2,000,000.00 | 182 | 6.050 | 60,334.25 | TD | Fixed Rate |
| 25-Jun-10 | 05-Jan-11 | Suncorp Metway | 5,000,000.00 | 194 | 6.300 | 167,424.66 | TD | Fixed Rate |
| 29-Jun-10 | 05-Jan-11 | Suncorp Metway | 2,000,000.00 | 190 | 6.500 | 67,671.23 | TD | Fixed Rate |
| 28-Jun-10 | 11-Jan-11 | LGFS | 5,000,000.00 | 197 | 6.300 | 170,013.70 | TD | Fixed Rate |
| 06-Jul-11 | 11-Jan-11 | Members Equity Bank | 1,000,000.00 | 189 | 6.250 | 32,363.01 | TD | Fixed Rate |
| 28-Jun-10 | 11-Jan-11 | Suncorp Metway | 5,000,000.00 | 197 | 6.310 | 170,283.56 | TD | Fixed Rate |
| 14-Jul-10 | 18-Jan-11 | Westpac Bank | 2,000,000.00 | 181 | 6.020 | 59,705.21 | TD | Fixed Rate |
| 24-Aug-10 | 25-Jan-11 | Bankwest | 2,000,000.00 | 154 | 6.000 | 50,630.14 | TD | Fixed Rate |
| 03-Aug-10 | 01-Feb-11 | Community Mutual Group | 1,000,000.00 | 182 | 6.190 | 30,865.21 | TD | Fixed Rate |
| 03-Nov-10 | 08-Feb-11 | Suncorp Metway | 1,000,000.00 | 97 | 6.050 | 16,078.08 | TD | Fixed Rate |
| 12-Nov-10 | 14-Feb-11 | Bank of QLD | 2,000,000.00 | 92 | 6.560 | 33,069.59 | TD | Floating 90DBBSW + 1.50 |
| 17-Feb-09 | 16-Feb-11 | Elders Rural Bank | 1,000,000.00 | 729 | 4.620 | 92,273.42 | TD | Fixed Rate |
| 17-Feb-09 | 17-Feb-11 | Adelaide Bendigo Bank | 2,000,000.00 | 730 | 4.700 | 188,000.00 | TD | Fixed Rate |
| 19-Aug-10 | 17-Feb-11 | ING | 1,000,000.00 | 182 | 6.360 | 31,712.88 | TD | Fixed Rate |
| 18-Nov-10 | 18-Feb-11 | IMB CRI | 1,000,000.00 | 92 | 6.260 | 15,778.63 | TD | Floating 90DBBSW + 1.25 |
| 25-Aug-10 | 22-Feb-11 | ING (RIMSEC) | 1,000,000.00 | 181 | 6.320 | 31,340.27 | TD | Fixed Rate |
| 24-Aug-10 | 23-Feb-11 | Bank of QLD | 2,000,000.00 | 183 | 6.200 | 62,169.86 | TD | Fixed Rate |
| 29-Nov-10 | 28-Feb-11 | LGFS CRI (BCU) | 5,000,000.00 | 91 | 6.072 | 75,688.32 | TD | Floating 90DBBSW + 1% |
| 09-Mar-10 | 08-Mar-11 | Bananacoast CU | 1,000,000.00 | 364 | 6.850 | 68,312.33 | TD | Fixed Rate |
| 07-Sep-10 | 15-Mar-11 | CPS CU | 1,000,000.00 | 189 | 6.100 | 31,586.30 | TD | Fixed Rate |
| 20-Dec-10 | 21-Mar-11 | LGFS CRI Adelaide | 1,000,000.00 | 91 | 5.750 | 14,335.62 | TD | Floating Rate 90DBBSW + 0.80 |
| 25-Jun-10 | 22-Mar-11 | Bendigo Bank | 2,000,000.00 | 270 | 6.250 | 92,465.75 | TD | Fixed Rate |
| 25-Jun-10 | 22-Mar-11 | Bank of QLD | 5,000,000.00 | 270 | 6.300 | 233,013.70 | TD | Fixed Rate |
| 29-Jun-10 | 22-Mar-11 | LGFS | 2,000,000.00 | 266 | 6.250 | 91,095.89 | TD | Fixed Rate |
| 14-Sep-10 | 22-Mar-11 | NAB | 3,000,000.00 | 189 | 6.180 | 96,001.64 | TD | Fixed Rate |
| 29-Dec-10 | 28-Mar-11 | LGFS CRI | 4,000,000.00 | 89 | 6.067 | 59,171.10 | TD | Floating Rate 90DBBSW + 1.05 |
| 08-Dec-10 | 29-Mar-11 | DFCU | 1,000,000.00 | 111 | 6.250 | 19,006.85 | TD | Fixed Rate |
| 02-Apr-08 | 01-Apr-11 | Suncorp Metway | 3,000,000.00 | 1095 | 8.300 | 747,000.00 | TD | Fixed Rate |
| 06-Jul-10 | 05-Apr-11 | Adelaide Bendigo Bank | 2,000,000.00 | 273 | 6.300 | 94,241.10 | TD | Fixed Rate |
| 17-Nov-10 | 12-Apr-11 | Suncorp | 1,000,000.00 | 146 | 6.250 | 25,000.00 | TD | Fixed Rate |

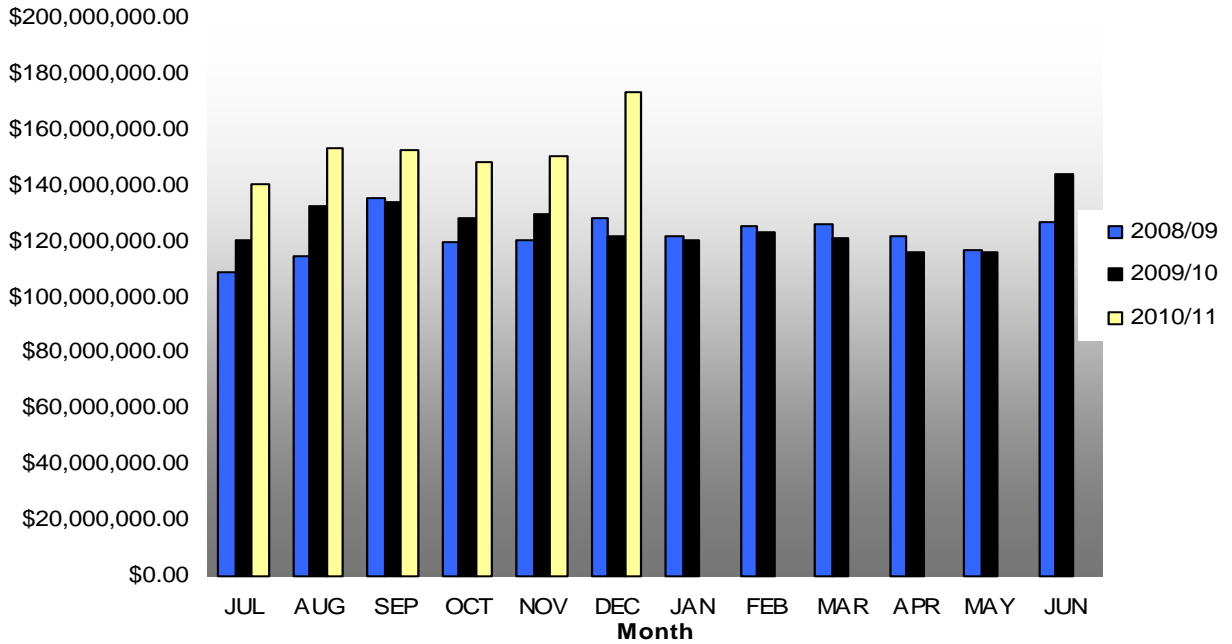
Addendum Report

| TERM DEPOSITS SORTED BY MATURITY AS AT 31/12/10 | | | | | | | | |
|---|-----------|--------------------------|-----------------------|------|-------------|-------------------|------|----------------------------------|
| Lodged or Rolled | DUE | Counterparty | PRINCIPAL | TERM | % Yield | INCOME RECEIVABLE | FORM | Notes |
| | | Metway | | | | | | |
| 19-Oct-10 | 19-Apr-11 | NAB | 2,000,000.00 | 182 | 6.200 | 61,830.14 | TD | Fixed Rate |
| 03-Sep-10 | 03-May-11 | NAB | 2,000,000.00 | 242 | 6.100 | 80,887.67 | TD | Fixed Rate |
| 04-Aug-10 | 10-May-11 | Bankwest | 2,000,000.00 | 279 | 6.150 | 94,019.18 | TD | Fixed Rate |
| 19-May-10 | 17-May-11 | QTCU | 1,000,000.00 | 363 | 6.450 | 64,146.58 | TD | Fixed Rate |
| 27-May-10 | 24-May-11 | ANZ | 2,000,000.00 | 362 | 6.400 | 126,947.95 | TD | Fixed Rate |
| 04-Aug-10 | 14-Jun-11 | Bank of QLD | 2,000,000.00 | 314 | 6.330 | 108,910.68 | TD | Fixed Rate |
| | | QLD Country Credit Union | | | | | | |
| 22-Dec-10 | 21-Jun-11 | Summerland Credit Union | 1,000,000.00 | 181 | 6.450 | 31,984.93 | TD | Fixed Rate |
| | | Wide Bay CU | | | | | | |
| 06-Jul-10 | 12-Jul-11 | Suncorp Metway | 1,000,000.00 | 371 | 6.550 | 66,576.71 | TD | Fixed Rate |
| 22-Jul-10 | 19-Jul-11 | AMP Bank (RIMSEC) | 1,000,000.00 | 362 | 6.550 | 64,961.64 | TD | Fixed Rate |
| | | ANZ | | | | | | |
| 09-Nov-10 | 09-Aug-11 | Bankwest | 2,000,000.00 | 274 | 6.520 | 97,889.32 | TD | Fixed Rate |
| | | AMP Bank (RIMSEC) | | | | | | |
| 11-Aug-10 | 16-Aug-11 | ANZ | 1,000,000.00 | 370 | 6.310 | 63,964.38 | TD | Fixed Rate |
| 01-Dec-10 | 30-Aug-11 | ANZ | 4,000,000.00 | 272 | 6.420 | 191,368.77 | TD | Fixed Rate |
| 01-Sep-10 | 30-Aug-11 | Bankwest | 3,000,000.00 | 363 | 6.000 | 179,013.70 | TD | Fixed Rate |
| | | AMP Bank (RIMSEC) | | | | | | |
| 31-Aug-10 | 31-Aug-11 | Adelaide | 1,000,000.00 | 365 | 6.310 | 63,100.00 | TD | 0.0631 |
| | | Bendigo Bank | | | | | | |
| 01-Sep-10 | 06-Sep-11 | Heritage BS | 3,000,000.00 | 370 | 6.200 | 188,547.95 | TD | Fixed Rate |
| 03-Sep-10 | 06-Sep-11 | CUA | 1,000,000.00 | 368 | 6.250 | 63,013.70 | TD | Fixed Rate |
| 15-Sep-10 | 20-Sep-11 | Suncorp Metway | 1,000,000.00 | 370 | 6.330 | 64,167.12 | TD | Fixed Rate |
| | | Investec Bank | | | | | | |
| 12-Nov-08 | 11-Nov-11 | Metway | 4,000,000.00 | 1094 | 6.880 | 824,846.03 | TD | Fixed Rate |
| 12-Nov-08 | 14-Nov-11 | Investec Bank | 1,000,000.00 | 1099 | 6.880 | 207,153.97 | TD | Fixed Rate |
| | | Suncorp Metway | | | | | | |
| 22-Jul-10 | 18-Jul-12 | Adelaide | 2,000,000.00 | 727 | 6.720 | 267,695.34 | TD | Fixed Rate |
| | | Bendigo Bank | | | | | | |
| 06-Aug-10 | 07-Aug-12 | NAB | 2,000,000.00 | 732 | 6.600 | 264,723.29 | TD | Fixed Rate |
| 08-Dec-10 | 11-Dec-12 | Suncorp Metway | 2,000,000.00 | 733 | 6.950 | 279,142.47 | TD | Fixed Rate |
| | | Metway | | | | | | |
| 21-Jul-10 | 23-Jul-13 | Bank of QLD | 1,000,000.00 | 1097 | 7.300 | 219,400.00 | TD | Fixed Rate |
| 12-Aug-10 | 13-Aug-13 | Bank of QLD | 2,000,000.00 | 1097 | 7.050 | 423,772.60 | TD | Fixed Rate |
| 01-Sep-10 | 02-Sep-13 | NAB | 4,000,000.00 | 1098 | 6.520 | 784,543.56 | TD | Fixed Rate |
| | | NAB (RBS) | | | | | | Fixed & Floating 1.96 |
| 11-Aug-10 | 11-Aug-15 | NAB (RBS) | 2,000,000.00 | 1095 | 6.000 | 360,000.00 | TD | Fixed & Floating 1.20 |
| 27-Aug-10 | 27-Aug-15 | NAB (RBS) | 2,000,000.00 | 365 | 7.000 | 140,000.00 | TD | Fixed & Floating 1.20 |
| | | | 119,000,000.00 | * | 6.34 | | | |

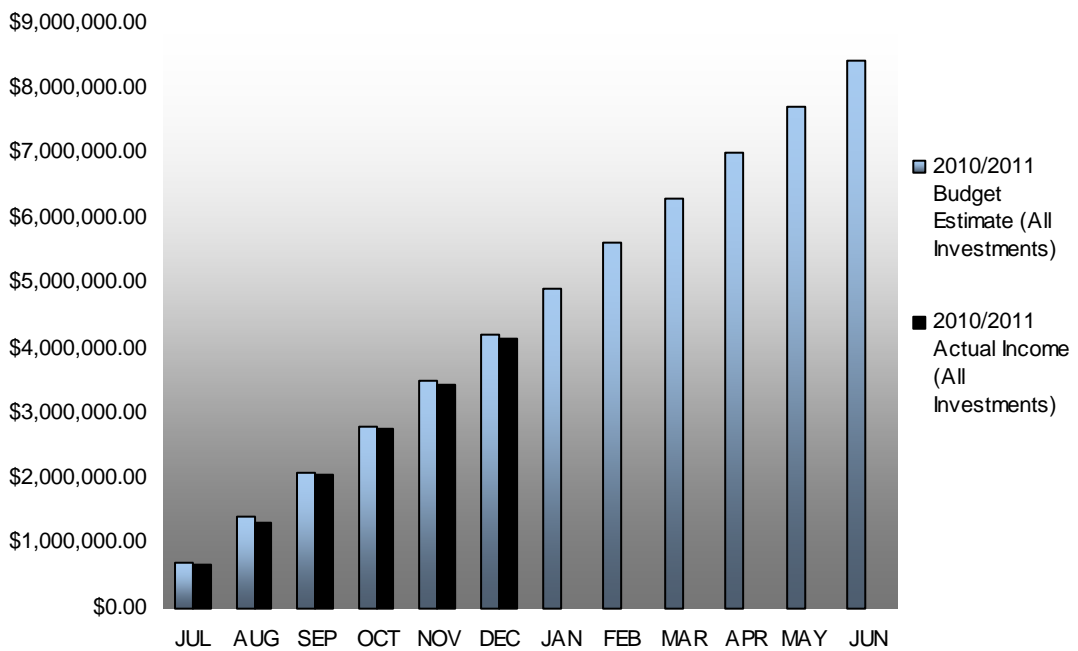
* All deposits to \$1m with eligible authorised deposit taking institutions (ADIs) are guaranteed by the Australian Government until 12/10/11. Council only places investments with ADIs

Addendum Report

8. MONTHLY COMPARISON OF TOTAL FUNDS INVESTED



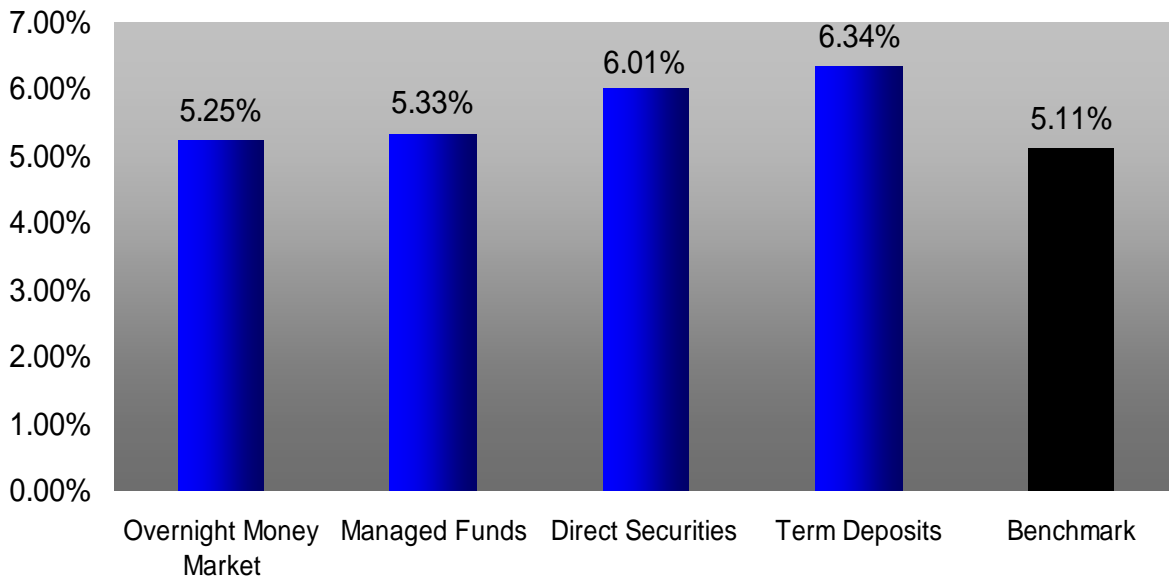
9. TOTAL PORTFOLIO INCOME YEAR TO DATE



Addendum Report

10 PERFORMANCE BY CATEGORY

| Category | Face Value | Market Value | Average Return | Above/(Below) 30 day BBSW Benchmark |
|------------------------|-------------------------|-------------------------|----------------|--------------------------------------|
| Overnight Money Market | \$36,000,000.00 | \$36,000,000.00 | 5.25% | 0.14% |
| Managed Funds | \$2,723,273.04 | \$2,723,273.04 | 5.33% | 0.22% |
| Direct Securities | \$17,000,000.00 | \$15,429,395.84 | 6.01% | 0.90% |
| Term Deposits | \$119,000,000.00 | \$119,000,000.00 | 6.34% | 1.23% |
| Benchmark | \$174,723,273.04 | \$173,152,668.88 | 5.11% | Benchmark 30 Day UBS Bank Bill Index |



Addendum Report

11. SECTION 94 DEVELOPER CONTRIBUTIONS - MONTHLY BALANCES & RECEIPTS REPORT - PERIOD ENDING 30 NOVEMBER 2010

| Contribution Plan | Plan Description | End of Month Balance | Contributions Received for Month |
|-------------------|--|----------------------|----------------------------------|
| 1 | DCP3 Open Space | 3,870,717 | - |
| 2 | Western Drainage | 478,924 | - |
| 3 | DCP3 Community Facilities | 34,821 | - |
| 4 | Tweed Road Contribution Plan | 10,968,738 | 62,426 |
| 5 | Open Space | 1,264,691 | 99,734 |
| 6 | Contribution Street Trees | 220,727 | 8,910 |
| 7 | West Kingscliff | 829,450 | - |
| 10 | Cobaki Lakes | -726 | - |
| 11 | Libraries | 1,537,631 | 24,552 |
| 12 | Bus Shelters | 44,614 | 1,620 |
| 13 | Cemeteries | -45,013 | 3,720 |
| 14 | Mebbin Springs | 72,085 | - |
| 15 | Community Facilities | 1,305,287 | 658 |
| 16 | Surf Lifesaving | 380,617 | 3,390 |
| 18 | Council Administration & Technical Support | 1,416,894 | 8,826 |
| 19 | Kings Beach | 962,960 | - |
| 20 | Seabreeze Estate | 601 | - |
| 21 | Terranora Village Footpath | 24,680 | - |
| 22 | Shirewide Cycleways | 346,656 | 13,857 |
| 23 | Shirewide Carparking | 1,775,785 | - |
| 25 | Salt Development | 814,446 | - |
| 26 | Shirewide Open Space | 4,263,972 | 65,708 |
| 27 | Tweed Heads Masterplan & Streetscaping | 84,173 | - |
| 28 | Seaside City | -675 | - |
| 91 | DCP14 | 86,267 | - |
| 92 | Public Reserve Contributions | 108,283 | - |
| 95 | Bilambil Heights | 421,853 | - |
| Total | | 31,268,460 | 293,401 |

Addendum Report

12. ECONOMIC COMMENTARY

Global Economy

Whilst the Federal Funds rate remains at 0 to 0.25%, the US Federal Reserve announced "the economic outlook was seen as improving". The Federal Reserve's first monetary tightening this cycle is now a chance in late 2011, rather than 2012.

The Bank of Japan left interest rates unchanged at 0 to 0.1% on 21 December. The Japanese economy was "pausing" despite signs of a moderate recovery.

The People's Bank of China raised interest rates for the second time in two months on Christmas Day, as the Government aims to combat rising inflation. Inflation is at its highest level in more than two years and controlling inflation is the main policy objective for the Government.

Inflation and expected large wage gains in the Euro-zone have left policy makers with a conundrum of how to keep prices in check without damaging the region's fragile peripheral economies.

The New Zealand economy is showing signs of slowing again. GDP figures for the economy slowed and interest rates are expected to remain on hold until the latter half of this year.

Domestic Economy

The Reserve Bank of Australia's first meeting of 2011 is scheduled for 1 February. It is widely expected that rates will be on hold until at least the middle of the year.

A surging Australian dollar and sluggish consumer spending are likely to contain inflationary pressures in the short term.

Council's Investment Portfolio Performance

Council's investment portfolio continues to be very conservatively structured with 89% of the portfolio held in short term cash or term deposits. This investment segment continues to provide above trend returns while minimizing capital risk.

The \$30m Sewer Fund loan for Banora Point Wastewater Treatment Plant and Burringbar Mooball Sewerage Scheme was drawdown on 24 December 2010 in line with the estimated construction cash flow requirements.

These funds formed the majority of the substantial \$36m invested "at call" over the Christmas/New Year period. These funds were invested in various short term "at call" accounts earning between 4.70% and 5.75% pa. These funds have subsequently been invested in term deposits.

All investment categories except the Cash at Call Account out-performed the UBS 30 day bank bill benchmark this month. Overall, the investment portfolio has returned an average 2.00% pa above the 30 day UBS bank bill index for the last 12 month period. 68% of available funds are now invested in term deposits with only 2% of the portfolio invested in managed funds to take advantage of relatively high returns and lower risks associated with term deposits.

Addendum Report

An indication of Portfolio performance is provided by totalling investment income for the month and disregarding changes in capital values. Council had \$173,152,669 invested as at 31 December, 2010 and the accrued net return on these funds was \$692,258 or 4.8% annualised for the month.

13. INVESTMENT SUMMARY AS AT 30 NOVEMBER 2010

GENERAL FUND

| | | |
|--------------------------------|---------------|-----------------------|
| COLLATERISED DEBT OBLIGATIONS | 0.00 | |
| COMMERCIAL PAPER | 0.00 | |
| CORPORATE FIXED RATE BONDS | 6,520,240.00 | |
| FLOATING RATE NOTES | 8,909,155.84 | |
| ASSET BACKED SECURITIES | 0.00 | |
| FUND MANAGERS | 774.77 | |
| TERM DEPOSIT - LOAN 104 OFFSET | 0.00 | |
| TERM DEPOSITS | 54,000,000.00 | |
| CALL ACCOUNT | 36,000,000.00 | 105,430,170.61 |

WATER FUND

| | | |
|---------------|---------------|----------------------|
| TERM DEPOSITS | 25,000,000.00 | |
| FUND MANAGERS | 2,707,452.46 | 27,707,452.46 |

SEWERAGE FUND

| | | |
|---------------|---------------|----------------------|
| TERM DEPOSITS | 40,000,000.00 | |
| FUND MANAGERS | 15,045.81 | 40,015,045.81 |

TOTAL INVESTMENTS 173,152,668.88

It should be noted that the General Funds investments of \$105 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)**

Addendum Report

LEGAL/RESOURCE/FINANCIAL IMPLICATIONS:

Nil.

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 (from 8.00pm Wednesday the week before the meeting) or visit Council's offices at Tweed Heads or Murwillumbah (from 8.00am Thursday the week before the meeting) or Council's libraries (from 10.00am Thursday the week of the meeting).*

Nil.
