

**Addendum Report**

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**REPORTS FROM THE DIRECTOR TECHNOLOGY AND CORPORATE SERVICES**

**a48 [TCS-CM] Monthly Investment Report for Period Ending 31 January 2011**

**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 \$169,189,194 invested as at 31 January, 2011 and the net return on these funds was \$736,752 or 5.22% annualised for the month.

**RECOMMENDATION:**

**That in accordance with Section 625 of the Local Government Act 1993 the monthly investment report as at 31 January, 2011 totalling \$169,189,194 be received and noted.**

**Addendum Report**

**REPORT:**

**Report for Period Ending 31 January 2011**

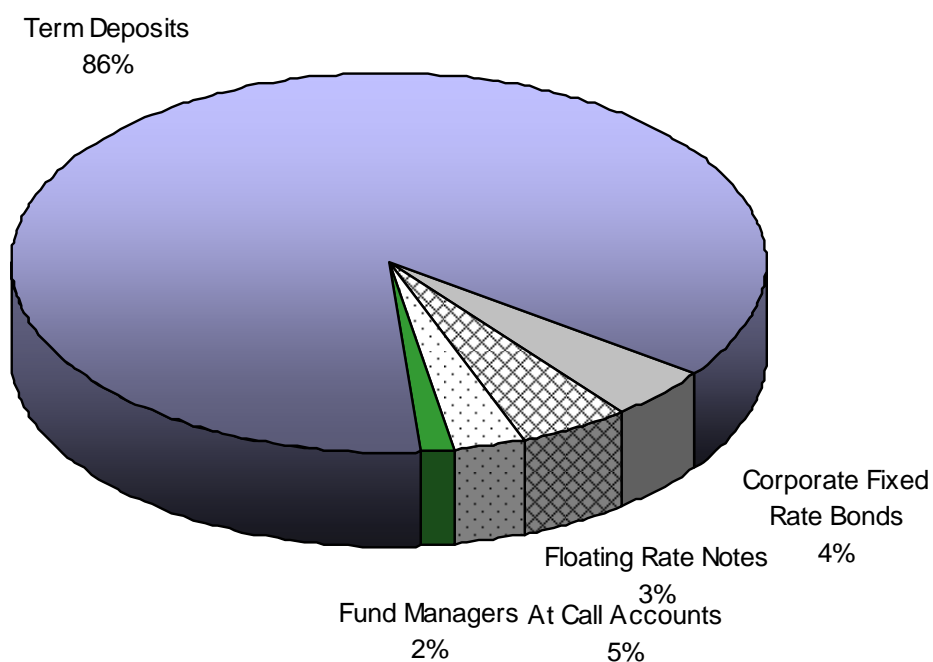
The "Responsible Accounting Officer" must report monthly to Council, setting out details of all the funds Council has invested and certification has been made in accordance with Section 625 of the Local Government Act (1993), Clause 212 of the Local Government (General) Regulations and Council policies.

**1. RESTRICTED FUNDS AS AT 1 JULY 2010**

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

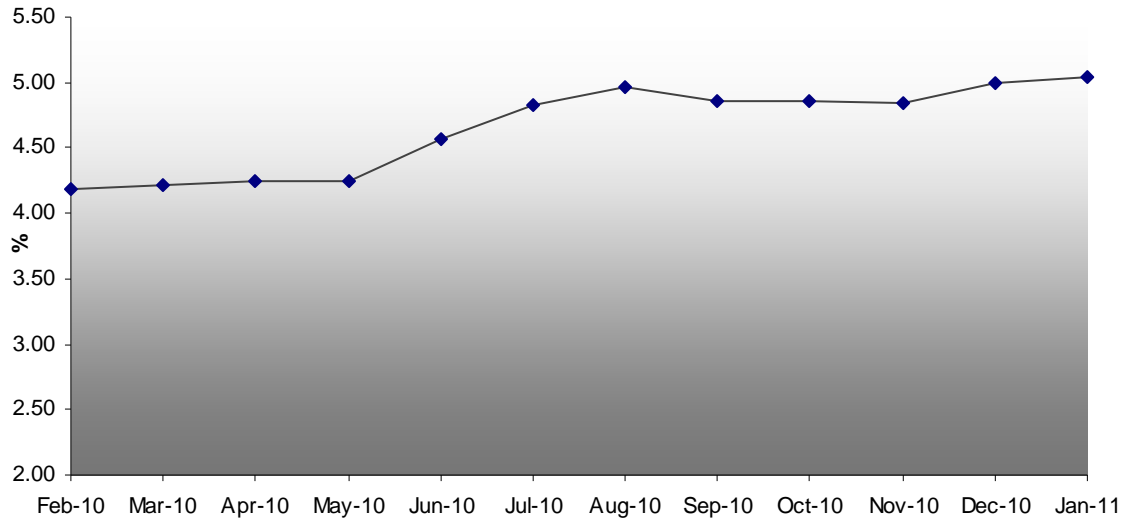
*Note: Restricted Funds Summary updated September 2010*

**2. CURRENT INVESTMENT PORTFOLIO BY CATEGORY**

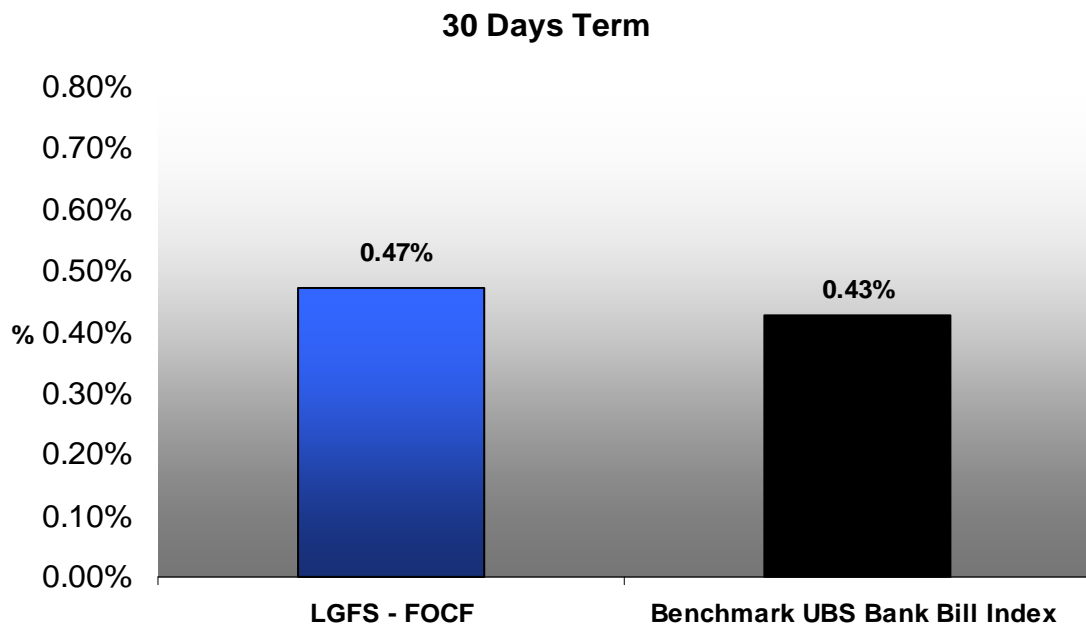


Addendum Report

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



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



**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
LGFS - FOCF	AA-	100%	\$2,698,206	\$2,710,651	\$12,651
<b>Total</b>		<b>100%</b>	<b>\$2,698,206</b>	<b>\$2,710,651</b>	<b>\$12,651</b>

**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	1,024,080.00	5.150	Fixed Rate Bond	08/11/2011
ANZ Bank	1,000,000.00	1,078,940.00	8.650	Fixed Rate Bond	22/04/2013
CBA	1,000,000.00	1,013,266.08	6.042	Floating Rate Note	17/04/2012
CBA Retail Bond	1,000,000.00	1,007,000.00	6.230	Floating Rate Note	24/12/2015
CBA/Merrill Lynch Zero Coupon Bond	4,000,000.00	2,360,000.00	7.280	Fixed Rate Bond	22/01/2018
Deutsche Bank	1,000,000.00	915,457.00	6.055	Floating Rate Note	23/11/2012
Members Equity Bank	2,000,000.00	1,955,620.00	6.040	Floating Rate Note	06/03/2012
National Australia Bank	1,000,000.00	999,020.00	6.200	Floating Rate Note	05/11/2015
Westpac Bank	1,000,000.00	1,050,050.00	5.150	Fixed Rate Bond	24/09/2012
Westpac Bank	1,000,000.00	1,050,050.00	4.900	Fixed Rate Bond	24/09/2012
<b>Total</b>	<b>14,000,000.00</b>	<b>12,453,483.08</b>	<b>6.17</b>		

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

**7. TERM DEPOSITS**

Lodged or Rolled	DUE	Counterparty	PRINCIPAL	TERM	% Yield	INCOME RECEIVABLE	FORM	Notes
03-Aug-10	<b>01-Feb-11</b>	Community Mutual Group	1,000,000.00	182	6.190	30,865.21	TD	Fixed Rate
03-Nov-10	<b>08-Feb-11</b>	Suncorp Metway	1,000,000.00	97	6.050	16,078.08	TD	Fixed Rate
12-Nov-10	<b>12-Feb-11</b>	Bank of QLD	2,000,000.00	92	6.560	33,069.59	TD	<b>Floating 90DBBSW + 1.50</b>
17-Feb-09	<b>16-Feb-11</b>	Elders Rural Bank	1,000,000.00	729	4.620	92,273.42	TD	Fixed Rate
17-Feb-09	<b>17-Feb-11</b>	Adelaide Bendigo Bank	2,000,000.00	730	4.700	188,000.00	TD	Fixed Rate

## Addendum Report

Lodged or Rolled	DUE	Counterparty	PRINCIPAL	TERM	% Yield	INCOME RECEIVABLE	FORM	Notes
18-Nov-10	<b>18-Feb-11</b>	IMB CRI	1,000,000.00	92	6.260	15,778.63	TD	<b>Floating 90DBBSW + 1.25</b>
25-Aug-10	<b>22-Feb-11</b>	ING (RIMSEC)	1,000,000.00	181	6.320	31,340.27	TD	Fixed Rate
24-Aug-10	<b>23-Feb-11</b>	Bank of QLD	2,000,000.00	183	6.200	62,169.86	TD	Fixed Rate
29-Nov-10	<b>28-Feb-11</b>	LGFS CRI	5,000,000.00	91	6.072	75,688.32	TD	<b>Floating 90DBBSW + 1%</b>
09-Mar-10	<b>08-Mar-11</b>	(BCU) Bananacoast CU	1,000,000.00	364	6.850	68,312.33	TD	Fixed Rate
07-Sep-10	<b>15-Mar-11</b>	CPS CU	1,000,000.00	189	6.100	31,586.30	TD	Fixed Rate
20-Dec-10	<b>21-Mar-11</b>	LGFS CRI	1,000,000.00	91	5.750	14,335.62	TD	<b>Floating Rate 90DBBSW + 0.80</b>
29-Dec-10	<b>21-Mar-11</b>	LGFS CRI	4,000,000.00	89	6.067	59,174.03	TD	<b>Floating Rate 90DBBSW + 1.05</b>
25-Jun-10	<b>22-Mar-11</b>	Adelaide Bendigo Bank	2,000,000.00	270	6.250	92,465.75	TD	Fixed Rate
25-Jun-10	<b>22-Mar-11</b>	Bank of QLD	5,000,000.00	270	6.300	233,013.70	TD	Fixed Rate
29-Jun-10	<b>22-Mar-11</b>	LGFS	2,000,000.00	266	6.250	91,095.89	TD	Fixed Rate
14-Sep-10	<b>22-Mar-11</b>	NAB	3,000,000.00	189	6.180	96,001.64	TD	Fixed Rate
08-Dec-10	<b>29-Mar-11</b>	DFCU	1,000,000.00	111	6.250	19,006.85	TD	Fixed Rate
02-Apr-08	<b>01-Apr-11</b>	Suncorp Metway	3,000,000.00	1095	8.300	747,000.00	TD	Fixed Rate
06-Jul-10	<b>05-Apr-11</b>	Adelaide Bendigo Bank	2,000,000.00	273	6.300	94,241.10	TD	Fixed Rate
11-Jan-11	<b>11-Apr-11</b>	Westpac Bank	8,000,000.00	90	6.000	118,356.16	TD	<b>Floating Rate 90DBBSW +1.25%</b>
17-Nov-10	<b>12-Apr-11</b>	Suncorp Metway	1,000,000.00	146	6.250	25,000.00	TD	Fixed Rate
11-Jan-11	<b>19-Apr-11</b>	Suncorp Metway	5,000,000.00	98	6.160	82,695.89	TD	Fixed Rate
19-Oct-10	<b>19-Apr-11</b>	NAB	2,000,000.00	182	6.200	61,830.14	TD	Fixed Rate
03-Sep-10	<b>03-May-11</b>	NAB	2,000,000.00	242	6.100	80,887.67	TD	Fixed Rate
04-Aug-10	<b>10-May-11</b>	Bankwest	2,000,000.00	279	6.150	94,019.18	TD	Fixed Rate
19-May-10	<b>17-May-11</b>	QTCU	1,000,000.00	363	6.450	64,146.58	TD	Fixed Rate
27-May-10	<b>24-May-11</b>	Adelaide Bendigo Bank	2,000,000.00	362	6.400	126,947.95	TD	Fixed Rate
04-Aug-10	<b>14-Jun-11</b>	Bank of QLD	2,000,000.00	314	6.330	108,910.68	TD	Fixed Rate
12-Jan-11	<b>14-Jun-11</b>	NECU (RIMSEC)	1,000,000.00	153	6.250	26,198.63	TD	Fixed Rate
22-Dec-10	<b>21-Jun-11</b>	QLD Country Credit Union	1,000,000.00	181	6.450	31,984.93	TD	Fixed Rate
19-Jan-11	<b>28-Jun-11</b>	LGFS	5,000,000.00	160	6.350	139,178.08	TD	Fixed Rate

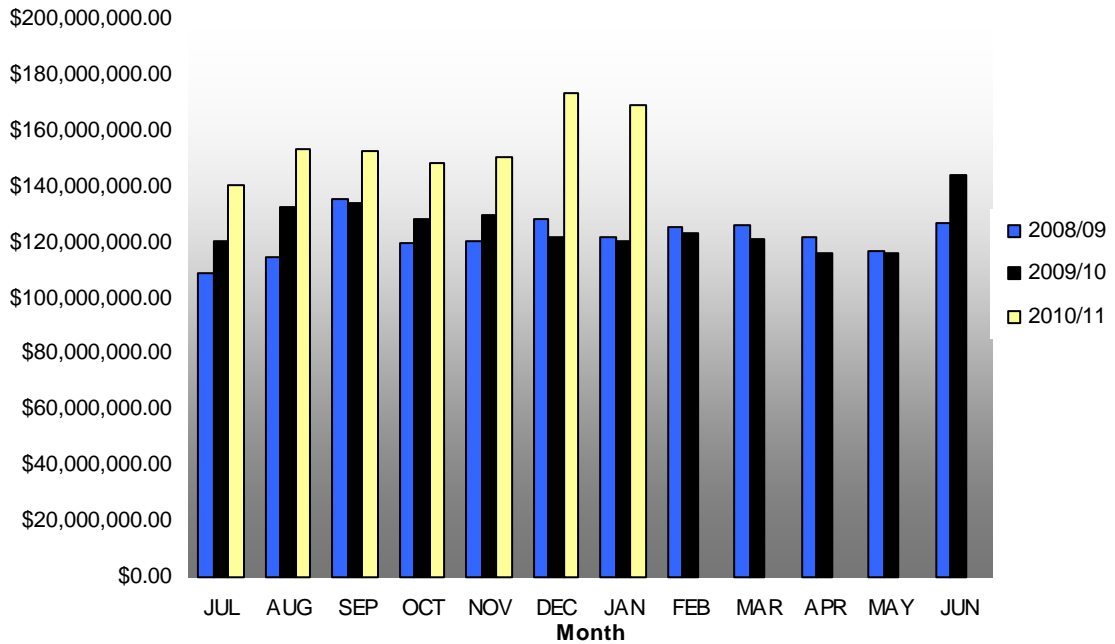
**Addendum Report**

Lodged or Rolled	DUE	Counterparty	PRINCIPAL	TERM	% Yield	INCOME RECEIVABLE	FORM	Notes
06-Jul-10	12-Jul-11	Summerland Credit Union	1,000,000.00	371	6.550	66,576.71	TD	Fixed Rate
11-Jan-11	12-Jul-11	Suncorp Metway (RBS Morgans)	5,000,000.00	182	6.320	157,567.12	TD	Fixed Rate
22-Jul-10	19-Jul-11	Wide Bay CU	1,000,000.00	362	6.550	64,961.64	TD	Fixed Rate
12-Jan-11	26-Jul-11	NAB	10,000,000.00	195	6.300	336,575.34	TD	Fixed Rate
09-Nov-10	09-Aug-11	Suncorp Metway	2,000,000.00	274	6.520	97,889.32	TD	Fixed Rate
11-Aug-10	16-Aug-11	AMP Bank (RIMSEC)	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
31-Aug-10	31-Aug-11	AMP Bank (RIMSEC)	1,000,000.00	365	6.310	63,100.00	TD	0.0631
01-Sep-10	06-Sep-11	Adelaide Bendigo Bank	3,000,000.00	370	6.200	188,547.95	TD	Fixed Rate
03-Sep-10	06-Sep-11	Heritage BS	1,000,000.00	368	6.250	63,013.70	TD	Fixed Rate
15-Sep-10	20-Sep-11	CUA	1,000,000.00	370	6.330	64,167.12	TD	Fixed Rate
14-Jan-11	11-Oct-11	Bank of QLD	5,000,000.00	270	6.450	238,561.64	TD	Fixed Rate
12-Jan-11	18-Oct-11	Bank of QLD (RIMSEC)	4,000,000.00	279	6.400	195,682.19	TD	Fixed Rate
12-Nov-08	11-Nov-11	Suncorp 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
05-Jan-11	05-Dec-11	Suncorp Metway	2,000,000.00	334	6.440	117,860.82	TD	Fixed Rate
05-Jan-11	05-Dec-11	Suncorp Metway	5,000,000.00	334	6.440	294,652.05	TD	Fixed Rate
19-Aug-10	17-Dec-11	ING	1,000,000.00	182	6.360	31,712.88	TD	Fixed Rate
11-Jan-11	17-Jan-12	Members Equity Bank	1,000,000.00	371	6.500	66,068.49	TD	Fixed Rate
22-Jul-10	18-Jul-12	Suncorp Metway	2,000,000.00	727	6.720	267,695.34	TD	Fixed Rate
06-Aug-10	07-Aug-12	Adelaide Bendigo Bank	2,000,000.00	732	6.600	264,723.29	TD	Fixed Rate
08-Dec-10	11-Dec-12	NAB	2,000,000.00	733	6.950	279,142.47	TD	Fixed Rate
21-Jul-10	23-Jul-13	Suncorp Metway	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
11-Aug-10	11-Aug-15	NAB (RBS)	2,000,000.00	1095	6.000	360,000.00	TD	<b>Fixed &amp; Floating 1.96</b>
27-Aug-10	27-Aug-15	NAB (RBS)	2,000,000.00	365	7.000	140,000.00	TD	<b>Fixed &amp; Floating 1.20</b>
			<b>146,000,000.00</b>	*	<b>6.35</b>			

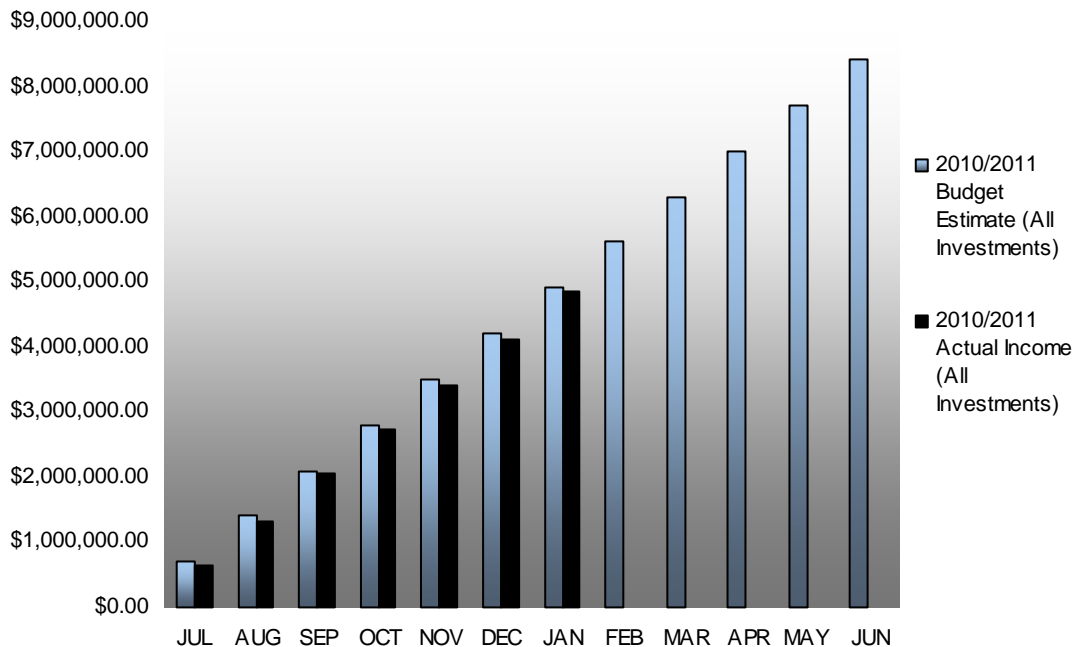
\* All deposits to \$1m with eligible authorised deposit taking institutions (ADIs) are guaranteed by the Australian Government until 12/10/11. Council only places investments with ADIs

Addendum Report

8. MONTHLY COMPARISON OF TOTAL FUNDS INVESTED



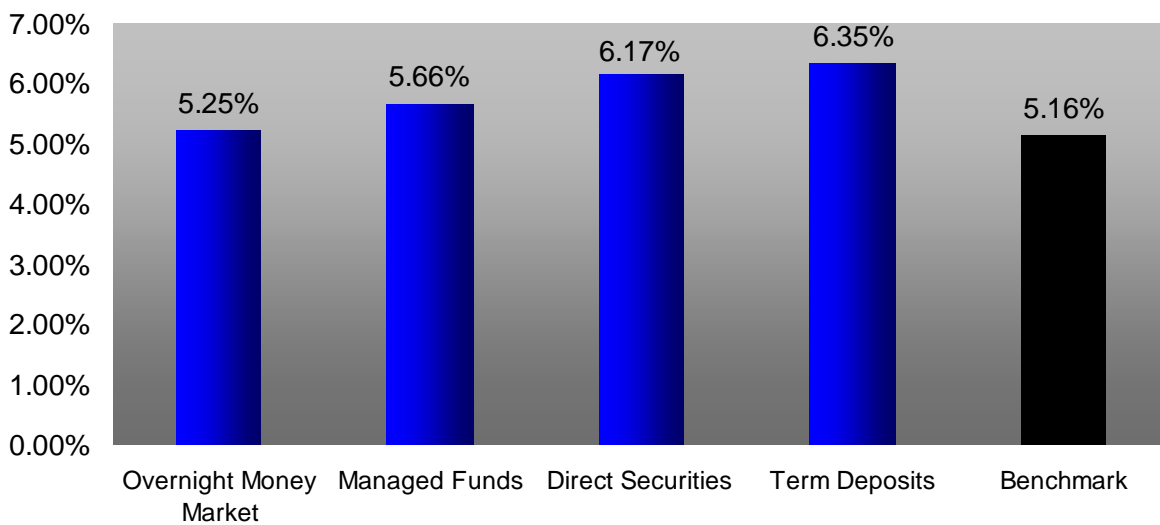
9. TOTAL PORTFOLIO INCOME YEAR TO DATE



**Addendum Report**

**10. PERFORMANCE BY CATEGORY**

Category	Face Value	Market Value	Average Return	Above/(Below) 30 day BBSW Benchmark
Overnight Money Market	\$8,000,000.00	\$8,000,000.00	5.25%	0.09%
Managed Funds	\$2,735,711.26	\$2,735,711.26	5.66%	0.50%
Direct Securities	\$14,000,000.00	\$12,453,483.08	6.17%	1.01%
Term Deposits	\$146,000,000.00	\$146,000,000.00	6.35%	1.19%
Benchmark	\$170,735,711.26	\$169,189,194.34	5.16%	Benchmark 30 Day UBS Bank Bill Index



**11. SECTION 94 DEVELOPER CONTRIBUTIONS - MONTHLY BALANCES REPORT - PERIOD ENDING - 31 JANUARY 2011**

Contribution Plan	Plan Description	End of Month Balance	Contributions Received for Month
01	DCP3 Open Space	3,770,717	-
02	Western Drainage	478,924	-
03	DCP3 Community Facilities	34,821	-
04	Tweed Road Contribution Plan	10,794,865	24,005
05	Open Space	1,214,384	1,474
06	Contribution Street Trees	218,915	-
07	West Kingscliff	461,276	-
10	Cobaki Lakes	(726)	-
11	Libraries	1,536,061	1,036



## Addendum Report

Contribution Plan	Plan Description	End of Month Balance	Contributions Received for Month
12	Bus Shelters	44,431	-
13	Cemeteries	(45,580)	166
14	Mebbin Springs	72,085	-
15	Community Facilities	1,289,949	-
16	Surf Lifesaving	373,482	148
18	Council Administration & Technical Support	1,393,781	2,704
19	Kings Beach	956,217	-
20	Seabreeze Estate	601	-
21	Terranora Village Footpath	24,680	-
22	Shirewide Cycleways	321,934	587
23	Shirewide Carparking	1,775,785	-
25	Salt Development	807,703	-
26	Shirewide Open Space	2,761,136	6,073
27	Tweed Heads Masterplan & Streetscaping	84,173	-
28	Seaside City	(675)	-
90	DCP3 Footpath Construction	(41,550)	-
91	DCP14	86,267	-
92	Public Reserve Contributions	108,283	-
95	Bilambil Heights	421,853	-
<b>Total</b>		<b>28,943,792</b>	<b>36,193</b>

## 12. ECONOMIC COMMENTARY

### Domestic Economy

The Reserve Bank of Australia left the cash rate to 4.75% at the 1 February meeting. The Board also noted inflation was set to remain steady over the next few quarters, suggesting the RBA is in no hurry to raise rates. Most economists expect that the RBA will have to increase rates by the second quarter of this year.

The Australian dollar moved slightly above parity with a weak US dollar during January.

## Addendum Report

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### Global Economy

The US Federal Reserve left benchmark interest rates at 0-0.25% in January, continuing the previously announced \$600bn of asset purchases. The meeting statement acknowledged that "economic recovery is continuing, though at a rate that has been insufficient to bring about a significant improvement in labour market conditions." [FOMC minutes, January 25-26 meeting]

US Federal Reserve Chairman Ben Bernanke in a speech at the National Press Club, Feb 4, said the US cannot fully recover from the worst recession in decades until employers start hiring more workers but warned it could take several years for unemployment to return to more normal levels. He also said the economy was strengthening and would likely grow more quickly this year and more confident consumers and companies increase spending.

The Bank of Japan unanimously decided to leave rates unchanged when it met on January 25 but upgraded its projection for the country's gross domestic product growth in fiscal year 2010 to 3.3% from 2.1% forecasted in October 2010. They also decided to continue with the asset purchase program to provide liquidity to the banking system and facilitate corporate financing.

Continued strong GDP and high inflation is likely to see the China central bank continue to raise interest rates and Bank reserve ratios in an effort to shift the stance of monetary policy to being less accommodative for growth.

The New Zealand economy is beginning to stumble and continues to lack confidence, despite some strong employment numbers for the December quarter. Some economists have downgraded growth forecasts for 2011 and the possibility of another recession cannot be ruled out.

### Council's Investment Portfolio Performance

Council's investment portfolio continues to be very conservatively structured with 91% of the portfolio held in short term cash or term deposits. This investment segment continues to provide above trend returns while minimizing capital risk.

All investment categories out-performed the UBS 30 day bank bill benchmark this month. Overall, the investment portfolio has returned an average 2.30% pa above the 30 day UBS bank bill index for the last 12 month period. 86% 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.

Three (3) bonds totalling \$3m matured during January and instead of the funds being re-invested they were used to fund Council expenditure. The total investment portfolio reduced from December's \$173M to \$169M at the end of January.

An indication of Portfolio performance is provided by totalling investment income for the month and disregarding changes in capital values. Council had \$169,189,194 invested as at 31 January, 2011 and the accrued net return on these funds was \$736,752 or 5.22% annualised for the month.

## Addendum Report

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### 13. INVESTMENT SUMMARY AS AT 31 JANUARY 2011

#### GENERAL FUND

COLLATERISED DEBT OBLIGATIONS	0.00	
COMMERCIAL PAPER	0.00	
CORPORATE FIXED RATE BONDS	6,501,276.08	
FLOATING RATE NOTES	5,952,207.00	
ASSET BACKED SECURITIES	0.00	
FUND MANAGERS	19,769.00	
TERM DEPOSIT - LOAN 104 OFFSET	0.00	
TERM DEPOSITS	60,000,000.00	
CALL ACCOUNT	8,000,000.00	<b>80,473,252.08</b>

#### WATER FUND

TERM DEPOSITS	25,000,000.00	
FUND MANAGERS	2,715,942.26	<b>27,715,942.26</b>

#### SEWERAGE FUND

TERM DEPOSITS	61,000,000.00	
FUND MANAGERS	0.00	<b>61,000,000.00</b>

<b>TOTAL INVESTMENTS</b>	<b>169,189,194.34</b>
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It should be noted that the General Funds investments of **\$80** 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.

#### **POLICY IMPLICATIONS:**

Nil.

**Addendum Report**

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**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](http://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.

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