

**Addendum Report**

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**ORDINARY ITEMS FOR CONSIDERATION**

**REPORTS THROUGH THE GENERAL MANAGER**

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

**a39 [TCS-CM] Monthly Investment and Section 94 Developer Contributions Report for the Period Ending 31 January 2013**

**SUBMITTED BY: Financial Services**



**Civic Leadership**

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**SUMMARY OF REPORT:**

The "Responsible Accounting Officer" must report monthly to Council, setting out details of all the funds Council has invested. The Manager Financial Services, being the Responsible Accounting Officer, certifies that investments have 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 **\$158,822,361** invested as at **31 January 2013** and the accrued net return on these funds was **\$653,303** or **4.94%** annualised for the month.

**RECOMMENDATION:**

**That in accordance with Section 625 of the Local Government Act 1993 the monthly investment report as at period ending 31 January 2013 totalling \$158,822,361 be received and noted.**

**Addendum Report**

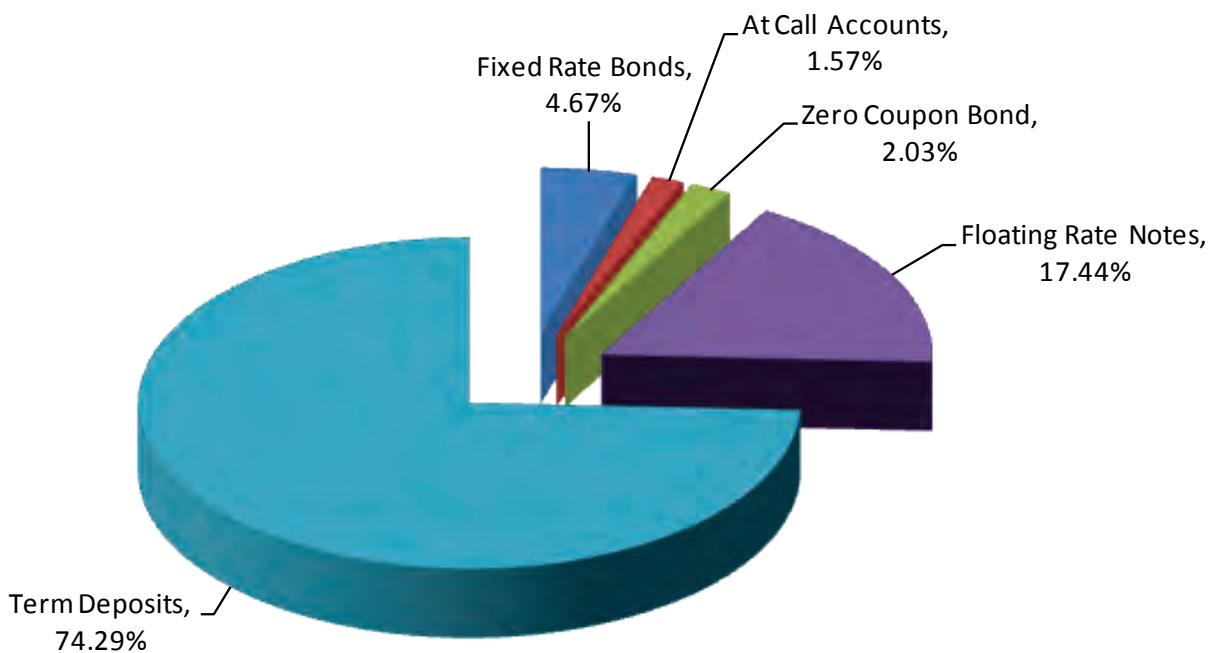
**REPORT:**

**1. Restricted Funds as at 1 July 2012**

Description	(\$'000)			
	General Fund	Water Fund	Sewer Fund	Total
<b>Externally Restricted</b>	2,441	15,262	51,519	<b>69,222</b>
Crown Caravan Parks	14,980			<b>14,980</b>
Developer Contributions	24,720	6,805		<b>31,525</b>
Domestic Waste Management	9,221			<b>9,221</b>
Grants	4,781			<b>4,781</b>
<b>Internally Restricted</b>	21,294			<b>21,294</b>
Employee Leave Entitlements	4,414			<b>4,414</b>
Grants	6,013			<b>6,013</b>
Unexpended Loans	9,753			<b>9,753</b>
<b>Total</b>	<b>97,617</b>	<b>22,067</b>	<b>51,519</b>	<b>171,203</b>

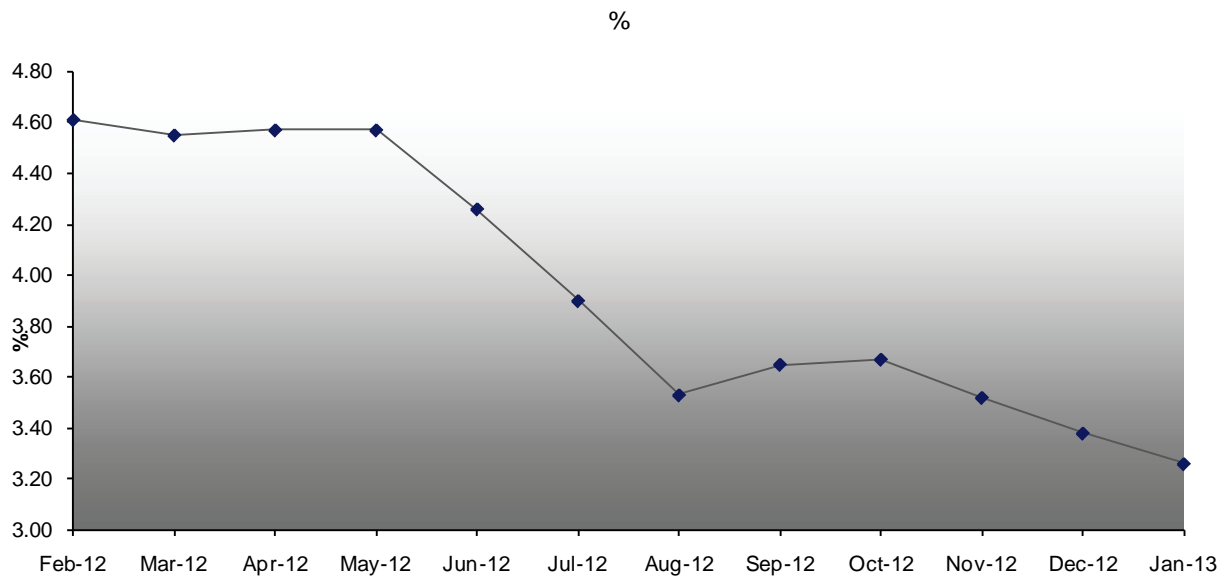
*Note: Restricted Funds Summary updated September 2012 with the Financial Statements for period ending 30 June 2012*

**2. Investment Portfolio by Category**



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3. Investment Rates - 90 Day Bank Bill Rate



4. Direct Securities (Bonds and Floating Rate Notes)

Counterparty	Face Value	Market Value	% Return on Face Value	Investment Type	Final Maturity Date
AMP (RBS) (06/14)	2,000,000.00	2,015,348.00	4.31	FRN	06/06/2014
ANZ (04/13)	1,000,000.00	1,035,182.82	8.65	Fixed Rate Bond	22/04/2013
ANZ/Suncorp (05/14)	2,000,000.00	2,020,420.00	4.37	FRN	26/05/2014
BB (FIIG) (11/15)	1,000,000.00	999,630.00	4.39	FRN	02/11/2015
CBA (08/16)	1,000,000.00	1,014,350.00	4.11	FRN	02/08/2016
CBA (08/16)	2,000,000.00	2,028,700.00	4.11	FRN	02/08/2016
CBA Retail Bond (12/15)	492,500.00	496,050.00	4.23	FRN	24/12/2015
CBA Retail Bond (12/15)	498,250.00	496,050.00	4.23	FRN	24/12/2015
CBA Retail Bond (12/15)	1,000,000.00	992,100.00	4.23	FRN	24/12/2015
CBA/Merrill Lynch Zero Coupon Bond (01/18)	4,000,000.00	3,240,000.00	7.28	Fixed Rate Bond	22/01/2018
Heritage (RBS) (06/17)	1,325,000.00	1,401,982.50	7.25	Fixed Rate Bond	20/06/2017
ING (FIIG) (03/16)	2,000,000.00	2,191,580.00	7.00	Fixed Rate Bond	22/03/2016
ING (RBS) (09/15)	2,000,000.00	2,098,480.00	5.50	Fixed Rate Bond	03/09/2015
Macquarie (RIMSEC) (03/14)	1,000,000.00	1,006,967.00	5.03	FRN	13/03/2014
NAB (06/16)	2,000,000.00	2,037,340.00	4.31	FRN	21/06/2016
NAB (11/15)	1,000,000.00	1,014,700.00	4.35	FRN	05/11/2015
NAB Direct (12/14)	1,000,000.00	1,019,780.00	4.44	FRN	19/12/2014
Rabo (04/15)	1,000,000.00	1,005,900.00	4.03	FRN	20/04/2015

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Counterparty	Face Value	Market Value	% Return on Face Value	Investment Type	Final Maturity Date
Rabo (07/16)	1,000,000.00	1,003,970.00	4.14	FRN	27/07/2016
Rabo (07/16)	1,000,000.00	1,003,970.00	4.14	FRN	27/07/2016
Suncorp (FIIG) (04/15)	2,000,000.00	2,020,020.00	4.48	FRN	23/04/2015
Suncorp (Westpac) (04/15)	1,000,000.00	1,010,010.00	4.48	FRN	23/04/2015
Suncorp (Westpac) (04/15)	2,000,000.00	2,020,020.00	4.48	FRN	23/04/2015
Suncorp Covered (RIMSEC) (12/16)	2,000,000.00	2,064,140.00	4.75	Fixed Rate Bond	06/12/2016
Westpac (11/15)	2,000,000.00	2,045,320.76	4.34	FRN	09/11/2015
Westpac (RBS) (02/17)	1,000,000.00	1,040,350.00	4.88	FRN	20/02/2017
<b>Totals</b>	<b>38,315,750.00</b>	<b>38,322,361.08</b>	<b>4.90</b>		
ABS = Asset Backed Security Bond = Fixed Rate Bond CDO = Collateralised Debt Obligation FRN = Floating Rate Note					
<b>LEGEND</b> AMP = AMP Bank ANZ = ANZ Bank BOQ = Bank of Queensland CBA = Commonwealth Bank BB = Bendigo Bank Heritage = Heritage Bank ING = ING Bank Investec = Investec Bank Macquarie = Macquarie Bank NAB = National Australia Bank ME = Members Equity Bank RaboDirect = Rabo Bank Rural = Rural Bank Suncorp = Suncorp Metway Bank Westpac = Westpac Bank					

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## 5. Term Deposits

TERM DEPOSITS SORTED BY MATURITY AS AT 31/01/13					
Lodged or Rolled	DUE	Counterparty	PRINCIPAL	TERM	% Yield
19-Nov-12	18-Feb-13	Westpac (Feb 2016)	2,000,000.00	91	4.44
27-Nov-12	27-Feb-13	NAB (RBS) (Aug 2015)	2,000,000.00	92	4.49
30-Nov-12	28-Feb-13	IMB (Dec 2013)	2,000,000.00	90	4.51
04-Dec-12	04-Mar-13	ING (RIMSEC) (matures Sept 2013)	1,000,000.00	90	4.67
13-Aug-12	12-Mar-13	ING (RIMSEC)	2,000,000.00	211	5.17
18-Sep-12	18-Mar-13	MEB Adelaide Bendigo (Mar 2013) interest on maturity	1,000,000.00	91	5.05
22-Mar-11	19-Mar-13	ING (Curve)	1,000,000.00	728	6.50
14-Aug-12	19-Mar-13	ING (Curve)	2,000,000.00	217	5.19
11-Jan-13	11-Apr-13	Westpac ( Jan 2016)	8,000,000.00	90	4.30
28-Aug-12	23-Apr-13	ING (RIMSEC)	2,000,000.00	238	5.15
17-May-11	21-May-13	Investec (May 2013) interest on maturity	1,000,000.00	735	7.10
21-Jul-12	23-Jul-13	Suncorp (RBS) (July 2013) annual interest	1,000,000.00	366	7.30
29-Jan-13	30-Jul-13	Suncorp (Jan 2013)	5,000,000.00	182	4.42
29-Jan-13	06-Aug-13	ING (RIMSEC) (matures Aug 2013)	2,000,000.00	189	4.47
12-Aug-10	13-Aug-13	BOQ (RBS) (Aug 2013) annual interest	2,000,000.00	1097	7.05
01-Sep-10	02-Sep-13	NAB (Sept 2013) annual interest	4,000,000.00	1098	6.52
11-Oct-12	11-Oct-13	CBA (Oct 2015) annual interest	1,000,000.00	365	4.85
22-Mar-11	25-Mar-14	BOQ (Mar 2014) annual interest	1,000,000.00	1099	6.75
22-Mar-11	22-Mar-16	RaboDirect (RIMSEC) (Mar 2016) annual interest	1,000,000.00	1827	7.15
31-Jul-12	05-Feb-13	BOQ (matures Feb 2013)	2,000,000.00	189	5.20
16-Nov-12	18-Feb-13	Westpac (Nov 2014)	2,000,000.00	94	4.59
16-Oct-12	19-Feb-13	MEB (Feb 2013)	2,000,000.00	126	4.80
29-Aug-12	05-Mar-13	BOQ (matures Mar 2013)	3,000,000.00	188	5.20
11-Dec-12	11-Mar-13	ING (RIMSEC Sept 2013)	2,000,000.00	90	4.66
18-Sep-12	19-Mar-13	MEB (Mar 2013)	4,000,000.00	134	5.02
22-Mar-12	26-Mar-13	NAB (Mar 2013) annual interest	1,000,000.00	369	6.38
04-Jan-13	04-Apr-13	BOQ (matures Apr 2014)	2,000,000.00	90	4.50
21-Aug-12	23-Apr-13	ING (Curve Apr 2013)	1,000,000.00	245	5.12
27-Nov-12	30-Apr-13	Rural (Curve Apr 2013)	2,000,000.00	154	4.78
08-Jan-13	09-Jul-13	MEB	4,000,000.00	182	4.70
26-Jul-12	26-Jul-13	RaboDirect (Curve Jul 2015)	1,000,000.00	365	5.20
26-Jul-12	26-Jul-13	RaboDirect (Curve Jul 2016)	1,000,000.00	365	5.40
30-Aug-12	03-Sep-13	AMP (CURVE) (Sept 2013) annual interest	500,000.00	365	6.00
30-Aug-12	10-Sep-13	AMP (CURVE) (Sept 2013) annual interest	500,000.00	365	6.00
03-Sep-12	05-Feb-13	Rural (Curve Feb 2013)	2,000,000.00	155	5.05
07-Aug-12	05-Feb-13	Suncorp (Feb 2013)	4,000,000.00	182	5.18
07-Feb-12	07-Feb-13	RaboDirect (Curve) (Feb 2015) annual interest	1,000,000.00	366	6.00

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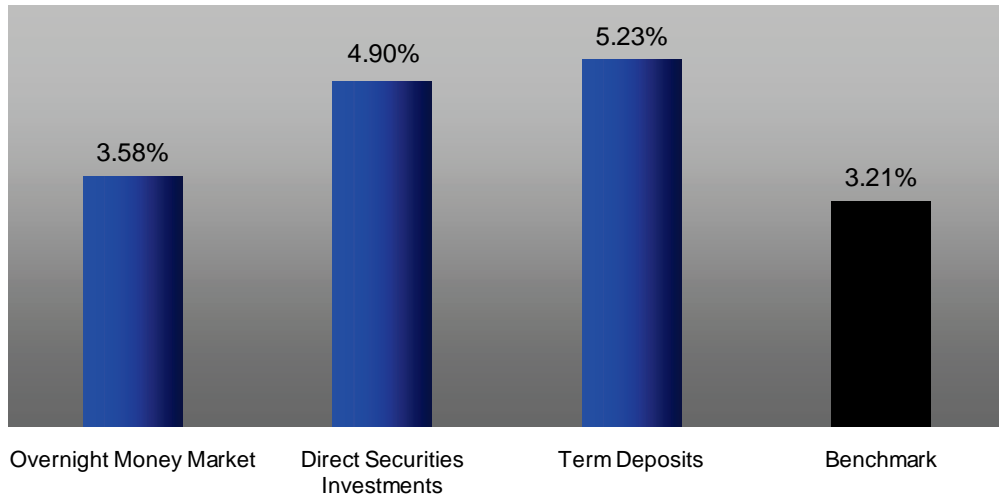
<b>TERM DEPOSITS SORTED BY MATURITY AS AT 31/01/13</b>					
<b>Lodged or Rolled</b>	<b>DUE</b>	<b>Counterparty</b>	<b>PRINCIPAL</b>	<b>TERM</b>	<b>% Yield</b>
12-Nov-12	11-Feb-13	NAB (RBS) (matures Aug 2015) quarterly interest	2,000,000.00	91	5.22
13-Nov-12	12-Feb-13	BOQ (Feb 2013)	3,000,000.00	91	4.80
12-Nov-12	12-Feb-13	BOQ (matures Nov 2013)	2,000,000.00	92	4.78
20-Nov-12	19-Feb-13	Heritage (Feb 2013)	2,000,000.00	91	4.55
28-Aug-12	26-Feb-13	Suncorp (Feb 2013)	1,000,000.00	182	5.05
04-Feb-13	04-Mar-13	NAB (matures Sept 2013)	3,000,000.00	28	4.65
04-Mar-12	05-Mar-13	Westpac annual interest (Mar 2013)	2,000,000.00	366	6.35
10-Dec-12	11-Mar-13	Investec (RIMSEC) (matures Jun 2014)	1,000,000.00	91	5.06
15-Aug-12	26-Mar-13	ING (RIMSEC Mar 2013)	4,000,000.00	223	5.23
07-Jan-13	08-Apr-13	Westpac (matures Apr 2016) quarterly interest	2,000,000.00	91	4.30
18-Oct-12	16-Apr-13	Cominvest	1,000,000.00	180	4.55
22-Jan-13	23-Apr-13	Heritage (Apr 2013)	2,000,000.00	91	4.55
23-May-12	28-May-13	RaboDirect (FIIG May 2013)	2,000,000.00	369	5.35
15-Jan-13	16-Jul-13	Suncorp (Jul 2013)	3,000,000.00	182	4.56
15-Jan-13	23-Jul-13	NAB (July 2013)	4,000,000.00	189	4.56
22-Jan-13	23-Jul-13	BOQ (July 2013)	2,000,000.00	182	4.50
07-Aug-12	06-Aug-13	Investec (RIMSEC) (matures Aug 2013)	1,000,000.00	364	5.42
22-Apr-13	22-Oct-13	NAB (matures Oct 2013)	2,000,000.00	273	4.45
12-Nov-12	11-Nov-13	RaboDirect (Curve) annual interest	1,000,000.00	366	6.40
20-Nov-12	19-Nov-13	NAB (Nov 2012)	2,000,000.00	364	4.72
			<b>118,000,000.00</b>		<b>5.23</b>
<b>LEGEND</b>					
AMP = AMP Bank		ING = ING Bank	RaboDirect = Rabo Bank		
ANZ = ANZ Bank		Investec = Investec Bank	Rural = Rural Ban		
BOQ = Bank of Queensland		Macquarie = Macquarie Bank	Suncorp = Suncorp Metway Bank		
CBA = Commonwealth Bank		NAB = National Australia Bank	Westpac = Westpac Bank		
Heritage = Heritage Bank		ME = Members Equity Bank			
		NPBS = Newcastle Permanent Building Society			

**6. Performance by Category**

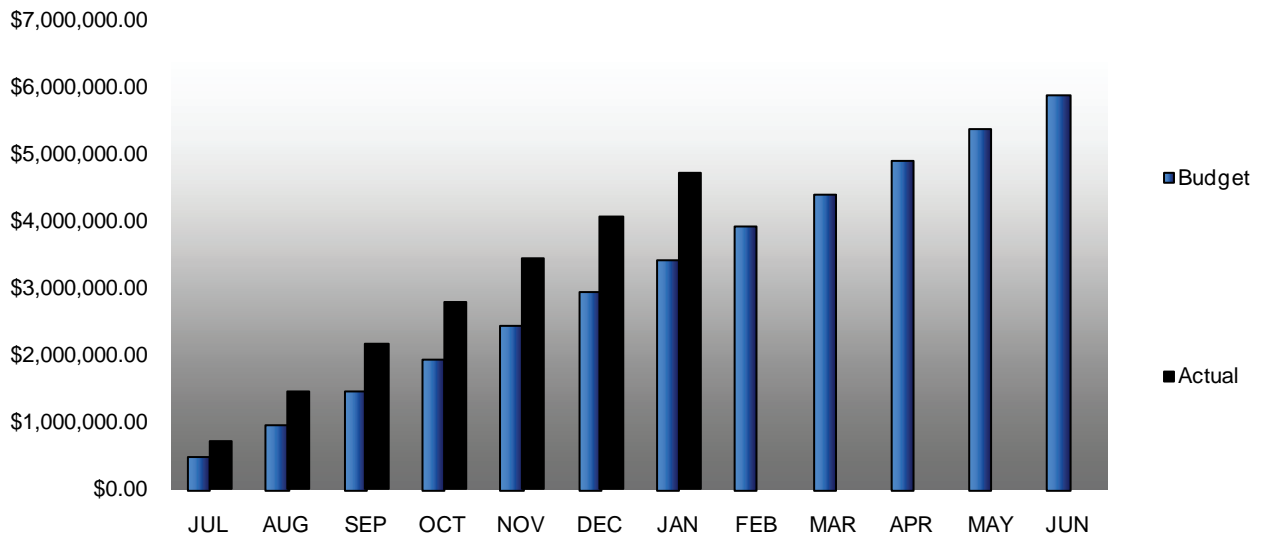
<b>Category</b>	<b>Face Value</b>	<b>Market Value</b>	<b>Average Return</b>	<b>Above or (Below) 30 day BBSW Benchmark</b>
Overnight Money Market	\$2,500,000.00	\$2,500,000.00	3.58%	0.37%
Direct Securities Investments	\$38,315,750.00	\$38,322,361.08	4.90%	1.69%
Term Deposits	\$118,000,000.00	\$118,000,000.00	5.23%	2.02%
Benchmark	\$158,815,750.00	\$158,822,361.08	3.21%	Benchmark 90 Day UBS Bank Bill Index

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**Performance by Category Compared with Benchmark**



**7. Total Portfolio Income Year to Date**



**8. Investment Policy Diversification and Credit Risk**

Total Portfolio Credit Limits Compared to Policy Limits					
Long-Term Credit Ratings	Investment Policy Limit	Actual Portfolio	Short-Term Credit Ratings	Investment Policy Limit	Actual Portfolio
AAA Category	100%	1.26%	A-1+	100%	12.63%
AA Category	100%	22.76%	A-1	100%	21.47%
A Category or below	60%	9.47%	A-2	60%	19.58%
BBB Category or below	20%	1.89%	A-3	0%	0.00%
Unrated	10%	5.89%	Unrated	10%	5.05%

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**9. Term to Maturity**

<b>Maturity Profile</b>	<b>Actual % Portfolio</b>	<b>Policy Limits</b>
Less than 365 days	58.74%	Minimum 40% of portfolio
Between 365 days and 2 years	7.58%	Maximum 60%
Between 2 years and 5 years	33.68%	Maximum 35%
Total	100.00%	

**10. Investment Alternatives Explained**

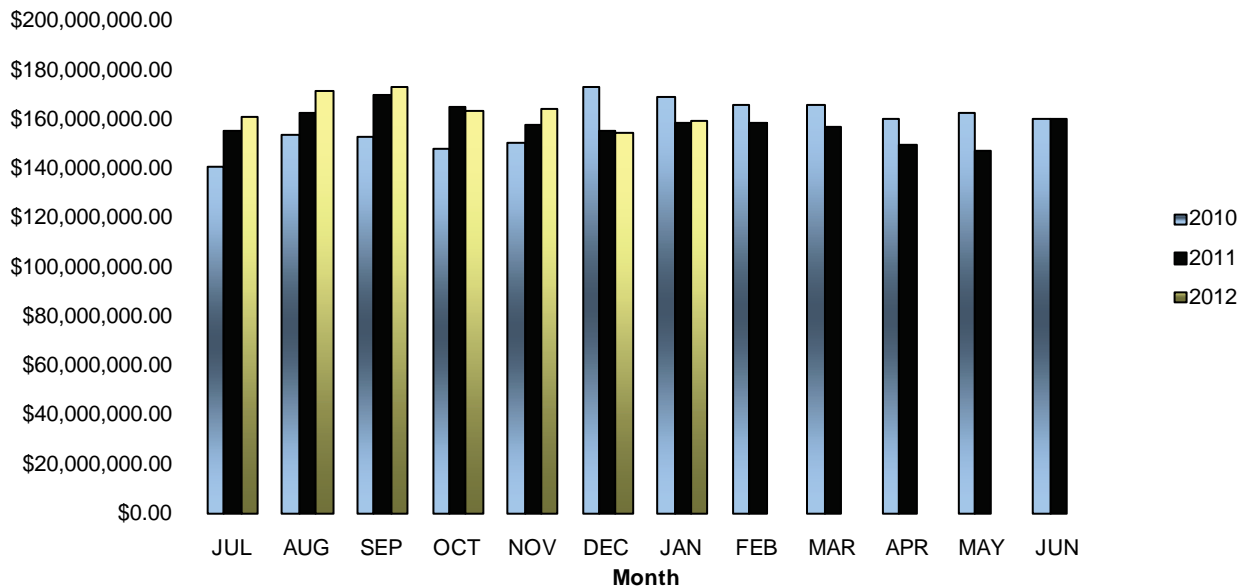
<b>Investment Product</b>	<b>Maturity Range</b>	<b>Usual term to maturity</b>	<b>Major Benefits</b>	<b>Major risks</b>
At Call Cash	At Call	Immediate to a few months	Highly liquid - same day access to funds with no impact on capital	Not a capital growth asset
			Highly secure as a bank deposit	Underperforms other asset classes in the long term
Bank Bill	1 - 180 days	Less than 1 year	Highly liquid - same day access to funds, usually with no or minimal impact on capital	Not a growth asset
			Highly secure (bank risk)	Underperforms other asset classes in the long term
				May incur a small loss for early redemption
Term Deposit	Up to 5 years	Less than 2 years	Liquid - same day access to funds	Will incur a small capital loss for early termination
			Highly secure as a bank deposit	Underperforms growth assets in the longer term
Floating rate Note Bond	1 - 5 years	Greater than 2 years	Increased yield over bank bills	Not a growth asset
			Can accrue capital gain if sold ahead of maturity and market interest rates have fallen	Can incur capital losses if sold ahead of maturity and market interest rates have risen
			Coupon interest rate resets quarterly based on 90 day bank bill swap rate	Credit exposure to company issuing the paper
			Relatively liquid	May not be bank guaranteed
			Less administration than bank bills	Underperforms other asset classes in the long term



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Investment Product	Maturity Range	Usual term to maturity	Major Benefits	Major risks
Fixed Rate Bond	1 - 5 years	Greater than 3 years	Can accrue capital gain if sold before maturity and market interest rates have fallen	Can incur capital losses if sold before maturity and market interest rates have risen
			Fixed return - semi annual coupons	Credit exposure to company issuing paper
			Generally liquid	
			Can be government or corporate issuer	

**11. Monthly Comparison of Total Funds Invested**



**12. Section 94 Developer Contributions - Monthly Balances and Receipts**

Contribution Plan	Plan Description	End of Month Balance	Contributions Received for Month
01	Banora Point West/Tweed Heads South Open Space	4,276,670	-
02	Banora Point Western Drainage	551,669	-
03	Banora Point West/ Tweed Heads South Community Facilities	40,110	-
04	Tweed Road Contribution Plan	11,204,473	18,590
05	Local Area Open Space	893,760	346
06	Street Tree Planting in Residential Areas	142,088	-
07	West Kingscliff Opens Space & Drainage	506,509	-

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Contribution Plan	Plan Description	End of Month Balance	Contributions Received for Month
10	Cobaki Lakes Open Space & Community Facilities	(1,030)	-
11	Shire Wide Library Facilities	1,455,596	251
12	Bus Shelters	58,810	-
13	Eviron Cemetery	(33,196)	45
14	Mebbin Springs Subdivision - Rural Road Upgrading	83,035	-
15	Community Facilities	410,535	-
16	Emergency Facilities - Surf Lifesaving	339,338	35
18	Council Administration & Technical Support	967,087	558
19	Kings Beach/Casuarina/Kings Forest	174,203	-
20	Seabreeze Estate - Open Space	693	-
21	Terranora Village Estate - Open Space & Community Facilities	28,429	-
22	Shirewide Cycleways	391,235	141
23	Shirewide Carparking	2,047,966	-
25	Salt Development - Open Space & Car Parking	1,009,995	-
26	Shirewide/Regional Open Space	1,467,873	1,473
27	Tweed Heads Masterplan Local Open Space & Streetscaping	95,702	-
28	Seaside City	43,921	-
90	Footpaths & Cycleway	-	-
91	DCP14	99,371	-
92	Public Reserve Contributions	124,631	-
95	Bilambil Heights	485,929	-
<b>Total</b>		<b>26,865,399</b>	<b>21,439</b>

### 13. Economic Commentary

#### Australian Cash Rate

There was no Reserve Bank of Australia (RBA) meeting during January. At the RBA meeting on 5 February 2013 the cash rate was left unchanged at 3%. The official cash rate is now equal with the lowest rate at the height of the financial crisis in April 2009.

The RBA stated that global growth is forecast to be a little below average for a time, but the downside risks appear to have abated, for the moment at least. The United States has so far avoided a severe fiscal contraction and financial strains in Europe have lessened considerably over recent months. Growth in China has stabilised at a fairly robust pace. Around Asia generally, growth was dampened by the earlier slowing in China and the weakness in Europe, but again there are signs recently of stabilisation. Some commodity prices have firmed over recent months.

Sentiment in financial markets has continued to improve, with risk spreads narrowing and funding conditions for financial institutions becoming more favourable. Long-term interest

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rates faced by highly rated sovereigns, including Australia, remain at exceptionally low levels. Borrowing conditions for large corporations are very attractive. Share prices have made further gains. However, the task of putting private and public finances on sustainable paths in several major countries is far from complete and, accordingly, financial markets remain vulnerable to setbacks in these areas.

**Council's Investment Portfolio**

Council's investment portfolio is conservatively structured in accordance with Division of Local Government guidelines with 76% of the portfolio held in term deposits or cash at call. Term deposit and bond rates have fallen considerably but continue to provide above benchmark returns while minimising capital risk.

All investment categories including cash at call out-performed the UBS 30 day bank bill benchmark this month. Overall, the investment portfolio has returned an average 2.02% pa above the 30 day UBS bank bill index for the last 12 month period.

*Source: Treasury Weekly Commentary and Oakvale Treasury Report*

**14. Investment Summary**

**GENERAL FUND**

CORPORATE FIXED RATE BONDS	10,629,382.82	
FLOATING RATE NOTES	27,692,978.26	
ASSET BACKED SECURITIES	0.00	
FUND MANAGERS	0.00	
TERM DEPOSITS	41,000,000.00	
CALL ACCOUNT	2,500,000.00	<b>81,822,361.08</b>

**WATER FUND**

TERM DEPOSITS	28,000,000.00	
FUND MANAGERS	0.00	<b>28,000,000.00</b>

**SEWERAGE FUND**

TERM DEPOSITS	49,000,000.00	
FUND MANAGERS	0.00	<b>49,000,000.00</b>

<b>TOTAL INVESTMENTS</b>		<b>158,822,361.08</b>
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It should be noted that the General Fund investments of **\$81 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 Cl. 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.



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**Responsible Accounting Officer  
Manager Financial Services**

**OPTIONS:**

Not Applicable.

**CONCLUSION:**

Not Applicable.

**COUNCIL IMPLICATIONS:**

**a. Policy:**

Corporate Policy Not Applicable.

**b. Budget/Long Term Financial Plan:**

Not Applicable.

**c. Legal:**

Local Government (General) Regulations 2005 - Section 212 - Reports on council investments

*"(1) The responsible accounting officer of a council:*

*(a) must provide the council with a written report (setting out details of all money that the council has invested under section 625 of the Act) to be presented:*

*(i) if only one ordinary meeting of the council is held in a month, at that meeting, or*

*(ii) if more than one such meeting is held in a month, at whichever of those meetings the council by resolution determines, and*

*(b) must include in the report a certificate as to whether or not the investment has been made in accordance with the Act, the regulations and the council's investment policies.*

*(2) The report must be made up to the last day of the month immediately preceding the meeting."*

**d. Communication/Engagement:**

**Inform** - We will keep you informed.

**Addendum Report**

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**LINKAGE TO INTEGRATED PLANNING AND REPORTING FRAMEWORK:**

- 1 Civic Leadership
- 1.3 Delivering the objectives of this plan
- 1.3.1 Council's organisation will be resourced to provide the essential services and support functions to deliver the objectives of this Plan
- 1.3.1.35 Council funds are invested in accordance with legislation requirements and Council Policy
- 1.3.1.35.1 Council funds are invested to provide maximum returns whilst having due regard to risk

**UNDER SEPARATE COVER/FURTHER INFORMATION:**

Nil.

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