

Addendum Report

REPORTS FROM THE ACTING DIRECTOR CORPORATE SERVICES

a35 [CS-CM] Monthly Investment and Section 94 Developer Contributions Report for period ended 28 February 2014

SUBMITTED BY: Financial Services

Valid



Civic Leadership

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
-

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 **\$179,127,489** invested as at **28 February 2014** and the accrued net return on these funds was **\$522,200** or **3.50%** 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 28 February 2014 totalling \$179,127,489 be received and noted.

Addendum Report

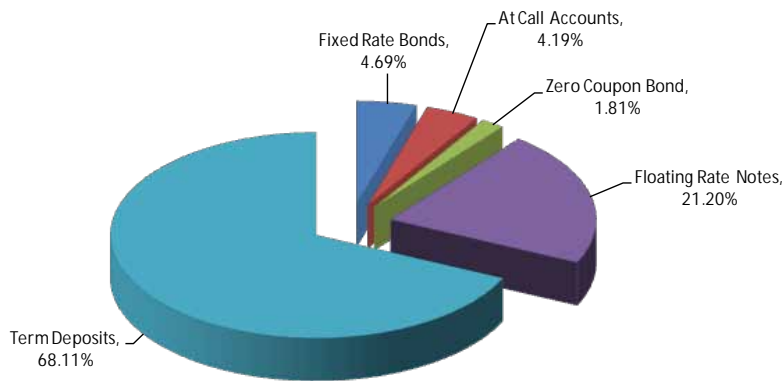
REPORT:

Restricted Funds as at 1 July 2013

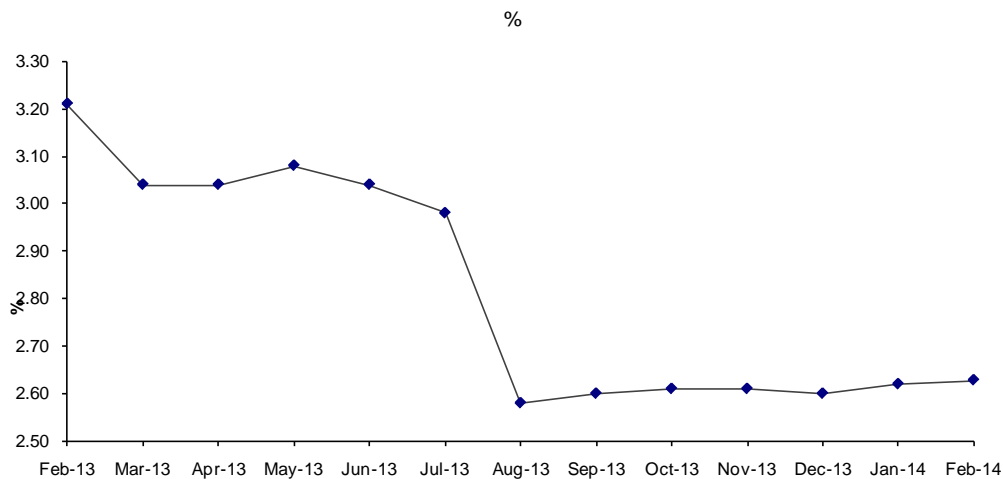
Description	(\$'000)			
	General Fund	Water Fund	Sewer Fund	Total
Externally Restricted	1,126	18,785	39,653	59,564
Crown Caravan Parks	15,926			15,926
Developer Contributions	25,917	3,916		29,833
Domestic Waste Management	10,075			10,075
Grants	4,975			4,975
Internally Restricted	26,122			26,122
Employee Leave Entitlements	5,123			5,123
Grants	5,930			5,930
Unexpended Loans	10,328			10,328
Total	105,522	22,701	39,653	167,876

Note: Restricted Funds Summary updated September 2013, corresponding with the Annual Financial Statements as at 30 June 2013

1. Investment Portfolio by Category



2. Investment Rates - 90 Day Bank Bill Rate



Addendum Report

3. Bond and Floating Rate Note Securities

Counterparty	Face Value	Market Value	% Return on Face Value	Investment Type	Maturity Date
AMP (ANZ) (03/16)	1,700,000.00	1,727,319.00	3.67	FRN	14/03/2016
AMP (RBS) (06/14)	2,000,000.00	2,021,760.00	3.85	FRN	06/06/2014
AMP (RIM) (05/17)	2,500,000.00	2,521,250.00	3.78	FRN	29/05/2017
ANZ (11/18)	1,000,000.00	1,002,930.00	3.51	FRN	06/11/2018
Bendigo (FIIG) (11/15) +1.25%	1,000,000.00	1,013,880.00	4.06	FRN	02/11/2015
Bendigo (RBS) (05/17)	3,000,000.00	3,016,020.00	3.78	FRN	17/05/2017
Bendigo (RBS) (11/18)	1,000,000.00	1,004,440.00	3.86	FRN	14/11/2018
BOQ (ANZ) (05/16)	1,000,000.00	1,008,590.00	3.98	FRN	30/05/2016
BOQ (RBS) (05/16)	1,000,000.00	1,008,590.00	3.98	FRN	30/05/2016
CBA (08/16) 1.17%	3,000,000.00	3,054,150.00	3.78	FRN	02/08/2016
CBA Retail Bond (12/15)	2,000,000.00	2,006,600.00	3.70	FRN	24/12/2015
CBA/Merrill Lynch Zero Coupon Bond (01/18)	4,000,000.00	3,237,200.00	7.17	Fixed Rate Bond	22/01/2018
Heritage (RBS) (06/17)	1,000,000.00	1,075,000.00	7.25	Fixed Rate Bond	20/06/2017
ING (RBS) (08/16)	1,000,000.00	1,011,940.00	4.25	Fixed Rate Bond	23/08/2016
ING (RBS) (09/15)	2,000,000.00	2,117,140.00	5.50	Fixed Rate Bond	03/09/2015
ING (RBS) (09/15)	2,000,000.00	2,117,140.00	5.50	Fixed Rate Bond	03/09/2015
Macquarie (RIMSEC) (03/14)	1,000,000.00	1,010,050.00	4.52	FRN	13/03/2014
ME Bank (CBA) (09/15)	1,400,000.00	1,417,290.00	3.87	FRN	03/09/2015
ME Bank (CBA) (11/16)	1,000,000.00	1,001,290.00	3.88	FRN	28/11/2016
ME Bank (Morgans) (11/16)	1,000,000.00	1,001,290.00	3.88	FRN	28/11/2016
NAB (06/16)	2,000,000.00	2,044,440.00	3.79	FRN	21/06/2016
NAB (11/15)	1,000,000.00	1,016,100.00	3.83	FRN	05/11/2015
NAB Direct (12/14)	1,000,000.00	1,016,560.00	3.91	FRN	19/12/2014
Rabo (RBS) (09/18)	1,000,000.00	1,014,740.00	3.76	FRN	25/09/2018
Suncorp (05/14)	2,000,000.00	2,003,940.00	3.74	FRN	26/05/2014
Suncorp (Westpac) (04/15)	2,000,000.00	2,030,100.00	4.13	FRN	23/04/2015
Suncorp Covered (RIMSEC) (12/16)	2,000,000.00	2,085,880.00	4.75	Fixed Rate Bond	06/12/2016
Westpac (Morgans) (02/19)	4,000,000.00	4,010,040.00	3.57	FRN	25/02/2019
Westpac (RBS) (02/17)	1,000,000.00	1,031,820.00	4.28	FRN	20/02/2017
	49,600,000.00	49,627,489.00	4.26		
LEGEND	Investment Type	ABS = Asset Backed Security			
		Bond = Fixed Rate Bond			
		CDO = Collateralised Debt Obligation			
		FRN = Floating Rate Note			
Counterparty		BB = Bendigo Bank		ME = Members Equity Bank	
AMP = AMP Bank		Heritage = Heritage Bank		RaboDirect = Rabo Bank	
ANZ = ANZ Bank		ING = ING Bank		Rural = Rural Bank	
BOQ = Bank of Queensland		Investec = Investec Bank		Suncorp = Suncorp Metway Bank	
CBA = Commonwealth Bank		Macquarie = Macquarie Bank		WBC = Westpac Banking Corporation	
		NAB = National Australia Bank			

Addendum Report

Addendum Report

4. Term Deposits

Lodged or Rolled	DUE	Counterparty	PRINCIPAL	TERM	% Yield
03-Dec-13	04-Mar-14	NPBS	2,000,000.00	91	3.60
10-Dec-13	10-Mar-14	Investec (RIMSEC) (Jun 2014)	1,000,000.00	91	4.55
03-Dec-13	11-Mar-14	IMB (Mar 2014)	2,000,000.00	98	3.60
03-Sep-13	11-Mar-14	AMP (CURVE) (Sept 2013) annual interest	500,000.00	189	3.80
10-Sep-13	11-Mar-14	Westpac (Mar 2014) quarterly interest	2,000,000.00	182	3.66
16-Dec-13	17-Mar-14	Westpac (Sept 2014)	4,000,000.00	91	3.74
17-Aug-13	18-Mar-14	Westpac (Mar 2014)	2,000,000.00	182	3.57
20-Dec-13	20-Mar-14	BOQ (Sept 2016) quarterly interest	2,000,000.00	91	3.92
22-Mar-11	25-Mar-14	BOQ (Mar 2014) annual interest	1,000,000.00	1099	6.75
26-Nov-13	01-Apr-14	Widebay Australia	2,000,000.00	126	3.75
07-Jan-14	07-Apr-14	Westpac (Apr 2016) quarterly interest	2,000,000.00	90	3.93
08-Jan-14	08-Apr-14	BOQ (Apr 2014)	2,000,000.00	90	4.13
09-Jan-14	09-Apr-14	ING (RIMSEC) (Jul 2014)	2,000,000.00	90	4.09
15-Oct-13	15-Apr-14	MEB (Jul 2013)	4,000,000.00	182	3.85
23-Jan-14	23-Apr-14	NAB (July 2013) annual interest	2,000,000.00	90	3.92
24-Jan-14	24-Apr-14	ING (FIIG) (Jul 2014)	3,000,000.00	90	4.07
28-Jan-14	28-Apr-14	ING (RIMSEC)	2,000,000.00	90	3.62
02-Aug-13	29-Apr-14	AMP	4,000,000.00	270	4.00
06-Feb-14	06-May-14	Investec (RIMSEC) (Aug 2013)	1,000,000.00	89	4.18
12-Feb-14	12-May-14	NAB (Feb 2015) annual interest	2,000,000.00	89	4.05
11-Feb-14	12-May-14	NAB (RBS) (Aug 2015) quarterly interest	2,000,000.00	90	4.59
15-Aug-13	13-May-14	MEB	3,000,000.00	271	4.05
11-Feb-14	13-May-14	Maitland BS (RIMSEC) (May 2014)	2,000,000.00	91	3.75
17-Feb-14	16-May-14	Westpac (Nov 2014)	2,000,000.00	91	3.98
18-Feb-14	19-May-14	Westpac (Feb 2016)	2,000,000.00	90	3.83
20-Feb-14	20-May-14	ING (RIMSEC) (Feb 2015)	1,000,000.00	89	4.03
18-Feb-14	20-May-14	Beyond Bank	1,000,000.00	91	3.67
24-Feb-14	26-May-14	BOQ (Feb 2016)	1,000,000.00	91	4.23
27-Feb-14	27-May-14	NAB (RBS) (Aug 2015)	2,000,000.00	92	3.84
26-Nov-13	27-May-14	Rural (Curve) (Nov 2013)	2,000,000.00	182	3.80
03-Dec-13	03-Jun-14	Bendigo Bank	2,000,000.00	182	3.70
10-Sep-13	10-Jun-14	AMP (CURVE) (Sept 2013) annual interest	500,000.00	273	3.80
03-Dec-13	10-Jun-14	ME Bank	2,000,000.00	189	3.83
11-Jun-13	17-Jun-14	MEB (RIMSEC) (June 2014)	4,000,000.00	371	4.15
07-Jan-14	11-Jul-14	RaboDirect (Curve) (Jan 2015)	1,000,000.00	185	4.20
24-Jul-13	24-Jul-14	RaboDirect (RIMSEC) annual interest	2,000,000.00	734	4.25
26-Jul-13	26-Jul-14	RaboDirect (Curve) (Jul 2015)	1,000,000.00	365	5.20
26-Jul-13	26-Jul-14	RaboDirect (Curve) (Jul 2016)	1,000,000.00	365	5.40
30-Jul-13	29-Jul-14	MEB annual interest	4,000,000.00	364	4.15
30-Jul-13	30-Jul-14	AMP (Curve) annual interest	1,000,000.00	365	4.00
20-Feb-14	19-Aug-14	ING (FIIG) (Aug 2014)	1,000,000.00	180	3.80
18-Feb-14	19-Aug-14	Heritage Bank (Feb 2014)	2,000,000.00	182	3.75

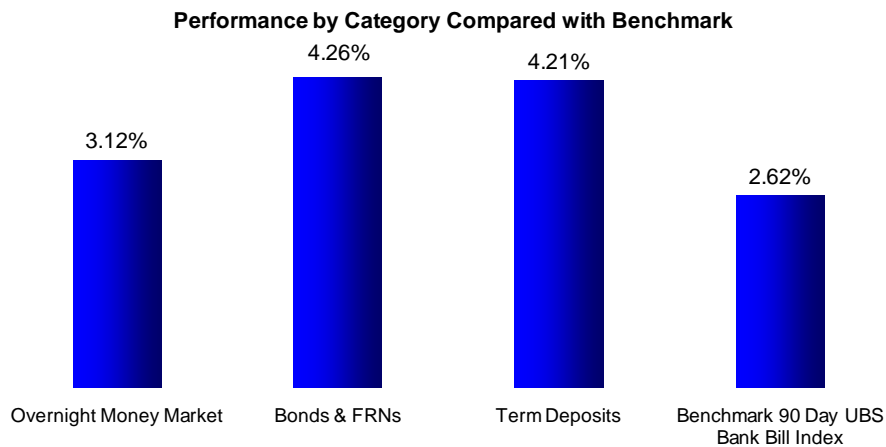
Addendum Report

Lodged or Rolled	DUE	Counterparty	PRINCIPAL	TERM	% Yield
03-Sep-13	03-Sep-14	NAB (Sept 2013) annual interest	4,000,000.00	546	4.05
03-Sep-13	03-Sep-14	BOQ (Mar 2016)	3,000,000.00	365	4.05
03-Sep-13	03-Sep-14	Investec (RIMSEC) (Sept 2015) annual interest	1,000,000.00	365	4.14
04-Sep-13	04-Sep-14	NAB (Sept 2016)	4,000,000.00	1098	4.25
11-Sep-13	11-Sep-14	Investec (Sept 2015) annual interest	2,000,000.00	365	4.37
20-Sep-13	20-Sep-14	BOQ (Sept 2015) annual interest	2,000,000.00	365	4.20
11-Oct-13	11-Oct-14	CBA (Oct 2015) annual interest	1,000,000.00	365	4.85
15-Oct-13	15-Oct-14	ING (Curve) (March 2013)	2,000,000.00	365	4.01
11-Nov-13	11-Nov-14	RaboDirect (Curve) (Nov 2016) annual interest	1,000,000.00	366	6.40
07-Feb-14	10-Feb-15	RaboDirect (Curve) (Feb 2015) annual interest	1,000,000.00	366	6.00
18-Feb-14	17-Feb-15	NAB (Feb 2015)	2,000,000.00	364	3.80
25-Feb-14	23-Feb-15	BOQ (Feb 2016)	3,000,000.00	365	4.05
25-Feb-14	25-Feb-15	MEB (Mar 2016)	2,000,000.00	365	4.07
06-Aug-13	04-Aug-15	NAB (Curve)	2,000,000.00	728	4.10
03-Sep-13	02-Sep-15	ING (RIMSEC) (Sept 2013)	1,000,000.00	365	4.14
22-Mar-11	22-Mar-16	RaboDirect (RIMSEC) (Mar 2016) annual interest	1,000,000.00	1827	7.15
13-Jan-14	11-Apr-16	Westpac (Jan 2016)	8,000,000.00	88	3.89
		Total	122,000,000.00		4.21
LEGEND	Counterparty	ING = ING Bank		RaboDirect = Rabo Bank	
AMP = AMP Bank		Investec = Investec Bank		Rural = Rural Bank	
ANZ = ANZ Bank		Macquarie = Macquarie Bank		Suncorp = Suncorp Metway Bank	
BOQ = Bank of Queensland		NAB = National Australia Bank		WBC = Westpac Bank	
CBA = Commonwealth Bank		ME = Members Equity Bank			
Heritage = Heritage Bank		NPBS = Newcastle Permanent Building Society			

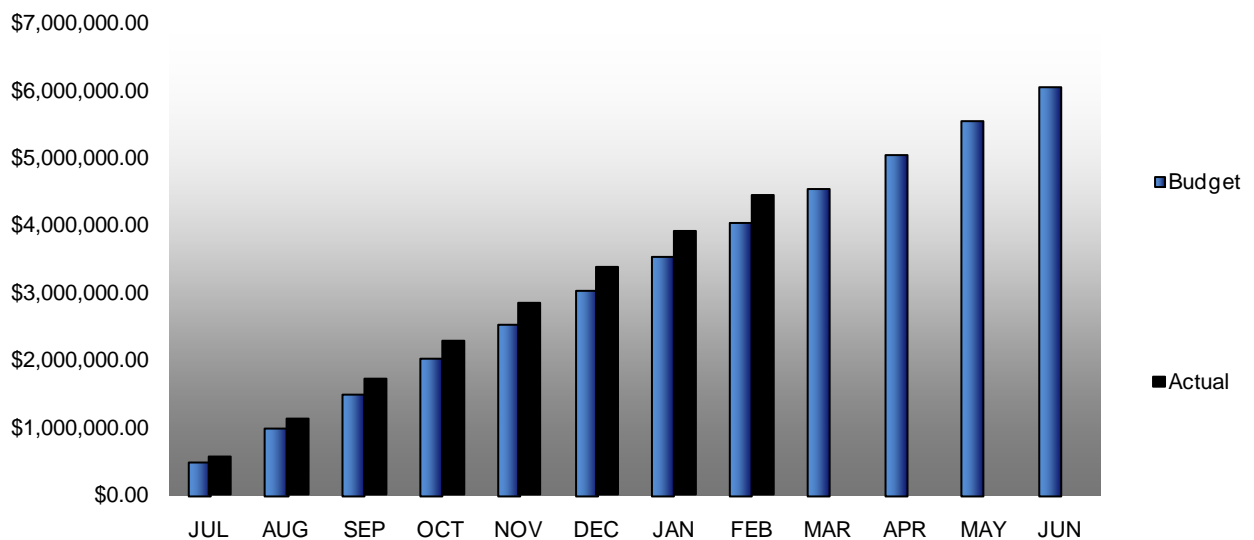
5. Performance by Category

Category	Face Value	Market Value	Average Return	Above or (Below) 90 day BBSW Benchmark
Overnight Money Market	7,500,000.00	7,500,000.00	3.12%	0.50%
Bonds & FRNs	49,600,000.00	49,627,489.00	4.26%	1.64%
Term Deposits	122,000,000.00	122,000,000.00	4.21%	1.59%
Benchmark 90 Day UBS Bank Bill Index	179,100,000.00	179,127,489.00	2.62%	

Addendum Report



6. Total Portfolio Income v Budget



7. 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%	1.16%	A-1+	100%	7.00%
AA Category	100%	29.36%	A-1	100%	5.65%
A Category or below	60%	16.54%	A-2	60%	27.59%
BBB Category or below	20%	1.35%	A-3	0%	0.00%
Unrated	10%	1.12%	Unrated	10%	10.23%

8. Term to Maturity

Addendum Report

Maturity Profile	Actual % Portfolio	Policy Limits
Less than 365 days	42.51%	Minimum 40% of portfolio
More than 365 days and less than 3 years	47.52%	Maximum 60%
3 years and less than 5 years	9.97%	Maximum 35%
Total	100.00%	

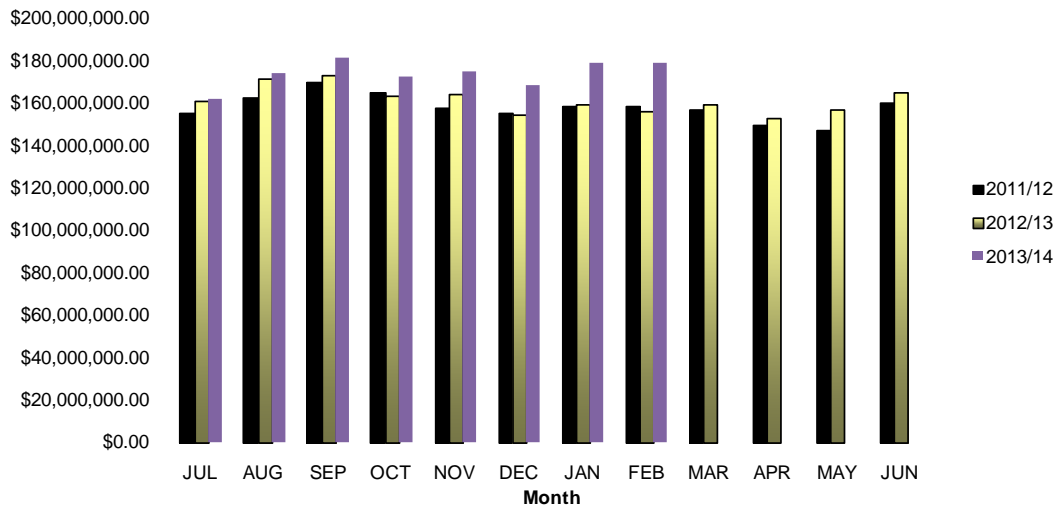
9. Investment Alternatives Explained

Investment Product	Maturity Range	Usual term to maturity	Major Benefits	Major risks
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

Addendum Report

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	

10. Monthly Comparison of Total Funds Invested



Addendum Report

11. Section 94 Developer Contributions - Monthly Balances and Receipts

Contribution Plan	Plan Description	End of Month Balance	Contributions Received for Month
1	DCP3 Open Space	3,946,862	
2	Western Drainage	564,193	
3	DCP3 Community Facilities	4,901	
4	TRCP Road Contributions	11,455,003	392,077
5	Open Space	860,682	14,770
6	Street Trees	142,569	3,709
7	West Kingscliff	423,586	
10	Cobaki Lakes	-1,270	
11	Libraries	1,642,077	34,149
12	Bus Shelters	74,761	1,368
13	Cemeteries	-2,960	5,012
14	Mebbin Springs	84,920	
15	Community Facilities	599,652	39,934
16	Surf Lifesaving	349,124	1,356
18	Council Administration/Technical Support	947,881	53,484
19	Kings Beach	425,693	
20	Seabreeze Estate	708	
21	Terranora Village	29,074	
22	Cycleways Shirewide	136,352	19,275
23	Carparking Shirewide	1,467,810	
25	SALT	1,024,521	
26	Open Space Shire wide	2,108,282	200,531
27	Tweed Heads Masterplan	97,874	
28	Seaside City	104,344	
91	DCP14	101,626	
92	Public Reserve Contributions	127,460	
95	Bilambil Heights	496,960	
	<i>Total</i>	<i>27,212,684</i>	<i>765,665</i>

Addendum Report

12. Economic Commentary

Australian and World Economy and Cash Rate

The Reserve Bank of Australia (RBA) met on 4 March 2014 and the cash rate remained unchanged at 2.50%.

Growth in the global economy was a bit below trend in 2013, but there are reasonable prospects of a pick-up this year. The United States economy, while affected by adverse weather, continues its expansion and the euro area has begun a recovery from recession, albeit a fragile one. Japan has recorded a significant pick-up in growth, while China's growth remains in line with policymakers' objectives.

Commodity prices have declined from their peaks but in historical terms remain high.

Financial conditions overall remain very accommodative. Long-term interest rates and most risk spreads remain low. In Australia, recent information suggests slightly firmer consumer demand and foreshadows a solid expansion in housing construction. Some indicators of business conditions and confidence have shown improvement and exports are rising. At the same time, resources sector investment spending is set to decline significantly and, at this stage, signs of improvement in investment intentions in other sectors are only tentative. Public spending is scheduled to be subdued.

The demand for labour has remained weak and, as a result, the rate of unemployment has continued to edge higher. Growth in wages has declined noticeably. If domestic costs remain contained, some moderation in the growth of prices for non-traded goods could be expected over time, which should keep inflation consistent with the target, even with lower levels of the exchange rate.

Monetary policy remains accommodative. Interest rates are very low and savers continue to look for higher returns in response to low rates on safe instruments. Credit growth remains low overall but is picking up gradually for households. Dwelling prices have increased significantly over the past year. The decline in the exchange rate seen to date will assist in achieving balanced growth in the economy, though the exchange rate remains high by historical standards.

Looking ahead, the Bank expects unemployment to rise further before it peaks. Over time, growth is expected to strengthen, helped by continued low interest rates and the lower exchange rate. Inflation is expected to be consistent with the 2–3 per cent target over the next two years.

Council's Investment Portfolio

Council's investment portfolio is conservatively structured in accordance with Office of Local Government guidelines with 72.3% of the portfolio held in cash and term deposits. Term deposit and bonds are still paying above average margins over the 90 day bank bill rate.

Addendum Report

The historic low cash rate is still translating to lower total investment yields. This situation continues to present difficulties obtaining reasonable investment income without risking capital.

All investment categories including cash at call out-performed the UBS 90 day bank bill benchmark this month. Overall, the investment portfolio has returned an average 1.24% pa above the 90 day UBS bank bill index for the last month.

Source: RBA Commentary

13. Investment Summary

GENERAL FUND

CORPORATE
FIXED RATE
BONDS 11,644,300.00

FLOATING RATE
NOTES 37,983,189.00

TERM DEPOSITS 47,000,000.00

WATER FUND CALL ACCOUNT 7,500,000.00 **104,127,489.00**

SEWERAGE FUND TERM DEPOSITS 31,000,000.00

FUND MANAGERS 0.00 **31,000,000.00**

TERM DEPOSITS 44,000,000.00

FUND MANAGERS 0.00 **44,000,000.00**

TOTAL INVESTMENTS 179,127,489.00

It should be noted that the General Fund investments of **\$104 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.



Responsible Accounting Officer
Acting Director Corporate Services
Tweed Shire Council

Addendum Report

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.

UNDER SEPARATE COVER/FURTHER INFORMATION:

Nil.

Addendum Report

THIS PAGE IS BLANK