

## Addendum Report

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### REPORTS THROUGH THE GENERAL MANAGER

### REPORTS FROM THE ACTING DIRECTOR TECHNOLOGY AND CORPORATE SERVICES

**a35 [TCS-CM] Monthly Investment and Section 94 Developer Contributions Report for the Period Ending 31 December 2013**

**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
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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 **\$168,154,011** invested as at **31 December 2013** and the accrued net return on these funds was **\$539,141** or **3.85%** 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 December 2013 totalling \$168,154,011 be received and noted.**

## Addendum Report

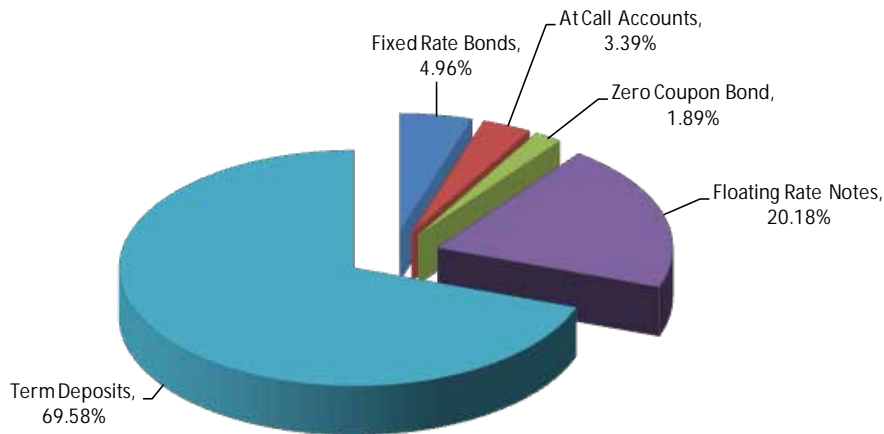
### REPORT:

#### Restricted Funds as at 1 July 2013

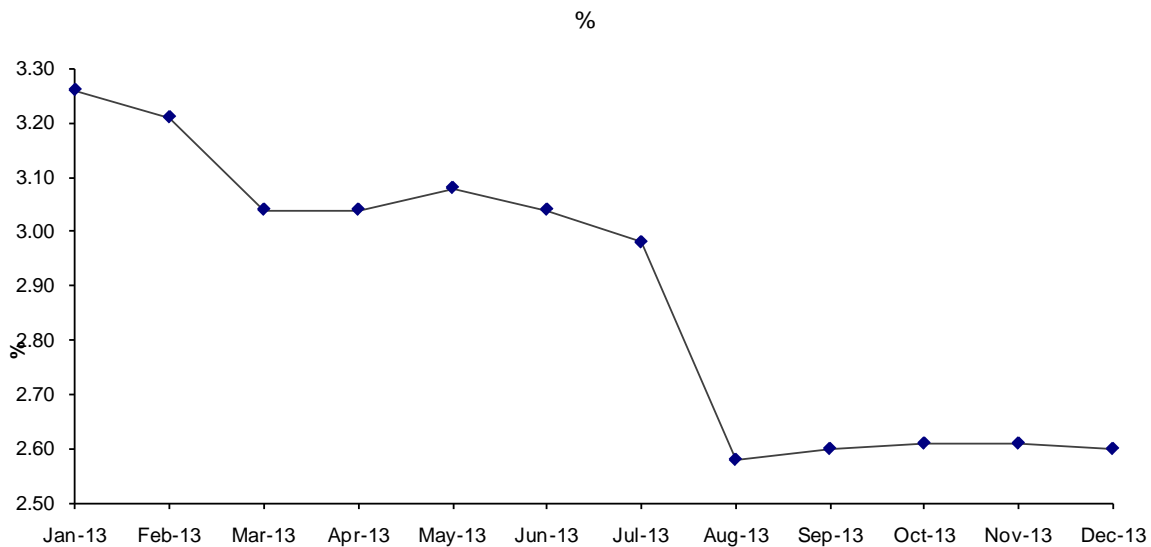
Description	(\$'000)			
	General Fund	Water Fund	Sewer Fund	Total
<b>Externally Restricted</b>	1,126	18,785	39,653	<b>59,564</b>
Crown Caravan Parks	15,926			<b>15,926</b>
Developer Contributions	25,917	3,916		<b>29,833</b>
Domestic Waste Management	10,075			<b>10,075</b>
Grants	4,975			<b>4,975</b>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

*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



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## 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	1,711,679.00	3.67	FRN	14/03/2016
AMP (RBS) (06/14)	2,000,000.00	2,009,860.00	3.80	FRN	06/06/2014
AMP (RIM) (05/17)	2,500,000.00	2,523,000.00	3.71	FRN	29/05/2017
ANZ (11/18)	1,000,000.00	1,003,430.00	3.47	FRN	06/11/2018
Bendigo (FIIG) (11/15)	1,000,000.00	1,017,550.00	4.02	FRN	02/11/2015
Bendigo (RBS) (05/17)	3,000,000.00	3,021,540.00	3.78	FRN	17/05/2017
Bendigo (RBS) (11/18)	1,000,000.00	1,005,330.00	3.86	FRN	14/11/2018
BOQ (ANZ) (05/16)	1,000,000.00	1,010,040.00	3.96	FRN	30/05/2016
BOQ (RBS) (05/16)	1,000,000.00	1,010,040.00	3.96	FRN	30/05/2016
CBA (08/16)	3,000,000.00	3,063,900.00	3.74	FRN	02/08/2016
CBA Retail Bond (12/15)	2,000,000.00	1,998,000.00	3.63	FRN	24/12/2015
CBA/Merrill Lynch Zero Coupon Bond (01/18)	4,000,000.00	3,177,600.00	7.17	Fixed Rate Bond	22/01/2018
Heritage (RBS) (06/17)	1,000,000.00	1,065,000.00	7.25	Fixed Rate Bond	20/06/2017
ING (RBS) (08/16)	1,000,000.00	1,018,400.00	4.25	Fixed Rate Bond	23/08/2016
ING (RBS) (09/15)	2,000,000.00	2,095,280.00	5.50	Fixed Rate Bond	03/09/2015
ING (RBS) (09/15)	2,000,000.00	2,095,280.00	5.50	Fixed Rate Bond	03/09/2015
Macquarie (RIMSEC) (03/14)	1,000,000.00	1,005,070.00	4.52	FRN	13/03/2014
ME Bank (CBA) (09/15)	1,400,000.00	1,405,992.00	3.83	FRN	03/09/2015
ME Bank (CBA) (11/16)	1,000,000.00	1,003,440.00	3.86	FRN	28/11/2016
ME Bank (Morgans) (11/16)	1,000,000.00	1,003,440.00	3.86	FRN	28/11/2016
NAB (06/16)	2,000,000.00	2,031,700.00	3.79	FRN	21/06/2016
NAB (11/15)	1,000,000.00	1,019,950.00	3.79	FRN	05/11/2015
NAB Direct (12/14)	1,000,000.00	1,011,360.00	3.91	FRN	19/12/2014
Rabo (RBS) (09/18)	1,000,000.00	1,002,080.00	3.76	FRN	25/09/2018
Suncorp (05/14)	2,000,000.00	2,012,060.00	3.69	FRN	26/05/2014
Suncorp (Westpac) (04/15)	2,000,000.00	2,036,900.00	4.09	FRN	23/04/2015
Suncorp Covered (RIMSEC) (12/16)	2,000,000.00	2,061,400.00	4.75	Fixed Rate Bond	06/12/2016
Westpac (RBS) (02/17)	1,000,000.00	1,034,690.00	4.22	FRN	20/02/2017
	45,600,000.00	45,454,011.00	4.26		
LEGEND	<b>Investment Type</b>	ABS = Asset Backed Security Bond = Fixed Rate Bond CDO = Collateralised Debt Obligation FRN = Floating Rate Note			
<b>Counterparty</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 WBC = Westpac Banking Corporation

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## 4. Term Deposits

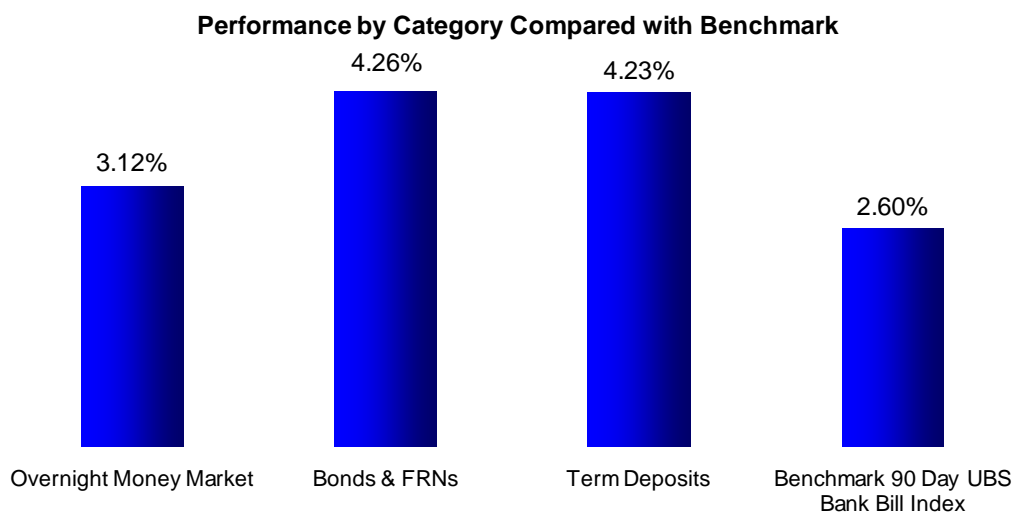
Lodged or Rolled	DUE	Counterparty	PRINCIPAL	TERM	% Yield
20-Sep-13	20-Dec-13	BOQ (Sept 2016) quarterly interest	2,000,000.00	91	3.85
04-Oct-13	06-Jan-14	BOQ (Apr 2014)	2,000,000.00	94	4.08
09-Oct-13	07-Jan-14	ING (RIMSEC) (Jul 2014)	2,000,000.00	91	4.01
11-Jul-13	07-Jan-14	RaboDirect (Curve) (Jan 2015)	1,000,000.00	551	4.20
08-Oct-13	07-Jan-14	Westpac (Apr 2016) quarterly interest	2,000,000.00	91	3.86
11-Oct-13	13-Jan-14	Westpac ( Jan 2016)	8,000,000.00	94	3.84
17-Dec-13	21-Jan-14	Beyond Bank	2,000,000.00	35	3.75
22-Oct-13	22-Jan-14	ING (FIIG) (Jul 2014)	3,000,000.00	92	4.03
24-Oct-13	23-Jan-14	NAB (July 2013) annual interest	2,000,000.00	90	4.03
30-Jul-13	28-Jan-14	ING (RIMSEC)	2,000,000.00	182	4.13
06-Nov-13	06-Feb-14	Investec (RIMSEC) (Aug 2013)	1,000,000.00	92	4.14
07-Feb-13	07-Feb-14	RaboDirect (Curve) (Feb 2015) annual interest	1,000,000.00	366	6.00
11-Nov-13	11-Feb-14	NAB (RBS) (Aug 2015) quarterly interest	2,000,000.00	92	4.54
12-Nov-13	12-Feb-14	NAB (Feb 2015) annual interest	2,000,000.00	92	3.99
18-Nov-13	17-Feb-14	Westpac (Feb 2016)	2,000,000.00	92	3.93
18-Nov-13	17-Feb-14	Westpac (Feb 2016)	2,000,000.00	91	3.93
21-Aug-13	18-Feb-14	Beyond Bank	1,000,000.00	181	3.85
20-Feb-13	18-Feb-14	Heritage Bank (Feb 2014)	2,000,000.00	363	4.40
19-Nov-13	18-Feb-14	NAB (Nov 2012)	2,000,000.00	91	3.66
20-Nov-13	20-Feb-14	ING (FIIG) (Feb 2014)	1,000,000.00	92	3.97
20-Nov-13	20-Feb-14	ING (RIMSEC) (Feb 2015)	1,000,000.00	92	3.97
25-Nov-13	24-Feb-14	BOQ (Feb 2016)	1,000,000.00	94	4.19
27-Nov-13	27-Feb-14	NAB (RBS) (Aug 2015)	2,000,000.00	92	3.80
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-Sep-13	11-Mar-14	AMP (CURVE) (Sept 2013) annual interest	500,000.00	189	3.80
03-Dec-13	11-Mar-14	IMB (Mar 2014)	2,000,000.00	98	3.60
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	3.56
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 (Apr 2014)	2,000,000.00	126	3.75
15-Oct-13	15-Apr-14	MEB (Jul 2013)	4,000,000.00	182	3.85
02-Aug-13	29-Apr-14	AMP (Apr 2014)	4,000,000.00	270	4.00
15-Aug-13	13-May-14	MEB (Apr 2014)	3,000,000.00	271	4.05
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
03-Dec-13	10-Jun-14	ME Bank	<b>2,000,000.00</b>	189	3.83
10-Sep-13	10-Jun-14	AMP (CURVE) (Sept 2013) annual interest	500,000.00	273	3.80
11-Jun-13	17-Jun-14	MEB (RIMSEC) (June 2014)	4,000,000.00	371	4.15
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
03-Sep-13	03-Sep-14	BOQ (Mar 2016)	3,000,000.00	365	4.05
03-Sep-13	03-Sep-14	NAB (Sept 2013) annual interest	4,000,000.00	546	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

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Lodged or Rolled	DUE	Counterparty	PRINCIPAL	TERM	% Yield
11-Sep-13	<b>11-Sep-14</b>	Investec (Sept 2015) annual interest	2,000,000.00	365	4.37
20-Sep-13	<b>20-Sep-14</b>	BOQ (Sept 2015) annual interest	2,000,000.00	365	4.20
11-Oct-13	<b>11-Oct-14</b>	CBA (Oct 2015) annual interest	1,000,000.00	365	4.85
15-Oct-13	<b>15-Oct-14</b>	ING (Curve) (March 2013)	2,000,000.00	365	4.01
11-Nov-13	<b>11-Nov-14</b>	RaboDirect (Curve) (Nov 2016) annual interest	1,000,000.00	366	6.40
06-Aug-13	<b>04-Aug-15</b>	NAB (Curve) (Aug 2015)	2,000,000.00	728	4.10
03-Sep-13	<b>02-Sep-15</b>	ING (RIMSEC) (Sept 2013)	1,000,000.00	365	4.14
22-Mar-11	<b>22-Mar-16</b>	RaboDirect (RIMSEC) (Mar 2016) annual interest	1,000,000.00	1827	7.15
<b>Total</b>			<b>117,000,000.00</b>		<b>4.23</b>
LEGEND	<b>Counterparty</b>	ING = ING Bank Investec = Investec Bank Rural = Rural Bank Macquarie = Macquarie Bank Suncorp = Suncorp Metway Bank NAB = National Australia Bank WBC = Westpac Bank ME = Members Equity Bank NPBS = Newcastle Permanent Building Society RaboDirect = Rabo Bank			
		AMP = AMP Bank			
		ANZ = ANZ Bank			
		BOQ = Bank of Queensland			
		CBA = Commonwealth Bank			
		Heritage = Heritage Bank			

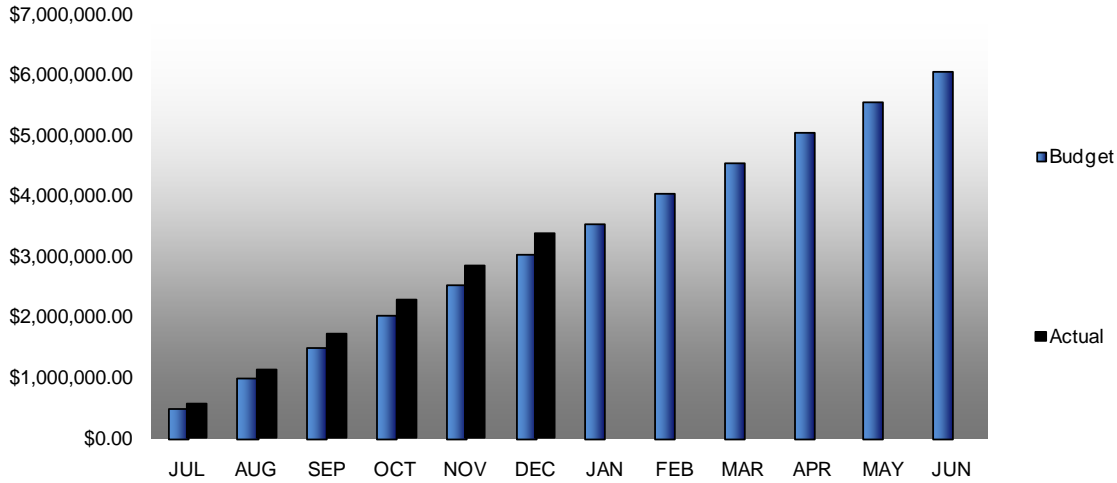
### 5. Performance by Category

Category	Face Value	Market Value	Average Return	Above or (Below) 90 day BBSW Benchmark
Overnight Money Market	5,700,000.00	5,700,000.00	3.12%	0.52%
Bonds & FRNs	45,600,000.00	45,454,011.00	4.26%	1.66%
Term Deposits	117,000,000.00	117,000,000.00	4.23%	1.63%
Benchmark 90 Day UBS Bank Bill Index	168,300,000.00	168,154,011.00	2.60%	



**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%	<b>1.19%</b>	A-1+	100%	<b>6.36%</b>
AA Category	100%	<b>32.09%</b>	A-1	100%	<b>14.48%</b>
A Category or below	60%	<b>15.87%</b>	A-2	60%	<b>13.42%</b>
BBB Category or below	20%	<b>3.16%</b>	A-3	0%	<b>0.00%</b>
Unrated	10%	<b>13.43%</b>	Unrated	10%	<b>0.00%</b>

**8. Term to Maturity**

Maturity Profile	Actual % Portfolio	Policy Limits
Less than 365 days	42.37%	Minimum 40% of portfolio
More than 365 days and less than 3 years	48.49%	Maximum 60%
3 years and less than 5 years	9.14%	Maximum 35%
Total	100.00%	

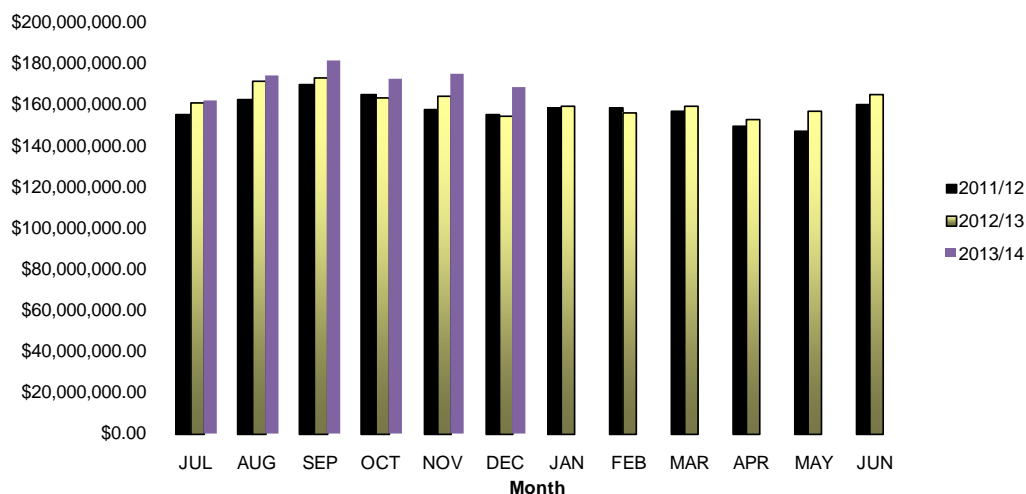
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9. Investment Alternatives Explained

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
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	

## Addendum Report

### 10. Monthly Comparison of Total Funds Invested



### 11. Section 94 Developer Contributions - Monthly Balances & Receipts

Contribution Plan	Plan Description	End of Month Balance	Contributions Received for Month
01	Banora Point West/Tweed Heads South Open Space	3,946,862	-
02	Banora Point Western Drainage	564,193	-
03	Banora Point West/ Tweed Heads South Community Facilities	4,901	-
04	Tweed Road Contribution Plan	10,552,199	75,304
05	Local Area Open Space	846,658	6,119
06	Street Tree Planting in Residential Areas	139,128	-
07	West Kingscliff Opens Space & Drainage	423,586	-
10	Cobaki Lakes Open Space & Community Facilities	(1,270)	-
11	Shire Wide Library Facilities	1,560,923	4,190
12	Bus Shelters	69,804	355
13	Eviron Cemetery	(14,866)	682
14	Mebbin Springs Subdivision - Rural Road Upgrading	84,920	-
15	Community Facilities	563,946	7,696
16	Emergency Facilities - Surf Lifesaving	347,819	-
18	Council Administration & Technical Support	787,426	10,308
19	Kings Beach/Casuarina/Kings Forest	209,823	-
20	Seabreeze Estate - Open Space	708	-
21	Terranora Village Estate - Open Space & Community Facilities	29,074	2,621
22	Shirewide Cycleways	89,932	-
23	Shirewide Carparking	1,468,258	-
25	Salt Development - Open Space & Car Parking	1,024,521	-
26	Shirewide/Regional Open Space	1,626,087	27,267
27	Tweed Heads Masterplan Local Open Space & Streetscaping	97,874	-
28	Seaside City	107,050	-
90	Footpaths & Cycleway	-	-
91	DCP14	101,626	-
92	Public Reserve Contributions	127,460	-
95	Bilambil Heights	496,960	-
<b>Total</b>		<b>25,255,600</b>	<b>134,542</b>



## Addendum Report

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### 12. Economic Commentary

#### Australian Economy and Cash Rate

The Reserve Bank of Australia (RBA) last meeting was on 3 December 2013 and there is no January meeting so the cash rate remained unchanged at 2.50%.

Local markets also moved away from milestones with the AUD trading back above USD 0.89 at the end of December. A solid break below 0.8850 will be needed to precipitate the next leg lower.

The probability of another cut this year from the RBA continues to fade with only a 1 in 4 chance currently priced in by mid-year. The market now has a hike fully priced in by March of 2015, suggesting that the bottom of this interest rate cycle may have been reached.

#### Council's Investment Portfolio

The December Investment Report was compiled using valuations supplied by Council's recently appointed Investment Reporting Service providers, Laminar Group Limited. Council's investment portfolio is conservatively structured in accordance with Division of Local Government guidelines with 73% 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.

The historic low cash rate is 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 1.27% 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	11,512,960.00
FLOATING RATE NOTES	33,941,051.00
TERM DEPOSITS	47,000,000.00

#### WATER FUND

CALL ACCOUNT	5,700,000.00	<b>98,154,011.00</b>
TERM DEPOSITS	28,000,000.00	

#### SEWERAGE FUND

FUND MANAGERS	0.00	<b>28,000,000.00</b>
TERM DEPOSITS	42,000,000.00	
FUND MANAGERS	0.00	<b>42,000,000.00</b>

<b>TOTAL INVESTMENTS</b>	<b>168,154,011.00</b>
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## Addendum Report

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It should be noted that the General Fund investments of **\$98 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 Technology and Corporate Services  
Tweed Shire Council

#### **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*



**Addendum Report**

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