

Addendum Report

REPORTS FROM THE DIRECTOR CORPORATE SERVICES

a28 [CS-CM] Monthly Investment and Section 94 Development Contribution Report for Period ending 29 February 2016

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), Clause 212 of the Local Government (General) Regulations and Council policies. Council had **\$244,836,571** invested as at **29 February 2016** and the accrued net return on these funds was **\$638,939** or **3.13%** 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 29 February 2016 totalling \$244,836,571 be received and noted.

Addendum Report

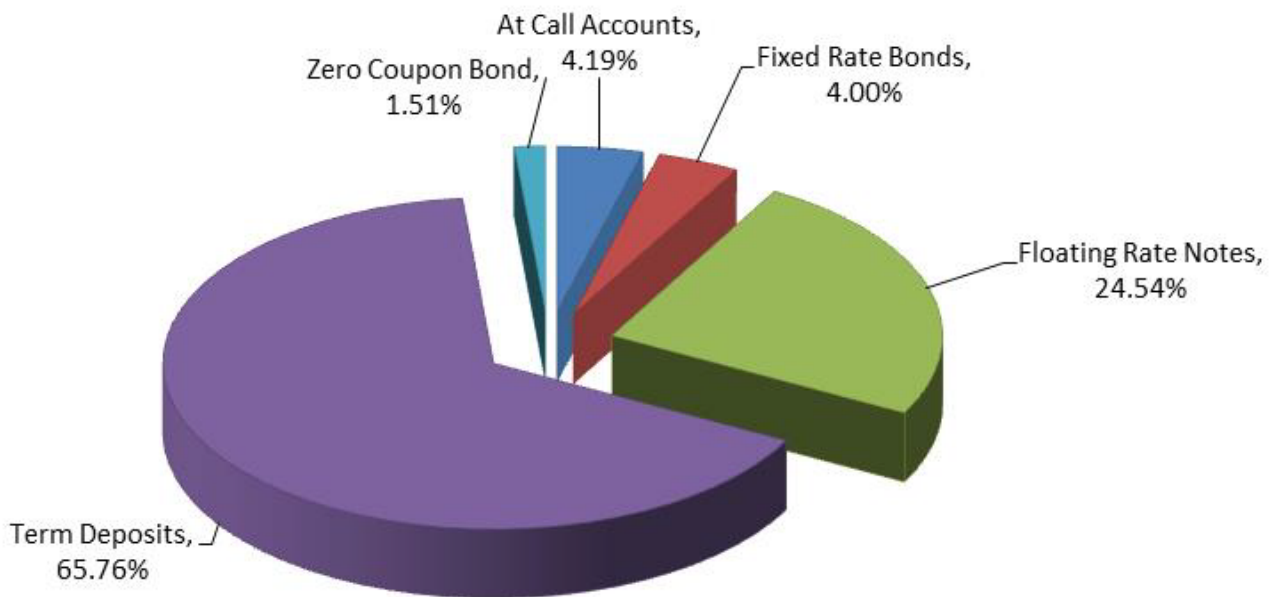
REPORT:

1. Restricted Funds as at 1 September 2015

Description	(\$'000)			
	General Fund	Water Fund	Sewer Fund	Total
Externally Restricted (Other)	4,010	32,944	61,499	98,453
Crown Caravan Parks	18,283			18,283
Developer Contributions	26,759	2,651		29,410
Domestic Waste Management	13,981			13,981
Grants	2,923			2,923
Internally Restricted (Other)	43,083			43,083
Employee Leave Entitlements	11,330			11,330
Grants	3,169			3,169
Unexpended Loans	9,415			9,415
Total	132,953	35,595	61,499	230,047

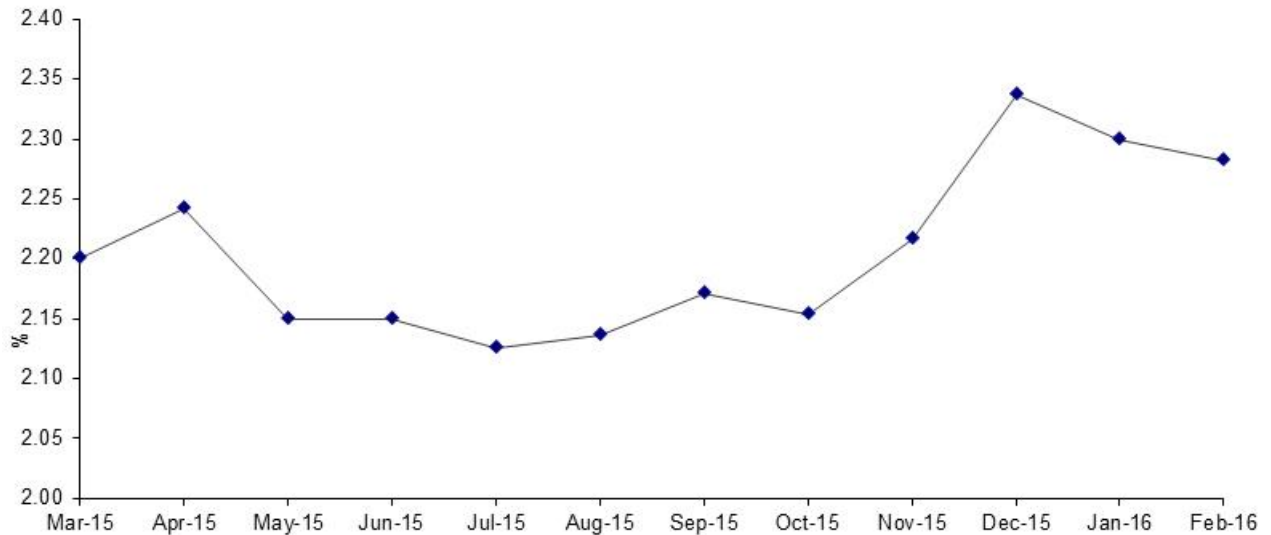
Note: Restricted Funds Summary updated September 2015, corresponding with the Annual Financial Statements as at 30 June 2015

2. Investment Portfolio by Category



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3. Investment Rates - 90 Day Bank Bill Rate



4. Bond and Floating Rate Note Securities

	Counterparty	Face Value	Market Value	% Return on Face Value	Investment Type	Maturity Date
	AMP (RIMSEC) (05/17)	2,500,000.00	2,514,075.00	3.37	FRN	29-May-17
*	ME Bank (CBA) (11/16)	1,000,000.00	1,003,020.00	3.52	FRN	28-Nov-16
*	ME Bank (Morgans) (11/16)	1,000,000.00	1,003,020.00	3.52	FRN	28-Nov-16
*	Macquarie (RIMSEC) (03/20)	2,000,000.00	1,997,820.00	3.40	FRN	03-Mar-20
*	BOQ (06/18)	1,000,000.00	1,004,300.00	3.35	FRN	12-Jun-18
*	CUA (03/17)	1,000,000.00	1,007,780.00	3.66	FRN	20-Mar-17
	CUA (03/17) (CBA)	1,000,000.00	1,007,780.00	3.66	FRN	20-Mar-17
*	Heritage (RBS/RIMSEC) (06/17)	2,500,000.00	2,621,250.00	7.25	Fixed Rate Bond	20-Jun-17
	NAB (06/16)	2,000,000.00	2,019,500.00	3.53	FRN	21-Jun-16
*	CUA (12/17)	1,000,000.00	1,006,000.00	3.56	FRN	22-Dec-17
	ANZ Rabo (RBS) (09/18)	1,000,000.00	1,005,660.00	3.50	FRN	25-Sep-18
	ANZ (04/20)	1,600,000.00	1,589,296.00	3.11	FRN	17-Apr-20
	CBA (01/21)	1,000,000.00	1,000,960.00	3.44	FRN	18-Jan-21
	CBA (10/19)	2,000,000.00	1,993,820.00	3.14	FRN	18-Oct-19
*	ME Bank (04/18)	1,000,000.00	1,006,730.00	3.59	FRN	17-Apr-18

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	Counterparty	Face Value	Market Value	% Return on Face Value	Investment Type	Maturity Date
	CBA (CBA) (10/18)	2,000,000.00	2,001,580.00	3.07	FRN	19-Oct-18
*	Suncorp (NAB) (08/20)	3,000,000.00	2,999,160.00	3.53	FRN	20-Oct-20
	CBA (04/19)	1,000,000.00	1,000,390.00	3.15	FRN	24-Apr-19
	CBA Bond (04/19)	1,000,000.00	1,053,790.00	4.25	Fixed Rate Bond	24-Apr-19
	Macquarie (ANZ) (10/18)	1,000,000.00	999,030.00	3.33	FRN	26-Oct-18
*	Suncorp (04/19)	2,000,000.00	2,009,000.00	3.37	FRN	23-Apr-19
*	Westpac (07/20)	2,000,000.00	1,986,120.00	3.18	FRN	28-Jul-20
*	Westpac (WBC)	1,000,000.00	998,300.00	3.36	FRN	28-Oct-20
	CBA (08/16)	1,000,000.00	1,006,300.00	3.45	FRN	02-Aug-16
*	Suncorp (11/19)	1,000,000.00	993,020.00	2.99	FRN	05-Nov-19
*	ANZ (11/18)	1,000,000.00	1,001,370.00	3.16	FRN	06-Nov-18
*	BOQ (11/19)	2,000,000.00	1,987,440.00	3.35	FRN	06-Nov-19
	Heritage (Morgans) (05/18)	2,000,000.00	1,996,880.00	3.43	FRN	07-May-18
*	Heritage (Westpac) (05/18)	1,000,000.00	998,440.00	3.43	FRN	07-May-18
	Rabo (Morgans) (02/20)	2,000,000.00	1,984,280.00	3.33	FRN	11-Feb-20
*	Bendigo (RBS) (11/18)	1,000,000.00	1,007,360.00	3.56	FRN	14-Nov-18
*	Bendigo (RBS) (05/17)	3,000,000.00	3,016,380.00	3.49	FRN	17-May-17
*	ME Bank (ANZ) (11/17)	1,000,000.00	998,290.00	3.29	FRN	17-Nov-17
	Bendigo (Westpac) (08/20)	1,000,000.00	990,770.00	3.39	FRN	18-Aug-20
*	Bendigo (Westpac) (08/20)	3,000,000.00	2,972,310.00	3.39	FRN	18-Aug-20
*	Bendigo (Westpac) (Aug 2020)	2,000,000.00	1,981,540.00	3.39	FRN	18-Aug-20
*	Suncorp (CBA) (08/19)	1,000,000.00	997,020.00	3.22	FRN	20-Aug-19
*	Westpac (RBS) (02/17)	1,000,000.00	1,012,340.00	3.93	FRN	20-Feb-17
*	Westpac (JP Morgans) (02/19)	2,000,000.00	1,999,600.00	3.23	FRN	25-Feb-19
*	ANZ Green Bond (06/20)	2,000,000.00	2,022,940.00	3.25	Fixed Rate Bond	03-Jun-20

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Counterparty	Face Value	Market Value	% Return on Face Value	Investment Type	Maturity Date
* Suncorp Covered (RIMSEC) (12/16)	2,000,000.00	2,053,480.00	4.75	Fixed Rate Bond	06-Dec-16
* BOQ (06/18) ING Bond(RBS) (08/16)	1,000,000.00	1,027,480.00	4.00	Fixed Rate Bond	12-Jun-18
CBA/Merrill Lynch Zero Coupon Bond (01/18)	4,000,000.00	3,705,840.00	7.17	Fixed Rate Bond	22-Jan-18
* NPBS (Morgans) (02/18)	1,000,000.00	994,070.00	3.23	FRN	27-Feb-18
AMP (Morgans) (6/18)	1,000,000.00	1,007,150.00	3.18	FRN	06-Jun-18
CBA (07/20)	2,000,000.00	1,988,920.00	3.19	FRN	17-Jul-20
	73,600,000.00	73,578,571.00	3.61		
LEGEND		ABS = Asset Backed Security			
Investment Type		Bond = Fixed Rate Bond			
		FRN = Floating Rate Note			
Counterparty		Bendigo = Bendigo & Adelaide Bank		NPBS - Newcastle Permanent Building Society	
AMP = AMP Bank		Heritage = Heritage Bank		ME = Members Equity Bank	
ANZ = ANZ Bank		ING = ING Bank		RaboDirect = Rabo Bank	
BOQ = Bank of Queensland		Investec = Investec Bank		Rural = Rural Bank (previously Elders Bank)	
CBA = Commonwealth Bank		Macquarie = Macquarie Bank		Suncorp = Suncorp Metway Bank	
CUA = Credit Union Australia		NAB = National Australia Bank		WBC = WBC Banking Corporation	

5. Term Deposits

Counterparty	Lodged or Rolled	Interest Due	Maturity Date	Principal	% Yield
* BOQ (Mar 2016)	02-Sep-15	01-Mar-16	01/03/2016	1,000,000.00	2.85
Maitland MBS (RIMSEC) (Mar 2016)	01-Sep-15	01-Mar-16	01/03/2016	2,000,000.00	3.00
* MEB (Curve) (Mar 2016)	25-Feb-15	01-Mar-16	01/03/2016	2,000,000.00	4.07
Rural Bank (Curve) (Mar 2016)	01-Sep-15	01-Mar-16	01/03/2016	3,000,000.00	2.90
NAB (Mar 2016)	15-Sep-15	08-Mar-16	08/03/2016	4,000,000.00	3.15
Rural Bank (Curve) (Mar 2016)	03-Sep-15	08-Mar-16	08/03/2016	1,000,000.00	2.85
* Investec (RIMSEC) (Jun 2016)	10-Dec-15	10-Mar-16	14/06/2016	1,000,000.00	3.45

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	Counterparty	Lodged or Rolled	Interest Due	Maturity Date	Principal	% Yield
*	Bankwest (Mar 2016) BOQ (Sept 2016) quarterly interest	17-Mar-15	15-Mar-16	15/03/2016	1,000,000.00	3.00
*	NAB (Oct 2016)	21-Dec-15	21-Mar-16	20/09/2016	2,000,000.00	3.66
	NAB (Dec 2019)	22-Feb-16	21-Mar-16	18/10/2016	2,000,000.00	3.01
	Auswide Bank (RIMSEC)	21-Dec-15	21-Mar-16	17/12/2019	2,000,000.00	3.41
*	(Mar 2016) BOQ (Mar 2016) annual interest	25-Mar-15	22-Mar-16	22/03/2016	1,000,000.00	3.06
*	NAB (Mar 2016)	21-Sep-15	22-Mar-16	22/03/2016	2,000,000.00	2.95
	RaboDirect (RIMSEC) (Mar 2016) annual interest	24-Sep-15	22-Mar-16	22/03/2016	2,000,000.00	3.00
	Suncorp (Mar 2016)	22-Mar-15	22-Mar-16	22/03/2016	1,000,000.00	7.15
*	IMB (Jan 2020)	15-Sep-15	22-Mar-16	22/03/2016	4,000,000.00	2.92
*	Westpac (Apr 2016) quarterly interest	06-Jan-16	06-Apr-16	06/01/2020	1,000,000.00	3.33
*	Westpac (Jan 2016)	07-Jan-16	07-Apr-16	07/04/2016	2,000,000.00	3.62
*	NAB (Jan 2020)	11-Jan-16	11-Apr-16	12/01/2021	6,000,000.00	3.43
	Suncorp (Apr 2016)	18-Jan-16	18-Apr-16	21/01/2020	2,000,000.00	3.75
*	Investec (July 2016) ING (RIMSEC) (Jan 2019)	24-Dec-15	19-Apr-16	19/04/2016	5,000,000.00	3.05
*	Police CU SA (May 2016)	25-Jan-16	26-Apr-16	26/07/2016	2,000,000.00	3.37
	NAB (Feb 2020)	29-Jan-16	29-Apr-16	29/01/2019	2,000,000.00	3.14
*	IMB (Nov 2017) AMP (RIMSEC) (May 2016)	03-Feb-16	03-May-16	03/05/2016	1,000,000.00	3.10
	ING (RIMSEC) (Feb 2020)	03-Feb-16	03-May-16	03/02/2020	1,000,000.00	3.70
*		05-Feb-16	05-May-16	06/11/2017	1,000,000.00	3.14
		11-Aug-15	10-May-16	10/05/2016	3,000,000.00	2.90
		11-Feb-16	11-May-16	11/02/2020	1,000,000.00	3.23

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	Counterparty	Lodged or Rolled	Interest Due	Maturity Date	Principal	% Yield
	NAB (May 2020) annual interest	12-Feb-16	12-May-16	12/02/2020	2,000,000.00	3.43
	CBA (Feb 2020)	15-Feb-16	13-May-16	13/02/2020	1,000,000.00	3.19
*	Bankwest (May 2016)	09-Feb-16	17-May-16	17/05/2016	2,000,000.00	3.00
*	Westpac (Feb 2016)	19-Feb-16	18-May-16	18/05/2016	2,000,000.00	3.45
	CBA May (2020)	19-Feb-16	19-May-16	19/05/2020	1,000,000.00	3.15
	CBA May (2020)	19-May-15	19-May-16	19/05/2020	2,000,000.00	3.41
	NAB (May 2016)	20-May-15	20-May-16	24/05/2016	3,000,000.00	4.00
*	Suncorp (Sept 2015)	01-Dec-15	31-May-16	31/05/2016	3,000,000.00	3.05
	Gateway CU (RIMSEC) (June 2016)	08-Sep-15	07-Jun-16	07/06/2016	2,000,000.00	2.86
*	Bankwest (Jun 2016)	23-Feb-16	28-Jun-16	28/06/2016	1,000,000.00	3.00
	Rural Bank (Curve) (Jul 2016)	01-Jul-15	05-Jul-16	05/07/2016	1,000,000.00	3.00
*	BOQ (Jan 2016)	12-Jan-16	12-Jul-16	12/07/2016	2,000,000.00	3.10
*	BOQ (Jan 2016)	19-Jan-16	19-Jul-16	19/07/2016	2,000,000.00	3.10
	RaboDirect (Curve) (Jul 2016)	28-Jul-15	26-Jul-16	26/07/2016	1,000,000.00	5.40
*	MEB (Jul 2016)	29-Jul-15	29-Jul-16	26/07/2016	2,000,000.00	3.71
*	BOQ (Aug 2015)	11-Aug-15	06-Aug-16	08/08/2017	3,000,000.00	3.00
*	BOQ (Aug 2016)	11-Aug-15	06-Aug-16	08/08/2017	1,000,000.00	3.00
	RaboDirect (Curve) (Aug 2019)	07-Aug-15	07-Aug-16	13/08/2019	2,000,000.00	4.30
*	BOQ (Aug 2017)	05-Aug-15	08-Aug-16	08/08/2017	2,000,000.00	3.00
*	BOQ (Aug 2016)	08-Feb-16	09-Aug-16	09/08/2016	5,000,000.00	3.10
*	CUA (Aug 2016)	03-Feb-16	09-Aug-16	09/08/2016	2,000,000.00	3.05
*	Bendigo (Curve) (Feb 2017)	09-Feb-16	11-Aug-16	14/02/2017	2,000,000.00	2.95
	Rabo (RIMSEC) (Feb 2018)	19-Aug-15	18-Aug-16	20/02/2018	3,000,000.00	3.00

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Counterparty	Lodged or Rolled	Interest Due	Maturity Date	Principal	% Yield
Rabo Bank (Curve) (Aug 2018)	21-Aug-15	21-Aug-16	21/08/2018	2,000,000.00	4.10
Auswide Bank (RIMSEC) (Aug 2016)	26-Feb-16	23-Aug-16	23/08/2016	2,000,000.00	3.15
BOQ (Feb 2016)	23-Feb-16	23-Aug-16	23/08/2016	4,000,000.00	3.10
Westpac (Aug 2020)	25-Aug-15	24-Aug-16	25/08/2020	2,000,000.00	3.00
Rabo (Curve) (Aug 2018)	26-Aug-15	26-Aug-16	28/08/2018	3,000,000.00	3.00
Rabo Bank (Curve) (Sept 2019)	01-Sep-15	01-Sep-16	03/09/2019	1,000,000.00	4.05
Bendigo Bank (Sept 2019)	01-Sep-15	03-Sep-16	03/09/2019	1,000,000.00	4.15
NAB (Sept 2016)	04-Sep-15	04-Sep-16	06/09/2016	4,000,000.00	4.25
QLD PCU (RIMSEC) (Mar 2016)	03-Sep-15	05-Sep-16	04/09/2018	1,000,000.00	3.05
Bendigo Bank (Curve) (April 2017)	13-Oct-15	13-Oct-16	18/04/2017	2,000,000.00	3.00
NAB (Aug 2016)	16-Feb-16	18-Oct-16	18/10/2016	4,000,000.00	3.00
Suncorp (Oct 2016)	23-Feb-16	25-Oct-16	25/10/2016	2,000,000.00	3.00
Suncorp (Oct 2016)	23-Feb-16	25-Oct-16	25/10/2016	2,000,000.00	3.00
Defence Bank (Curve) (Oct 2017)	27-Oct-15	26-Oct-16	24/10/2017	1,000,000.00	3.00
RaboDirect (Curve) (Nov 2016) annual interest	11-Nov-15	22-Nov-16	22/11/2016	1,000,000.00	6.30
Rabo (Curve) (Jul 2018)	26-Nov-15	26-Nov-16	03/07/2018	3,000,000.00	3.10
Auswide Bank Bank (Dec 2016)	08-Dec-15	13-Dec-16	13/12/2016	3,000,000.00	3.76
Big Sky BS Auswide Bank (Curve) (Feb 2017)	19-Jan-16	17-Jan-17	17/01/2017	2,000,000.00	3.10
CUA (Curve) (Feb 2017)	03-Feb-15	07-Feb-17	07/02/2017	1,000,000.00	3.50
RaboDirect (Curve) (Feb 2017) annual interest	17-Feb-16	14-Feb-17	14/02/2017	2,000,000.00	3.05
	10-Feb-16	14-Feb-17	14/02/2017	1,000,000.00	3.40

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Counterparty	Lodged or Rolled	Interest Due	Maturity Date	Principal	% Yield
* Bendigo Bank (Feb 2018)	16-Feb-16	16-Feb-17	13/02/2018	3,000,000.00	3.10
BCU (Curve) (Feb 2017)	21-Feb-16	21-Feb-17	21/02/2017	1,000,000.00	3.20
ING (Curve) (Feb 2017)	25-Feb-16	21-Feb-17	21/02/2017	1,000,000.00	3.10
Rabo Bank (Mar 2017) (RIMSEC)	04-Mar-14	07-Mar-17	07/03/2017	2,000,000.00	4.15
* Bendigo Bank (March 2017)	08-Sep-15	14-Mar-17	14/03/2017	1,000,000.00	2.80
P&N Bank (RIMSEC) (Sept 2017)	22-Sep-14	21-Sep-17	21/09/2017	1,000,000.00	4.00
* Bendigo Bank (Dec 2017)	15-Dec-15	18-Dec-17	18/12/2017	2,000,000.00	3.15
RaboDirect (Curve) (Jan 2015)	13-Jan-15	15-Jan-19	15/01/2019	1,000,000.00	4.00
Total				161,000,000.00	3.39
LEGEND					
Counterparties					
AMP = AMP Bank		Macquarie = Macquarie Bank		WBC = Westpac Bank	
ANZ = ANZ Bank		NAB = National Australia Bank			
Auswide = Auswide Bank		ME = Members Equity Bank			
BOQ = Bank of Queensland		NPBS = Newcastle Permanent Building Society			
CBA = Commonwealth Bank		P&N = P&N Bank			
Heritage = Heritage Bank		RaboDirect = Rabo Bank			
ING = ING Bank		Rural = Rural Bank			
Investec = Investec Bank		Suncorp = Suncorp Metway Bank			

6. Ethical Investments

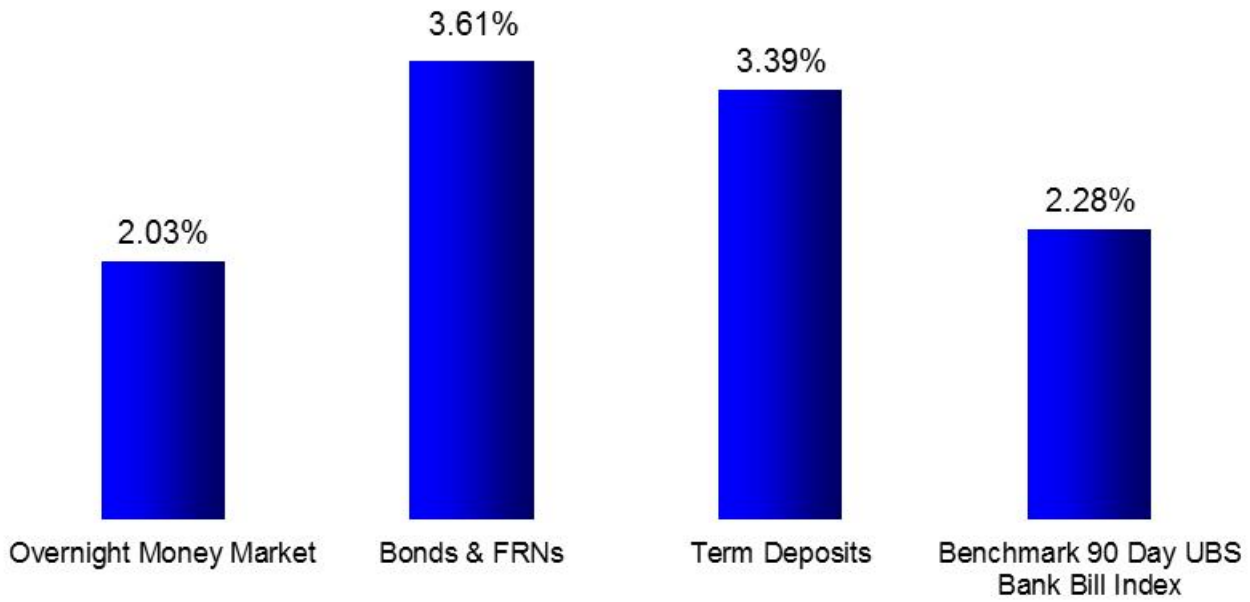
- * Ethical Financial Institutions highlighted
\$136,438,843 which represents **55.73%** of the total portfolio
Source: Australian Ethical - www.australianethical.com.au

7. Performance by Category

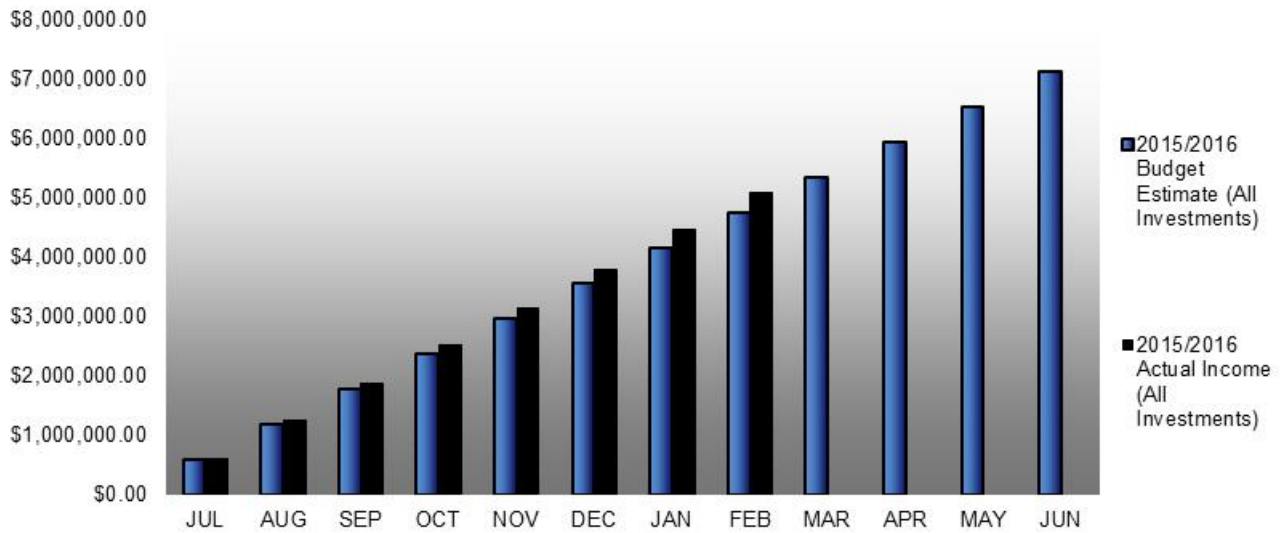
Category	Face Value	Market Value	Weighted Average Return	Above or (Below) 90 day BBSW Benchmark	
Overnight Money Market	10,258,000.00	10,258,000.00	2.03%	-0.25%	
Bonds & FRNs	73,600,000.00	73,578,571.00	3.61%	1.33%	
Term Deposits	161,000,000.00	161,000,000.00	3.39%	1.11%	
Benchmark 90 Day UBS Bank Bill Index	2.28%	244,858,000.00	244,836,571.00	2.28%	0.73%

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Performance by Category Compared with Benchmark



8. Total Portfolio Income v Budget



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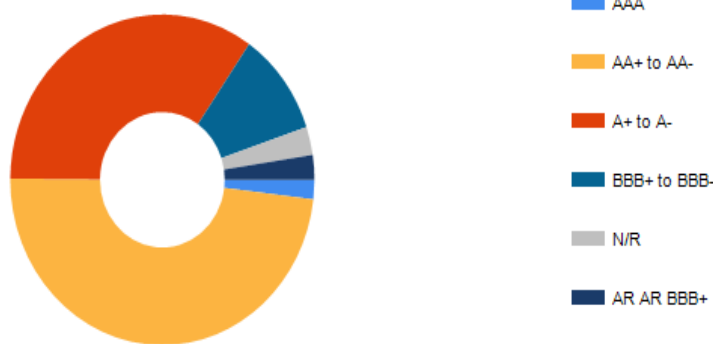
9. Investment Policy Diversification and Credit Risk

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%	0.85%	A-1+	100%	13.81%
AA Category	100%	21.75%	A-1	100%	8.72%
A Category	60%	15.58%	A-2	60%	23.25%
BBB Category	20%	4.58%	A-3	0%	0.00%
Unrated	10%	2.33%	Unrated	10%	9.13%

Market Value by Security Rating Group (Short Term)



Market Value by Security Rating Group (Long Term)



10. Term to Maturity

Maturity Profile	Actual % Portfolio	Policy Limits
Less than 365 days	44.99%	Minimum 40%
More than 365 days and less than 3 years	30.29%	Maximum 60%
3 years and less than 5 years	24.72%	Maximum 35%
Total	100.00%	

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Market Value by Term Remaining



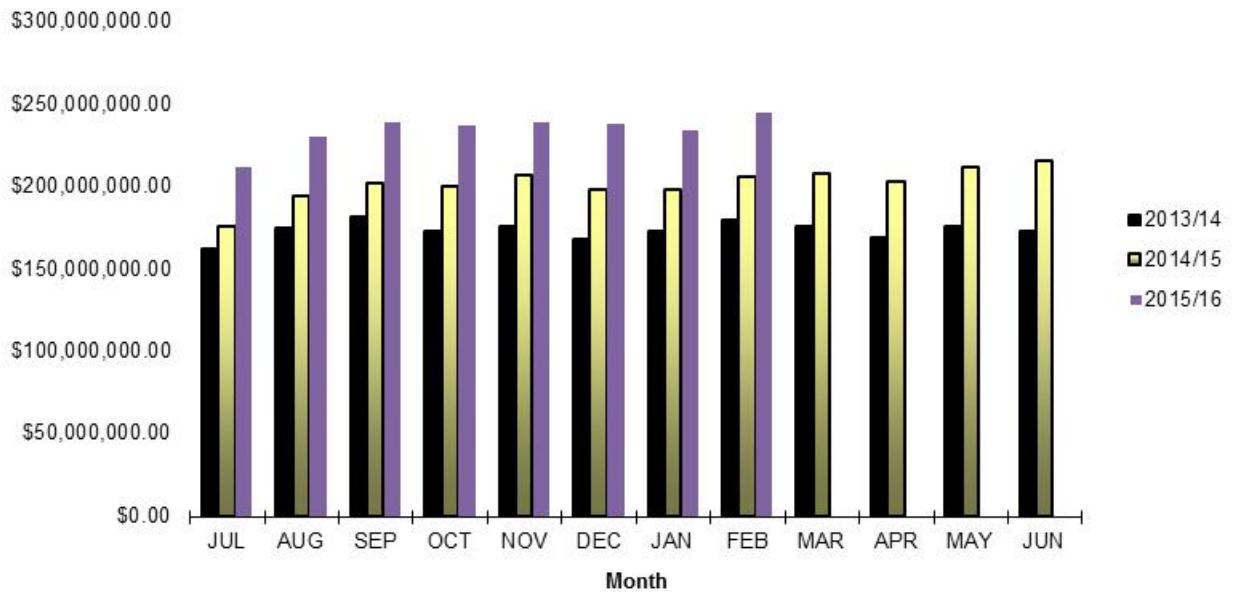
11. Investment Alternatives Explained

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 is 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

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

12. Monthly Comparison of Total Funds Invested



Addendum Report

13. Section 94 Developer Contributions - Monthly Balances & Receipts

Contribution Plan	Plan Description	End of Month Balance	Contributions Received for Month
1	DCP3 Open Space	4,300,222	
2	Western Drainage	611,779	
3	DCP3 Community Facilities	1,656	
4	TRCP Road Contributions	12,803,617	478,139
5	Open Space	384,888	3,546
6	Street Trees	192,429	
7	West Kingscliff	500,206	36,493
10	Cobaki Lakes	-1,370	
11	Libraries	2,119,665	49,213
12	Bus Shelters	93,148	3,684
13	Cemeteries	72,974	7,172
14	Mebbin Springs	91,560	
15	Community Facilities	1,156,692	78,774
16	Surf Lifesaving	399,845	226
18	Council Administration/Technical Support	1,296,084	109,220
19	Kings Beach	743,350	
20	Seabreeze Estate	764	
21	Terranora Village	32,964	
22	Cycleways Shirewide	287,015	26,798
23	Carparking Shirewide	1,428,773	
25	SALT	1,138,034	
26	Open Space Shire wide	1,317,362	297,010
27	Tweed Heads Masterplan	178,360	
28	Seaside City	285,902	-48,468
91	DCP14	109,574	
92	Public Reserve Contributions	137,363	
95	Bilambil Heights	535,822	
	Total	30,218,678	1,041,806

Addendum Report

14. Economic Commentary

Australian and World Economy and Cash Rate

The Reserve Bank of Australia (RBA) met on 1 March and decided to leave the cash rate unchanged at 2 per cent.

Recent information suggests that the global economy is continuing to grow, though at a slightly lower pace than earlier expected. While several advanced economies have recorded improved growth over the past year, conditions have become more difficult for a number of emerging market economies. China's growth rate has continued to moderate.

Commodity prices have declined very substantially over the past couple of years. This partly reflects slower growth in demand but also, in some key instances, large increases in supply. The decline in Australia's terms of trade has continued.

Financial markets have once again exhibited heightened volatility over recent months, as participants grapple with uncertainty about the global economic outlook and policy settings among the major jurisdictions. Appetite for risk has diminished somewhat and funding conditions for emerging market sovereigns and lesser-rated corporates have tightened. Funding costs for high-quality borrowers remain very low and, globally, monetary policy remains remarkably accommodative.

In Australia, the available information suggests that the expansion in the non-mining parts of the economy strengthened during 2015 despite the contraction in spending in mining investment. This was reflected in improved labour market conditions. The pace of lending to businesses also picked up.

Inflation is quite low. With growth in labour costs continuing to be quite subdued as well, and inflation restrained elsewhere in the world, inflation is likely to remain low over the next year or two.

Given these conditions, it is appropriate for monetary policy to be accommodative. Low interest rates are supporting demand, while supervisory measures are working to emphasise prudent lending standards and so to contain risks in the housing market. Credit growth to households continues at a moderate pace, albeit with a changed composition between investors and owner-occupiers. The pace of growth in dwelling prices has moderated in Melbourne and Sydney and has remained mostly subdued in other cities. The exchange rate has been adjusting to the evolving economic outlook.

Over the period ahead, new information should allow the Board to judge whether the improvement in labour market conditions is continuing and whether the recent financial turbulence portends weaker global and domestic demand. Continued low inflation would provide scope for easier monetary policy, should that be appropriate to lend support to demand.

Addendum Report

Council's Investment Portfolio

Council's investment portfolio is conservatively structured in accordance with Office of Local Government guidelines with 70% of the portfolio held in cash and term deposits. Term deposits and bonds are paying just above average margins over the 90 day bank bill rate.

Bank demand for term deposit funds has increased during the second half of the 2015/16 financial year due to limited availability of wholesale funding, increased cost of wholesale funding and new banking capital requirements. This demand for funds is highlighted by the lowering of many "at call" rates to less than the RBA cash rate and increased margins above the 90 day bank bill benchmark for term deposits. As predicted in previous months, compressed margins for term deposits were not expected to continue further into 2016 as banks requirement for depositors funds begins to increase.

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

All investment categories, except cash at call, out-performed the UBS 90 day bank bill benchmark this month. The investment portfolio again benefited this month from higher yielding bonds and term deposits purchased before interest rate margins began contracting. Overall, the investment portfolio has returned an average 0.73% pa above the 90 day UBS bank bill index for the last month.

Source: RBA Monetary Policy Decision

15. Investment Summary

GENERAL FUND

CORPORATE FIXED RATE BONDS	13,491,750.00	
FLOATING RATE NOTES	60,086,821.00	
ASSET BACKED SECURITIES	0.00	
FUND MANAGERS	0.00	
TERM DEPOSITS	46,000,000.00	
CALL ACCOUNT	10,258,000.00	129,836,571.00

WATER FUND

TERM DEPOSITS	47,000,000.00	
FUND MANAGERS	0.00	47,000,000.00

SEWERAGE FUND

TERM DEPOSITS	68,000,000.00	
FUND MANAGERS	0.00	68,000,000.00

TOTAL INVESTMENTS		<u>244,836,571.00</u>
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It should be noted that the General Fund investments of \$129 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.

Addendum Report

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.



Responsible Accounting Officer
Manager Financial 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*
 - (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.*

Addendum Report

(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.
