

4.5. Investments Report January 2020

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Reference

Min No 20-30: Ordinary meeting of Council held on 29 January 2020.

Summary

To advise Council of investments held as at 31 January 2020 and to note the certification of the Responsible Accounting Officer that funds have been invested in accordance with legislation, regulations and Council policy.

Commentary

Council's total investment portfolio, as at 31 January 2020 when compared to 31 December 2019, has decreased by \$1,127,000 from \$29,535,230 to \$28,408,230. Cash in Council's bank account decreased by \$78,242 from \$261,513 to \$183,271.

There is an overall decrease in cash and investments of \$1,205,242 since 31 December 2019, which is mainly due to the ordinary operations of Council. Rates receipts are usually minimal in January, as rates instalment do not fall due in January.

If the movement in the bank account is negative, this is shown as a net redemption. If the movement in the bank account is positive this is shown as a net new investment.

The movement in investments for the month of January 2020 were as follows:

Opening Balance of cash and investments as 01 January 2020	\$29,796,743
Plus New Investments – January 2020	\$4,873,000
Less Investments redeemed – January 2020	-\$6,078,242
Closing Balance of cash and investments as at 31 January 2020	\$28,591,501

A large proportion of Council's investments are held as restricted assets for specific purposes. Restricted assets may consist of externally restricted assets which must be spent for the purpose for which they have been received (e.g. Water, Wastewater, Stormwater, Domestic Waste, Parking) or internally restricted assets which have been set aside by Council resolution. Some internal restrictions are held to fund specific liabilities such as employee leave entitlements and bonds and deposits.

Policy Implications

Investments are held in accordance with the Lithgow City Council's Investment Policy at the date of investing funds. On 25 November 2019, Council adopted a revised Investment Policy which includes the Minister's Investment Order of 12 January 2011

Financial Implications

- YTD interest income budget approved – \$292,500
 - Cost centre - 3259
- YTD Income to date - \$373,710
 - Future potential impact – Nil

The Council's interest income for YTD is \$81K is over budget due to a combination of reserve balances being greater than forecast and a timing issue on the impact of falling interest rates on investment returns.

Interest is paid on the maturity date of the investment. The budget for interest income is determined by the average level of funds held and the rate of return. Adjustments to the budget

estimate are processed through Council's Quarterly Budget Review process. Interest Returns are determined by average funds invested and the rate of interest return.

Legal and Risk Management Implications

Investments are held in accordance with the Lithgow City Council's Investment Policy at the date of investing the funds. On 25 November 2019, Council adopted a revised Investment Policy and not all investments comply with this Policy. There will be an orderly transition to the new policy limits. As monies invested in instruments and category limits compliant with the previous policy but inconsistent with the current policy mature, the funds will be re-invested in accordance with the new policy limits.

Risk is managed by taking a conservative approach to managing Council's investments and only investing in term deposits.

CERTIFICATION OF THE RESPONSIBLE ACCOUNTING OFFICER

I hereby certify that the investments listed in the report have been made in accordance with Section 625 of the Local Government Act 1993, clause 212 of the Local Government (General) Regulation 2005 and Council's Investments Policy.

Ross Gurney
Chief Financial and Information Officer (Responsible Accounting Officer)

Attachments

1. 05022020123625-0001 [4.5.1 - 1 page]

Recommendation

THAT

1. Investments of \$28,408,230 and cash of \$183,271 for the period ending 31 January 2020 be noted.
2. The enclosed certificate of the Responsible Accounting Officer be noted.

Market Value by Issuer

Issuer	Market Value	% Total Value
AMP Bank Ltd	10,083,716.15	35.56%
Auswide Bank Limited	1,003,068.49	3.54%
Bank of Queensland Ltd	6,048,384.93	21.33%
Commonwealth Bank of Australia Ltd	190,000.00	0.67%
Macquarie Bank	2,014,287.68	7.10%
Members Equity Bank Ltd	2,004,164.38	7.07%
MyState Bank Ltd	4,514,519.17	15.92%
National Australia Bank Ltd	1,500,131.51	5.29%
Westpac Banking Corporation Ltd	1,000,692.60	3.53%
Portfolio Total	28,358,964.90	100.00%

