

5.6. Investment Report September 2020

Prepared by Sharon Morley – Finance Officer
Department Finance & Assets
Authorised by Chief Financial & Information Officer

Reference

Min No 20-234: Ordinary meeting of Council held on 28 September 2020.

Summary

To advise Council of investments held as at 30 September 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 30 September 2020, when compared to 31 August 2020, has decreased by \$2,120,000 from \$24,870,000 to \$22,750,000. Cash in Council's bank account increased by \$4,205,920 from \$393,944 to \$4,599,864.

There is an overall increase in cash and investments of \$2,085,920 since 31 August 2020. The increase in investments is due to the ordinary operations of Council, including receipts for the first rates instalment and water receipts from 2019/20 with deferred due dates to 30 September 2020.

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 September 2020 were as follows:

Opening Balance of cash and investments as 01 September 2020	\$25,263,944
Plus New Investments – September 2020	\$6,205,920
Less Investments redeemed – September 2020	-\$4,120,000
Closing Balance of cash and investments as at 30 September 2020	\$27,349,864

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 24 February 2020, Council adopted a revised Investment Policy which includes the Minister's Investment Order of 12 January 2011.

Financial Implications

- YTD interest income budget approved – \$150,000
- Cost centre - 3259
- YTD Income to date - \$88,570
- Future potential impact – Nil.

The Council's interest income for YTD is \$61K under budget due to a combination of reserve balances being lower than projected and the impact of record low interest rates on investment

returns. The 2020/21 original budget will be reviewed at the Quarter One budget review and a budget variation will be prepared for Council's consideration.

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 24 February 2020, 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. Attachment 1 - September Investments Report [5.6.1 - 1 page]

Recommendation

THAT

1. Investments of \$22,750,000 and cash of \$4,599,864 for the period ending 30 September 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	5,014,786.31	22.98%
Auswide Bank Limited	1,003,912.33	4.60%
Bank of Queensland Ltd	3,005,369.86	13.77%
Commonwealth Bank of Australia Ltd	60,000.00	0.27%
Macquarie Bank	6,214,131.50	28.48%
Members Equity Bank Ltd	3,012,945.21	13.81%
MyState Bank Ltd	1,002,416.44	4.59%
National Australia Bank Ltd	2,595,532.88	11.48%
Portfolio Total	21,819,094.53	100.00%

