

5.6. Investment Report February 2021

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

Reference

Min No 21-53: Ordinary meeting of Council held on 22 February 2021.

Summary

To advise Council of investments held as at 28 February 2021 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 28 February 2021, when compared to 31 January 2021, has increased by \$866,526 from \$27,290,000 to \$28,156,526. Cash in Council's bank account increased by \$389,845 from \$177,973 to \$567,818.

There is an overall increase in cash and investments of \$1,256,371 since 31 January 2021. The increase in investments is due to the ordinary operations of Council. The month of February typically has higher cash inflows due to the third rates instalment being due and receipt of the third instalment of the Financial Assistance Grant.

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 February 2021 were as follows:

Opening Balance of cash and investments as 01 February 2021	\$27,467,973
Plus New Investments – February 2021	\$5,256,371
Less Investments redeemed – February 2021	-\$4,000,000
Closing Balance of cash and investments as at 28 February 2021	\$28,724,344

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, Domestic Waste) 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.

Council's cashflow strategy in recent years has been to hold minimal unrestricted cash, thus maximising investment returns. Most cash held in restricted reserves has been invested in term deposits. The strategy to maximise returns means that Council holds minimal working capital and relies on term deposits maturing regularly to pay staff and suppliers on time.

Rules and procedures are being developed to ensure that sufficient working capital is held in short-term deposits to meet Council's immediate needs (approx. \$750K to \$1M at any time).

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 – \$200,000
- Cost centre - 3259
- YTD Income to date - \$179,849
- Future potential impact – Nil.

The Council's interest income for YTD is \$20K 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 revised 2020/21 interest income budget of \$300K represents a further 47% reduction on actual interest income received in the 2019/20 year of \$565K. Any additional reduction in the 2020/21 interest income budget will be considered at the Quarter Three budget review.

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. Council had planned an orderly transition to the revised policy limits. The Investment Policy has been reviewed at March 2021 to address issues in relation to the practicality of the policy in the current investment environment.

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.

Both internally and externally restricted reserves are managed in accordance with legislation, regulation, Council resolutions and Council's endorsed budget allocations to / from reserves.

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

Attachments

1. Attachment 1 February 2021 [5.6.1 - 1 page]

Recommendation

THAT

1. Investments of \$28,156,526 and cash of \$567,818 for the period ending 28 February 2021 be noted.
2. The enclosed certificate of the Responsible Accounting Officer be noted.



Issuer	Market Value	% Total Value
AMP Bank Ltd	10,014,073.96	37.61%
Auswide Bank Limited	1,001,205.48	3.76%
Macquarie Bank	10,591,190.42	39.78%
MyState Bank Ltd	5,016,666.04	18.84%
Portfolio Total	26,623,135.90	100.00%

Market Value by Issuer

