

BYRON SHIRE COUNCIL**STAFF REPORTS - CORPORATE AND COMMUNITY SERVICES****13.5****Report No. 13.5 Council Investments - 1 June 2023 to 30 June 2023****Directorate:** Corporate and Community Services**Report Author:** James Brickley, Manager Finance5 **File No:** I2023/1050**Summary:**

This Report includes a list of investments and identifies Council's overall cash position for the period 1 June 2023 to 30 June 2023 for information.

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This Report is prepared to comply with Section 212 of the *Local Government (General) Regulation 2021*.

RECOMMENDATION:15 **That Council notes the Report listing Council's investments and overall cash position as of 30 June 2023.**

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Report

Council has continued to maintain a diversified portfolio of investments. As of 30 June 2023, the average 90-day bank bill rate (BBSW) for the month was 4.05%. Council's performance for June 2023 was 4.16%.

- 5 The increased interest rates from new investments is recognised and as a result Council is performing above the average BBSW. The table below identifies the investments held by Council as at 30 June 2023.

Schedule of Investments held as at 30 June 2023

Purch Date	Principal (\$)	Description	CP*	Rating	Maturity Date	No Fossil Fuel	Type	Int. Rate	Current Value (\$)
15/11/18	1,000,000.00	NSW Treasury Corp (Green Bond)	N	AAA	15/11/28	Y	B	3.00%	940,790.00
20/11/18	1,000,000.00	QLD Treasury Corp (Green Bond)	N	AA+	22/03/24	Y	B	1.78%	997,450.00
28/03/19	1,000,000.00	National Housing Finance & Investment Corporation	Y	AAA	28/03/29	Y	B	2.38%	912,290.00
21/11/19	1,000,000.00	NSW Treasury Corp (Sustainability Bond)	N	AAA	20/03/25	Y	B	1.25%	950,570.00
27/11/19	500,000.00	National Housing Finance & Investment Corp	Y	AAA	27/05/30	Y	B	1.52%	419,303.50
15/06/21	500,000.00	National Housing Finance & Investment Corp	Y	AAA	01/07/31	Y	B	1.99%	504,018.81
06/09/21	1,000,000.00	Northern Territory TCorp	N	Aa3	15/12/26	Y	B	1.40%	1,000,000.00
16/09/21	1,000,000.00	QLD Treasury Corp (Green Bond)	N	AA+	02/03/32	Y	B	1.83%	790,060.00

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Purch Date	Principal (\$)	Description	CP*	Rating	Maturity Date	No Fossil Fuel	Type	Int. Rate	Current Value (\$)
04/01/23	2,000,000.00	NAB	P	AA-	01/09/23	N	TD	4.60%	2,000,000.00
05/01/23	2,000,000.00	NAB	N	AA-	04/09/23	N	TD	4.60%	2,000,000.00
01/02/23	2,000,000.00	NAB	N	AA-	31/07/23	N	TD	4.35%	2,000,000.00
14/02/23	2,000,000.00	NAB	N	AA-	13/09/23	N	TD	4.95%	2,000,000.00
21/02/23	2,000,000.00	NAB	N	AA-	21/09/23	N	TD	5.05%	2,000,000.00
23/02/23	2,000,000.00	Bank of QLD	P	BBB+	25/09/23	N	TD	5.05%	2,000,000.00
28/02/23	2,000,000.00	NAB	N	AA-	26/09/23	N	TD	5.09%	2,000,000.00
13/03/23	2,000,000.00	NAB	N	AA-	11/07/23	N	TD	4.35%	2,000,000.00
24/01/23	1,000,000.00	Macquarie Bank	P	A	26/07/23	N	TD	4.42%	1,000,000.00
28/03/23	1,000,000.00	Police Bank	P	BBB	26/07/23	Y	TD	4.35%	1,000,000.00
04/04/23	2,000,000.00	Auswide Bank Ltd	P	BBB	04/07/23	Y	TD	4.55%	2,000,000.00
05/04/23	1,000,000.00	NAB	N	AA-	04/07/23	N	TD	4.35%	1,000,000.00
19/04/23	1,000,000.00	Bank of QLD	N	BBB+	14/07/23	N	TD	4.45%	1,000,000.00
20/04/23	1,000,000.00	AMP Bank	P	BBB	20/07/23	N	TD	4.50%	1,000,000.00
27/04/23	1,000,000.00	AMP Bank	N	BBB	27/07/23	N	TD	4.45%	1,000,000.00
05/06/23	1,000,000.00	AMP Bank	N	BBB	31/08/23	N	TD	4.85%	1,000,000.00
20/06/23	1,000,000.00	Bank of QLD	N	BBB	20/09/23	N	TD	5.05%	1,000,000.00
20/06/23	1,000,000.00	AMP Bank	N	BBB	19/09/23	N	TD	5.20%	1,000,000.00
29/06/23	1,000,000.00	Judo Bank	P	BBB-	28/09/23	Y	TD	5.35%	1,000,000.00
N/A	24,655,650.78	CBA Business Saver	P	AA-	N/A	N	CALL	4.20%	24,655,650.78
N/A	117,294.15	CBA Business Saver – Tourism Infrastructure Grant	N	AA-	N/A	N	CALL	4.20%	117,294.15
N/A	10,361,882.42	Macquarie	N	A	N/A	N	CALL	3.95%	10,361,882.42

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Purch Date	Principal (\$)	Description	CP*	Rating	Maturity Date	No Fossil Fuel	Type	Int. Rate	Current Value (\$)
		Accelerator Call							
Total	70,134,827.35						AVG	4.16%	69,649,309.66

Note 1. CP = Capital protection on maturity

N = No Capital Protection

Y = Fully covered by Government Guarantee

P = Partial Government Guarantee of \$250,000 (Financial Claims Scheme)

Note 2. **No Fossil Fuel ADI**

Y = No investment in Fossil Fuels

N = Investment in Fossil Fuels

U = Unknown Status

Note 3. **Type** **Description**

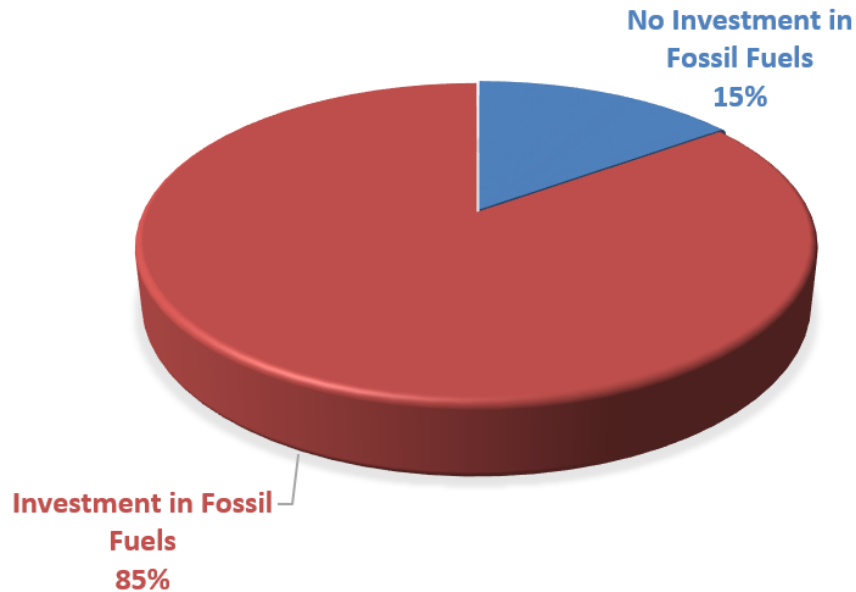
B	Bonds	Principal can vary based on valuation, interest payable via a fixed interest, payable usually each quarter.
FRN	Floating Rate Note	Principal can vary based on valuation, interest payable via a floating interest rate that varies each quarter.
TD	Term Deposit	Principal does not vary during investment term. Interest payable is fixed at the rate invested for the investment term.
CALL	Call Account	Principal varies due to cash flow demands from deposits/withdrawals. Interest is payable on the daily balance.

Environmental and Socially Responsible Investing (ESRI)

5 An additional column has been added to the schedule of Investments to identify if the financial institution holding the Council investment has been assessed as a 'No Fossil Fuel' investing institution. This information has been sourced through www.marketforces.org.au and identifies financial institutions that either invest in fossil fuel related industries or do not. The graph below highlights the percentage of each classification across Council's total investment portfolio in respect of fossil fuels only.

10 The notion of Environmental and Socially Responsible Investing is much broader than whether a financial institution as rated by 'marketforces.org.au' invests in fossil fuels or not. Council's current Investment Policy defines Environmental and Socially Responsible Investing at Section 4.1 of the Policy which can be found on Council's [website](#).

Council may from time to time have an investment with a financial institution that invests in fossil fuels but is nevertheless aligned with the broader definition of Environmental and Socially Responsible investments.



5 Investment Policy Compliance

The below table identifies compliance with Council’s Investment Policy by the proportion of the investment portfolio invested with financial institutions, along with their associated credit ratings compared to parameters in the Investment Policy. The parameters are designed to support prudent short and long-term management of credit risk and ensure diversification of the investment portfolio. Note that the financial institutions currently offering investments in the ‘ethical’ area are still mainly those with lower credit ratings (being either BBB or not rated at all i.e., credit unions).

Investment policy compliance % should not exceed the following			ACTUAL		
AAA to AA	A1+	100%	66%		Meets policy
A+ to A-	A1	60%	17%		Meets policy
BBB to NR	A2,NR	40%	17%		Meets policy

NSW Treasury Corporation Compliance – Loan Borrowing Conditions

Council has borrowed loans through NSW Treasury Corporation under the Local Government Low Cost Loans Initiative. As part of these loan borrowings, NSW Treasury Corporation has placed restrictions on where Council can invest based on the credit rating of the financial institution, the term of the investment and counterparty limit.

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NSW Treasury Corporation has reviewed Council's Investment Portfolio and reminded Council it needs to remain within the investment parameters outlined in the accepted loan agreements. Council currently complies with T Corp Borrowing conditions as indicated in the table below:

Tcorp compliance		Counterparty Limit	Tenor	ACTUAL	Variance
% should not exceed the following					
Tcorp	100%	100%	N/A	0%	Meets policy
AAA	100%	100%	N/A	7%	Meets policy
AA+ to AA-	100%	100%	5Y	61%	Meets policy
A+ to A	100%	100%	3Y	16%	Meets policy
A-	40%	40%	3Y	0%	Meets policy
BBB+		10% 3 Years	3Y	6%	Meets policy
BBB	30%	5% 12 Months	1Y	10%	Does not meet policy
BBB- and below (local ADI'S)		5% 12 Months	1Y	0%	Meets policy
BBB- and below (other)	5%	250,000	1Y	0%	Meets policy

Council had discussions with NSW Treasury Corporation and indicated it would start reporting the compliance in the monthly investment report to Council. Council is able to hold existing investments not in compliance until maturity but must ensure new investments meet the compliance requirements.

- 10 Meeting the NSW Treasury Corporation compliance means Council will be limited in taking up investments that may be for purposes associated with Environmental and Socially Responsible outcomes. Investments which do not comply with NSW Treasury Corporation requirements and investments with financial institutions that do not support fossil fuels will have to be decreased due to their credit rating status or lack of credit rating.
- 15 The investment portfolio is outlined in the table below by investment type for the period 1 June 2023 to 30 June 2023:

Dissection of Council Investment Portfolio as at 30 June 2023

Principal Value (\$)	Investment Linked to:	Current Market Value (\$)	Cumulative Unrealised Gain/(Loss) (\$)
28,000,000.00	Term Deposits	28,000,000.00	0.00
24,655,650.78	CBA Business Saver	24,655,650.78	0.00
117,294.15	CBA Business Saver – Tourism Infrastructure Grant	117,294.15	0.00
10,361,882.42	Macquarie Accelerator	10,361,882.42	0.00
7,000,000.00	Bonds	6,514,482.31	(485,517.69)
70,134,827.35	Total	69,649,309.66	(485,517.69)

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Council's overall 'cash position' is not only measured by funds invested but also by the funds retained in its consolidated fund or bank account for operational purposes. The table below identifies Council's overall cash position for the month of June 2023 as follows:

Dissection of Council's Cash Position as at 30 June 2023

Item	Principal Value (\$)	Current Market Value (\$)	Cumulative Unrealised Gain/(Loss) (\$)
Investments Portfolio			
Term Deposits	28,000,000.00	28,000,000.00	0.00
CBA Business Saver	24,655,650.78	24,655,650.78	0.00
CBA Business Saver – Tourism Infrastructure Grant	117,294.15	117,294.15	0.00
Macquarie Accelerator	10,361,882.42	10,361,882.42	0.00
Bonds	7,000,000.00	6,514,482.31	(485,517.69)
Total Investment Portfolio	70,134,827.35	69,649,309.66	(485,517.69)
Cash at Bank			
Consolidated Fund	3,623,564.03	3,623,564.03	0.00
Total Cash at Bank	3,623,564.03	3,623,564.03	0.00
Total Cash Position	73,758,391.38	73,272,873.69	(485,517.69)

Strategic Considerations

Community Strategic Plan and Operational Plan

CSP Objective	CSP Strategy	DP Action	Code	OP Activity
1: Effective Leadership We have effective decision making and community leadership that is open and informed	1.3: Ethical and efficient management of resources	1.3.1: Financial Management - Ensure the financial integrity and sustainability of Council through effective financial management	1.3.1.6	Maintain Council's cash flow

Legal/Statutory/Policy Considerations

5 In accordance with Section 212 of the *Local Government (General) Regulation 2021*, the Responsible Accounting Officer of Council must provide Council with a monthly report detailing all monies it has invested under section 625 of the *Local Government Act 1993*.

10 The Report must be presented at the next Ordinary Meeting of Council after the end of the month being reported. The current Council Meeting cycle does not always allow this to occur, especially as investment valuations required for the preparation of the report are often received after the deadline for the submission of reports. Endeavours are being made to achieve a better alignment and for some months this will require reporting for one or more months.

15 Council's investments are made in accordance with section 625(2) of the *Local Government Act 1993* and Council's Investment Policy. The *Local Government Act 1993* allows Council to invest money as per the Minister's Order – Forms of Investment, last published in the Government Gazette on 11 March 2011.

Council's Investment Policy includes the objective of maximising earnings from authorised investments and ensuring the security of Council Funds.

Financial Considerations

20 Council uses a diversified mix of investments to achieve short, medium, and long-term results.

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