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Item: 09.06

Subject: INVESTMENTS - SEPTEMBER 2018

Presented by: Corporate Performance, Rebecca Olsen

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### Alignment with Delivery Program

1.5.1 Manage Council's financial assets and provide accurate, timely and reliable information.

### RECOMMENDATION

**That Council note the Investment Report for the month of September 2018.**

### Executive Summary

- Total funds invested as at 30 September 2018 equals \$289,500,921.
- Interest for the month of September was \$703,989.
- The year-to-date investment income of \$2,114,937 represents 29% of the total annual investment income budget of \$7,385,000.
- Council's total investment portfolio performance for the financial year to date was 0.89% above the benchmark (2.95% against 2.06%). Benchmark being the Bank Bill reference rate as at 30 September 2018 as identified on [www.bloombergindeces.com](http://www.bloombergindeces.com).

### Discussion

Council has engaged Imperium Markets to provide both an investment management platform and investment advisory service. This decision was based on the need to provide more rigour and transparency around investment choices and to provide a sound framework to support the need for increased financial sustainability into the future.

The attached investment report and portfolio provides detailed information on the performance of council's investment portfolio.

### Overview

Councils (including Port Macquarie-Hastings Council) provide a broad range of services and associated infrastructure to their communities. These services include (but are not limited to) the following:

- Water and Sewer services;
- Waste services;
- Port Macquarie Airport;
- Cemeteries;
- Roads and Bridges;
- Various Recreation and Cultural facilities.

The Port Macquarie-Hastings area is a high growth centre of the North Coast region and is expected to accommodate a significant proportion of regional growth over the next two decades. The population will grow from 79,114 in 2016 to 102,926 in 2036. As a consequence of this growth, Council must not only provide services to the existing community and maintain existing assets, but Council must also plan for future maintenance and capital expenditure on the infrastructure that will be needed to support the community, business and visitors to the area into the future.

An independent analysis was conducted on Council's financial reserves. The review found:

- The Port Macquarie-Hastings local government area has experienced an unprecedented level of development activity. Whilst this has increased the level of reserves held through developer contributions, councils experiencing a high level of development activity require relatively high levels of reserves in order to adequately cope with the required levels of infrastructure spending.
- Council's reserve levels to be broadly appropriate and reasonable in light of Council's circumstances. In particular, that Council has successfully maintained a prudent buffer to prepare against potential financial risks associated with the predicted high development activity.

The full report is available on Council's website:

<http://www.pmhc.nsw.gov.au/About-Us/What-Council-Does/Corporate-Planning-Reporting-Budgets/Financial-Reports?BestBetMatch=financial%20reserves|cddb291-68a4-4d81-8aee-b3733958e5ca|bd0cff62-3134-4e81-9f7e-de4e65feb428|en-AU>

### Current Investments

Council is required to undertake investments in accordance with section 625 of the Local Government Act 1993. This report provides details of Council's investments, and certifies that all funds that Council has invested as at 30 June 2018, comply with this Act.

All investments have been made in accordance with the Act and Regulations, and Council's Investment Policy.

As at 30 September 2018, the investments held by Council totalled \$289,500,921 and were attributed to the following funds:

General Fund	122,688,690
Waste Fund	16,330,600
Water Fund	93,890,100
Sewer Fund	55,217,388
Sanctuary Springs Fund	37,608
Broadwater	1,336,535
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	<b>289,500,921</b>
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Whilst the current level of investments remain high, these largely relate to funds which have legal restrictions (for example water and sewer), or for funds held for specific purposes.

These funds may be spent in the shorter or longer term depending on the required timing of future works. The totals will fluctuate dependent on the status of individual projects.

### **Options**

This is an information report.

### **Community Engagement & Internal Consultation**

Council uses the services of an independent financial advisor, on an ongoing basis with investments. The investments placed this month were term deposits. At least three quotes were obtained from financial institutions in line with Council's Investment Policy. Council obtains regular updates regarding market activities positions from various institutions.

### **Planning & Policy Implications**

There are no planning and policy implications.

### **Financial & Economic Implications**

Benchmark and budget levels have been met on a year to date basis. On an annual basis, if benchmark levels are not reached, then this may result in budget cuts in other areas to fund the shortfall.

Council's total investment portfolio performance for the financial year to date is 0.89% above the benchmark (2.95% against 2.06%) and year to-date income is 29% of the total annual budget.

It should be noted that investment income is noted as a gross amount. Section 97(5) of the Local Government Act 1993 indicates that any security deposit held with Council must be repaid with interest accrued. These security deposits will only relate to bonds held for security to make good damage done to works.

The overall investment income will be adjusted at financial year end by the total interest refunded on repayment of bonds. As Council constantly receives and refunds bonds, it is difficult to accurately determine the quantum of these refunds.

### **Certification**

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

*Nicole Spencer*  
*Responsible Accounting Officer*

**Attachments**

1. Port Macquarie-Hastings Council Monthly Report - September 2018
2. Port Macquarie-Hastings Council Portfolio as at 30 September 2018