

Please address all communications to:
The General Manager
240 Blende Street
PO Box 448
Broken Hill NSW 2880
Phone 08 8080 3300
Fax 08 8080 3424
council@brokenhill.nsw.gov.au
www.brokenhill.nsw.gov.au

ABN 84 873 116 132

December 06, 2019

ORDINARY MEETING OF THE COUNCIL MEETING

TO BE HELD

WEDNESDAY, DECEMBER 11, 2019

SUPPLEMENTARY AGENDA NO. 1



JAMES RONCON
GENERAL MANAGER

FURTHER BUSINESS

1. BROKEN HILL CITY COUNCIL REPORT NO. 218/19 - DATED
DECEMBER 04, 2019 - INVESTMENT REPORT FOR NOVEMBER 2019
(17/82)..... 3

ORDINARY MEETING OF THE COUNCIL

December 4, 2019

ITEM 11BROKEN HILL CITY COUNCIL REPORT NO. 218/19SUBJECT: INVESTMENT REPORT FOR NOVEMBER 2019 17/82**Recommendation**

1. That Broken Hill City Council Report No. 218/19 dated December 4, 2019, be received.

Executive Summary:

The *Local Government (General) Regulation 2005* (Part 9, Division 5, Clause 212), effective from 1 September 2005, requires the Responsible Accounting Officer of a Council to provide a written report setting out details of all monies that have been invested under Section 625 (2) of the *Local Government Act 1993*, as per the Minister's Amended Investment Order gazetted 11 March 2011. The Responsible Accounting Officer must also include in the report, a certificate as to whether the investment has been made in accordance with the Act, the Regulations and the Council's Investment Policy.

As at 30 November 2019, Council's Investment Portfolio had a current market valuation of \$24,091,991 or principal value (face value) of \$24,046,491 and was compliant with all legislative and policy requirements.

Report:

Council's investments as at 30 November 2019 are detailed in Attachment 1.

Portfolio Summary		
Portfolio Performance vs. RBA Cash Rate	✓	Council's investment performance did exceed benchmark.
Investment Policy Compliance		
Legislative Requirements	✓	Compliant with policy
Portfolio Credit Rating Limit	✓	Compliant with policy
Institutional Exposure Limits	✓	Compliant with policy
Term to Maturity Limits	✓	Compliant with policy

Market Review**Global issues:**

The US/China trade talks continue to whipsaw the global financial markets. Hints of breakthroughs are quickly followed by setbacks. Attention is squarely focused on what will happen with the scheduled US tariff rate hike in mid-December.

Latest US economic data continues to be good. Consumer spending, home prices and durable goods orders were all higher while jobless claims and inflation indicators fell.

The Chinese economy is faring worse than the US with the ongoing trade war. Business investment, retail sales and industrial production have all slowed further over the past month.

China's struggling economy and the impending US election are expected to help the two nations sort out their differences over the coming months.

Domestic issues:

In Australia, surprisingly weak employment data caught the market off guard in mid November. With expectations of a 15,000 increase in jobs, the report of a drop of 19,000 sent interest rates tumbling. The unemployment rate remained at 5.30%

Adding to the poor jobs report, business investment remains weak and recent dwelling construction and building approvals data showed drops. Attention remains sharply focused on the RBA's statements and actions regarding more rate cuts to help kick start the economy.

Interest rates

Minutes of the RBA's November meeting revealed that "a case could be made to ease monetary policy at this meeting" however it held off to assess the impact of its recent cuts to date. Markets have priced in another rate cut by April.

Term deposit rates across 1 month-3 years ended November little changed from October despite some mid-month movements. The average highest rates on offer for 3-month TDs at month end was 1.68% versus 1.66% in October. The average of the highest 12 month rates was 1.65%, up from 1.61% last month. The best rates among the lower rated banks were largely in the 1.20%-1.65% area across 1-12 months range.

Investment Portfolio Commentary

Council's investment portfolio posted a return of 7.76%pa for the month of November versus the bank bill index benchmark return of 1.00%pa. For the past 12 months, the investment portfolio returned 5.67%pa, exceeding the bank bill index benchmark's 1.58%pa by 4.09%pa.

During November, Council's investment portfolio had \$2m in 6-11 month term deposits maturing with a weighted average rate of approximately 2.67%pa. Council invested \$2m across three to six month TDs to fill maturity requirements at an average rate of 1.69%pa.

The TCorpIM MT and LT Growth funds were up 1.1% and 2.2% respectively during November. Australian shares were up 3.1% with IT (+10.6%) and Healthcare (+8.8%) leading the gains while Financials was the worst performing sector (-2.0%). Overseas markets were mostly higher with the US S&P 500 (+3.6%), European S&P350 (+2.8%), and Japanese S&P 500 (+1.8%) all recording gains however the Chinese S&P 300 fell (-1.3%).

Council's Portfolio by Source of Funds – November 2019

As at 31 November 2019, Council's Investment Portfolio had a current market valuation of \$24,091,991 or principal value (face value) of \$24,046,491 and was compliant with all legislative and policy requirements.

	Source of Funds	Principal Amount
GENERAL Fund	Operating Capital & Internal Restrictions	\$16,387,148
	Royalties Reserve	\$625,000
	Domestic Waste Management Reserve	\$4,044,271
	Grants	\$2,529,000
	Developer Contributions	\$461,000
	TOTAL PORTFOLIO	\$24,046,419

Certificate by Responsible Accounting Officer

All investments have been placed in accordance with Council's Investment Policy, Section 625 of the *Local Government Act 1993* (as amended), the Revised Ministerial Investment Order gazetted 11 February 2011, Clause 212 of the *Local Government (General) Regulations 2005* and Third-Party Investment requirements of the then Department Local Government Circular 06-70. Council continues to obtain independent financial advice on its investment portfolio in accordance with the then Department of Local Government Circular of 16 September 2008.

Strategic Direction:

- Key Direction: 4. Our Leadership
- Objective: 4.1 Openness and Transparency in Decision Making
- Action: 4.1.1 Maintain good governance and best practice methods and ensure compliance with various guidelines and legislation.

Relevant Legislation:

This report is provided for Council's consideration in compliance with the requirements of *Part 9, Division 5, Clause 212 of the Local Government (General) Regulations 2005*.

Financial Implications:

The recommendation has no financial impact.

Attachments

1. [Investment Report November 2019](#)

JAY NANKIVELL
CHIEF FINANCIAL OFFICER

JAMES RONCON
GENERAL MANAGER



Investment Summary Report November 2019



Broken Hill City Council

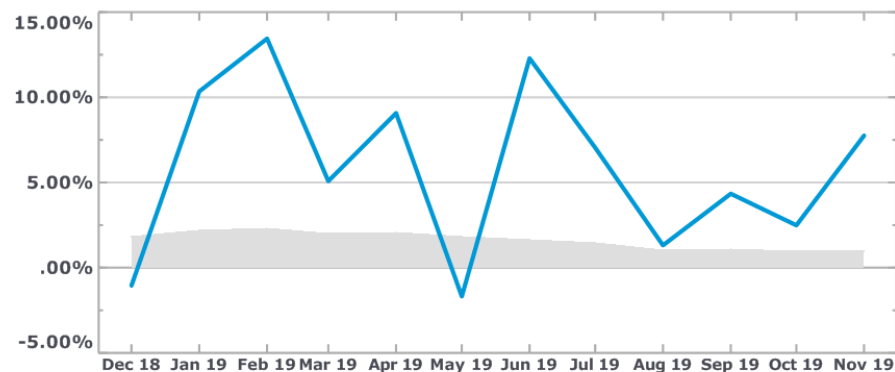
Executive Summary



Investment Holdings

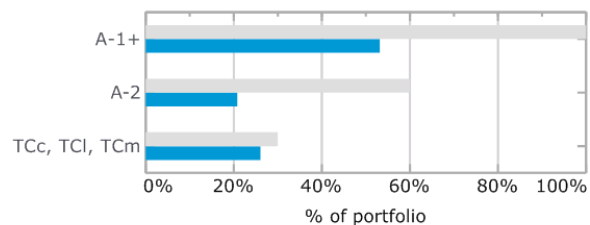
	Face Value (\$)	Current Value (\$)	Current Yield (%)
Cash	9,779,464.30	9,779,464.30	1.46
Managed Funds	6,266,954.75	6,266,954.75	25.35
Term Deposit	8,000,000.00	8,045,572.33	1.88
	24,046,419.05	24,091,991.38	7.82

Investment Performance

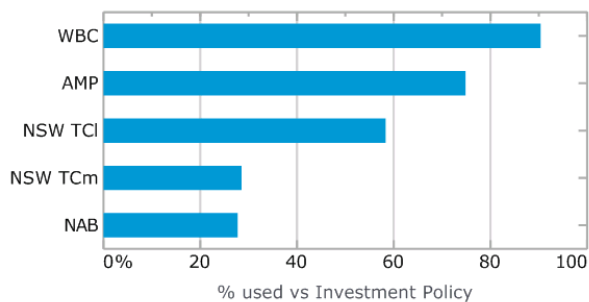


Investment Policy Compliance

Total Credit Exposure



Highest Individual Exposures



Term to Maturities

Maturity Profile	Face Value (\$)	Policy Max
Between 0 and 1 Year	24,046,419	100% 100%
	24,046,419	

Broken Hill City Council

Investment Holdings Report



Cash Accounts							
Face Value (\$)	Current Yield	Institution	Credit Rating	Current Value (\$)	Deal No.	Reference	
2,952,214.17	0.3700%	Westpac Group	A-1+	2,952,214.17	473409	Cheque	
6,827,250.13	1.9280%	Westpac Group	A-1+	6,827,250.13	535442	90d Notice	
9,779,464.30	1.4577%			9,779,464.30			

Managed Funds							
Face Value (\$)	Current Yield	Institution	Credit Rating	Fund Name	Current Value (\$)	Deal No.	Reference
7.92	1.5490%	NSW T-Corp (Cash)	TCc	Cash Fund	7.92	535329	
4,208,259.69	30.5559%	NSW T-Corp (LT)	TCI	Long Term Growth Fund	4,208,259.69	536442	
2,058,687.14	14.7001%	NSW T-Corp (MT)	TCm	Medium Term Growth Fund	2,058,687.14	536441	
6,266,954.75	25.3473				6,266,954.75		

Term Deposits										
Maturity Date	Face Value (\$)	Rate	Institution	Credit Rating	Purchase Price (\$)	Purchase Date	Current Value (\$)	Deal No.	Accrued Interest (\$)	Coupon Frequency Reference
4-Dec-19	500,000.00	2.5000%	AMP Bank	A-2	500,000.00	8-May-19	507,089.04	537937	7,089.04	At Maturity
11-Dec-19	500,000.00	2.9000%	Credit Union Australia	A-2	500,000.00	7-Dec-18	514,261.64	537403	14,261.64	Annually
8-Jan-20	500,000.00	1.6000%	National Australia Bank	A-1+	500,000.00	9-Oct-19	501,161.64	538602	1,161.64	At Maturity
15-Jan-20	500,000.00	1.6800%	National Australia Bank	A-1+	500,000.00	4-Sep-19	502,025.21	538484	2,025.21	At Maturity
22-Jan-20	500,000.00	1.6800%	National Australia Bank	A-1+	500,000.00	4-Sep-19	502,025.21	538483	2,025.21	At Maturity
5-Feb-20	500,000.00	2.1000%	AMP Bank	A-2	500,000.00	7-Aug-19	503,336.99	538374	3,336.99	At Maturity
12-Feb-20	500,000.00	1.7500%	National Australia Bank	A-1+	500,000.00	14-Aug-19	502,613.01	538390	2,613.01	At Maturity
19-Feb-20	500,000.00	1.6500%	AMP Bank	A-2	500,000.00	13-Nov-19	500,406.85	538669	406.85	At Maturity
26-Feb-20	500,000.00	1.6500%	AMP Bank	A-2	500,000.00	20-Nov-19	500,248.63	538742	248.63	At Maturity
4-Mar-20	500,000.00	1.6500%	AMP Bank	A-2	500,000.00	27-Nov-19	500,090.41	538829	90.41	At Maturity
11-Mar-20	500,000.00	1.7700%	National Australia Bank	A-1+	500,000.00	8-Aug-19	502,788.36	538376	2,788.36	At Maturity
18-Mar-20	500,000.00	1.9000%	AMP Bank	A-2	500,000.00	13-Sep-19	502,056.16	538527	2,056.16	At Maturity

Broken Hill City Council
Investment Holdings Report



Term Deposits										
Maturity Date	Face Value (\$)	Rate	Institution	Credit Rating	Purchase Price (\$)	Purchase Date	Current Value (\$)	Deal No.	Accrued Interest (\$)	Coupon Frequency Reference
8-Apr-20	500,000.00	1.7500%	National Australia Bank	A-1+	500,000.00	8-Aug-19	502,756.85	538377	2,756.85	At Maturity
22-Apr-20	500,000.00	1.7500%	AMP Bank	A-2	500,000.00	23-Oct-19	500,934.93	538624	934.93	At Maturity
6-May-20	500,000.00	1.7500%	AMP Bank	A-2	500,000.00	6-Nov-19	500,599.32	538655	599.32	At Maturity
5-Aug-20	500,000.00	2.0000%	AMP Bank	A-2	500,000.00	7-Aug-19	503,178.08	538375	3,178.08	At Maturity
8,000,000.00		1.8800%			8,000,000.00		8,045,572.33		45,572.33	

Broken Hill City Council
Accrued Interest Report - November 2019



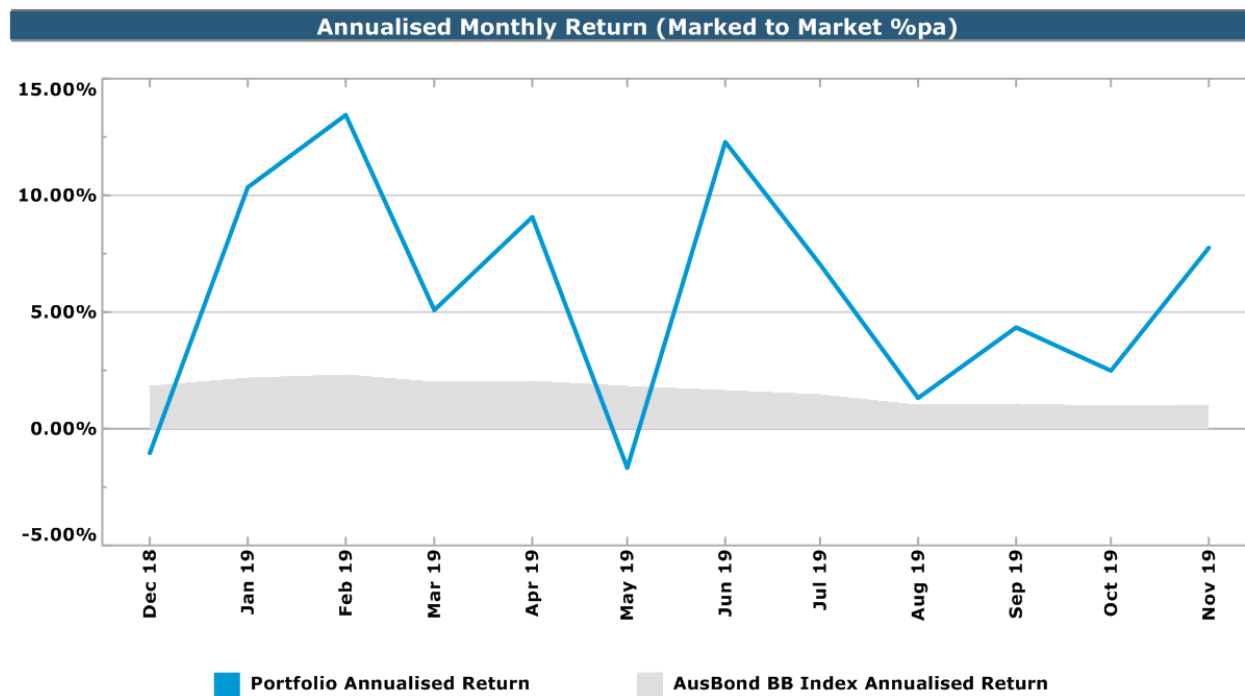
Accrued Interest Report									
Investment	Deal No.	Ref	Face Value (\$)	Settlement Date	Maturity Date	Interest Received (\$)	Days	Interest Accrued (\$)	Percentage Return
Cash									
Westpac Group	473409	Cheque	2,952,214.17			482.59	30	482.59	.37%
Westpac Group	535442	90d Notice	6,827,250.13			10,442.12	30	10,442.12	1.93%
Cash Total						10,924.71		10,924.71	1.63%
Managed Funds									
Cash Fund	535329		7.92	29-May-17			30	0.01	1.55%
Medium Term Growth Fund	536441		2,058,687.14	12-Feb-18			30	23,076.60	14.70%
Long Term Growth Fund	536442		4,208,259.69	09-Feb-18			30	91,220.48	30.56%
Managed Funds Total								114,297.09	25.09%
Term Deposits									
Credit Union Australia	537402		500,000.00	07-Dec-18	06-Nov-19	13,268.49	5	198.63	2.90%
National Australia Bank	537473		500,000.00	16-Jan-19	13-Nov-19	11,380.27	12	453.69	2.76%
AMP Bank	537632		500,000.00	11-Mar-19	20-Nov-19	9,742.47	19	728.77	2.80%
AMP Bank	537936		500,000.00	08-May-19	27-Nov-19	6,952.05	26	890.41	2.50%
AMP Bank	537937		500,000.00	08-May-19	04-Dec-19		30	1,027.40	2.50%
Credit Union Australia	537403		500,000.00	07-Dec-18	11-Dec-19		30	1,191.78	2.90%
National Australia Bank	538602		500,000.00	09-Oct-19	08-Jan-20		30	657.53	1.60%
National Australia Bank	538484		500,000.00	04-Sep-19	15-Jan-20		30	690.42	1.68%
National Australia Bank	538483		500,000.00	04-Sep-19	22-Jan-20		30	690.42	1.68%
AMP Bank	538374		500,000.00	07-Aug-19	05-Feb-20		30	863.02	2.10%
National Australia Bank	538390		500,000.00	14-Aug-19	12-Feb-20		30	719.17	1.75%
AMP Bank	538669		500,000.00	13-Nov-19	19-Feb-20		18	406.85	1.65%
AMP Bank	538742		500,000.00	20-Nov-19	26-Feb-20		11	248.63	1.65%

Broken Hill City Council
Accrued Interest Report - November 2019



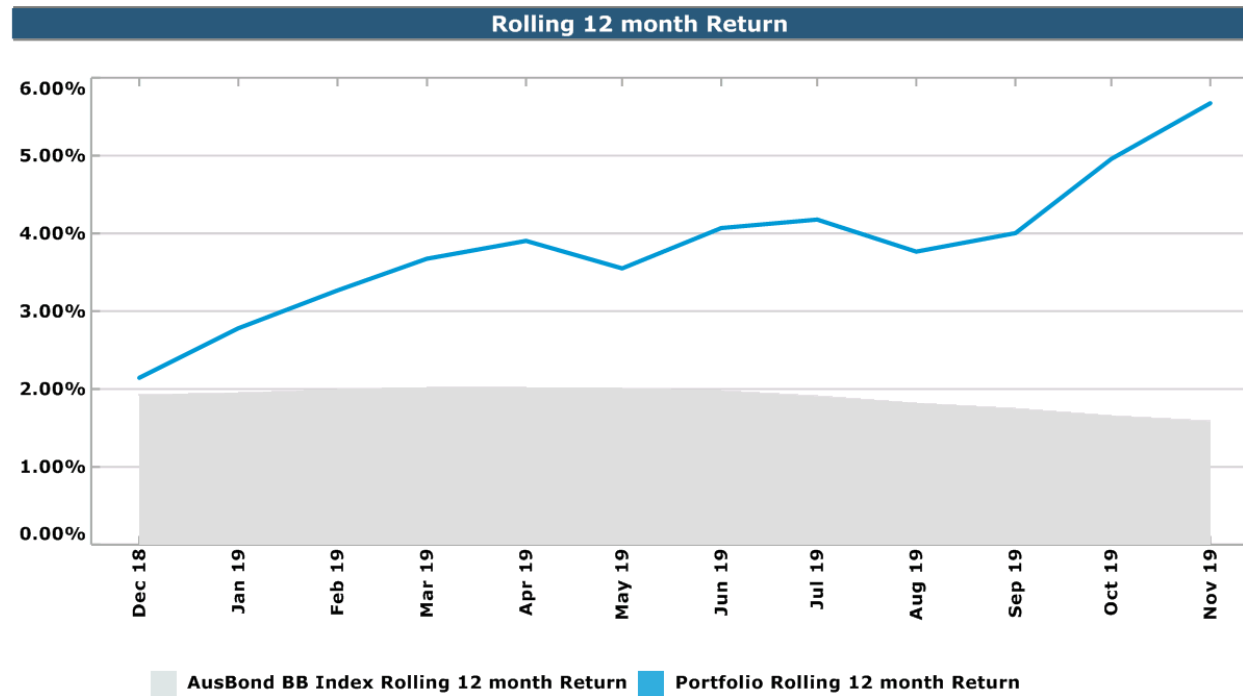
Accrued Interest Report									
Investment	Deal No.	Ref	Face Value (\$)	Settlement Date	Maturity Date	Interest Received (\$)	Days	Interest Accrued (\$)	Percentage Return
AMP Bank	538829		500,000.00	27-Nov-19	04-Mar-20		4	90.41	1.65%
National Australia Bank	538376		500,000.00	08-Aug-19	11-Mar-20		30	727.40	1.77%
AMP Bank	538527		500,000.00	13-Sep-19	18-Mar-20		30	780.82	1.90%
National Australia Bank	538377		500,000.00	08-Aug-19	08-Apr-20		30	719.18	1.75%
AMP Bank	538624		500,000.00	23-Oct-19	22-Apr-20		30	719.18	1.75%
AMP Bank	538655		500,000.00	06-Nov-19	06-May-20		25	599.32	1.75%
AMP Bank	538375		500,000.00	07-Aug-19	05-Aug-20		30	821.92	2.00%
Term Deposits Total						41,343.28		13,224.95	2.01%
						52,267.99		138,446.75	7.76%

Broken Hill City Council
Investment Performance Report



Historical Performance Summary			
	Portfolio	AusBond BB Index	Outperformance
Nov 2019	7.76%	1.00%	6.76%
Last 3 Months	4.81%	1.00%	3.81%
Last 6 Months	5.77%	1.17%	4.60%
Financial Year to Date	4.54%	1.08%	3.46%
Last 12 months	5.67%	1.58%	4.09%

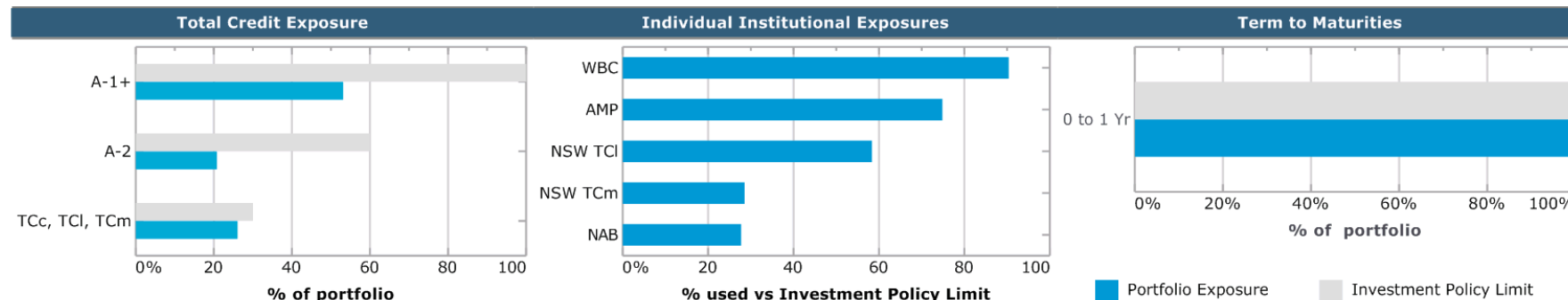
Broken Hill City Council
Investment Performance Report



Historical Performance Summary (actual)			
	Portfolio	AusBond BB Index	Outperformance
Nov 2019	0.62%	0.08%	0.54%
Last 3 Months	1.18%	0.25%	0.93%
Last 6 Months	2.85%	0.58%	2.27%
Financial Year to Date	1.88%	0.45%	1.43%
Last 12 months	5.67%	1.58%	4.09%

Broken Hill City Council

Investment Policy Compliance Report



	Credit Rating	Face Value (\$)	Policy Max
Short Term	A-1+	12,779,464	
		12,779,464	53% 100% ✓
Short Term	A-2	5,000,000	
		5,000,000	21% 60% ✓
Short Term	TCc	8	
Short Term	TCI	4,208,260	
Short Term	TCm	2,058,687	
		6,266,955	26% 30% ✓
		24,046,419	100%

✓ = compliant
X = non-compliant

	% used vs Investment Policy Limit
Westpac Group (A-1+, AA-)	90% ✓
AMP Bank (A-2, BBB+)	75% ✓
NSW T-Corp (LT) (TCI)	58% ✓
NSW T-Corp (MT) (TCm)	29% ✓
National Australia Bank (A-1+, AA-)	28% ✓
Credit Union Australia (A-2, BBB)	8% ✓
NSW T-Corp (Cash) (TCc)	0% ✓

	Face Value (\$)	Policy Max
Between 0 and 1 Year	24,046,419	100% 100% ✓
	24,046,419	
Detailed Maturity Profile	Face Value (\$)	
00. Cash + Managed Funds	16,046,419	67%
01. Less Than 30 Days	1,000,000	4%
02. Between 30 Days and 60 Days	1,500,000	6%
03. Between 60 Days and 90 Days	2,000,000	8%
04. Between 90 Days and 180 Days	3,000,000	12%
05. Between 180 Days and 365 Days	500,000	2%
	24,046,419	

Broken Hill City Council

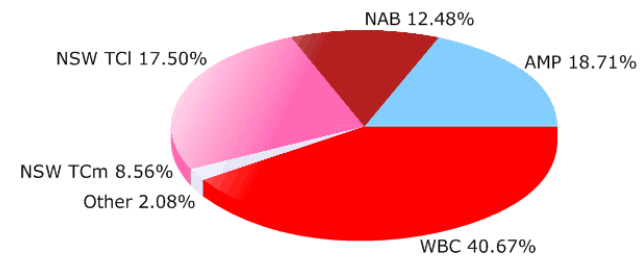
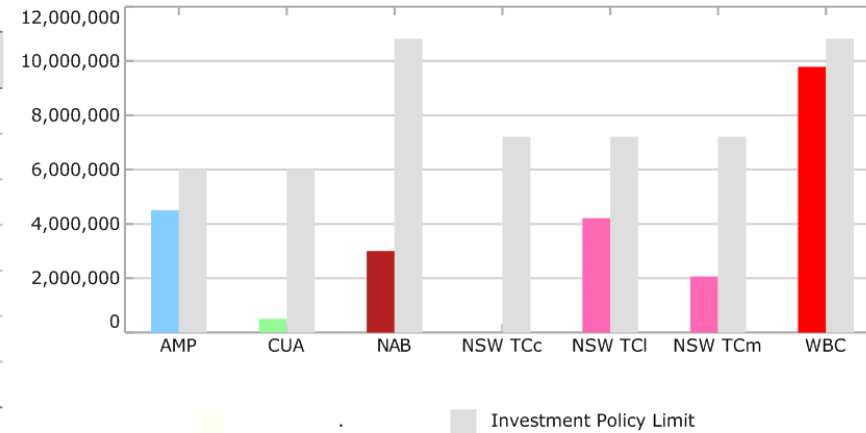
Individual Institutional Exposures Report



Individual Institutional Exposures

Parent Group	Credit Rating	Portfolio Exposure (\$)	Investment Policy Limit (\$)
AMP Bank	A-2, BBB+	4,500,000	6,011,605
Credit Union Australia	A-2, BBB	500,000	6,011,605
National Australia Bank	A-1+, AA-	3,000,000	10,820,889
NSW T-Corp (Cash)	TCc	8	7,213,926
NSW T-Corp (LT)	TCI	4,208,260	7,213,926
NSW T-Corp (MT)	TCm	2,058,687	7,213,926
Westpac Group	A-1+, AA-	9,779,464	10,820,889
		24,046,419	

Individual Institutional Exposure Charts



Broken Hill City Council

Cash Flows Report



Current Month Cashflows					
Transaction Date	Deal No.	Cashflow Counterparty	Asset Type	Cashflow Description	Cashflow Received
6-Nov-19	537402	Credit Union Australia	Term Deposits	Maturity Face Value - Received	500,000.00
		Credit Union Australia	Term Deposits	Interest - Received	13,268.49
				Deal Total	513,268.49
	538655	AMP Bank	Term Deposits	Settlement Face Value - Paid	-500,000.00
				Deal Total	-500,000.00
		Day Total			
13-Nov-19	537473	National Australia Bank	Term Deposits	Maturity Face Value - Received	500,000.00
		National Australia Bank	Term Deposits	Interest - Received	11,380.27
				Deal Total	511,380.27
	538669	AMP Bank	Term Deposits	Settlement Face Value - Paid	-500,000.00
				Deal Total	-500,000.00
		Day Total			
20-Nov-19	537632	AMP Bank	Term Deposits	Maturity Face Value - Received	500,000.00
		AMP Bank	Term Deposits	Interest - Received	9,742.47
				Deal Total	509,742.47
	538742	AMP Bank	Term Deposits	Settlement Face Value - Paid	-500,000.00
				Deal Total	-500,000.00
		Day Total			
27-Nov-19	537936	AMP Bank	Term Deposits	Maturity Face Value - Received	500,000.00
		AMP Bank	Term Deposits	Interest - Received	6,952.05
				Deal Total	506,952.05
	538829	AMP Bank	Term Deposits	Settlement Face Value - Paid	-500,000.00
				Deal Total	-500,000.00
		Day Total			
Net Cash Movement for Period					41,343.29

Broken Hill City Council
Cash Flows Report



Next Month Cashflows					
<u>Transaction Date</u>	<u>Deal No.</u>	<u>Cashflow Counterparty</u>	<u>Asset Type</u>	<u>Cashflow Description</u>	<u>Cashflow Due</u>
4-Dec-19	537937	AMP Bank	Term Deposit	Maturity Face Value - Received	500,000.00
		AMP Bank	Term Deposit	Interest - Received	7,191.78
				<u>Deal Total</u>	<u>507,191.78</u>
				Day Total	507,191.78
9-Dec-19	537403	Credit Union Australia	Term Deposit	Interest - Received	14,579.45
				<u>Deal Total</u>	<u>14,579.45</u>
				Day Total	14,579.45
11-Dec-19	537403	Credit Union Australia	Term Deposit	Maturity Face Value - Received	500,000.00
		Credit Union Australia	Term Deposit	Interest - Received	79.45
				<u>Deal Total</u>	<u>500,079.45</u>
				Day Total	500,079.45
				Net Cash Movement for Period	1,021,850.68

Broken Hill City Council
Cash Flows Report

