



Central Coast Council
Supplementary Business Paper
Ordinary Council Meeting
26 October 2021





COMMUNITY STRATEGIC PLAN 2018-2028

ONE – CENTRAL COAST IS THE COMMUNITY STRATEGIC PLAN (CSP) FOR THE CENTRAL COAST LOCAL GOVERNMENT AREA

ONE – CENTRAL COAST DEFINES THE COMMUNITY'S VISION AND IS OUR ROADMAP FOR THE FUTURE

ONE – CENTRAL COAST BRINGS TOGETHER EXTENSIVE COMMUNITY FEEDBACK TO SET KEY DIRECTIONS AND PRIORITIES

One - Central Coast will shape and inform Council's business activities, future plans, services and expenditure. Where actions are the responsibility of other organisations, sectors and groups to deliver, Council will work with key partners to advocate on behalf of our community.

Ultimately, every one of us who live on the Central Coast has an opportunity and responsibility to create a sustainable future from which we can all benefit. Working together we can make a difference.

RESPONSIBLE

WE'RE A RESPONSIBLE COUNCIL AND COMMUNITY, COMMITTED TO BUILDING STRONG RELATIONSHIPS AND DELIVERING A GREAT CUSTOMER EXPERIENCE IN ALL OUR INTERACTIONS.

We value transparent and meaningful communication and use community feedback to drive strategic decision making and expenditure, particularly around the delivery of essential infrastructure projects that increase the safety, liveability and sustainability of our region. We're taking a strategic approach to ensure our planning and development processes are sustainable and accessible and are designed to preserve the unique character of the coast.



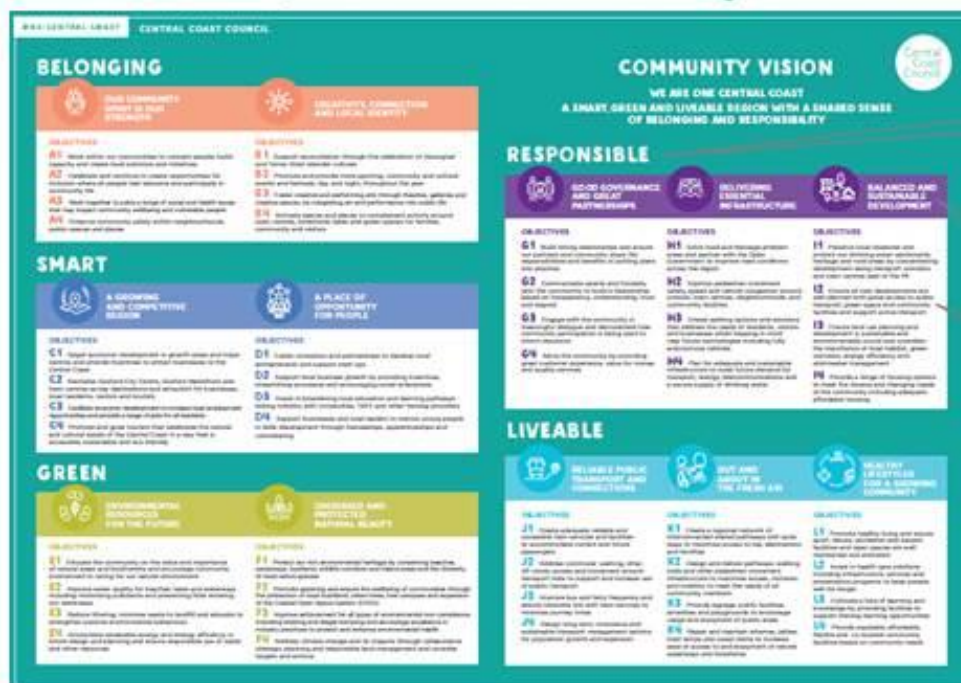
Good governance and great partnerships

G2 Communicate openly and honestly with the community to build a relationship based on transparency, understanding, trust and respect

There are 5 themes, 12 focus areas and 48 objectives

COMMUNITY STRATEGIC PLAN 2018-2028 FRAMEWORK

All council reports contained within the Business Paper are now aligned to the Community Strategic Plan. Each report will contain a cross reference to a Theme, Focus Area and Objective within the framework of the Plan.



Meeting Notice

**The Ordinary Council Meeting
of Central Coast Council
will be held Remotely – Online
on Tuesday 26 October 2021 at 6.30pm,
for the transaction of the business listed below:**

2 AMENDED REPORTS

2.9	Investment Report for September 2021	4
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David Farmer
Chief Executive Officer

AMENDED ITEM



Item No: 2.9
Title: Investment Report for September 2021
Department: Corporate Affairs

26 October 2021 Ordinary Council Meeting

Reference: F2004/06604 - D14882925
Author: Devini Susindran, Team Leader
Manager: Peter Correy, Unit Manager, Finance
Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer

Recommendation

- 1 That Council note the Investment Report for September 2021.**
- 2 That Council note that internally restricted funds are unrestricted funds that have been internally allocated to a certain purpose.**
- 3 That Council firstly allocates any unrestricted funds available in the General Fund, followed by sufficient internally restricted funds to meet its September 2021 unrestricted funds deficit of \$47.6M as set out in this report.**

Report purpose

To present Investment Reports on a monthly basis in accordance with cl. 212 of the *Local Government (General) Regulation 2005* which states as follows:

- 1 The responsible accounting officer of a council
 - a must provide the council with a written report (setting out details of all money that the council has invested under section 625 of the Act) to be presented—
 - i. if only one ordinary meeting of the council is held in a month, at that meeting, or*
 - ii. if more than one such meeting is held in a month, at whichever of those meetings the council by resolution determines, and**
 - b must include in the report a certificate as to whether or not the investment has been made in accordance with the Act, the regulations and the council's investment policies.**
- 2 The report must be made up to the last day of the month immediately preceding the meeting.*

Executive Summary

This report details Council's investments at 30 September 2021.

Background

Council's investments are made in accordance with the Local Government Act 1993, Local Government (General) Regulation 2005, the amended Investment Policy adopted at the Ordinary Council Meeting on 3 February 2021, Ministerial Investment Order issued February 2011 and Division of Local Government (as it was then known) Investment Policy Guidelines published in May 2010.

Current Status

Council's current cash and investment portfolio totals \$535.85M at 30 September 2021

Council's Cash and Investment Portfolio by Source of Funds

Source of Funds	Value (\$'000) September 2021
Investment Portfolio	\$510,478
Transactional accounts and cash in hand	\$25,374
Total Consolidated Funds	\$535,852

* The consolidated restricted and unrestricted funds balance has been removed from the above table and replaced with the detailed position by Fund below.

Council's Portfolio is held in separate funds by purpose and is summarised as follows:

Fund	General Fund	Water Fund	Sewer Fund	Drainage Fund	Waste Fund
External Restricted Funds	\$177,581	\$6,412	\$22,000	\$36,438	\$91,903
Internal Restricted Funds	\$91,134	\$1,026	\$877	\$55	-
Total Restricted Funds	\$268,715	\$7,438	\$22,877	\$36,493	\$91,903
Unrestricted Funds	\$28,022	(\$10,778)	\$112,805	(\$36,829)	\$15,206
Total funds by Fund	\$296,737	(\$3,340)	\$135,682	(\$336)	\$107,109

During September, Council's total cash and investments increased by \$7.55M from \$528.30M to \$535.85M. Normal cash inflows were adequate to meet Council's expenditure requirements for the month.

Detailed restrictions have been provided in Attachment 2. Council is managing the previously reported negative unrestricted funds balance, as part of Council's Business Recovery Plan. The negative unrestricted balance is currently \$47.6M, made up of unrestricted fund deficits in the Water and Drainage Funds, as per the table above.

The unrestricted funds balances across the 5 Funds above will increase and decrease during the 2021 financial year, as rates revenue and property sale settlements occur. In the interim, the unrestricted funds deficit of \$47.6M is proposed to be funded through the General Fund's available unrestricted cash balance of \$28.0M, followed by an allocation of \$19.6M from internally restricted reserves, which amount to \$91.1M at 30 September 2021.

Portfolio management

Council's Investment Portfolio is managed through term deposits and floating rate note maturities and placements.

Total net return on the portfolio for Council in September, comprising entirely of interest earned, was \$370k. The total value of the Council's investment portfolio at 30 September 2021 is outlined in Table 1 below.

Table 1 – Portfolio Movement

Description	2019-20 Financial Year \$'000	Jul-21 2021/22 \$'000	Aug-21 2021/22 \$'000	Sep-21 2021/22 \$'000	FYTD 2021/22 \$'000
Opening Balance	348,210	447,221	450,267	485,719	447,221
Movement for the period	99,011	3,046	35,452	24,759	63,257
Closing Balance	447,221	450,267	485,719	510,478	510,478
Interest earnings	4,508	375	383	370	1,128

The market value of Council's investment portfolio at 30 September is \$510.48M.

Council's investments are evaluated and monitored against a benchmark appropriate to the risk (APRA Standards BBB long term or above) and time horizon of the investment concerned. A summary of the term deposit and floating rate notes maturities are listed in Table 2 below.

Table 2 - Investment Maturities at 30 September 2021

Time Horizon	Percentage Holdings	Maturity on or before	Value \$'000
At Call	6.89%	Immediate	35,191
Investments			
0 - 3 months	8.62%	Dec-2021	44,000
4 - 6 months	8.21%	Mar-2022	41,901
7 - 12 months	9.39%	Sep-2022	47,956
1 - 2 years	6.97%	Sep-2023	35,558
2 - 3 years	18.30%	Sep-2024	93,413
3 - 4 years	11.99%	Sep-2025	61,205
4 - 5 years	29.63%	Sep-2026	151,254
Total Investments	93.11%		475,287
Total Portfolio	100.00%		510,478
Interest Accrued to 31 August 2021 (excluding Interest on call Accounts)			923
Market Value of Investments Per Portfolio Valuation Report (Attachment 5)			511,401

The investment portfolio is concentrated in AA above (15.67%), A (37.97%), and BBB (46.36%).

Council monitors and manages the portfolio taking into consideration credit ratings of financial institutions, interest rates offered for the maturity dates required and counterparty exposure.

All of Council's investments are within policy guidelines at 30 September 2021.

The current spread of investments and counterparty exposure for September 2021 are shown in Graphs 1 and 2 respectively in Attachment 3.

Environmental, Social and Green (ESG) Investments

Council continues to look for 'ESG' investment opportunities subject to prevailing investment guidelines. A list of current ESG investments held is contained on the investment listing, highlight in green. For the month of August there have been no new green investments undertaken.

Council currently holds 5.63% or \$28.76M in ESG investments at 30 September 2021.

Portfolio Return

Interest rates on investments in the month, ranged from 0.24% to 3.18%, all of which exceeded the monthly Bank Bill Swap Rate (BBSW) benchmark of 0.01%.

The weighted running yield for September of 0.93% for Central Coast Council is favourable compared to the rolling three-year benchmark bank bill swap (BBSW) Index of 0.69% as shown in Graph 3 - Portfolio Returns in Attachment 3.

Market values reflected in the Portfolio valuation report in Attachment 5 have been used to record the unrecognised gains in tradeable fixed rate bonds and floating rate notes. Interest accrued has been recorded separately and is not reflected in portfolio valuations.

Financial Impact

At its meeting held 19 October 2020, Council resolved the following:

1108/20 That any motions put before Council for the remainder of this term of Council that have financial implications require the Chief Executive Officer to provide a report on how those additional costs will be met.

The following statement is provided in response to this resolution of Council.

Council's investment portfolio includes rolling maturity dates to ensure that Council has sufficient liquidity to meet its ongoing obligations.

Link to Community Strategic Plan

Theme 4: Responsible

Goal G: Good governance and great partnerships

G4: Serve the community by providing great customer experience, value for money and quality services.

Attachments

1	Summary of Investments as at 30 September 2021	Provided Under Separate Cover	D14882926
2	Summary of Restrictions as at 30 September 2021	Provided Under Separate Cover	D14885381
3	Investment Report for September 2021 - Graphs 1, 2 and 3	Provided Under Separate Cover	D14882927
4	Treasury Direct Trading Limits Report at 30 September 2021	Provided Under Separate Cover	D14882932
5	Treasury Direct Portfolio Valuations Report at 30 September 2021	Provided Under Separate Cover	D14888992