

**ITEM 13 STATEMENT OF INVESTMENT - OCTOBER 2024**

This report provides an overview of Council's investment portfolio performance for the reporting period October 2024.

Council had an average weighted return for October 2024 of 0.33% which was just below the benchmark return of 0.37%. The result was primarily due to the negative valuations on the consolidated NSW TCorp investments that recognised increases in valuations earlier this financial year. The remainder of Council's portfolio continues to provide a high degree of credit quality and liquidity.

**RECOMMENDATION**

Council receive the Statement of Investment for October 2024.

**REPORT AUTHORISATIONS**

Report of: Brian Jenkins, Chief Financial Officer

Authorised by: Renee Campbell, Director Corporate Services - Connected + Engaged City

**ATTACHMENTS**

- 1 Statement of Investment - October 2024
- 2 Investment Income Compared to Budget 2024-2025

**BACKGROUND**

Council staff monitor Council's cash flow on a daily basis and is mandated to invest surplus funds in accordance with the Ministerial Investment Order and Office of Local Government guidelines. The Order reflects a conservative investment approach and restricts investment types available to Council. In compliance with the Order and Office of Local Government guidelines Council adopted an Investment Policy on 12 December 2022. The Investment Policy provides a framework for Council to manage investment credit quality, institutional diversification and maturity constraints. Council's investment portfolio was controlled by Council's Finance Division during the period and has remained in compliance with the Investment Policy. Council's Audit, Risk and Improvement Committee (ARIC) provides oversight of the review of Council's Investment Policy and the Management Investment Strategy.

Council's Responsible Accounting Officer, the Chief Financial Officer, is required to sign the complying Statement of Investment contained within the report, certifying that all investments were made in accordance with the Local Government Act 1993 and the Local Government Regulation 2005.

Council's investment holdings at 25 October 2024 were \$181,684,853 (Statement of Investment attached) [27 October 2023 \$179,089,244] and includes Council's interest in CivicRisk Mutual Ltd recognised at fair value as at 30 June 2024.

Council had an average weighted return for October 2024 of 0.33% which was just below the benchmark return of 0.37%. The result was primarily due to the negative valuations on the consolidated NSW TCorp investments. The remainder of Council's portfolio continues to provide a high degree of credit quality and liquidity. The global markets are still experiencing levels of instability and volatility in interest rates, driven by the persistent inflation issues. Australia's inflation remains higher than its international comparisons, however medium-term predictions indicate modest contractions in inflation and interest rates. Rates available to Council on purchased investments are assessed regularly and across credit and maturity spread to maximise return on committed capital.

At 25 October 2024, year to date interest and investment revenue of \$3,174,397 was recognised compared to the year to date proposed budget of \$2,532,470. The investment budget is being reviewed through the September Quarterly Review process and reflects proposed changes.

Council's 21 floating rate notes had a net increase in value of \$65,491 for October 2024.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net increase in value of \$9,321 for October 2024. The market value of this security considers the extended term of the security with limited liquidity, and the coupon margin reflects pre-Global Financial Crisis (GFC) pricing. While the maturity dates are outside Council's control, the investment advisors had previously indicated capital is not at risk at this stage and recommended a hold strategy due to the illiquid nature of the investment.

Council holds two investments within the NSW TCorp Hour Glass Facility; Long-Term Growth Fund and Medium-Term Growth Fund. The Long-Term Growth recorded a net increase in value of \$1,882 and the Medium-Term Growth Fund recorded a net decrease in value of \$25,903 in October 2024. The fluctuations in both the Long-Term Growth and Medium-Term Growth Funds are a reflection of the current share market volatility both domestically and internationally and is diversified across a number of different asset classes with differing risk and return characteristics.

The Reserve Bank of Australia (RBA) Board will meet eight times each year from February 2024. At their September 2024 meeting, the Reserve Bank of Australia (RBA) decided to hold the official cash rate at 4.35%. The RBA will continue to monitor uncertainties regarding the global economy, trends in demand, developments and adjust policy as needed as based on the data and evolving assessment of risks to return inflation to target of 2%–3%.

The current Investment Policy sets a 40% maximum exposure limit to individual institutions within the AAA category. This limit is currently considered to include funds held within the Commonwealth Bank (CBA), savings account which holds Council's operating cash balances. At the end of October 2024, the exposure to CBA was 13.24%, which is below the investment strategy target of 25%.

The current investment portfolio complies with Council's Investment Policy which was endorsed by Council on 12 December 2022. Council's Responsible Accounting Officer has signed the Statement of Investment contained within the report, certifying all investments were made in accordance with the Local Government Act 1993 and the Local Government Regulation 2005.

## PLANNING AND POLICY IMPACT

This report contributes to the delivery of Our Wollongong Our Future 2032 Goal 4 "We are a connected and engaged community". It specifically delivers on the following:

Community Strategic Plan 2032		Delivery Program 2022-2026	
Strategy		Service	
4.8	Council's resources are managed effectively to ensure long term financial sustainability.	Financial Services	

## CONCLUSION

The investments for October 2024 recorded an average weighted return that was below the AusBondBank Bill Index Benchmark and performed favourably when compared to the year-to-date budget.

RESPONSIBLE ACCOUNTING OFFICER

