



BUSINESS PAPER

**Economic and Community
Sustainability Committee Meeting
Wednesday, 9 October 2019**

INVERELL SHIRE COUNCIL**NOTICE OF ECONOMIC AND COMMUNITY SUSTAINABILITY COMMITTEE MEETING**

9 October, 2019

An Economic and Community Sustainability Committee Meeting will be held in the Yetman Hall, 82-84 Warialda Street, Yetman on Wednesday, 9 October, 2019, commencing at **1:30 PM**.

Your attendance at this Economic and Community Sustainability Committee Meeting would be appreciated.

Please Note: Under the provisions of the Code of Meeting Practice the proceedings of this meeting (including presentations, deputations and debate) may be webcast. An audio recording of the meeting may be uploaded on the Council's website at a later time. Your attendance at this meeting is taken as consent to the possibility that your voice may be recorded and broadcast to the public.

P J HENRY PSM

GENERAL MANAGER

Agenda

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Ethical Decision Making and Conflicts of Interest

A guiding checklist for Councillors, officers and community committees

Ethical decision making

- Is the decision or conduct legal?
- Is it consistent with Government policy, Council's objectives and Code of Conduct?
- What will the outcome be for you, your colleagues, the Council, anyone else?
- Does it raise a conflict of interest?
- Do you stand to gain personally at public expense?
- Can the decision be justified in terms of public interest?
- Would it withstand public scrutiny?

Conflict of interest

A conflict of interest is a clash between private interest and public duty. There are two types of conflict:

- **Pecuniary** – regulated by the *Local Government Act 1993* and Office of Local Government
- **Non-pecuniary** – regulated by Codes of Conduct and policy. ICAC, Ombudsman, Office of Local Government (advice only). If declaring a Non-Pecuniary Conflict of Interest, Councillors can choose to either disclose and vote, disclose and not vote or leave the Chamber.

The test for conflict of interest

- Is it likely I could be influenced by personal interest in carrying out my public duty?
- Would a fair and reasonable person believe I could be so influenced?
- Conflict of interest is closely tied to the layperson's definition of 'corruption' – using public office for private gain.
- Important to consider public perceptions of whether you have a conflict of interest.

Identifying problems

- 1st** Do I have private interests affected by a matter I am officially involved in?
2nd Is my official role one of influence or perceived influence over the matter?
3rd Do my private interests conflict with my official role?

Local Government Act 1993 and Model Code of Conduct

For more detailed definitions refer to Sections 442, 448 and 459 or the *Local Government Act 1993* and Model Code of Conduct, Part 4 – conflicts of interest.

Disclosure of pecuniary interests / non-pecuniary interests

Under the provisions of Section 451(1) of the *Local Government Act 1993* (pecuniary interests) and Part 4 of the Model Code of Conduct prescribed by the Local Government (Discipline) Regulation (conflict of interests) it is necessary for you to disclose the nature of the interest when making a disclosure of a pecuniary interest or a non-pecuniary conflict of interest at a meeting.

A Declaration form should be completed and handed to the General Manager as soon as practicable once the interest is identified. Declarations are made at Item 3 of the Agenda: Declarations - Pecuniary, Non-Pecuniary and Political Donation Disclosures, and prior to each Item being discussed: The Declaration Form can be downloaded at [Declaration Form](#)

Quick Reference Guide

Below is a legend that is common between the:

- Inverell Shire Council Strategic Plan;
- Inverell Shire Council Delivery Plan; and
- Inverell Shire Council Operational Plan.



1 APOLOGIES

2 CONFIRMATION OF MINUTES

RECOMMENDATION:

That the Minutes of the Economic and Community Sustainability Committee Meeting held on 11 September, 2019, as circulated to members, be confirmed as a true and correct record of that meeting.

**MINUTES OF INVERELL SHIRE COUNCIL
ECONOMIC AND COMMUNITY SUSTAINABILITY COMMITTEE MEETING
HELD AT THE COMMITTEE ROOM, ADMINISTRATIVE CENTRE, 144 OTHO STREET,
INVERELL
ON WEDNESDAY, 11 SEPTEMBER 2019 AT 10.30 AM**

PRESENT: Cr Paul Harmon (Mayor), Cr Kate Dight, Cr Anthony Michael (Deputy Mayor), Cr Neil McCosker and Cr Di Baker.

IN ATTENDANCE: Paul Henry (General Manager), Brett McInnes (Director Civil & Environmental Services), Scott Norman (Director Corporate & Economic Services) and Paul Pay (Manager Financial Services).

1 APOLOGIES

COMMITTEE RESOLUTION

Moved: Cr Di Baker

Seconded: Cr Kate Dight

That the apologies received from Crs King and Watts who both requested leave of absence for personal reasons, be accepted and leave granted.

CARRIED

2 CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION

Moved: Cr Anthony Michael

Seconded: Cr Kate Dight

That the Minutes of the Economic and Community Sustainability Committee Meeting held on 14 August, 2019, as circulated to members, be confirmed as a true and correct record of that meeting.

CARRIED

3 DISCLOSURE OF CONFLICT OF INTERESTS/PECUNIARY AND NON-PECUNIARY INTERESTS

Nil

4 DESTINATION REPORTS

4.1 CONDUCT OF THE 2020 LOCAL GOVERNMENT ELECTION S4.11.17/11

COMMITTEE RESOLUTION

Moved: Cr Kate Dight

Seconded: Cr Di Baker

That the Committee recommends to Council that:

- i. Pursuant to s. 296(2), (3) and (5A) of the Local Government Act 1993 (NSW) ("the Act") that an election arrangement be entered into by contract for the Electoral Commissioner to administer all elections of the Council;*
- ii. Pursuant to s. 296(2), (3) and (5A) of the Act, as applied and modified by s. 18, that a council poll arrangement be entered into by contract for the Electoral Commissioner to administer all council polls of the Council; and*
- iii. Pursuant to s. 296(2), (3) and (5A) of the Act, as applied and modified by s. 18, that a constitutional referendum arrangement be entered into by contract for the Electoral Commissioner to administer all constitutional referenda of the Council.*

CARRIED

4.2 REQUEST FOR CONSIDERATION - MOVIE NIGHT - LONG PLAIN HALL AND RECREATIONAL RESERVE S5.13.11

COMMITTEE RESOLUTION

Moved: Cr Di Baker

Seconded: Cr Anthony Michael

That the Committee recommend to Council that:

- i. The request from the Board of Managers of the Long Plain Public Hall be received and acknowledged;*
- ii. The Board of Managers of the Long Plain Public Hall be informed that unfortunately there is no funding for this activity in Council's current budget; and*
- iii. Council assist with identifying funding for a Movie Night at Long Plain Hall by either incorporating the activity in an appropriate grant application or assisting the Board to apply for funding in their own right, which ever opportunity presents itself first.*

CARRIED

4.3 REQUEST FOR ASSISTANCE - BONSHAW DROUGHT RELIEF EVENT S5.13.3**COMMITTEE RESOLUTION**

Moved: Cr Kate Dight

Seconded: Cr Di Baker

That the Committee recommend to Council that:

- i. The request from the Bonshaw Hall Committee be received and acknowledged;*
- ii. That Council assist with identifying funding for the men's breakfast by either incorporating the activity in an appropriate grant application or assisting the Committee to apply for funding in their own right, which ever opportunity presents itself first; and*
- iii. That if no funding is identified in time for the event then Council donates \$200 towards the cost of holding the event.*

CARRIED

4.4 DONATION REQUEST - GARDEN ARTIST OF THE YEAR COMPETITION S12.22.1/12**COMMITTEE RESOLUTION**

Moved: Cr Kate Dight

Seconded: Cr Di Baker

That the Committee recommend to Council that:

- i. The request from the Down to Earth Inverell Garden Group be received and acknowledged;*
- ii. Council provide a donation of \$200 towards prizes for the Garden Artist of the Year Competition;*
- iii. Council nominate a representative to present awards to the first and second prize winners; and*
- iv. Council suggest that next years competition be held in conjunction with the Sapphire City Festival.*

CARRIED

4.5 REQUEST FOR CONSIDERATION - REQUEST TO WAIVE FULL OR PARTIAL HIRE FEE OF TOWN HALL - UNSTOP-ABILITY S5.24.4**COMMITTEE RESOLUTION**

Moved: Cr Anthony Michael

Seconded: Cr Kate Dight

That the Committee recommend to Council that:

- i. The request from Stephanie Marshall and Michele Jedlicka from Unstop-Ability be received and acknowledged;*
- ii. Council provide a donation of \$200 towards the costs of staging the Unstop-Ability production.*

CARRIED

4.6 REQUEST FOR REDUCTION ON WATER ACCOUNT S32.10.1/12**COMMITTEE RESOLUTION**

Moved: Cr Di Baker

Seconded: Cr Kate Dight

That the matter be referred to Closed Council for consideration as the matters and information are:

- a personnel matters concerning particular individuals (other than councillors).*

On balance the public interest in preserving the confidentiality of the information outweighs the public interest in openness and transparency in Council decision-making by discussing the matter in open meeting; and all reports and correspondence relevant to the subject business be withheld from access to the media and public as required by section 11(2) of the Local Government Act, 1993.

CARRIED

4.7 NORTHERN INLAND ACADEMY OF SPORT S26.4.15**COMMITTEE RESOLUTION**

Moved: Cr Anthony Michael

Seconded: Cr Di Baker

That the Committee recommend to Council that:

- i. Council renew its NIAS partnership for 2019/20 at a cost of \$2, 000 (plus GST).*
- ii. The cost of the NIAS partnership be funded from the Inverell Sports Council allocation.*

CARRIED

5 INFORMATION REPORTS**5.1 TINGHA PLATEAU FIRES S9.18.7****COMMITTEE RESOLUTION**

Moved: Cr Anthony Michael

Seconded: Cr Kate Dight

That the information report be received and noted.

CARRIED

6 GOVERNANCE REPORTS

6.1 GOVERNANCE - MONTHLY INVESTMENT REPORT S4.11.17/11

COMMITTEE RESOLUTION

Moved: Cr Di Baker

Seconded: Cr Anthony Michael

The Committee recommend to Council that:

- i. The report indicating Council's Fund Management position be received and noted; and*
- ii. The Certification of the Responsible Accounting Officer be noted.*

CARRIED

7 CONFIDENTIAL MATTERS (COMMITTEE-OF-THE-WHOLE)

At 11.01am, the Chairperson noted that no members of the public or press were in attendance at the meeting therefore Council proceeded to consider the motion to close the meeting to the press and public.

COMMITTEE RESOLUTION

Moved: Cr Di Baker

Seconded: Cr Anthony Michael

That the Committee proceeds into Closed Committee to discuss the matters referred to it, for the reasons stated in the motions of referral.

CARRIED

COMMITTEE RESOLUTION

Moved: Cr Kate Dight

Seconded: Cr Di Baker

That the Committee proceeds out of Closed Committee into Open Committee.

CARRIED

Upon resuming Open Committee at 11.03am, the Chairperson verbally reported that the Committee had met in Closed Committee, with the Press and Public excluded, and had resolved to recommend to Council the following:

7.1 REQUEST FOR REDUCTION ON WATER ACCOUNT S32.10.1/12

RECOMMENDATION:

That the Committee recommend to Council that:

- i. the report be received and noted; and*
- ii. Council issue an amended account of \$111.72 for the last quarter based on the average consumption of accounts prior to the leak and write off \$2, 153.08.*

ADOPTION OF RECOMMENDATIONS

COMMITTEE RESOLUTION

Moved: Cr Kate Dight

Seconded: Cr Di Baker

That the recommendations of Closed Committee be adopted.

CARRIED

The Meeting closed at 11.04am

The minutes of this meeting were confirmed at the Economic and Community Sustainability Committee held on 9 October 2019.

.....
CHAIRPERSON

3 DISCLOSURE OF CONFLICT OF INTERESTS/PECUNIARY AND NON-PECUNIARY INTERESTS

4 DESTINATION REPORTS

4.1 BUDGET REVOTES FROM 2018-2019

File Number: S12.5.1/13 / 19/45157

Author: Paul Pay, Manager Financial Services

SUMMARY:

Revote of unexpended revenue as at 30 June, 2019 for works in progress.

RECOMMENDATION:

That the Committee recommend to Council that the list of revotes representing works in progress as at 30 June, 2019 be revoted to the 2019/2020 budget.

COMMENTARY:

The attached table represents Budget Revotes for works in progress but incomplete as at 30 June, 2019, and requiring completion in 2019/2020.

Revotes of \$10.322M include General Fund \$4.876M, Water Fund \$3.060M and Sewer Fund \$2.386M and are funded from revenues received during 2018/2019.

A significant quantity of the outstanding General Fund Works for 2018/2019, are now either complete or will be completed in the 2019/2020 Financial Year. The quantum of General Fund budget revotes has decreased significantly over recent years.

RISK ASSESSMENT:

Nil

POLICY IMPLICATIONS:

Nil

CHIEF FINANCIAL OFFICERS COMMENT:

A full report on Council's financial position was provided at the September Council meeting.

LEGAL IMPLICATIONS:

A resolution of Council is required for the revoting of expenditures.

ATTACHMENTS:

1. Revotes from 2018/2019

BUDGET VARIATIONS - FINANCE MEETING 9-10-2019 - REVOTES			
LEDGER NO.	DESCRIPTION	AMOUNT \$	COMMENT/REASON
GENERAL FUND			
<i>Increase/Decrease in EXPENDITURE</i>			
130101-1000	Computer Projects - CCTV Project	85,000	Revote - 2018/2019 Program
130101-1000	Computer Projects - Replace Servers, switches and batteries	179,000	Revote - 2018/2019 Program
130111-5130	Computer Hardware / Software Capital	46,000	Revote - 2018/2019 Program
130280-1000	Audit Fees - Interest Audit Program	6,440	Revote - 2018/2019 Program
132420-5535	Industry Promotions (Fire Protection Pioneer Village)	50,000	Revote - 2018/2019 Program
132570-1000	RFS Council Funded Expenses	19,266	Revote - 2018/2019 Program
134320-1000	Cultural & Arts Initiatives	102,711	Revote - 2018/2019 Program
136070-1000	Heritage Fund	30,850	Revote - 2018/2019 Program
136260-4921	Local Heritage Program (Assistance to Owner)	36,768	Revote - 2018/2019 Program
138680-1100	Bitumen Reseals Urban	344,462	Revote - 2018/2019 Program
139150-1000	Roadside Growth Control - SRR Clear Zone Protection	28,461	Revote - 2018/2019 Program
139180-1000	Bitumen Rural Seal Mtc (Crack Sealing)	200,000	Revote - 2018/2019 Program
139300-1000	Heavy Patching Shire Roads	67,263	Revote - 2018/2019 Program
139433-1100	Special Roads Projects (Wind Farm Rates)	20,344	Revote - 2018/2019 Program
148453-1000	Road Strategies	40,545	Revote - 2018/2019 Program
148460-1000	Asset Management	22,189	Revote - 2018/2019 Program
148601-1000	New Street Lighting	39,644	Revote - 2018/2019 Program
147120-4570	Aerodrome Maintenance	17,250	Revote - 2018/2019 Program
147185-1000	DCS Tourism Development - Pioneer Village restumping Project	60,000	Revote - 2018/2019 Program
147230-1000	Tourism Promotions	49,701	Revote - 2018/2019 Program
148010-1000	Industrial Development (Rifle Range Road)	74,451	Revote - 2018/2019 Program
148030-1000	Industry Promotions, Marketing & Infrastructure	109,678	Revote - 2018/2019 Program
148070-1000	Joint Promotions	95,964	Revote - 2018/2019 Program
148409-1000	Maintenance Grading	300,000	Revote - 2018/2019 Program
148420-1000	DCES - Special Projects	100,549	Revote - 2018/2019 Program
148421-1000	Rural Roads Maintenance	92,000	Revote - 2018/2019 Program
151130-1000	Remove/Demolish/Decontaminate	30,000	Revote - 2018/2019 Program
151131-1000	Building Maintenance Program	140,975	Revote - 2018/2019 Program
160180-1000	Library Books	8,777	Revote - 2018/2019 Program
160761-1000	SCCF - Skate Park Extension	11,653	Revote - 2018/2019 Program
148460-1000	Asset Management - Road Revaluation	75,000	Revote - 2018/2019 Road Revaluation Program
141902-1000	Sinclair Park Toilet block Upgrade	40,000	Revote - Amenities Improvements
141904-1000	Campbell Park Toilet Block Upgrade	11,000	Revote - Amenities Improvements
134340-4200	Linking Together Centre - Building Mtc	27,624	Revote - Building Repairs
159080-1000	Administration Building - Air Con	95,000	Revote - Building Repairs
139120-3001	Ashford Community Works	5,540	Revote - Community Project
139120-3020	Bonshaw Community Works	7,124	Revote - Community Project
139120-3030	Bukulla Community Works	1,000	Revote - Community Project
139120-3050	Delunga Community Works	5,738	Revote - Community Project
139120-3060	Elsmore Community Works	4,090	Revote - Community Project
139120-3070	Gilgai Community Works	7,279	Revote - Community Project
139120-3080	Graman Community Works	8,150	Revote - Community Project
139120-3090	Gum Flat Community Works	3,090	Revote - Community Project
139120-3150	Nullamanna Community Works	4,090	Revote - Community Project
139120-3160	Oakwood Community Works	4,090	Revote - Community Project
139120-3190	Stannifer Community Works	4,090	Revote - Community Project
139120-3230	Yetman Community Works	4,297	Revote - Community Project
134326-1000	Community Better Partnership - Village Signage (ISC Contrib)	27,783	Revote - Community Project
137369-1000	Council Contribution to River Bank Clean up	25,000	Revote - Community Project
160538-1000	SCCF - Sports Complex - Athletic & Cricket Precinct - Council Contribution	440,000	Revote - Council Matching Contribution to Grant
132660-1000	Bush Fire Sect 44 (council's contrib to Tingha Fire)	30,000	Revote - Council Contribution
139404-1100	FFF - Road Backlog - Heavy Patching	185,518	Revote - FFF Program
139405-1100	FFF - Road Backlog - Asset Renewal - Backlog Prevention	44,125	Revote - FFF Program
143630-1100	FFF - MR187 South Wallangra - Shoulder Widening & realignment	28,399	Revote - FFF Program
145650-3050	Footpath Extensions Program - Oswald Street	65,758	Revote - PAMP Program matching funding
145637-1100	PAMP Program	43,180	Revote - PAMP Program matching funding
137371-1000	SCIPF - Lake Inverell Precinct	109,000	Revote - SCIPF Program
159772-1000	Environmental Sustainability Program	56,990	Revote - SCIPF Program
160850-3200	Tingha Depot Improvements - Demountable	35,000	Revote - Tingha Depot Improvements
141343-1000	Stage Two - Town Centre Renewal Plan	733,000	Revote - Town Centre Renewal Plan
141331-4450	Central Business District - Capital (Minor Works)	18,036	Revote - Urban Works
135960-3070	Urban Drainage Construction (Gilgai Drainage)	316,752	Revote - Urban Works - (Fund from Stormwater Management Charge)
TOTAL INCREASE IN EXPENDITURE		4,875,684	<i>Positive figure indicates increased expenditure, (Negative) figure decreased expenditure</i>
NET CHANGE TO CURRENT BUDGET Surplus/(Deficit)		4,875,684	<i>Positive figure indicates increased expenditure, (Negative) figure decreased expenditure</i>
Restricted Assets			
TOTAL FUNDING FROM RESTRICTED ASSETS		-	
FUNDED FROM EQUITY (G5795.000)		-	
NET CHANGE TO FINANCIAL POSITION Surplus/(Deficit)		4,875,684	

BUDGET VARIATIONS - FINANCE MEETING 9-10-2019 - REVOTES			
LEDGER NO.	DESCRIPTION	AMOUNT \$	COMMENT/REASON
WATER FUND			
<i>Increase/Decrease in EXPENDITURE</i>			
813285-1000	Backflow Prevention Works	628,750	Revote - 2018/2019 Program
813282-1000	Pump station Upgrades	420,535	Revote - 2018/2019 Program
813260-3100	Inverell Water Treatment Plant	588,762	Revote - 2018/2019 Program
813220-1100	Mains Replacement	59,104	Revote - 2018/2019 Program
813280-3100	Metering	130,031	Revote - 2018/2019 Program
813288-3100	Telemetry Upgrades	538,101	Revote - 2018/2019 Program
813290-3100	Other Plant	21,674	Revote - 2018/2019 Program
TOTAL INCREASE IN EXPENDITURE		2,386,957	<i>Positive figure indicates increased expenditure. (Negative) figure decreased expenditure</i>
NET CHANGE TO CURRENT BUDGET Surplus/(Deficit)		2,386,957	<i>Positive figure indicates increased expenditure. (Negative) figure decreased expenditure</i>
<i>Restricted Assets</i>			
TOTAL FUNDING FROM RESTRICTED ASSETS		-	
FUNDED FROM EQUITY (G5795.000)		-	
NET CHANGE TO FINANCIAL POSITION Surplus/(Deficit)		2,386,957	
SEWER FUND			
<i>Increase/Decrease in EXPENDITURE</i>			
907320-3050	Treatment Works -Delungra	100,000	Revote - 2018/2019 Program
907320-3070	Treatment Works -Gilgai	80,000	Revote - 2018/2019 Program
907321-3100	Treatment Works -Inverell (Loan Funds)	1,203,989	Revote - Renewal Project Works - Inverell Treatment Plant
907272-3100	Treatment Works - Inverell (Telemetry)	245,938	Revote - 2018/2019 Program
907272-3050	Treatment Works - Delungra (Telemetry)	100,000	Revote - 2018/2019 Program
907250-3100	Mains Inverell	281,459	Revote - 2018/2019 Program
907110-1100	Mains Relining	448,377	Revote - 2018/2019 Program
907270-1000	Pumping Stations	600,000	Revote - 2018/2019 Program
TOTAL INCREASE IN EXPENDITURE		3,059,763	<i>Positive figure indicates increased expenditure. (Negative) figure decreased expenditure</i>
NET CHANGE TO CURRENT BUDGET Surplus/(Deficit)		3,059,763	<i>Positive figure indicates increased expenditure. (Negative) figure decreased expenditure</i>
<i>Restricted Assets</i>			
TOTAL FUNDING FROM RESTRICTED ASSETS		-	
FUNDED FROM EQUITY (G5795.000)		-	
NET CHANGE TO FINANCIAL POSITION Surplus/(Deficit)		3,059,763	
REVOTE SUMMARY			
GENERAL FUND REVOTES		4,875,684	
WATER FUND REVOTES		2,386,957	
SEWER FUND REVOTES		3,059,763	
COMBINED FUND - TOTAL REVOTES		10,322,404	

4.2 INVESTMENT POLICY**File Number:** S4.11.17/11 / 19/45212**Author:** Paul Pay, Manager Financial Services**SUMMARY:**

At the September Economic and Community Sustainability meeting the follow question was asked: *What is the difference in the risk profiles between “A” rated and “BBB” rate banking institutions. Given more attractive rates can be found at “BBB” rated banks, should Council consider a change to the Investment Policy credit framework to allow a greater percentage of investments at “BBB”.* This report provides an answer to this question.

RECOMMENDATION:

That the Committee recommend to Council that:

- i) the report be received and noted; and*
- ii) the Investment Policy remain unchanged.*

COMMENTARY:

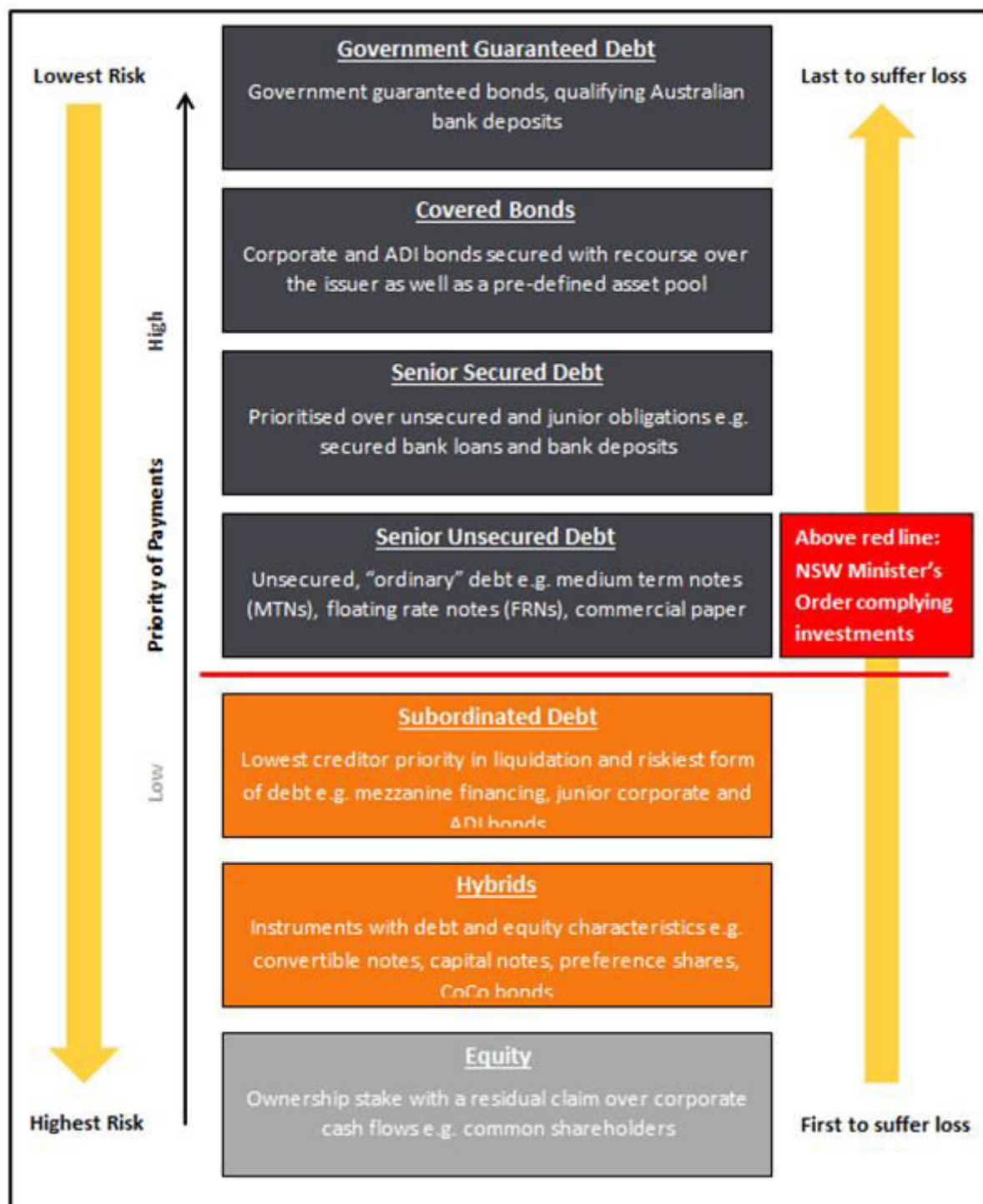
It is recommended that current settings are prudent and should not be changed. The reasoning being;

1. The absolute additional return is comparatively small. At the current rates, if the 40% limit on BBB investments was increased to 50%, the best case scenario for additional income would be a little more than \$8000.
2. The current settings are comparable to industry norms. While it is proper for Council to seek to maximise return on investment of accumulated funds, it is an auxiliary function and not one of Council's key objectives. It is argued that the conservation of capital is paramount and a conservative approach towards counterparty risk is justified. The current settings represent that recommended conservative approach from Council's Investment Advisors and is the prevailing position within NSW Local Government.

Clause 10.1 of Council's Investment Policy (as attached) specifies Council's investment credit framework. Council's credit framework controls the credit quality of the Investment portfolio. The following framework limits the percentage of the portfolio exposed to any particular credit rating category. The portfolio credit guidelines relate to Standard & Poor's (S&P) ratings system criteria or equivalents.

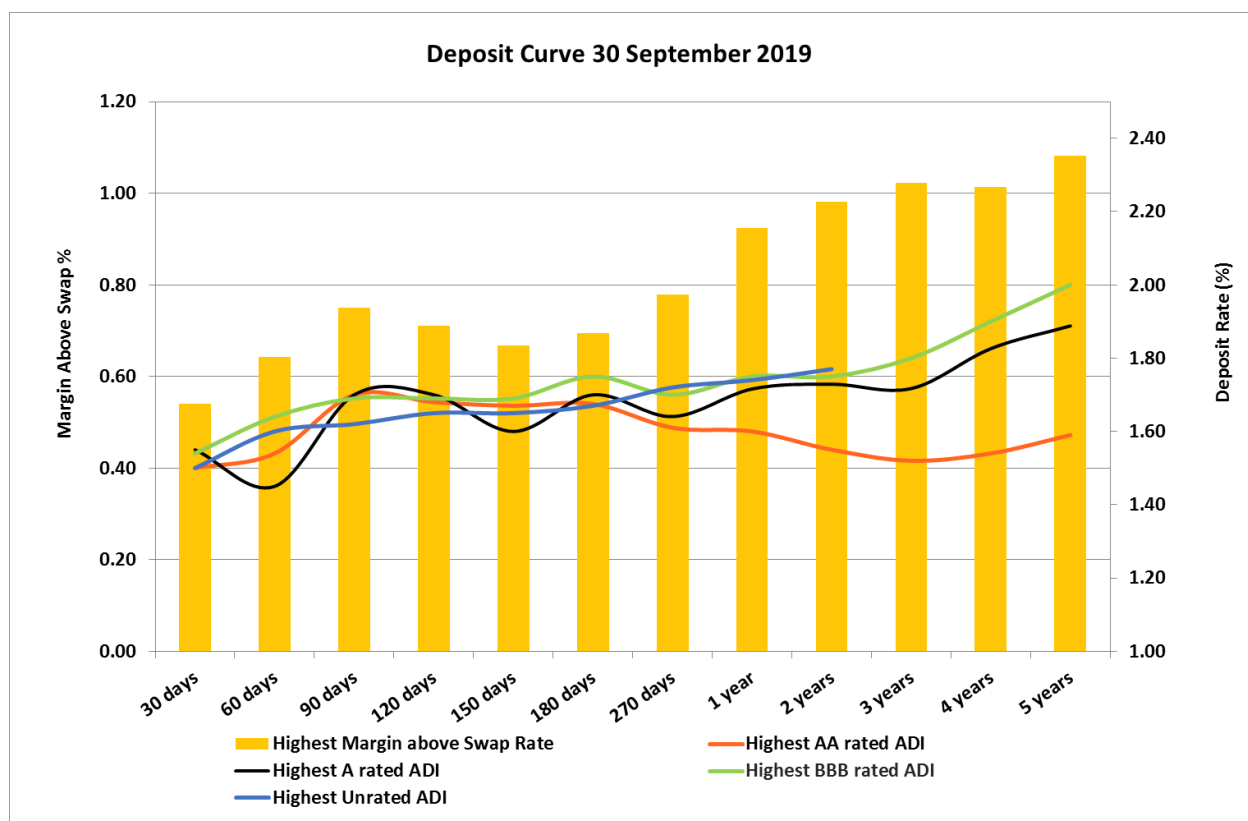
Long Term Credit Rating	Maximum Allocation
AAA Category	100%
AA Category or Major Bank*	100%
A Category	70%
BBB Category	40%
Unrated ADI's [#]	20%

Council investments are regulated by the *Local Government Act 1993* - Investment Order (attached), Council can only invest in senior ranking assets – effectively term deposits and senior bank Floating Rate Notes (FRNs) issued by Approved Deposit-taking Institutions (ADIs).



The difference in risk profiles when investing in senior ranking assets (term deposit and bank FRNs) issued by "A" and "BBB" rated ADIs is not significant but tangible. The current Investment Policy limits exposure to that additional risk to 40% of the portfolio. The question being asked is would Council be justified accepting that additional risk for the additional investment return being offered by the riskier assets?

For term deposits, the spread between the highest paying "A" versus the highest paying "BBB" rated ADI is fairly tight with "BBB" rated ADIs currently offering up to 0.10%-0.15% higher over the highest paying "A" rated ADI based on a 12 month term.



Council's Policy currently allows for a maximum of 40% of total investments with "BBB" rated ADIs and 20% with unrated ADIs. Council's investment adviser, Michael Chandra, Imperium Markets, has confirmed this is consistent with most other NSW Councils policies.

Based on the current low disparity between the rates being offered between the "BBB" and higher rated ADIs it is recommend that Council leave the "BBB" category at 40%.

It should be noted there are now only 6 domestic rated ADIs rated "A" or higher (4 majors, Macquarie and Suncorp), compared to over +25 ADIs rated "BBB". The Investment Policy does limit investment with any particular institution and the small number of high rated ADI's could compromise achieving the best rate on the day. To date this has not been a problem and the problem can be partly mitigated with the introduction of some international banks rated "A" or higher, such as ING Bank, and HSBC Bank Australia Ltd. It should be noted the recent downgrading of AMP's credit rating did reshuffle the composition of the Council's portfolio within the A & BBB categories, however the effect on overall returns is forecast to be minor.

However, should there be a bigger disparity in rates being offered between the "BBB" and higher rated ADIs ("A" or "AA"), or if interest rates do fall close to 0.00% (or negative territory), then Council should look at revising the policy to allow for a larger exposure to the "BBB" and potentially unrated ADI sector in future.

As official interest rates continue to new historic lows it would be prudent to keep a watching brief on the impacts of the current Investment Policy and changes in circumstances that warrant a review will be reported to Council.

RISK ASSESSMENT:

Preservation of capital is the principle objective of the investment portfolio. Investments are to be placed in a manner that seeks to ensure security and safeguarding the investment portfolio. This includes managing credit and interest rate risk within identified thresholds and parameters.

POLICY IMPLICATIONS:

The Investment Policy is adopted by a resolution of Council.

CHIEF FINANCIAL OFFICERS COMMENT:

Should Council elect to increase the BBB holdings to 50% of Council's portfolio, best case scenario at the current rates would generate additional interest revenue of \$8,250 over twelve months, based on a portfolio of \$55M at the current disparity of 0.15%.

Should the disparity increase to 0.50% Council would generate additional interest of \$27,500.

LEGAL IMPLICATIONS:

Council must invest surplus funds in accordance with the *Local Government Act 1993* – Investment Order.

ATTACHMENTS:

1. Local Government Act 1993 - Investment Order
2. Inverell Shire Council Investment Policy

LOCAL GOVERNMENT ACT 1993 – INVESTMENT ORDER

(Relating to investments by councils)

I, the Hon. Barbara Perry MP, Minister for Local Government, in pursuance of section 625(2) of the *Local Government Act 1993* and with the approval of the Treasurer, do, by this my Order, notify for the purposes of section 625 of that Act that a council or county council may only invest money (on the basis that all investments must be denominated in Australian Dollars) in the following forms of investment:

- (a) any public funds or securities issued by or guaranteed by, the Commonwealth, any State of the Commonwealth or a Territory;
- (b) any debentures or securities issued by a council (within the meaning of the *Local Government Act 1993* (NSW));
- (c) interest bearing deposits with, or any debentures or bonds issued by, an authorised deposit-taking institution (as defined in the *Banking Act 1959* (Cwth)), but excluding subordinated debt obligations;
- (d) any bill of exchange which has a maturity date of not more than 200 days; and if purchased for value confers on the holder in due course a right of recourse against a bank which has been designated as an authorised deposit-taking institution by the Australian Prudential Regulation Authority;
- (e) a deposit with the New South Wales Treasury Corporation or investments in an Hour-Glass investment facility of the New South Wales Treasury Corporation;

All investment instruments (excluding short term discount instruments) referred to above include both principal and investment income.

Transitional Arrangements

- (i) Subject to paragraph (ii) nothing in this Order affects any investment made before the date of this Order which was made in compliance with the previous Ministerial Orders, and such investments are taken to be in compliance with this Order.
- (ii) Paragraph (i) only applies to those investments made before the date of this Order and does not apply to any restructuring or switching of investments or any re-investment of proceeds received on disposal or maturity of such investments, which for the avoidance of doubt must comply with this Order.

Key Considerations

An investment is not in a form of investment notified by this order unless it also complies with an investment policy of council adopted by a resolution of council.

All councils should by resolution adopt an investment policy that is consistent with this Order and any guidelines issued by the Chief Executive (Local Government), Department of Premier and Cabinet, from time to time.

The General Manager, or any other staff member, with delegated authority by a council to invest funds on behalf of a council must do so in accordance with the council's adopted investment policy.

Councils have a fiduciary responsibility when investing. Councils should exercise the care, diligence and skill that a prudent person would exercise in managing the affairs of other persons.

When exercising the power of investment councils should consider, but not be limited by, the risk of capital or income loss or depreciation, the likely income return and the timing of income return, the length of the term of the proposed investment, the liquidity and marketability of the proposed investment, the likelihood of inflation affecting the value of the proposed investment and the costs (including commissions, fees, charges and duties payable) of making the proposed investment.

Dated this 12th day of January 2011


Hon BARBARA PERRY MP
Minister for Local Government



MANAGEMENT POLICY:	INVESTMENT POLICY
Ref:	

Contact Officer	Director Corporate & Economic Services, Corporate Services
Approval Date	22 February 2011
Approval Authority	Council
Reviewed	March 2019
Date of Next Review	March 2021

1 Policy statement

In accordance with Section 625 of the *Local Government Act, 1993* and the Local Government Regulation 2005, Part 9 – Division 4, Council will invest money that is not for the time being, required by the Council for any purpose. The money is to be invested in a security authorised by the Trustee Amendment Act, 1925; or in a form of investment notified by Order of the Minister published in the Gazette.



Inverell Shire Council Investment Policy

March
2019

This document outlines Inverell Shire Council's policy for the investment of surplus funds.

Document Version 1.0

INVERELL SHIRE COUNCIL**INVESTMENT POLICY**

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1. Objectives

The objective of this Policy is to provide a framework for the investment of Council's Funds at the most favourable rate of interest available to it at the time and maximising capital gains, while having due regard to risk and security for that investment type and ensuring that Council's liquidity requirements are met.

When exercising the power to invest, consideration is to be given to the preservation of capital, liquidity, and the return of investment.

Council therefore has the following primary objectives for its investment portfolio:

- The preservation of the Capital amount invested;
- To ensure there are sufficient liquid funds available to meet all reasonably anticipated cash flow requirements;
- To generate income from the investment that meet or exceed the performance benchmarks mentioned later in this document, and
- Compliance with legislation, regulations and best practice guidelines.

2. Legislative Requirements

All investments are to comply with the following:

- Local Government Act 1993;
- Local Government (General) Regulation 2005;
- Ministerial Investment Order;
- The Trustee Amendment (Discretionary Investments) Act 1997 – Section 14;
- Local Government Code of Accounting Practice and Financial Reporting;
- Australian Accounting Standards; and
- Office of Local Government Circulars.

3. Delegation of Authority

Authority for implementation of the Investment Policy is delegated by Council to the General Manager in accordance with the Local Government Act 1993.

The General Manager may in turn delegate the day-to-day management of Council's investment to the Responsible Accounting Officer, subject to regular reviews.

Officers; delegated authority to manage Council's investments shall be recorded and required to acknowledge they have received a copy of this policy and understand their obligations in this role.

4. Prudent Person Standard

The investments will be made and managed with the care, diligence and skill that a prudent person would exercise. As trustees of public monies, Council's Officers are to manage Council's investment portfolios to safeguard the portfolio in accordance with the spirit of this Investment Policy, and not for speculative purposes.

5. Ethics and Conflicts of Interest

Council's Officers shall refrain from personal activities that would conflict with the proper execution and management of Council's investment portfolio. This policy requires Council's Officers to disclose any conflict of interest to the General Manager.

Independent Investment Advisors must also declare that they have no actual or perceived conflicts of interest.

6. Authorised Investments

All Council investments must be denominated in Australian Dollars. Authorised Investments are limited to those allowed by the Ministerial Investment Order and include:

- Commonwealth / State / Territory Government securities e.g. bonds;
- Interest bearing deposits / senior securities issued by an eligible ADI (Authorised Deposit taking Institution e.g. Bank, Credit Union, Building Society);
- Bills of Exchange, (< 200 days duration) guaranteed by an ADI;
- Debentures issued by a NSW Council (under Local Government Act 1993);
- Deposits with T-Corp &/or Investments in T-Corps Managed Funds; and
- Investments grandfathered under the Ministerial Investment Order.

7. Prohibited Investments

In accordance with the Ministerial Investment Order, this Investment Policy prohibits the following types of investment

- Derivative based instruments;
- Principal only investments or securities that provide potentially nil or negative cash flow; and
- Stand alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind.

This Policy also prohibits any investment with speculative purposes, including the use of leveraging (borrowing to invest) for an investment. However, nothing in the policy shall prohibit the short-term investment of loan proceeds where the loan is raised for non-investment purposes and there is a delay prior to the expenditure of loan funds.

8. Investment Advisor

Council's investment advisor must be approved by Council and licensed by the Australian Securities and Investment Commission. The advisor must be an independent person who has no actual or potential conflict of interest in relation to investment products being recommended and is free to choose the most appropriate product within the terms and conditions of investment policy.

The independent advisor is required to provide written confirmation that they do not have any actual or potential conflicts of interest in relation to investments they are recommending or reviewing, including that they are not receiving any commissions or other benefits in relation to the investments being recommended or reviewed, except as fully rebated to Council, promptly.

9. Risk Management Guidelines

Investments considered are to be assessed against the following key criteria:

- **Credit Risk** – The risk that a party to a transaction will fail to fulfil its obligations. In the context of this document it relates to the risk of loss due to the failure of an institution/entity with which an investment is held to pay the interest and/or repay the principal of an investment;
- **Diversification** – the requirement to place investments in a broad range of products so as not to be over exposed to a particular sector of the investment market;
- **Liquidity Risk** – the risk an investor is unable to redeem the investment at a fair price within a timely period, and thereby Council incurs additional costs (or in the worst case is unable to execute its spending plans);
- **Market Risk** – the risk that fair value or future cash flows of an investment will fluctuate due to changes in market prices, or benchmark returns will unexpectedly overtake the investment's return;
- **Maturity Risk** – the risk relating to the length of term to maturity of the investment. The longer the term, the greater the length of exposure and risk to market volatilities;
- **Preservation of Capital** – the requirement for preventing losses in an investment portfolio's total value; and

- **Reinvestment Risk** – the risk that income will not meet expectations or budgeted requirement because interest rates are lower than expected in future

10 Credit and Maturity Guidelines

Investments are to comply with the following three key criteria:

- **Overall Portfolio Credit Framework** – limit overall credit exposure of the portfolio
- **Institutional Credit Framework** – Limit exposure to individual institutions based on their credit ratings.
- **Term to Maturity Framework** – Limits based upon maturity of security and Council's cash flow needs.

10.1 Overall Portfolio Credit Framework

To control the credit quality of the Investment portfolio, the following framework limits the percentage of the portfolio exposed to any particular credit rating category. The portfolio credit guidelines to be adopted will be based on the Standard & Poor's (S&P) ratings system criteria or equivalents.

Long Term Credit Rating	Maximum Allocation
AAA Category	100%
AA Category or Major Bank*	100%
A Category	70%
BBB Category	40%
Unrated ADI's [#]	20%

[#] Council may invest with an unrated ADI's (such as NECU)

*For the purpose of this Policy, "Major Banks" are currently defined as the ADI deposits or senior guaranteed principal and interest ADI securities issued by the major Australian banking groups:

- Australia and New Zealand Banking Group Limited (ANZ)
- Commonwealth Bank of Australia (CBA)
- National Australia Bank Limited (NAB)
- Westpac Banking Corporation (WBC)

including ADI subsidiaries whether or not explicitly guaranteed, and brands (such as St George).

Council may ratify an alternative definition from time to time.

Standard & Poor's ratings attributed to each individual institution will be used to determine maximum holdings. In the event of disagreement between agencies as to the rating band ("split ratings") Council shall use the higher in assessing compliance with portfolio Policy limits, but for conservatism shall apply the lower in assessing new purchases.

10.2 Institutional Credit Framework

Exposure to individual counterparties/financial institutions will be restricted by their credit rating so that single entity exposure is limited, as detailed in the following table

Long Term Credit Rating	Maximum Allocation per Institution
AAA Category	40%
AA Category or Major Bank*	30%
A Category	20%
BBB Category	20%
Unrated ADF's [#]	10%

This table does not apply to any grandfathered managed fund or structured investment where it is not possible to identify a single counterparty exposure

If any of the funds/securities held are downgraded such that they no longer fall within Council's Investment Policy guidelines, they will be divested within 30 days or as soon as is practicable having due regard to the preservation of the principal invested after consultation with Council's investment advisor.

10.3 Term to Maturity

The term to maturity of any Council's direct investments may range from "at Call" to ten (10) years and is to be invested within the following maturity constraints:

Investment Horizon Description	Investment Horizon Maturity Date	Minimum Allocation	Maximum Allocation
Working capital funds	0-3 months	10.0%	100.0%
Short term funds	3-12 months	10.0%	100.0%
Short-Medium term funds	1-2 years	10.0%	70.0%
Medium term funds	2-5 years	0%	50.0%
Long term funds	5-10 years	0%	25.0%

11 Quotations on Investments

A minimum of three (3) quotations shall be obtained from Authorised Institutions whenever an investment is proposed. Any investment should be executed at the best price reasonably possible, while factoring in administrative and banking costs, and having regard to the limits set above in Section 9 and 10.

12 Accounting

Council will comply with appropriate accounting standards in valuing its investments and quantifying its investment returns.

In addition to recording investment income in accordance with the Accounting Standards, published reports may also show a break-down of its duly calculated investment returns into capital gains and losses, and interest.

From time to time financial assets may be acquired at a discount or premium to their face value. Discount or premium is to be taken into account in line with relevant Australian Accounting Standards.

13 Performance Benchmarks

The performance of each investment will be assessed against the benchmarks listed in the table in attachment 1. It is Council's expectation that the performance of each investment will match or exceed the applicable benchmark.

14 Reporting

Documentary evidence must be held for each investment and details thereof maintained in an investment register. The documentary evidence must provide Council legal title to the investment.

For audit purposes, certificates must be obtained from the banks/fund managers/custodian confirming the amounts of Investments held on Council's behalf at 30th June each year.

All investments are to be appropriately recorded in Council's financial records and reconciled on a monthly basis.

A **monthly** Investment report will be provided to Council. The report will detail the investment portfolio in terms of holdings and impact of changes in market value since the previous report. The monthly report will also detail the investment performance against the applicable benchmark, investment income earned versus budget year to date and confirm compliance of Council's investments within legislative and policy limits.

15 Variation to Policy

Variations to this policy are to be approved by Council, other than minor variations resulting from the update of the Ministers Investment Order.

DEFINITIONS	
Act	Local Government Act, 1993.
ADI	Authorised Deposit-Taking Institutions (ADI) are corporations that are authorised under the Banking Act 1959 (Cwth) to take deposits from customers.
Bill of Exchange	A bill of exchange is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a sum certain in money to or to the order of a specified person, or to bearer.
BBSW	The Bank Bill Swap reference rate (BBSW) is the average of mid-rate bank-bill quote from brokers on the BBSW Panel. The BBSW is calculated daily. Floating rate securities are most commonly reset quarterly to the 90-day BBSW.
CFRN	A Corporate Floating Rate Note (CFRN) is a medium to long term fixed interest investment where the coupon is a fixed margin ("coupon margin") over a benchmark, also described as a "floating rate". The benchmark is usually the BBSW and is reset at regular intervals – most commonly quarterly.
Council Funds	Surplus monies that are invested by Council in accordance with section 625 of the Act.
Debenture	A debenture is a document evidencing an acknowledgement of a debt, which a company has created for the purposes of raising capital. Debentures are issued by companies in return for medium and long-term investment of funds by lenders.
OLG	NSW Office of Local Government, Department of Premier and Cabinet.
Grandfathered	Investments held by Council that were previously allowed under the Minister's Order but were Grandfathered when the NSW State Government changed the list of Approved Investments as a result of the Cole enquiry (which was reflected in the Ministerial Order dated 31/7/2008).
IP	The Investment Policy provides the general investment goals and objectives of Council and describes the strategies that must be employed to meet these objectives. Specific information on matters such as asset allocation, risk tolerance, and liquidity requirements are also included in the IP.
LGGR	Local Government (General) Regulation 2005 (NSW).
NCD	Is a short term investment in an underlying security being a negotiable certificate of deposit (NCD) where the term of the security is usually for a period of 185 days or less (sometimes up to 2 years). NCDs are discount securities meaning they are issued and on-sold to investors at a discount to their face value.
RAO	Responsible Accounting Officer of a council means a member of the staff of the council designated by the General Manager, or if no such member has been designated, the General Manager. (LGGR, clause 196).
T-Corp	New South Wales Treasury Corporation.
AusBond BBI	Formerly the UBS Bank Bill Index (BBI). The UBS Australia index family was acquired by Bloomberg from Q3 2014, and while branding changed the benchmark is unaltered. The Bank Bill Index (BBI) represents the performance of a notional rolling parcel of bills averaging 45 days and is the widely used benchmark for local councils and other institutional cash investments.

ATTACHMENT 1 – Benchmarks by Investment Types

Investment	Time Horizon	Performance Benchmark
<ul style="list-style-type: none"> • 11 am call accounts, • Short dated bills, • NCDs issued by financial institutions, • Term deposits with a maturity date 90 days or less. 	3 months or less	Official Cash Rate
<ul style="list-style-type: none"> • Term Deposits with a maturity date between 90 days and 1 Year, • Corporate FRN's bought on the secondary market. 	3 months to 12 months	AusBond Bank Bill Index (BBI)
<ul style="list-style-type: none"> • Term Deposits with a maturity date between 1 and 2 Years • Corporate FRN's bought on the secondary market. 	1 to 2 years	AusBond Bank Bill Index (BBI)
<ul style="list-style-type: none"> • Corporate FRN's, • Bonds • Mortgage and asset backed securities (senior ADI Debt instruments), • Term deposits with a maturity date between 2 and 5 Years. 	2 to 5 Years	AusBond Bank Bill Index (BBI)
T-Corp Hour Glass Managed Funds	5 to 10 Years	TCorp's Internal Benchmark

ATTACHMENT 2 - Standard & Poor Rating Definitions

Long Term Rating Order is:

Rating	Description
AAA to AAA-	An extremely strong capacity to repay
AA+ to AA-	A very strong capacity to repay
A+ to A-	A strong capacity to repay
BBB+ to BBB-	An adequate capacity to repay

5 INFORMATION REPORTS

5.1 LIBRARY STATISTICAL OVERVIEW 2018/19

File Number: S3.6.1/13 / 19/44613

Author: Sonya Lange, Manager Library Services

SUMMARY:

The following report summarises key statistics for the library in 2018/19, and considers the implications arising from identified trends.

COMMENTARY:

Key measures for library performance are visitor numbers, circulation, program attendance, collection size and membership figures. The library changed Library Management software in December 2018, resulting in some impacts on the way some statistical measures were collected. This may have caused some variance in the results detailed.

Visitors

Door Count: 68,052 -10%

The daily average for visitors sits at 230 people. December was the quietest month, perhaps related to the number of closed days associated with the Christmas / New Year period. In May of 2019 a new People Counter device & software was installed, which should ensure high accuracy of results in the future.

Circulation

Loans: 147,252 + 6%

Total circulation has increased by 6%, with many sub-collections maintaining similar circulation rates to the previous year. Pleasingly, Adult fiction has seen resurgence, with an 11% increase on the previous year. Print resources in general have experienced a 10% increase. Circulation for DVD's has fallen for the first time in many years, by -7%.

Digital resource usage grew significantly, with an increase of 72% for eBooks, and 46% for eAudio. The introduction of an additional resource for eMagazines & eNewspapers (PressReader) has seen a 611% increase in the usage of this type of resource. Loans of all digital resources grew by 99% on the previous year, and now represent 7% of our total circulation. This strong increase suggests that patron interest in digital resources is ongoing.

Programs

Adult: 1423 on par

Children: 4760 on par

Attendance at programs remains consistent, with the library offering a range of programs for adults and youth, most of which are at no cost.

Collection

Items: 62,896 +11%

The library collection sits at 62, 896 physical and digital objects. The increase is largely due to incorporation of Local History items from the Inverell District Family History Group, and growth of digital holdings via consortia arrangements with other libraries. The library makes an effort to maintain a current collection, with patron requests informing a proportion of purchasing, and regular weeding of dated and worn resources. Adult fiction, Biographies and DVD's are the categories most commonly suggested for inclusion in the collection by patrons.

Membership**Active Members: 6274 +12%**

Active members are defined as those who have borrowed from the library in the last 3 years. The process of migrating library management systems resulted in all existing members receiving a new “last active” date, and so a proportion of borrowers who may have been about to become inactive did not do so. This may have resulted in an inflation of the number of active members.

Computer use**Bookings: 8,005 -24%****Wi-Fi logins: 6,987 -27%**

Computer usage and Wi-Fi bookings have declined significantly over the past year, probably as a result of the increasing prevalence of smart phones and tablets in the community. Computer usage tends to fall into two distinct areas; people who use the computer frequently (often on a daily basis) – for research, access to email and social media; and those who need to access the computers very infrequently, for a specific purpose – printing documents, visitors, temporary disruption to home computing facilities. Staff have noted strong demand for assistance in the use of tablet computers from patrons, and continue to provide assistance in basic computer skills for patrons with little to no computer skills, but who are forced to interact with government agencies or service providers online.

Conclusions

Any consideration of library usage statistics must take into account the impacts that the current drought is having on the community. Difficult times may have reduced the community’s disposable income, therefore increasing demand for access to free resources, and positively impacting loan figures. Similarly, fuel costs and transport difficulties may have reduced people’s ability to drive to town regularly, impacting visitor numbers.

Usage of print resources across most sectors of the collection remained strong. The strong increase in usage of digital (e) materials suggests that a segment of the community is now comfortable with the use of these materials, and is keen to gain access to them at no cost to themselves. Maintaining the existing level of print funding (which is also used for the purchase of e-books) would allow the library to maintain a strong, up-to-date collection, which is responsive to customer needs. Establishing an additional budget line for e-book acquisitions, and re-allocating a part of the existing print budget (\$5000) to it is recommended.

It is important to remember when considering the needs of the library that the library strives to provide equitable access to resources for all members of the community. For many in the community with limited access to resources (financial, connectivity, digital literacy skills) the library may be their only source of access to resources to support cultural, educational and leisure activities, and engagement with service providers and the wider community.

ATTACHMENTS:**Nil**

5.2 GRANT APPLICATIONS SUMMARY**File Number:** S15.8.25/12 / 19/44877**Author:** Fiona Adams, Manager Integrated Planning and Reporting**SUMMARY:**

This report summarises grant applications lodged and approved for the quarter ending 30 September, 2019.

COMMENTARY:

The quarter ending 30 September, 2019 has seen an unprecedented amount of activity associated with grant funding. With the finalisation of the Drought Communities Programme funded projects and the opening of the NSW Government's Stronger Country Communities Fund, Council has been working with a number of community organisations to develop grant applications to address priorities in our Community Strategic Plan and updated Delivery Plan.

The below table summarises applications lodged or approved during this quarter.

Project	Details	Status
Yetman Community Bus renewal	Purchase replacement bus for Yetman community.	Submitted
Wing Hing Long Museum	Upgrade of electrical wiring.	Submitted
Tingha Recreation Reserve	Upgrades to facilities at Tingha Tigers rugby league ground.	Submitted
Grandparents Day 2019	Annual celebration of Grandparents Day with afternoon tea at Town Hall.	Approved
Landfill rehabilitation – Gum Flat and Nullamanna	Capping and rehabilitation of landfills in two locations.	Approved
Half court basketball facility	Construction of half court basketball and seating.	Submitted
Youth Activities across Inverell Shire	A calendar of free events and educational workshops for youth during 2020-2021.	Submitted
Town Centre Renewal Upgrade	Continue implementation of town centre upgrade in Byron Street.	Submitted
Copeton Northern Foreshores upgrade	A \$5m project to upgrade amenities, internal access, upgrade electricity transformer, install play facilities and accessible barbecue / picnic facilities.	Final phase of assessment

ATTACHMENTS:

Nil

6 GOVERNANCE REPORTS**6.1 GOVERNANCE - MONTHLY INVESTMENT REPORT**

File Number: S4.11.17/11 / 19/45449

Author: Paul Pay, Manager Financial Services

SUMMARY:

To report the balance of investments held as at 30 September, 2019.

RECOMMENDATION:

The Committee recommend to Council that:

- i) the report indicating Council's Fund Management position be received and noted;
and*
- ii) the Certification of the Responsible Accounting Officer be noted.*

COMMENTARY:

Contained within this report are the following items that highlight Council's Investment Portfolio performance for the month to 30 September, 2019 and an update of the investment environment:

- (a) Council's investments as at 30 September, 2019;
- (b) Council Investments by Fund as at 30 September, 2019;
- (c) Interest – Budgeted vs Actual;
- (d) Investment Portfolio Performance;
- (e) Investment Commentary; and
- (f) Certification – Responsible Accounting Officer.

A) Council Investments as at 30 September, 2019

Term Deposit Investment Group										
<i>Investment No.</i>	<i>Borrower</i>	<i>FUND</i>	<i>Rating</i>	<i>Risk Rating</i>	<i>Purchase Date</i>	<i>Maturity Date</i>	<i>Current Yield</i>	<i>Principal Value</i>	<i>Current value</i>	<i>Term (days)</i>
19/06	St George Bank	General	AA-	1	02-Oct-18	02-Oct-19	2.60%	1,000,000	1,000,000	365
19/07	National Australia Bank	General	AA-	1	09-Oct-18	09-Oct-19	2.74%	1,000,000	1,000,000	365
19/28	Bank of Sydney	General	NR	3	17-Apr-19	17-Oct-19	2.65%	1,000,000	1,000,000	183
20/01	Bank of Sydney	General	NR	3	17-Jul-19	17-Oct-19	2.40%	1,500,000	1,500,000	92
19/08	Bendigo Adelaide Bank	General	BBB+	2	25-Oct-18	25-Oct-19	2.75%	2,000,000	2,000,000	365
19/11	National Australia Bank	Sewer	AA-	1	20-Nov-18	20-Nov-19	2.75%	2,000,000	2,000,000	365
19/12	Rural Bank	General	BBB+	2	27-Nov-18	27-Nov-19	2.85%	2,000,000	2,000,000	365
19/13	Police Credit Union (SA)	General	NR	3	27-Nov-18	27-Nov-19	2.94%	1,000,000	1,000,000	365
19/14	AMP BANK	General	A-	2	27-Nov-18	27-Nov-19	2.85%	2,000,000	2,000,000	365
19/15	AMP BANK	General	A-	2	27-Nov-18	27-Nov-19	2.85%	1,000,000	1,000,000	365
19/16	AMP BANK	Water	A-	2	27-Nov-18	27-Nov-19	2.85%	1,000,000	1,000,000	365
19/17	AMP BANK	General	A-	2	27-Nov-18	27-Nov-19	2.85%	1,000,000	1,000,000	365
19/23	AMP BANK	General	A-	2	18-Mar-19	13-Dec-19	2.80%	2,000,000	2,000,000	270
20-Jul	National Australia Bank	Water	AA-	1	27-Sep-19	12-Dec-19	1.70%	1,000,000	1,000,000	76
19/19	Summerland Credit Union	Water	NR	3	17-Dec-18	17-Dec-19	3.00%	2,000,000	2,000,000	365
19/25	Nexus Mutual	Water	NR	3	28-Mar-19	30-Dec-19	2.80%	1,000,000	1,000,000	277
19/20	National Australia Bank	General	AA-	1	09-Jan-19	09-Jan-20	2.75%	2,000,000	2,000,000	365
19/27	St George Bank	General	AA-	1	17-Apr-19	17-Apr-20	2.60%	2,000,000	2,000,000	366
20/04	Bank of Queensland	Sewer	BBB+	2	27-Aug-19	27-May-20	1.65%	2,000,000	2,000,000	274
19/09	ING BANK	General	A	1	25-Oct-18	25-Oct-20	2.90%	2,000,000	2,000,000	731
19/10	Westpac Bank	General	AA-	1	25-Oct-18	25-Oct-21	2.97%	2,000,000	2,000,000	1096
19/26	Police Credit Union (SA)	General	NR	3	28-Mar-19	29-Mar-21	2.90%	2,000,000	2,000,000	732
19/30	Rural Bank	General	BBB+	2	17-Apr-19	19-Apr-21	2.63%	1,000,000	1,000,000	733
19/33	Westpac Bank	Water	AA-	1	27-Jun-19	27-Jun-21	2.30%	2,000,000	2,000,000	731
20/02	Bank of Queensland	General	BBB+	2	17-Jul-19	19-Jul-21	2.00%	1,500,000	1,500,000	733
20/03	Bank of Queensland	General	BBB+	2	27-Aug-19	27-Aug-21	1.75%	2,000,000	2,000,000	731
20/08	AMB - Australian Military Bank	Sewer	NR	3	30-Sep-19	30-Sep-21	1.77%	1,500,000	1,500,000	731
19/29	Newcastle Permanent	General	BBB	2	17-Apr-19	19-Apr-22	2.70%	1,000,000	1,000,000	1098
19/31	Westpac Bank	Water	AA-	1	25-Jun-19	25-Jun-22	2.30%	1,000,000	1,000,000	1096
19/34	Westpac Bank	General	AA-	1	25-Jun-19	25-Jun-22	2.30%	2,000,000	2,000,000	1096
19/32	Westpac Bank	General	AA-	1	27-Jun-19	27-Jun-22	2.30%	2,000,000	2,000,000	1096
20/05	Bank of Queensland	General	BBB+	2	03-Sep-19	03-Sep-22	1.80%	1,000,000	1,000,000	1096
20/06	Bank of Queensland	General	BBB+	2	13-Sep-19	13-Sep-22	1.80%	1,000,000	1,000,000	1096
Sub Total - Term Deposit Investment Group								TOTALS	50,500,000	50,500,000

Floating Rate Notes Investment Group									
<i>As at Date</i>	<i>Borrower</i>	<i>FUND</i>	<i>Rating</i>	<i>Risk Rating</i>	<i>Purchase Date</i>	<i>Maturity Date</i>	<i>Current Yield*</i>	<i>Principal Value</i>	<i>Current value</i>
30/9/19	Commonwealth Bank	General	A1+	1	11/1/2019	11/1/2024	2.26% 3M BBSW + 113bp	2,000,000.00	2,032,648.00
30/9/19	ANZ Bank	General	A1+	1	8/2/2019	8/2/2024	2.07% 3M BBSW + 110bp	2,000,000.00	2,029,688.00
30/9/19	ANZ Bank	Water	A1+	1	8/2/2019	8/2/2024	2.07% 3M BBSW + 110bp	1,000,000.00	1,014,844.00
Sub Total - Floating Rate Notes Investment Group								5,000,000.00	5,077,180.00

B) Council Investments by Fund 30 September, 2019

Portfolio by Fund	31/08/2019	30/09/2019
General Fund	\$ 41,066,532	\$ 41,062,336
Water Fund	\$ 9,015,853	\$ 9,014,844
Sewer Fund	\$ 5,500,000	\$ 5,500,000
TOTAL	\$ 55,582,385	\$ 55,577,180

Council's investment portfolio remained neutral during September 2019. This was in respect of normal cash flow movements for receipts collected and payments made during September 2019.

Interest – Budgeted verses Actual Result to Date

	Ledger	2019/2020 Budget \$	Actuals to Date \$	Accrued Interest to Date \$	TOTAL \$
General Fund	128820	879,000.00	63,578.16	225,800.00	289,378.16
Water Fund	812350	125,000.00	14,411.68	46,942.47	61,354.15
Sewer Fund	906320	105,000.00	13,000.83	19,209.59	32,210.42
TOTAL		1,109,000.00	90,990.66	291,952.06	382,942.72

Term deposit interest rates have moved to historic lows of approximately 1.5% for a twelve (12) month term deposit. Given our strong investment balances, Council is expected to meet interest revenue targets in 2019/2020. However, further rate cuts may require Council to downgrade this target in future years. This will require Council to reduce expenditure to offset the reduced income from investment revenue. Expenditure can be reduced by cutting various programs from the budget or by reducing/freezing budget increases, that is, no CPI increases. This results in an expenditure decrease in real terms.

C) Investment Portfolio Performance

Investment Portfolio Return		Benchmarks		
	% pa	RBA Cash Rate	Aus Bond Bank Bill	11am Cash Rate
Benchmark as at 2-10-19		0.75%	1.74%	0.75%
Term Deposits	2.51%			
Cash Deposit Accounts	0.00%			
Floating Rate Notes	2.13%			

D) Investment Commentary

Council's investment portfolio returns exceeded the 11am Cash Rate benchmark in all investment categories except for Council's cash deposit accounts. These accounts are held for liquidity purposes. Term Deposits exceeded all benchmarking indexes.

Council's investment portfolio of \$55.6M is almost entirely invested in fixed term deposits. Overall, the portfolio is highly liquid, highly rated and short-dated from a counterparty perspective.

The RBA cut interest rates to a record low of 0.75% on 1 October. The market continues to fully price in the next 25bp rate cut by early 2020, potentially taking the official cash rate down to 0.50%. The Australian 10-year government bond yields remain just below the 1% level reflecting the projected low interest rate environment in the long-term.

Domestically, the RBA remains on an easing bias looking to address the 'spare capacity' in the economy, particularly following the uptick in the unemployment rate. The RBA has suggested that additional stimulus through further rate cuts may be warranted in order to target full employment.

Their forward guidance is now to expect an "extended period" of low interest rates to achieve full employment and progress towards their inflation target.

The global key risks for the RBA stem from the impact of ongoing trade and technology disputes, softening inflation, political uncertainty (e.g. US, Brexit, Hong Kong, Italy) and a broader slowdown in the global economy. The Board will continue to assess developments in the global and domestic market before considering further rate cuts.

F) Certification – Responsible Accounting Officer

I Scott Norman, hereby certify that the investments listed in this report have been made in accordance with Section 625 of the *Local Government Act 1993*, Clause 212 of the Local Government (General) Regulations 2005 and Council's Investment Policy.

RISK ASSESSMENT:

Nil

POLICY IMPLICATIONS:

Nil

CHIEF FINANCIAL OFFICERS COMMENT:

It is noted that the volatility for current financial markets and pending legal actions will not impact on Council's Rates and Charges, its ability to deliver its existing Services across the funds, or its medium or long term sustainability. Council's overall Investment Portfolio remains sound.

LEGAL IMPLICATIONS:

Nil

ATTACHMENTS:

Nil