

ITEM NO: 2**SUBJECT: SCHEDULE OF INVESTED MONIES****FILE NO: C00694**

Recommendation:

That the Schedule of Invested Monies as at 30 April 2008 be received.

Report by Group Manager, Community & Corporate:

This report is submitted for the purpose of financial accountability and in satisfaction of the investment reporting requirements of the Local Government (General) Regulation 2005 and the Local Government Act, 1993 (Section 625). The report also certifies that the Council investments comply with the forms of investment made by order of the Minister under section 625(2) of the Local Government Act 1993. The current Ministerial Order was issued under the Council Circular 05-53 on 23 September 2005.

The Schedule of the Council Invested Monies as at 30 April 2008 is attached for information (refer table 1).

The increased returns, above budget, on the Council investments are due to a greater than anticipated rise in interest rates and increased cash position for the financial year (refer table 6).

Market Commentary

There are expectations of further credit rating downgrades of structured securities, such as collateralised debt obligations (CDOs), in the Australian market over the next few months. This will likely occur within the Council portfolio, however, a credit rating downgrade does not necessarily mean the security's interest payments are impinged or face value is reduced, but it may impact the market value of the security which will only be realised if the Council sells prior to maturity.

For the month of April 2008 the Council investments fair value market valuation reduced by \$6,510 (refer table 2). As previously advised this is a market valuation only. The Council's independent investment advisor (Oakvale Capital) has advised that the Council structured investments (with the exception of the Federation CDO) have an underlying composition which would ensure a reasonable expectation that the capital will be paid at the maturity date.

The Reserve Bank of Australia has kept the cash interest rate on hold. The market is now speculating that the RBA may be at the end of their role to tighten the economy. However, banks are offering interest rates at much higher yields than usual. These higher interest rates have contributed towards our improved interest income projection for 2007/2008; i.e. Council revised interest income budget is up \$700,000 to \$1,797,500 for 2007/2008.

Based on the Council cash flow projections, there is no short-term requirement to liquidate our long-dated securities for cash flow needs. The Council's independent investment adviser

(Oakvale Capital) currently recommends that Council take any opportunity to invest in short-term bank deposits in order to provide better maturity diversification within the portfolio. The Council acted on this advice in the month of April and is in the process of negotiating for the withdrawal of \$1m from structured investments.

The Council continues to monitor the legal activities of other councils against certain financial advisors and consideration is still being given to the merits of participating in legal action.

The Cole Report on NSW Local Government Investments was released in April 2008. The Council supports the recommendations that now deliver clearer investment guidelines and our investment strategy, since the credit crises, reflects the intentions of the recommendations of the Cole Report. The Council waits a re-drafting of the Ministerial Investment Order so that we can formally amend our policy direction.

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Attachment 1

(Table 1) SCHEDULE OF INVESTED MONIES - 31 March 2008

Institution & Fund	Original Rating	Current Rating	Return for month	Face Value	Investment Valuation	Investment Valuation Previous Month	Comment
Bankwest Term Deposit(maturity 23/4/08)	A1+	A1+	7.68%	0	0	1,000,000	Cashflow withdrawal
Bankwest Term Deposit(maturity 30/4/08)	A1+	A1+	7.70%	0	0	1,000,000	Cashflow withdrawal
Bankwest Term Deposit(maturity 7/5/08)	A1+	A1+	7.72%	1,000,000	1,000,000	1,000,000	
IAB Professional Funds A/C(at call)			7.20%	768,866	768,866	3,309,705	Cashflow withdrawals
Bendigo Bank FRII	BBB	BBB	8.98%	1,000,000	1,000,000	1,000,000	Capital protected
CBA – Palladin Portfolio Note	AA	AA	8.30%	500,000	155,700	414,915	Market revaluation
Generator Income Notes (administered by Rim Securities Ltd)	AAA	AAA	9.14%	1,000,000	905,606	905,606	Valuation 30/6/07
CDO –“Federation” (administered by Lehman Brothers)	AAA	CCC-	8.51%	250,000	23,250	37,855	Market revaluation
FRII and CDO Investment Managed Portfolio (administered by Lehman Brothers)	BBB to AA-	BBB to AA-	8.50%	11,025,000	8,881,557	8,605,483	Market revaluation
Macquarie Cash Management	n/a	n/a	6.72%	21,861	21,861	258,390	Cashflow withdrawals & coupons
Averon Series AF7 Floating Rate Note(administered by ANZ Bank)	AAA	AAA	9.28%	500,000	444,500	444,500	Valuation 30/9/07
CBA – Equity Linked Note	AA	AA	7.50%	1,000,000	932,800	942,700	Market revaluation
CBA – Callable CPI Linked Note	AA	AA	7.65%	1,000,000	1,009,000	1,021,600	Market revaluation
Athena Series 1 Camelot Notes (administered by ICAP)	AA-	AA-	8.32%	500,000	465,950	462,565	Market revaluation
Aphex Pacific Capital Phoenix Notes (administered by ABII-AMRO Morgans)	AA1	AA1	9.91%	500,000	479,650	472,500	Market revaluation
CBA – Range Accrual Note	AA	AA	7.55%	1,000,000	970,500	967,300	Market revaluation
Total				20,065,727	17,059,240	21,843,119	

(Table 2)

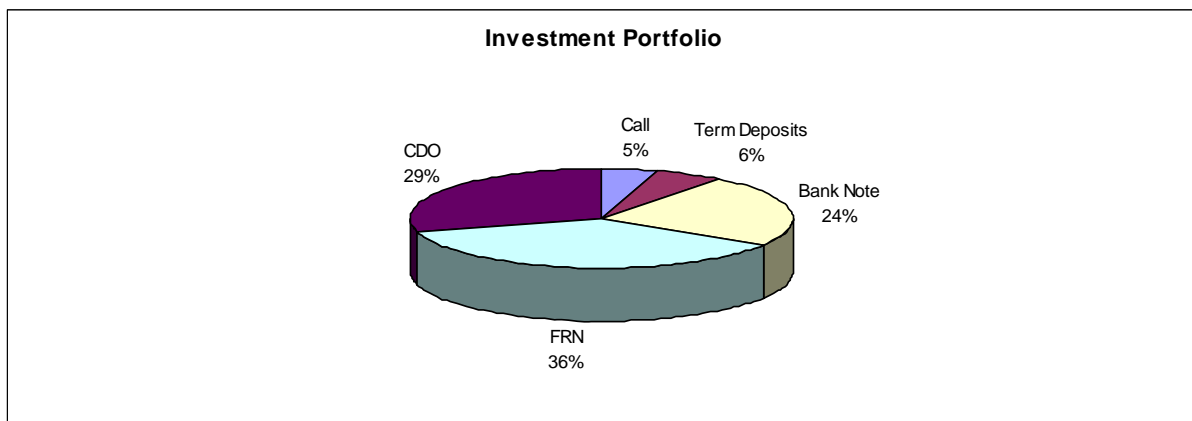
Balance of investments 1 April 2008 (Market Value)	21,843,119
Funds invested during month	300,000
Funds withdrawn during month	-5,100,000
Interest re-invested during month	22,631
Revaluation of investments during month. Favourable + Unfavourable -	-6,510
Balance of investments 30 April 2008 (Market Value)	17,059,240

BBSW 30 Days 7.57%

Average Rate of Return for Month 8.2%

The valuations are as at 30 April 2008 unless otherwise advised. The valuations are indicative with no assurance that trades could be completed at such values.

(Table 3)



Call – Cash at Call

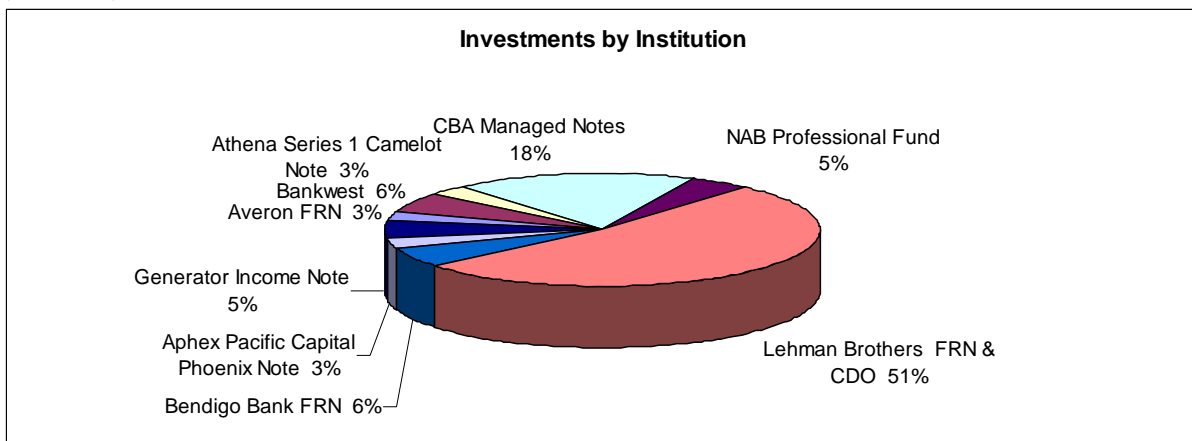
Term Deposits – Deposits for Fixed Term

Bank Note – Structured Notes

FRN – Floating Rate Note

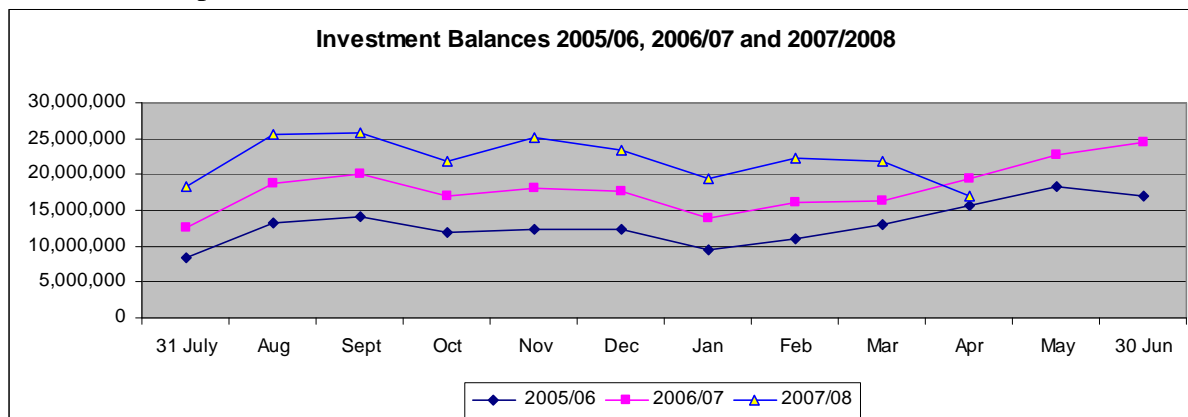
CDO – Collateralised Debt Obligation

(Table 4)



(Table 5)

The cash balance at 30 April 2008 is \$2.3m less than the previous year. This is due to deferring the raising of \$5.3m for 2007/08 loans, to the later part of the year. The borrowings are in accordance with the latest anticipated cash flow to fund the Capital Works Program. Borrowed funds are normally reinvested until the capital project requires a drawdown of funds in future periods.



(Table 6)

Interest Income - Budget vs Actual

	Actual	Budget
Income to 31 March 2008	1,351,905	1,348,126
Income for month of April 2008	147,178	149,792
Total Income to date	1,499,083	1,497,918
Estimated income for remainder of year	298,417	299,582
Estimated total for year (Revised)	1,797,500	1,797,500
Note: Original Budget 2007/2008		1,097,500

I certify and report that the Schedule of Invested Monies listed above describes all Council's funds invested by virtue of Section 625 of the Local Government Act, 1993. The monies referred to in this Schedule are invested in accordance with the Local Government Act, 1993 (Section 625 and Order of the Minister dated 23/09/2005), and Local Government Regulation 1999 (Clause 16), Council's Policy and the Cole Inquiry Report.

Neil Farquharson
Responsible Accounting Officer