Item 5.

Investments Held as at 30 September 2026

File No: X127618

Summary

This report provides details of the City's investment portfolio and performance to 30 September 2026.

The City's total investment and cash position was $698.4M at 30 September 2026, with investments earning interest of $2.9M for the month.

The annual CPI inflation rate rose to 4.0 per cent in the 12 months to August 2026, up from 3.5 per cent in the 12 months to July. The August 2026 CPI outcome indicates that inflation remains above the RBA's target range of 2% to 3%.

The Reserve Bank of Australia (RBA) raised the cash rate again on 29 September 2026 from 4.35% to 4.60% in response to persistent inflationary pressures. Ongoing global uncertainty continues to influence the inflation outlook and is likely to remain a key determinant in shaping the Bank's interest rate policy decisions. The RBA Board assessed that inflation is expected to remain above target for some time, with upside risks persisting, including pressures on inflation expectations.

The City's cash and investments portfolio includes restricted funds in both internal ($271.5M) and external ($88.5M) cash reserves, to satisfy the City's legislative responsibilities, to set aside specific amounts for major initiatives within the Community Strategic Plan Delivering Sustainable Sydney 2030-2050 Continuing the Vision, and to distribute contributions to Community Housing Providers. The unrestricted balance of cash and investments ($338.4M) represents working capital, and funding required for the City's operating and capital expenditure commitments.

The City has known and projected commitments beyond currently restricted amounts, including its forward capital works program. The Long Term Financial Plan (LTFP) outlines details of the working capital, services, facilities, activities, capital works and acquisitions that will be funded by the City's accumulated cash and future revenue streams.

The City's investment portfolio returns are comparable to those of cash-managed funds available in the market. Market rates have risen following a lift in the official interest rates by the RBA since mid-March 2026 and the expectation of future interest rate increases in the near term.

It is worth noting that Council's investment opportunities are constrained by a combination of legislation, regulation and any directions and guidelines issued by the Minister for Local Government and the Office of Local Government. They effectively limit the City's investment profile to something similar to a cash managed fund, which generally produces lower returns but provides a high level of security. The City's returns from the investment portfolio remain in line with cash managed funds in the market.

This report includes graphs demonstrating that the City's liquidity profile continues to satisfy the requirements of the Investment Policy, and charts that identify the distribution of the City's portfolio across credit ratings, investment product types and financial institutions. Charts depicting the City's portfolio returns over and above both the 90-day Bloomberg AusBond and 30-day Bank Bill Rate (BBR) benchmarks have also been included to provide further insight into the City's total investment portfolio performance.

The structure of the City's investment portfolio continues to reflect the conservative approach outlined in the Investment Policy and Strategy, which remains appropriate for the current global and domestic economic conditions. The Policy and Strategy also maintain the City's commitment to sustainable investments where returns and risks are equivalent, under the environmentally and socially responsible investment criteria.

Recommendation

It is resolved that the Investment Report as at 30 September 2026 be received and noted.

Attachments

Attachment A. Register of investments and cash as at 30 September 2026

Attachment B. Investment performance as at 30 September 2026

Background

1. In accordance with the principles of sound financial management, cash that is surplus to the City's immediate requirements is invested within acceptable risk parameters to optimise interest income while ensuring the security of these funds.

2. Cash is only invested in authorised investments that comply with governing legislation and the City's Investment Policy and Strategy. The benchmark performance goal of the City's Investment Policy and Strategy is to surpass the 30 Days Bank Bill Rate (BBR) by 45 basis points while performance also continues to be measured against the Bloomberg AusBond Bank Bill Index.

3. The City's total investment and cash position as at 30 September 2026 was $698.4M, a decrease of $5.4M from 31 August 2026. The net decrease for the month of September is attributable to operational and capital works expenditure payments exceeding operating income receipts. A schedule detailing all the City's investments as at the end of September 2026 is provided at Attachment A.

4. The City achieved an annualised monthly return of 4.92% for September, which remains above the 30-Day BBR of 3.97%, the latest AusBond Monthly Bank Bill Index of 4.06% and the enhanced benchmark of 4.42% (BBR + 0.45%).

5. Since 2015, the City has utilised an additional strategic benchmark rate to measure its investment performance by exceeding the 30 day benchmark returns, by at least 45 additional basis points (0.45% p.a.). The 45 basis point increase is based on observed historical average increased credit spreads (or margins) over bank bill rates on offer in relation to 30-to-90-day investments.

6. The City's annual rolling return of 5.04% continues to exceed the 12-month average 30 Day BBR of 4.41%, the latest AusBond 12 Month Average Bank Bill Index of 4.32% and the enhanced benchmark of 4.86% (BBR + 0.45%).

7. The benchmarks were endorsed in the revised Investment Strategy approved by Council in November 2025. The City aims to achieve returns equal to or above these benchmark rates for the period. However, this achievement remains secondary to the critical strategies of maintaining a prudent and conservative risk profile and ensuring adequate liquidity for operational purposes.

Key implications

Strategic alignment - Sustainable Sydney 2030-2050 Continuing the Vision

8. The City's investments accord with all legislative and policy requirements, as detailed below, and aim to achieve returns above minimum benchmark rates.

Financial implications

9. The City's investments earned interest of $2.9M for the month of September 2026, is broadly in line with the monthly budgeted earnings of $2.9M.

Relevant legislation

10. Council is authorised to invest its surplus cash under section 625 of the Local Government Act 1993.

11. The Local Government (General) Regulation 2021 (section 212) requires the City to provide a written monthly report of all monies invested, under section 625 of the Act.

12. The Investment Policy and Strategy was last revised in November 2025, maintaining Council's commitment to give preference to sustainable investments where returns and risks are equivalent to other investments.

13. The City's investments accord with the Minister's Investment Order, the Office of Local Government's Investment Policy Guidelines, and the City's own Investment Policy and Strategy as adopted by Council on 17 November 2025.

Critical dates / Time frames

14. A monthly investment report must be submitted for Council's information and review within the following month.

Public consultation

15. Consultation is regularly undertaken with a number of financial institutions and investment advisers to consider options and ensure the City continues to maximise its investment return within appropriate legislative and risk parameters. City staff meet regularly with representatives of the 'Big 4' banks and NSW TCorp. At these meetings City staff actively advocate for Socially Responsible Investment (SRI) opportunities.

16. The banks acknowledge the appetite in the market for these products, and they continue to investigate the development of suitable products, however it has been challenging to match the level of funds to available SRI opportunities that meet the credit risk and maturity profile requirements of the City.

17. As noted in previous Investment Reports, Westpac were able to bring a Green Tailored Deposit product to market, which delivers a comparable return while achieving the City's preferred outcomes. The City currently holds $35M in seven tranches with this Green Tailored deposit.

18. The City currently holds $4.5M in a sustainability bond/FRN with Bank Australia invested in February 2023 and due to mature on 22 February 2027. This is based on an investment framework that is in line with the 2021 versions of the ICMA Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG). This SRI opportunity meets both the credit risk and maturity profile requirements of the City.

19. As at September 2026, the City invested $20M in Social Tailored Deposit in four tranches, an annually certified investment associated with a defined pool of eligible assets which may include affordable housing, public education and/or healthcare assets along with transport services to disadvantaged areas. This type of investment aligns with the SRI principles set out in the City's Investment Policy.

20. As per the investment policy and strategy endorsed by Council in November 2025, the City continues to explore opportunities for supporting environmentally and socially responsible investments within these constraints. The City will continue to encourage and give preference to these investments where they comply with the Ministerial Investment Order and satisfy the Council's policy and investment objectives. The investment climate is changing over time, and the City notes that many large-scale renewable projects are expected to evolve, which may result in additional sustainable investment offers in the medium-to-long term.

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