

## Item 5.

### Investments Held as at 31 January 2026

File No: X020701

#### Summary

This report provides details of the City's investment portfolio and performance to 31 January 2026.

The City's total Investment and Cash position was \$669.8M at 31 January 2026, with investments earning interest of \$2.5M for the month.

Annual CPI inflation was 3.8% in the 12 months to December 2025, up from a 3.4% rise in the 12 months to November 2025. The December 2025 CPI outcome means inflation is now above the RBA's target range of 2 to 3%. On 3 February 2026, the RBA Board raised interest rates to 3.85% in response to persistent inflation pressures. Both global and domestic economic conditions are likely to remain key determinants in shaping the Bank's policy decisions.

The City's cash and investments portfolio includes restricted funds in both internal (\$287.9M) and external (\$85.3M) 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 (\$296.6M) represents working capital, and funding required for the City's operating and capital expenditure commitments.

The City has known and projected commitments beyond amounts currently restricted, including much of its forward capital works program. The City's Long Term Financial Plan (LTFP) sets out 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. Key commitments within the City's Long Term Financial Plan include ongoing asset renewals, public domain works in the CBD, infrastructure and community facilities in the Green Square urban renewal area and commercial property and open space acquisitions.

The City's investment portfolio returns are comparable to those of cash-managed funds available in the market. Market rates have risen following lift in the official interest rates by the Reserve Bank of Australia in early February 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 the Office of Local Government. These guidelines were developed, in large part, as a response to the Global Financial Crisis and its impact on the local government sector's investments. They effectively limit the City's investment profile to something similar to a cash managed fund, which generally produce lower returns but provide 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 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 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 31 January 2026 be received and noted.

### **Attachments**

**Attachment A.** Register of Investments and Cash as at 31 January 2026

**Attachment B.** Investment Performance as at 31 January 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 31 January 2026 was \$669.8M, a decrease of \$14.5M from 31 December 2025. The net decrease for the month of January 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 January 2026 is provided at Attachment A.
4. The City achieved an annualised monthly return of 4.39% for January, which remains above the 30-Day Bank Bill Rate (BBR) of 3.59%, the latest AusBond Monthly Bank Bill Index of 3.60% and the enhanced benchmark of 4.04% (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 4.46% continues to exceed the 12-month average 30 Day Bank Bill Rate of 3.74%, the latest AusBond 12 Month Average Bank Bill Index of 3.90% and the enhanced benchmark of 4.19% (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.
8. On 3 February 2026, the RBA Board lifted interest rates to 3.85% from 3.60% citing persistent inflationary pressure.

## Key Implications

### Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

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

**Risks**

10. This investment approach is within the City's risk appetite, which states:
  - The City has a responsibility to ensure that it has sufficient resources in the short, medium and long term to provide the levels of service that are both affordable and considered appropriate by the community.
  - We maintain a cautious appetite to financial risks, aiming to minimise the likelihood and impact of significant financial losses.

**Financial Implications**

11. The City's investments earned interest of \$2.5M for the month of January 2026, in line with the monthly budgeted earnings of \$2.5M. The annual budget for interest income is \$30.4M and the annual forecast has been revised to \$33.3M, a favourable variance of \$2.9M.

**Relevant Legislation**

12. Council is authorised to invest its surplus cash under section 625 of the Local Government Act 1993.
13. 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.
14. 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.
15. 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**

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

## Public Consultation

17. 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.
18. 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 Socially Responsible Investment opportunities that meet the credit risk and maturity profile requirements of the City.
19. 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 \$135.0M in 27 tranches with this Green Tailored deposit.
20. 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 Socially Responsible investment opportunity meets both the credit risk and maturity profile requirements of the City.
21. Since March 2025 the City has invested \$20M in a new product - a Social Tailored Deposit with Westpac which aligns with the Socially Responsible Investment principles set out in the City's Investment Policy. The City of Sydney is one of three cornerstone investors in this product. It has been independently certified to meet the International Capital Market Association (ICMA) Social Bond Principles while not compromising its credit risk. These Social Tailored Deposits are 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. These investments are independently certified annually.
22. 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-date long term.

**JEAN-MICHEL CARRIERE**

Executive Director Finance and Procurement