

11.2 INVESTMENT REPORT AS AT 31 MAY 2021

Attachments: 1. Investment Statistics as at 31 May 2021

RECOMMENDATION:

That Council **NOTES** the Investment Statistics for the month ended 31 May 2021 as detailed in Attachment 1.

PURPOSE OF REPORT:

To advise Council of the nature and value of the City's Investments as at 31 May 2021 and the interest amounts earned year to date.

BACKGROUND:

The City's surplus funds are invested in bank term deposits for various terms to facilitate maximum investment returns in accordance to the City's Investment Policy (No. 1.2.4).

Details of the investments are included in **Attachment 1** and outline the following information:

- Investment performance and policy compliance charts;
- Investment portfolio data;
- Investment interest earnings and
- Current investment holdings.

DETAILS:**Summary of key investment decisions in this reporting period**

The City's investment portfolio is diversified across several accredited financial institutions.

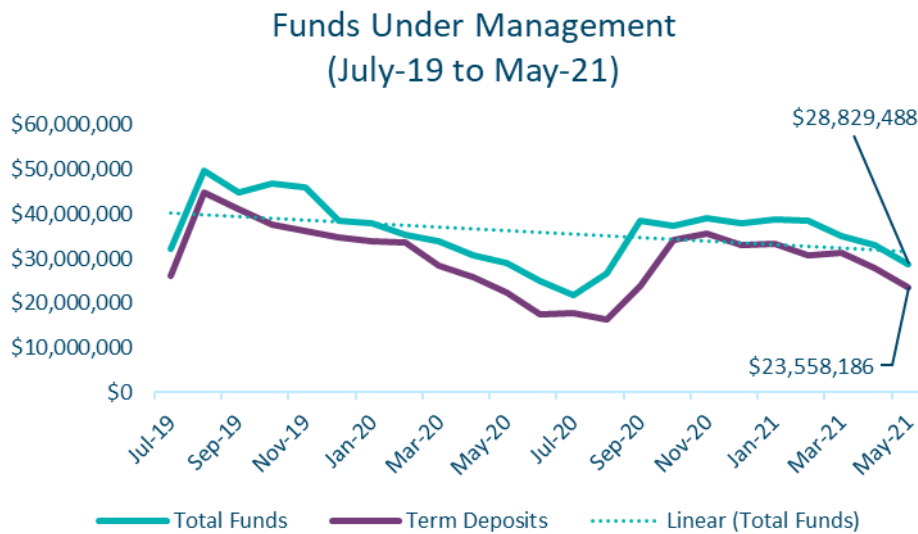
- No additional funds have been invested in May 2021 to ensure cash flows are maintained at an optimum level; and
- The City's non-fossil fuel exposure has maintained its low levels for the past few months due to the following reasons:
 - Record low interest rates offered by banks divested in fossil fuel activities; and
 - Smaller divested banks have capped the number of term deposits they can undertake due to surplus cash positions primarily fuelled by low borrowing costs in the market.

Investment Status

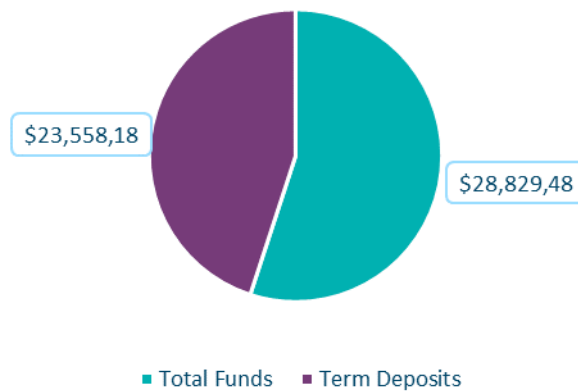
As at 31 May 2021, the total funds held in the City's operating account (including on call) is \$28,829,488 compared to \$28,935,398 for the period ending 31 May 2020. Interest bearing term deposits account for \$26,631,997 and the remaining \$2,197,491 is held in a non-interest bearing account

The total term deposit investments for the period ending 31 May 2021 is \$23,558,186 compared to \$22,319,031 for the period ending 31 May 2020.

The following chart shows funds under management since July 2019.



Funds Under Management (May-21)



Interest Status

Total accrued interest earned on investments as at 31 May 2021 is:

Total Accrued Interest Earned on Investment	Adopted Budget	Revised Budget	Budget YTD	Actual YTD	% of FY Budget
Municipal	\$230,000	\$70,000	\$46,741	\$67,366	144.13%
Reserve	\$180,205	\$90,000	\$90,001	\$77,254	85.84%
Subtotal	\$410,205	\$160,000	\$136,742	\$144,620	105.76%
Leederville Gardens Inc. Surplus Trust*	\$0	\$0	\$0	\$63,858	0.00%
Total	\$410,205	\$160,000	\$136,742	\$208,478	152.46%

*Interest estimates for Leederville Gardens Inc. Surplus Trust were not included in the 2020/21 Budget as actual interest earned is restricted.

The City has a weighted average interest rate of 0.46% for current investments whereas the Reserve Bank 90 days accepted bill rate for May 2021 is 0.03%. The online Saver interest rate has been maintained at 0.2% and is subject for review by CommBank in September 2021.

The interest forecast was adjusted in the third Budget review in May 2021 due the effect of the current economic situation.

Sustainable Investments

The City's investment policy requires that in the first instance, the City considers rate of return of the fund. All things being equal, the City then prioritises funds with no current record of funding fossil fuels. The City can increase the number of non-fossil fuel lenders but will potentially result in a lower rate of return.

Administration utilises 'Market Forces' to ascertain the level of exposure banks have in fossil fuel activities and utilises a platform called 'Yield Hub' to determine daily interest rates published by banks.

As at 31 May 2021, \$1,191,330 (4.1%) of the City's investments are held in financial institutions considered to be investing in non-fossil fuel related activities. No new investments were funded in May 2021.

In March 2021 Administration updated the investment guidelines which is the supplementary document to the Council Investment Policy. As a result, the maximum exposure limits to divested institutions have been increased to 90% as reflected in the below table. The majority of divested institutions lie within A-2 and A-1 categories.

Short Term Rating (Standard & Poor's) or Equivalent	Direct Investments Maximum %with any one institution		Maximum % of Total Portfolio	
	Guideline	Current position	Guideline	Current position
A1+	30%	18.2%	90%	60.2%
A-1	25%	11.8%	90%	11.6%
A-2	20%	6.7%	90%	28.2%

Administration will continuously explore options to ascertain if a balanced investment strategy can be developed where investments in divested banks can be increased with a minimal opportunity cost of loss in interest rate returns for instances when banks not divested in fossil fuel activities offer a higher rate of return.

CONSULTATION/ADVERTISING:

Nil.

LEGAL/POLICY:

The power to invest is governed by the *Local Government Act 1995*.

"6.14. Power to invest

- (1) *Money held in the municipal fund or the trust fund of a local government that is not, for the time being, required by the local government for any other purpose may be invested as trust funds under the Trustees Act 1962 Part III.*
- (2A) *A local government is to comply with the regulations when investing money referred to in subsection (1).*
- (2) *Regulations in relation to investments by local governments may —*
 - (a) *make provision in respect of the investment of money referred to in subsection (1); and*
 - (b) *deleted]*
 - (c) *prescribe circumstances in which a local government is required to invest money held by it; and*
 - (d) *provide for the application of investment earnings; and*
 - (e) *generally provide for the management of those investments.*

Further controls are established through the following provisions in the *Local Government (Financial Management) Regulations 1996*:

19. Investments, control procedures for

- (1) A local government is to establish and document internal control procedures to be followed by employees to ensure control over investments.
- (2) The control procedures are to enable the identification of —
 - (a) the nature and location of all investments; and
 - (b) the transactions related to each investment.

19C. Investment of money, restrictions on (Act s. 6.14(2)(a))

- (1) In this regulation —
authorised institution means —
 - (a) an authorised deposit-taking institution as defined in the Banking Act 1959 (Commonwealth) section 5; or
 - (b) the Western Australian Treasury Corporation established by the Western Australian Treasury Corporation Act 1986;**foreign currency** means a currency except the currency of Australia.
- (2) When investing money under section 6.14(1), a local government may not do any of the following —
 - (a) deposit with an institution except an authorised institution;
 - (b) deposit for a fixed term of more than 3 years;
 - (c) invest in bonds that are not guaranteed by the Commonwealth Government, or a State or Territory government;
 - (d) invest in bonds with a term to maturity of more than 3 years;
 - (e) invest in a foreign currency.”

Council has delegated the authority to invest surplus funds to the Chief Executive Officer or his delegate to facilitate prudent and responsible investment.

RISK MANAGEMENT IMPLICATIONS:

Low: Administration has developed effective controls to ensure funds are invested in accordance with the City's Investment Policy. This report enhances transparency and accountability for the City's investments.

STRATEGIC IMPLICATIONS:

This is in keeping with the City's *Strategic Community Plan 2018-2028*:

Innovative and Accountable

Our resources and assets are planned and managed in an efficient and sustainable manner.

Our community is aware of what we are doing and how we are meeting our goals.

Our community is satisfied with the service we provide.

We are open and accountable to an engaged community.

SUSTAINABILITY IMPLICATIONS:

This does not contribute to any environmental sustainability outcomes.

PUBLIC HEALTH IMPLICATIONS:

This report has no implication on the priority health outcomes of the City's Public Health Plan 2020-2025.

FINANCIAL/BUDGET IMPLICATIONS:

The financial implications of this report are as noted in the details section of the report. Administration is satisfied that appropriate and responsible measures are in place to protect the City's financial assets.

**CITY OF VINCENT
INVESTMENT PORTFOLIO
AS AT 31 MAY 2021**

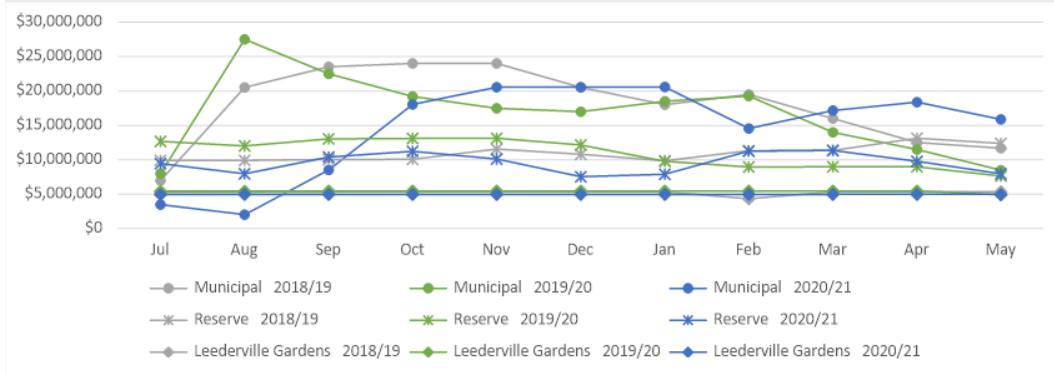
	Municipal	Reserve	Leederville Gardens Inc Surplus Trust	Total	Total
	\$	\$	\$	\$	%
BY INVESTMENT HOLDINGS					
Municipal Account	2,197,491	0	0	2,197,491	7.6%
Online Saver	3,073,811	0	0	3,073,811	10.7%
Term Deposits	10,600,000	7,970,910	4,987,276	23,558,186	81.7%
	15,871,302	7,970,910	4,987,276	28,829,488	100.0%
BY INSTITUTION					
Bank of Queensland	4,100,000	0	899,629	4,999,629	17.3%
Commonwealth Bank of Australia	5,271,302	0	0	5,271,302	18.2%
National Australia Bank	6,500,000	1,500,000	0	8,000,000	27.7%
Westpac Banking Corp	0	0	4,087,647	4,087,647	14.2%
AMP Bank	0	1,925,729	0	1,925,729	6.7%
Macquarie Bank	0	3,353,851	0	3,353,851	11.8%
Defense Bank	0	1,191,330	0	1,191,330	4.1%
	15,871,302	7,970,910	4,987,276	28,829,488	100.0%
BY CREDIT RATINGS (SHORT-TERM ISSUE)					
A-1+	11,771,302	1,500,000	4,087,647	17,358,949	60.3%
A-1	0	3,353,851	0	3,353,851	11.6%
A-2	4,100,000	3,117,059	899,629	8,116,688	28.1%
	15,871,302	7,970,910	4,987,276	28,829,488	100.0%
BY TERMS					
0-30 days	5,271,302	0	0	5,271,302	18.3%
91-180 days	8,100,000	853,851	0	8,953,851	31.1%
181-270 days	2,500,000	4,191,330	0	6,691,330	23.2%
270-365 days	0	2,925,729	4,987,276	7,913,005	27.4%
	15,871,302	7,970,910	4,987,276	28,829,488	100.0%
BY MATURITY					
0-30 days	6,771,302	853,851	2,147,499	9,772,652	33.9%
31-90 days	4,000,000	3,425,729	1,940,148	9,365,877	32.5%
91-180 days	5,100,000	2,500,000	0	7,600,000	26.3%
181-270 days	0	1,191,330	899,629	2,090,959	7.3%
	15,871,302	7,970,910	4,987,276	28,829,488	100.0%
BY FOSSIL FUEL EXPOSURE (as determined by www.marketforces.org.au)					
Fossil Fuel Lending	15,871,302	6,779,580	4,987,276	27,638,158	95.9%
Non Fossil Fuel Lending	0	1,191,330	0	1,191,330	4.1%
	15,871,302	7,970,910	4,987,276	28,829,488	100.0%

**CITY OF VINCENT
CURRENT INVESTMENT HOLDING
AS AT 31 MAY 2021**

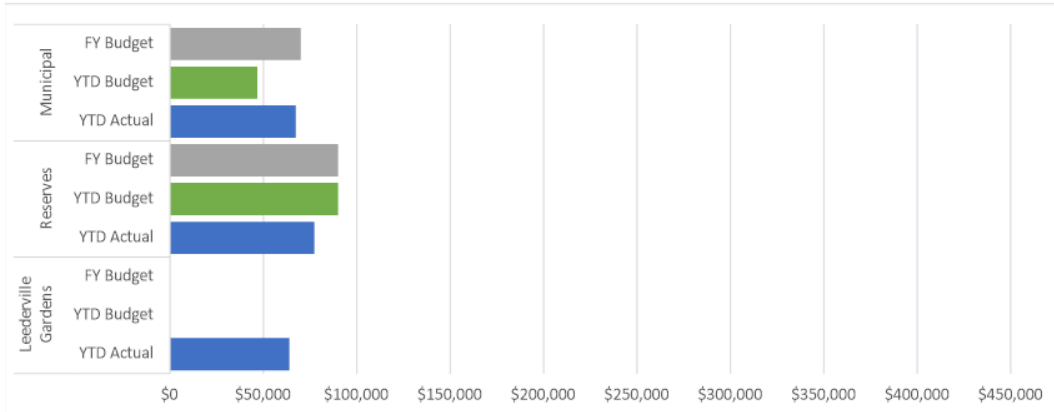
Funds	Institution	Investment Date	Maturity Date	Term	Interest Rate	Principal \$
Municipal	Commonwealth Bank of Australia				0.00%	2,197,491
Municipal	Commonwealth Bank of Australia		Ongoing		0.20%	3,073,811
Leederville Gardens Inc Surplus Trust	Westpac Banking Corp	22/07/2020	28/06/2021	341	0.95%	2,147,499
Leederville Gardens Inc Surplus Trust	Westpac Banking Corp	01/09/2020	16/08/2021	349	0.80%	1,940,148
Reserve	AMP Bank	27/10/2020	29/07/2021	275	0.55%	1,925,729
Municipal	Bank of Queensland	29/01/2021	28/06/2021	150	0.30%	1,500,000
Municipal	National Australia Bank	29/01/2021	26/07/2021	178	0.30%	1,500,000
Reserve	National Australia Bank	29/01/2021	20/09/2021	234	0.30%	1,500,000
Reserve	Macquarie Bank	01/02/2021	16/08/2021	196	0.30%	1,500,000
Reserve	Macquarie Bank	01/02/2021	01/11/2021	273	0.55%	1,000,000
Reserve	Macquarie Bank	01/02/2021	15/06/2021	134	0.45%	853,851
Leederville Gardens Inc Surplus Trust	Bank of Queensland	18/03/2021	20/12/2021	277	0.40%	899,629
Municipal	Bank of Queensland	18/03/2021	13/09/2021	179	0.40%	2,600,000
Reserve	Defense Bank	18/03/2021	13/12/2021	270	0.37%	1,191,330
Municipal	National Australia Bank	18/03/2021	16/08/2021	151	0.30%	2,500,000
Municipal	National Australia Bank	18/03/2021	18/10/2021	214	0.31%	2,500,000
Total Investment Including At Call						28,829,488

**CITY OF VINCENT
INVESTMENT PERFORMANCE
AS AT 31 MAY 2021**

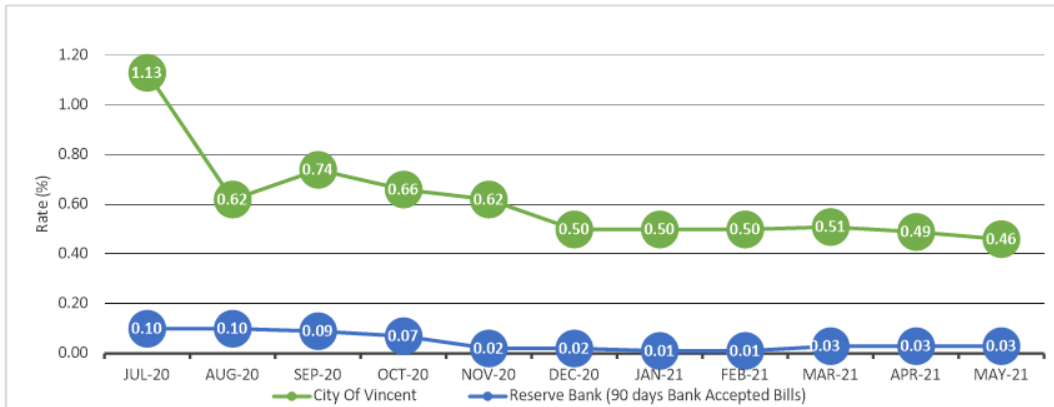
FUNDS INVESTED (ONLINE SAVER AND TERM DEPOSITS)



INTEREST EARNINGS

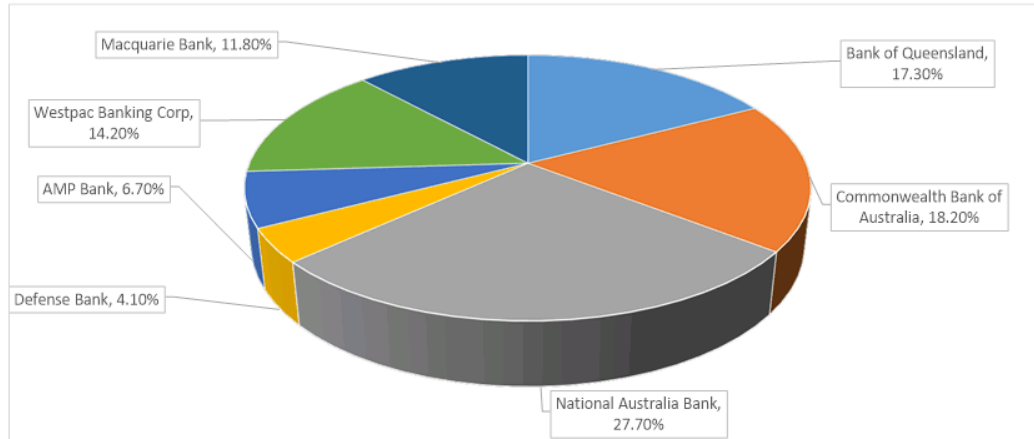


INTEREST RATE COMPARISON

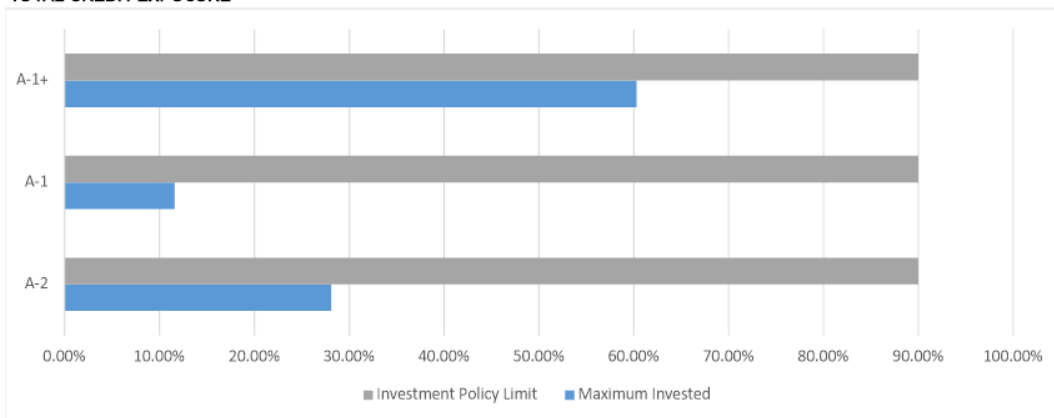


**CITY OF VINCENT
INVESTMENT POLICY COMPLIANCE
AS AT 31 MAY 2021**

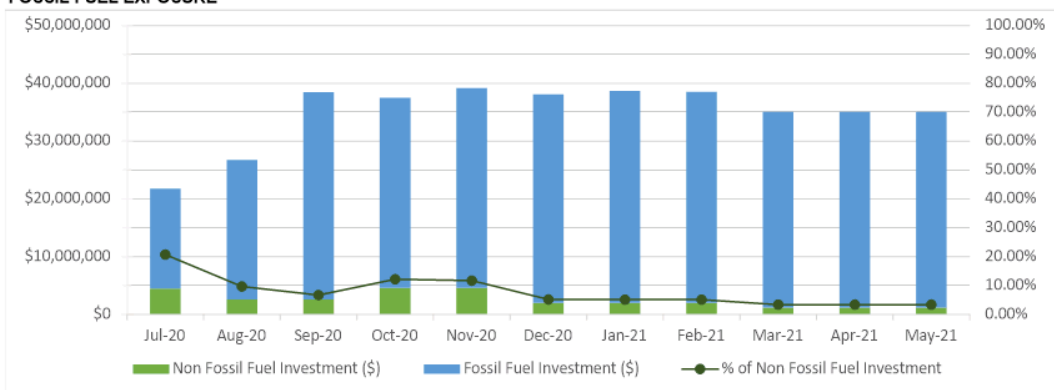
TOTAL PORTFOLIO EXPOSURE



TOTAL CREDIT EXPOSURE



FOSSIL FUEL EXPOSURE



* Selection of non fossil fuel investments is based on information provided by www.marketforces.org.au.

**CITY OF VINCENT
INVESTMENT INTEREST EARNINGS
AS AT 31 MAY 2021**

	YTD 31/05/2021 \$	YTD 31/05/2020 \$	FY 2020/21 \$	FY 2019/20 \$
MUNICIPAL FUNDS				
Budget	46,741	248,326	70,000	250,000
Interest Earnings	67,366	285,217	67,366	297,684
% Income to Budget	144.13%	114.86%	96.24%	119.07%
RESERVE FUNDS				
Budget	90,001	153,552	90,000	200,000
Interest Earnings	77,254	213,489	77,254	223,720
% Income to Budget	85.84%	139.03%	85.84%	111.86%
LEEDERVILLE GARDENS INC SURPLUS TRUST				
Budget	0	0	0	0
Interest Earnings	63,858	98,473	55,841	29,316
% Income to Budget	0.00%	0.00%	0.00%	0.00%
TOTAL				
Budget	136,742	401,878	160,000	450,000
Interest Earnings	208,478	597,179	200,461	550,720
% Income to Budget	152.46%	148.60%	125.29%	122.38%
Variance	71,736	195,301	40,461	100,720
% Variance to Budget	52.46%	48.60%	25.29%	22.38%
TOTAL (EXCL. LEEDERVILLE GARDENS INC SURPLUS TRUST)				
Budget	136,742	401,878	160,000	450,000
Interest Earnings	144,620	498,706	144,620	521,404
% Income to Budget	105.76%	124.09%	90.39%	115.87%
Variance	7,878	96,828	(15,380)	71,404
% Variance to Budget	5.76%	24.09%	-9.61%	15.87%