

11.5 INVESTMENT REPORT AS AT 28 FEBRUARY 2021

Attachments: 1. Investment Statistics as at 28 February 2021

RECOMMENDATION:

That Council **NOTES** the Investment Statistics for the month ended 28 February 2021 as detailed in Attachment 1.

PURPOSE OF REPORT:

To advise Council of the nature and value of the City's Investments as at 28 February 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**

- 3 new term deposits have been opened with Macquarie Bank. These deposits relate to the City's reserve funds.
- The City's non-fossil fuel exposure has been maintained at the same 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 28 February 2021, the total funds held in the City's operating account (including on call) is \$38,487,371. Interest bearing term deposits account for \$30,813,182 and the remaining \$7,674,189 is held in a non-interest bearing account.

The following table shows funds under management for the previous and current year: -

Month Ended	2019/20		2020/21	
	Total funds held	Total term deposits	Total funds held	Total term deposits
July	\$32,209,493	\$26,105,854	\$21,740,955	\$17,906,824
August	\$49,641,327	\$44,977,692	\$26,788,392	\$16,238,861
September	\$44,876,698	\$41,017,535	\$38,460,372	\$23,921,321
October	\$46,846,286	\$37,782,515	\$37,495,284	\$34,251,899
November	\$46,118,236	\$36,123,083	\$39,183,018	\$35,651,552
December	\$38,557,295	\$34,633,796	\$38,061,941	\$33,065,398
January	\$37,915,806	\$33,773,707	\$38,678,150	\$33,457,047

Month Ended	2019/20		2020/21	
	Total funds held	Total term deposits	Total funds held	Total term deposits
February	\$35,377,640	\$33,681,961	\$38,487,371	\$30,813,182
March	\$33,969,162	\$28,466,025		
April	\$30,832,893	\$25,975,451		
May	\$28,935,398	\$22,319,031		
June	\$25,079,463	\$17,565,310		

Total accrued interest earned on investments as at 28 February 2021 is:

Total Accrued Interest Earned on Investment	Original Budget	Revised Budget	Budget YTD	Actual YTD	% of FY Budget
Municipal	\$230,000	\$100,000	\$54,785	\$51,314	93.66%
Reserve	\$180,205	\$130,205	\$92,654	\$64,194	69.3%
Subtotal	\$410,205	\$230,205	\$147,439	\$115,508	78.34%
Leederville Gardens Inc. Surplus Trust*	\$0	\$0	\$0	\$41,256	0.00%
Total	\$410,205	\$230,205	\$147,439	\$156,764	106.32%

*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 0.5% for current investments whereas the Reserve Bank 90 days accepted bill rate for February 2021 is 0.01%.

Commonwealth bank have advised administration that the online Saver interest rate of 0.2% will be reduced to 0.1% from the 1st April 2021 due to the current economic conditions.

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 28 February 2021, \$2,000,000 (5%) of the City's investments are held in Members Equity Bank (ME Bank) considered to be divested in fossil fuel related activities.

The following guidelines have been established to manage the City's investments, including maximum investment ratios:

Short Term Rating (Standard & Poor's) or Equivalent	Direct Investments Maximum % with any one institution		Maximum % of Total Portfolio	
	Policy	Current position	Policy	Current position
A1+	30%	33.1%*	90%	55.6%
A-1	25%	8.7%	80%	8.7%
A-2	20%	16.2%	60%	35.6%

* The portfolio limit has exceeded due to 2 term deposits maturing late in the month resulting in additional monies being held in the CBA account. These will be invested in March.

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 is not in keeping with any of 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 28 FEBRUARY 2021**

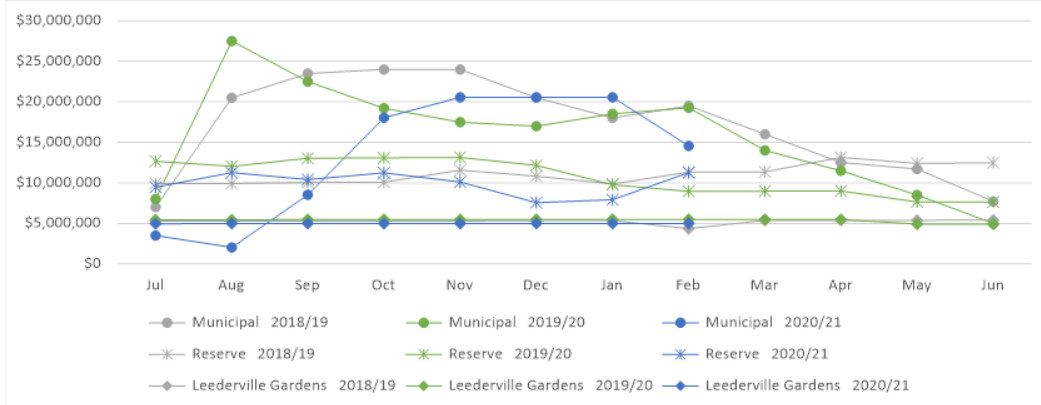
	Municipal	Reserve	Leederville Gardens Inc Surplus Trust	Total	Total
	\$	\$	\$	\$	%
BY INVESTMENT HOLDINGS					
Municipal Account	7,592,046	82,143	0	7,674,189	19.9%
Online Saver	5,067,609	0	0	5,067,609	13.2%
Term Deposits	9,500,000	11,265,427	4,980,146	25,745,573	66.9%
	22,159,655	11,347,570	4,980,146	38,487,371	100.0%
BY INSTITUTION					
Bank of Queensland	3,500,000	1,100,396	892,499	5,492,895	14.3%
Commonwealth Bank of Australia	12,659,655	82,143	0	12,741,798	33.1%
Members Equity Bank Ltd.	2,000,000	0	0	2,000,000	5.2%
National Australia Bank	1,500,000	1,500,000	0	3,000,000	7.8%
Westpac Banking Corp	0	1,585,451	4,087,647	5,673,098	14.7%
AMP Bank	2,500,000	3,725,729	0	6,225,729	16.2%
Macquarie Bank	0	3,353,851	0	3,353,851	8.7%
	22,159,655	11,347,570	4,980,146	38,487,371	100.0%
BY CREDIT RATINGS (SHORT-TERM ISSUE)					
A-1+	14,159,655	3,167,594	4,087,647	21,414,896	55.7%
A-1	0	3,353,851	0	3,353,851	8.7%
A-2	8,000,000	4,826,125	892,499	13,718,624	35.6%
	22,159,655	11,347,570	4,980,146	38,487,371	100.0%
BY TERMS					
0-30 days	12,659,655	82,143	0	12,741,798	33.1%
31-90 days	0	0	0	0	0.0%
91-180 days	7,500,000	853,851	0	8,353,851	21.7%
181-270 days	2,000,000	5,685,847	892,499	8,578,346	22.3%
270-365 days	0	4,725,729	4,087,647	8,813,376	22.9%
	22,159,655	11,347,570	4,980,146	38,487,371	100.0%
BY MATURITY					
0-30 days	14,659,655	1,182,539	892,499	16,734,693	43.5%
31-90 days	4,500,000	3,385,451	0	7,885,451	20.5%
91-180 days	3,000,000	4,279,580	4,087,647	11,367,227	29.5%
181-270 days	0	2,500,000	0	2,500,000	6.5%
	22,159,655	11,347,570	4,980,146	38,487,371	100.0%
BY FOSSIL FUEL EXPOSURE (as determined by www.marketforces.org.au)					
Fossil Fuel Lending	20,159,655	11,347,570	4,980,146	36,487,371	94.8%
Non Fossil Fuel Lending	2,000,000	0	0	2,000,000	5.2%
	22,159,655	11,347,570	4,980,146	38,487,371	100.0%

**CITY OF VINCENT
CURRENT INVESTMENT HOLDING
AS AT 28 FEBRUARY 2021**

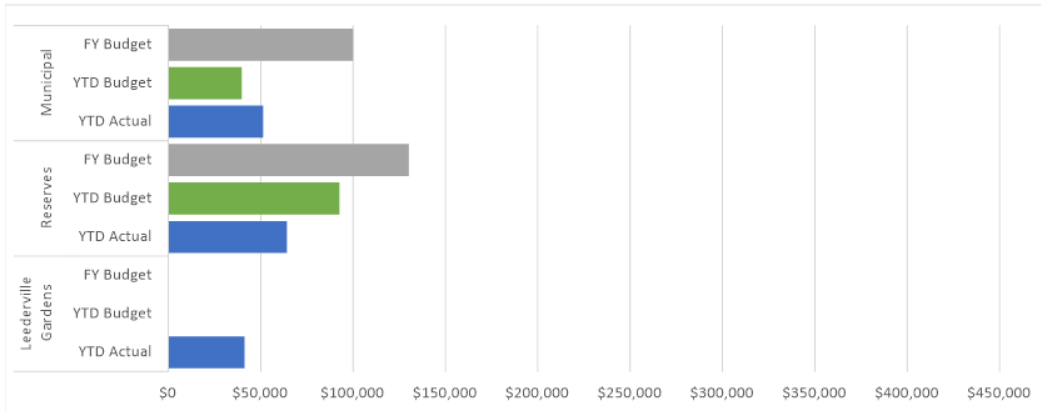
Funds	Institution	Investment Date	Maturity Date	Term	Interest Rate	Principal \$
<u>OPERATING ACCOUNTS</u>						
Municipal Reserve	Commonwealth Bank of Australia				0.00%	7,592,046
	Commonwealth Bank of Australia				0.00%	82,143
Total Operating Funds						7,674,189
<u>ONLINE SAVER</u>						
Municipal	Commonwealth Bank of Australia		Ongoing		0.20%	5,067,609
Total						5,067,609
<u>TERM DEPOSITS</u>						
Reserve	Bank of Queensland	18/06/2020	15/03/2021	270	1.08%	1,100,396
Leederville Gardens Inc Surplus Trust	Bank of Queensland	18/06/2020	15/03/2021	270	1.08%	892,499
Leederville Gardens Inc Surplus Trust	Westpac Banking Corp	22/07/2020	28/06/2021	341	0.95%	2,147,499
Reserve	Westpac Banking Corp	18/08/2020	12/04/2021	237	0.75%	1,585,451
Reserve	AMP Bank	18/08/2020	17/05/2021	272	0.80%	1,800,000
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	Members Equity Bank Ltd.	27/10/2020	15/03/2021	139	0.50%	2,000,000
Municipal	Bank of Queensland	27/10/2020	27/04/2021	182	0.50%	2,000,000
Municipal	AMP Bank	26/11/2020	24/05/2021	179	0.70%	2,500,000
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
Total Term Deposits						25,745,573
Total Investment Including At Call						38,487,371

**CITY OF VINCENT
INVESTMENT PERFORMANCE
AS AT 28 FEBRUARY 2021**

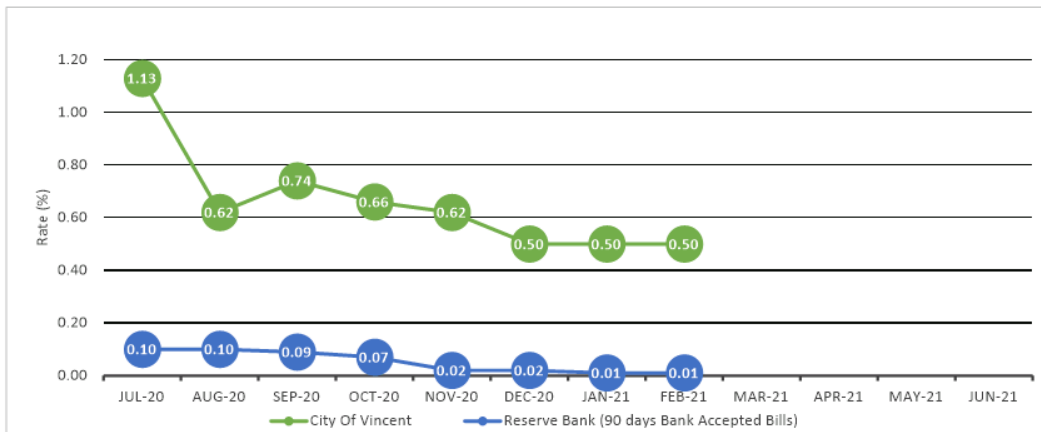
FUNDS INVESTED (ONLINE SAVER AND TERM DEPOSITS)



INTEREST EARNINGS

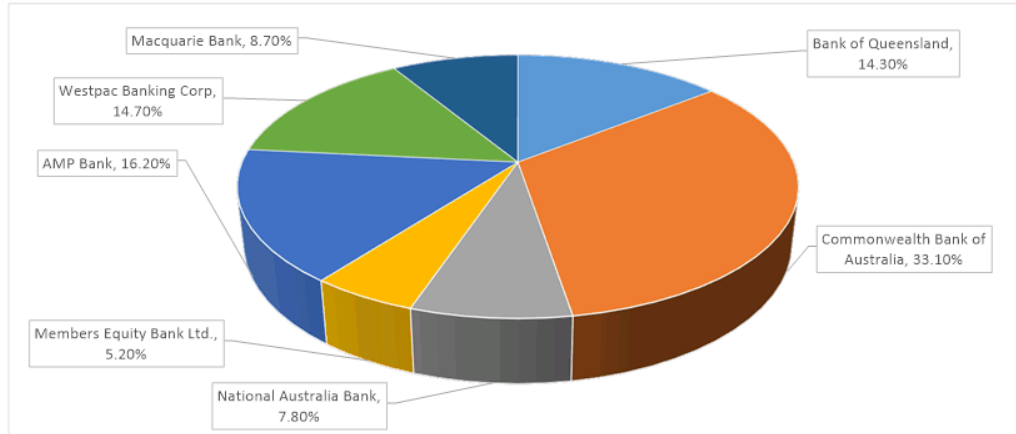


INTEREST RATE COMPARISON

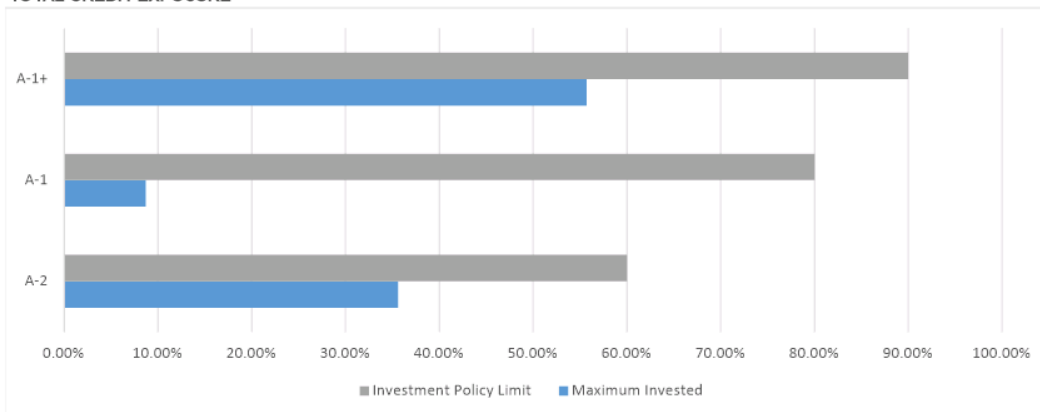


**CITY OF VINCENT
INVESTMENT POLICY COMPLIANCE
AS AT 28 FEBRUARY 2021**

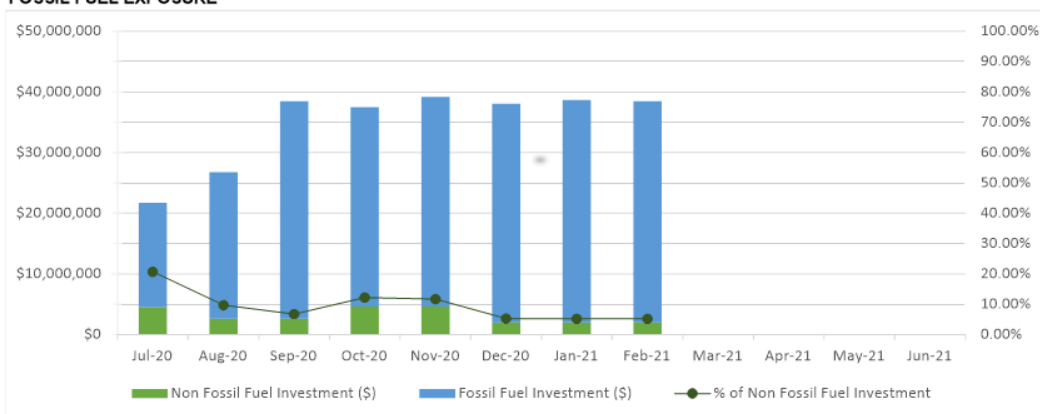
TOTAL PORTFOLIO EXPOSURE



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 28 FEBRUARY 2021**

	YTD 28/02/2021 \$	YTD 28/02/2020 \$	FY 2020/21 \$	FY 2019/20 \$
MUNICIPAL FUNDS				
Budget	39,785	280,000	100,000	250,000
Interest Earnings	51,314	229,490	51,314	297,684
% Income to Budget	128.98%	81.96%	51.31%	119.07%
RESERVE FUNDS				
Budget	92,654	185,792	130,205	200,000
Interest Earnings	64,194	176,472	64,194	223,720
% Income to Budget	69.28%	94.98%	49.30%	111.86%
LEEDERVILLE GARDENS INC SURPLUS TRUST				
Budget	0	0	0	0
Interest Earnings	41,256	64,178	33,239	29,316
% Income to Budget	0.00%	0.00%	0.00%	0.00%
TOTAL				
Budget	132,439	465,792	230,205	450,000
Interest Earnings	156,764	470,140	148,747	550,720
% Income to Budget	118.37%	100.93%	64.62%	122.38%
Variance	24,325	4,348	(81,458)	100,720
% Variance to Budget	18.37%	0.93%	-35.38%	22.38%
TOTAL (EXCL. LEEDERVILLE GARDENS INC SURPLUS TRUST)				
Budget	132,439	465,792	230,205	450,000
Interest Earnings	115,508	405,962	115,508	521,404
% Income to Budget	87.22%	87.16%	50.18%	115.87%
Variance	(16,931)	(59,830)	(114,697)	71,404
% Variance to Budget	-12.78%	-12.84%	-49.82%	15.87%