

11.3 INVESTMENT REPORT AS AT 30 APRIL 2022

Attachments: 1. **Investment Statistics as at 30 April 2022**

RECOMMENDATION:

That Council NOTES the Investment Statistics for the month ended 30 April 2022 as detailed in Attachment 1.

PURPOSE OF REPORT:

To advise Council of the nature and value of the City's Investments as at 30 April 2022 and the interest amounts earned YTD.

BACKGROUND:

The City's surplus funds are invested in bank term deposits for various terms to facilitate maximum investment returns in accordance with 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 holds 11,000 equity shares in the North Perth Community Bank, purchased at \$1 per share on 23 November 2001. The City is currently awaiting the updated share transfer form to complete the divestment.

The City's non-fossil fuel exposure has been maintained at 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. This is impacting the City's ability to provide investment preference to these organisations.

Investment Status

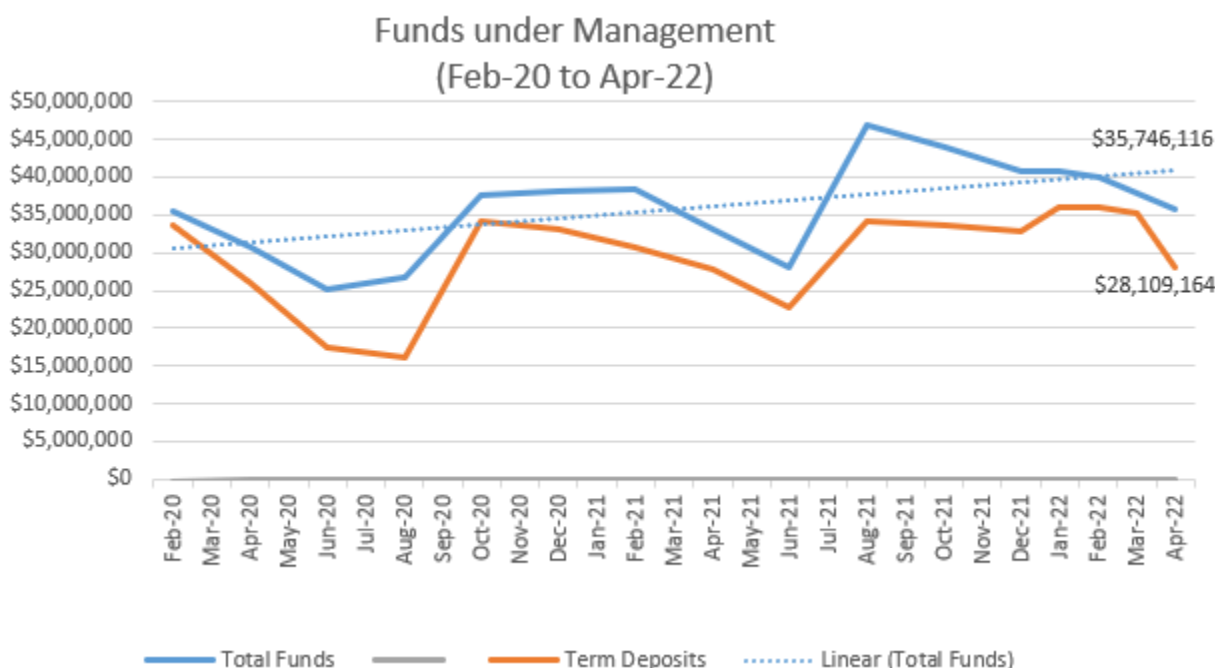
The City's investment portfolio is diversified across several accredited financial institutions.

As of 30 April 2022, the total funds held in the City's operating account (including on call) is \$35,746,115 compared to \$33,129,488 for the period ending 30 April 2021.

Interest bearing term deposits and the online saver represented \$28,912,084 while non-interest bearing amounts were \$6,834,032.

The total term deposit investments for the period ended 30 April 2022 were \$28,109,164 compared to \$27,858,186 for the period ended 30 April 2021.

The following chart shows funds under management from February 2020 to April 2022.



Interest Status

Total accrued interest earned on investments at 30 April 2022 is:

Total Accrued Interest Earned on Investment	Budget Adopted	Budget YTD	Actual YTD	% of FY Budget
Municipal	\$100,000	\$76,550	\$79,034	103.25%
Reserve	\$100,000	\$100,000	\$42,322	42.32%
Subtotal	\$200,000	\$176,550	\$121,357	64.74%
Leederville Gardens Inc Surplus Trust*	\$0	\$0	\$69,053	0.00%
Total	\$200,000	\$176,550	\$190,409	107.85%

*Interest estimates for Leederville Gardens Inc. Surplus Trust were not included in the 2022/22 Budget as actual interest earned is restricted.

The City has a weighted average interest rate of 0.64% for current investments whereas the Reserve Bank 90 days accepted bill rate for April 2022 is 0.41%. The online Saver interest rate has been maintained at 0.20% and is subject for review by CommBank in July 2022.

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.

The investment guidelines which is the supplementary document to the Council Investment Policy has been updated to increase the maximum exposure limits to divested institutions, this has now 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%	21.36%	90%	57.50%
A-1	25%	0.0%	90%	0.0%
A-2	20%	18.03%	90%	42.50%

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.

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 specific sustainability outcomes of the *City's Sustainable Environment Strategy 2019-2024*, however focussing on non-fossil fuel investments contributes to a Sustainable Environment.

PUBLIC HEALTH IMPLICATIONS:

This does not contribute to any public 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 30 APRIL 2022**

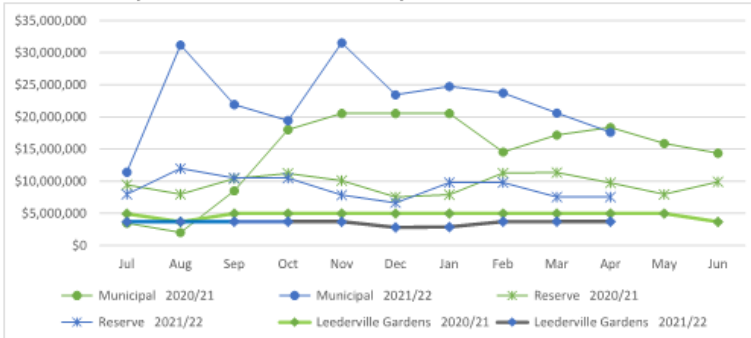
	Municipal	Reserve	Leederville Gardens Inc Surplus Trust	Total	Total
	\$	\$	\$	\$	%
BY INVESTMENT HOLDINGS					
Municipal Account	6,834,032	0	0	6,834,032	19.1%
Online Saver	802,920	0	0	802,920	2.2%
Term Deposits	16,822,488	7,543,860	3,731,816	28,098,164	78.6%
Equity Shares	11,000	0	0	11,000	0.0%
	24,470,440	7,543,860	3,731,816	35,746,116	100.0%
BY INSTITUTION					
Bank of Queensland	4,876,244	0	0	4,876,244	13.64%
Commonwealth Bank of Australia	7,636,952	0	0	7,636,952	21.36%
Members Equity Bank	3,000,000	0	854,727	3,854,727	10.78%
National Australia Bank	1,871,590	1,191,330	2,858,029	5,920,949	16.56%
North Perth Community Bank	11,000	0	0	11,000	0.03%
AMP Bank	2,574,654	3,852,530	19,060	6,446,244	18.03%
Macquarie Bank	4,500,000	2,500,000	0	7,000,000	19.58%
	24,470,440	7,543,860	3,731,816	35,746,116	100.0%
BY CREDIT RATINGS (SHORT-TERM ISSUE)					
A-1+	14,008,542	3,691,330	2,858,029	20,557,901	57.5%
A-2	10,461,898	3,852,530	873,787	15,188,215	42.5%
	24,470,440	7,543,860	3,731,816	35,746,116	100.0%
BY TERMS					
0-30 days	7,636,952	0	0	7,636,952	21.4%
91-180 days	2,500,000	3,043,860	19,060	5,562,920	15.6%
181-270 days	1,000,000	2,000,000	0	3,000,000	8.4%
271-365 days	13,322,488	2,500,000	3,712,756	19,535,244	54.6%
> 1 year	11,000	0	0	11,000	0.0%
	24,470,440	7,543,860	3,731,816	35,746,116	100.0%
BY MATURITY					
0-30 days	10,136,952	3,043,860	19,060	13,199,872	36.9%
31-90 days	4,876,244	0	1,955,669	6,831,913	19.1%
91-180 days	2,946,244	2,000,000	0	4,946,244	13.8%
181-270 days	2,000,000	0	1,757,087	3,757,087	10.6%
271-365 days	4,500,000	2,500,000	0	7,000,000	19.6%
> 1 Year	11,000	0	0	11,000	0.0%
	24,470,440	7,543,860	3,731,816	35,746,116	100.0%
BY FOSSIL FUEL EXPOSURE (as determined by www.marketforces.org.au)					
Fossil Fuel Investments	21,459,440	7,543,860	2,877,089	31,880,389	89.2%
Non Fossil Fuel Investments	3,011,000	0	854,727	3,865,727	10.8%
	24,470,440	7,543,860	3,731,816	35,746,116	100.0%

**CITY OF VINCENT
CURRENT INVESTMENT HOLDING
AS AT 30 APRIL 2022**

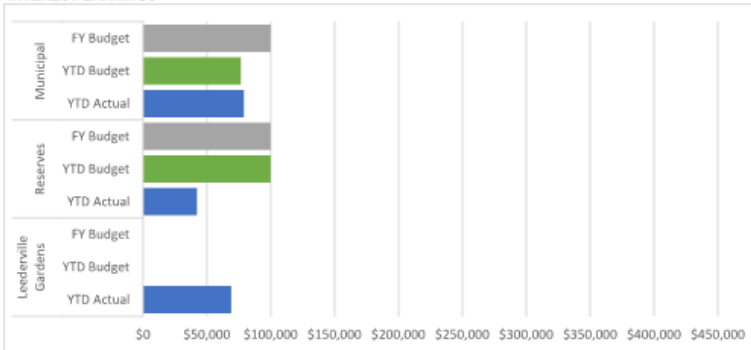
Funds	Institution	Investment Date	Maturity Date	Interest Rate	Principal \$
<u>OPERATING ACCOUNTS</u>					
Municipal	Commonwealth Bank of Australia			0.00%	6,834,032
Municipal	Commonwealth Bank of Australia	Ongoing		0.20%	802,920
Total Operating Funds					7,636,952
<u>EQUITY SHARES</u>					
	North Perth Community Bank	23/11/2001			11,000
Total Equity Shares					11,000
<u>TERM DEPOSITS</u>					
Leederville Gardens Inc Surplus Trust	AMP Bank	11/11/2021	09/05/2022	0.85%	19,060
Municipal	AMP Bank	11/11/2021	09/05/2022	0.85%	628,410
Municipal	National Australia Bank	11/11/2021	09/05/2022	0.32%	1,871,590
Reserve	AMP Bank	11/11/2021	09/05/2022	0.85%	1,852,530
Reserve	National Australia Bank	12/01/2022	13/05/2022	0.45%	1,191,330
Municipal	Bank of Queensland	30/08/2021	02/06/2022	0.35%	4,876,244
Leederville Gardens Inc Surplus Trust	National Australia Bank	17/09/2021	18/06/2022	0.32%	1,955,669
Reserve	AMP Bank	20/08/2021	18/08/2022	0.75%	2,000,000
Municipal	AMP Bank	20/08/2021	20/08/2022	0.75%	1,946,244
Municipal	Members Equity Bank	22/03/2022	20/10/2022	0.90%	1,000,000
Leederville Gardens Inc Surplus Trust	Members Equity Bank	01/02/2022	01/11/2022	0.65%	854,727
Municipal	Members Equity Bank	29/03/2022	04/01/2023	1.20%	2,000,000
Leederville Gardens Inc Surplus Trust	National Australia Bank	12/01/2022	13/01/2023	0.70%	902,360
Municipal	Macquarie Bank	22/03/2022	22/03/2023	1.25%	4,500,000
Reserve	Macquarie Bank	29/03/2022	29/03/2023	1.60%	2,500,000
Total Term Deposits					28,098,164
Total Investment Including At Call					35,746,116

**CITY OF VINCENT
INVESTMENT PERFORMANCE
AS AT 30 APRIL 2022**

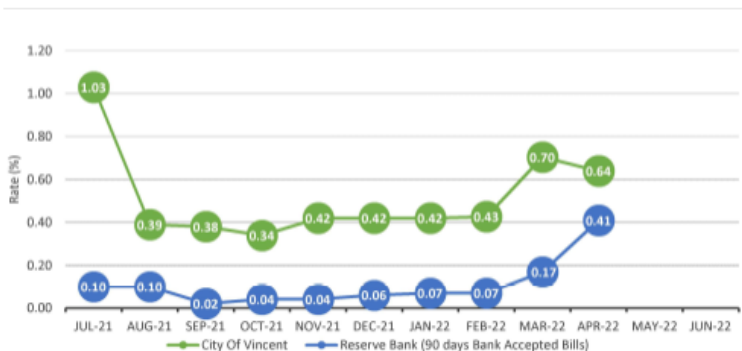
FUNDS INVESTED (ONLINE SAVER AND TERM DEPOSITS)



INTEREST EARNINGS

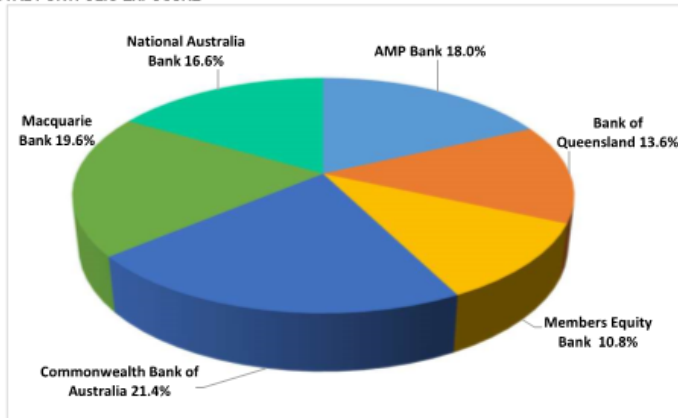


INTEREST RATE COMPARISON



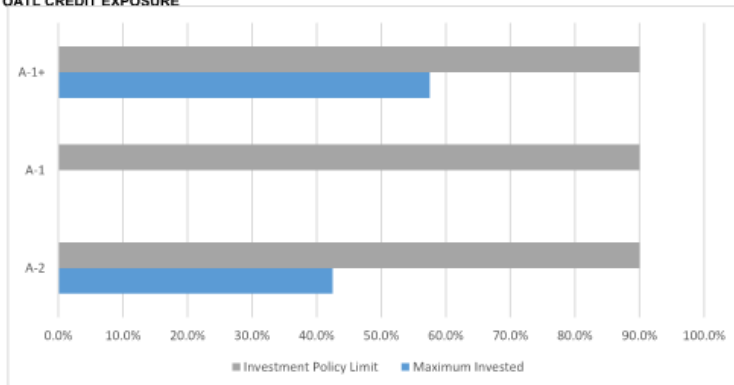
**CITY OF VINCENT
INVESTMENT POLICY COMPLIANCE
AS AT 30 APRIL 2022**

TOTAL PORTFOLIO EXPOSURE

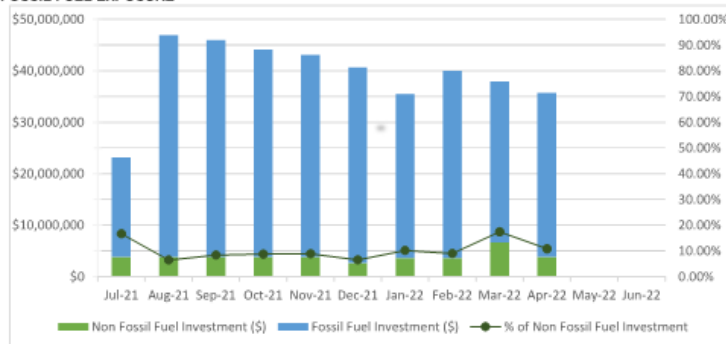


TOTAL CREDIT EXPOSURE

TOATL 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 30 APRIL 2022**

	YTD 30/04/2022	PY YTD 30/04/2021	FY 2021/22	PY FY 2020/21
	\$	\$	\$	\$
MUNICIPAL FUNDS				
Budget	76,550	69,895	100,000	70,000
Interest Earnings	79,034	61,558	79,034	69,957
% Income to Budget	103.3%	88.1%	79.0%	99.9%
RESERVE FUNDS				
Budget	100,000	130,205	100,000	90,000
Interest Earnings	42,322	73,791	42,322	79,826
% Income to Budget	42.3%	56.7%	42.3%	88.7%
LEEDERVILLE GARDENS INC SURPLUS TRUST				
Budget	0	0	0	0
Interest Earnings	69,053	60,501	69,053	58,921
% Income to Budget	0.0%	0.0%	0.0%	0.0%
TOTAL				
Budget	176,550	200,100	200,000	160,000
Interest Earnings	190,409	195,850	190,409	208,704
% Income to Budget	107.9%	97.9%	95.2%	130.4%
Variance	13,859	(4,250)	(9,591)	48,704
% Variance to Budget	7.9%	(2.1%)	(4.8%)	30.4%
TOTAL (EXCL. LEEDERVILLE GARDENS INC SURPLUS TRUST)				
Budget	176,550	200,100	200,000	160,000
Interest Earnings	121,357	135,349	121,357	149,783
% Income to Budget	68.7%	67.6%	60.7%	93.6%
Variance	(55,193)	(64,751)	(78,643)	(10,217)
% Variance to Budget	(31.3%)	(32.4%)	(39.3%)	(6.4%)