

11.5 INVESTMENT REPORT AS AT 31 JULY 2021

Attachments: 1. **Investment Statistics as at 31 July 2021**

RECOMMENDATION:

That Council NOTES the Investment Statistics for the month ended 31 July 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 July 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 July 2021 to ensure cash flows are maintained at an optimum level and to cover short to medium term expenditure requirements.

As at 31 July 2021, \$3,860,091 (16.7%) of the City's investments are held in the financial institutions considered to be investing in non- fossil fuel related activities. Further increases in non-fossil fuel investment is restricted due to:

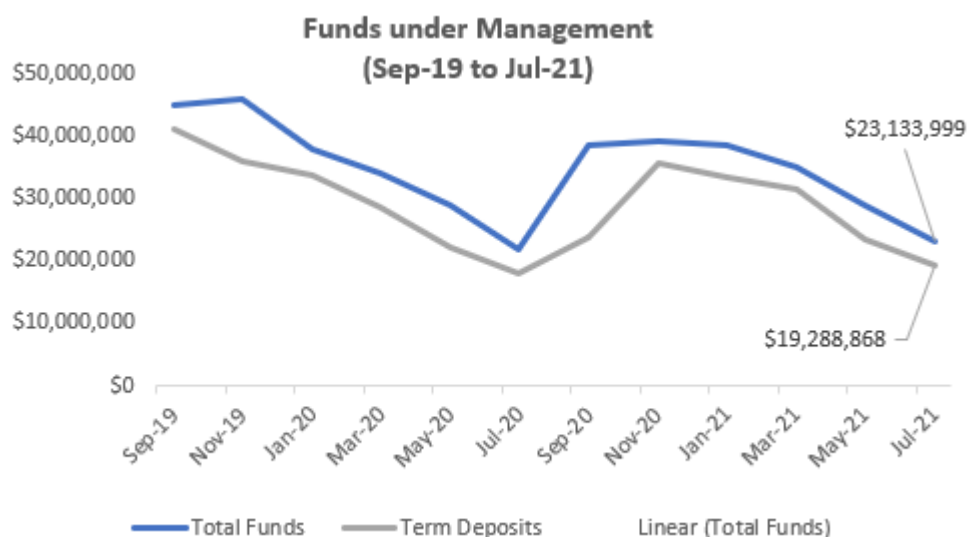
- Record low interest rates offered by banks divested in fossil fuel activities; and
- Smaller divested banks have capped the number of term deposits they can undertake due to surplus cash positions primarily fuelled by low borrowing costs in the market.

Investment Status

As at 31 July 2021, the total funds held in the City's operating account (including on call) is \$23,133,999 compared to \$21,740,955 for the period ending 31 July 2020. Interest bearing term deposits account for \$21,318,267, non interest bearing account for \$1,804,732 and the remaining \$11,000 is held in equity shares.

The total term deposit investments for the period ending 31 July 2021 is \$19,288,868 compared to \$17,906,824 for the period ending 31 July 2020.

The following chart shows funds under management since Sept 2019.



Interest Status

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

Total Accrued Interest Earned on Investment	Budget Adopted	Budget YTD	Actual YTD	% of FY Budget
Municipal	\$100,000	\$4,849	\$ 3,223	66.47%
Reserve	\$100,000	\$7,484	\$12,007	160.44%
Subtotal	\$200,000	\$12,333	\$15,230	123.49%
Leederville Gardens Inc Surplus Trust*	\$0	\$0	\$15,880	0.00%
Total	\$200,000	\$12,333	\$31,110	252.25%

*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 0.41% for current investments whereas the Reserve Bank 90 days accepted bill rate for July 2021 is 0.02%. The online Saver interest rate has been maintained at 0.2% and is subject for review by CommBank in September 2021.

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%	16.5%	90%	53.1%
A-1	25%	11.0%	90%	10.8%
A-2	20%	0.0%	90%	36.1%

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 31 JULY 2021**

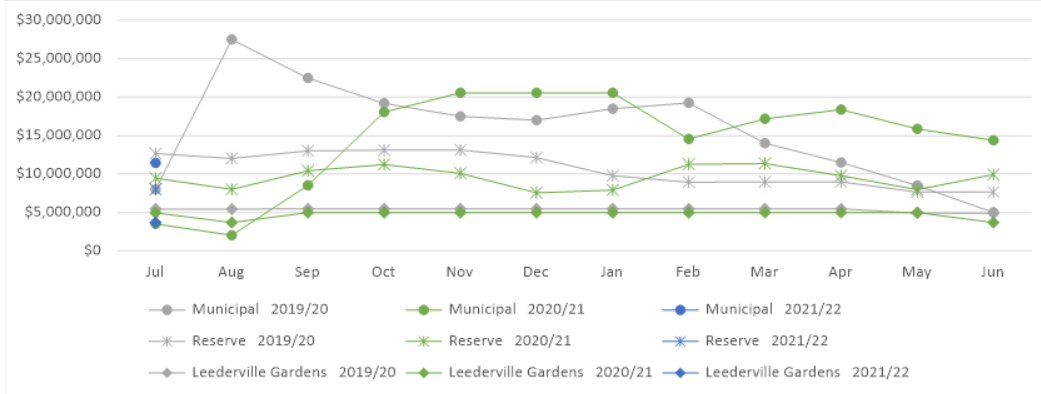
	Municipal	Reserve	Leederville Gardens Inc Surplus Trust	Total	Total
	\$	\$	\$	\$	%
BY INVESTMENT HOLDINGS					
Municipal Account	1,804,732	0	0	1,804,732	7.8%
Online Saver	2,029,399	0	0	2,029,399	8.8%
Term Deposits	7,600,000	7,996,592	3,692,276	19,288,868	83.4%
Equity Shares	11,000	0	0	11,000	0.0%
	11,445,131	7,996,592	3,692,276	23,133,999	100.0%
BY INSTITUTION					
Bank of Queensland	2,600,000	1,000,000	899,629	4,499,629	20.0%
Commonwealth Bank of Australia	3,834,131	0	0	3,834,131	16.0%
National Australia Bank	5,000,000	1,500,000	0	6,500,000	40.0%
North Perth Community Bank	11,000	0	0	11,000	0.0%
Westpac Banking Corp	0	0	1,940,148	1,940,148	8.0%
Macquarie Bank	0	2,500,000	0	2,500,000	11.0%
Defense Bank	0	1,191,330	0	1,191,330	5.0%
	11,445,131	7,996,592	3,692,276	23,133,999	100.0%
BY CREDIT RATINGS (SHORT-TERM ISSUE)					
A-1+	8,834,131	1,500,000	1,940,148	12,274,279	53.1%
A-1	0	2,500,000	0	2,500,000	10.8%
A-2	2,611,000	3,996,592	1,752,128	8,359,720	36.1%
	11,445,131	7,996,592	3,692,276	23,133,999	100.0%
BY TERMS					
0-30 days	3,834,131	0	0	3,834,131	16.6%
91-180 days	5,100,000	0	0	5,100,000	22.1%
181-270 days	2,500,000	6,996,592	852,499	10,349,091	44.7%
270-365 days	0	1,000,000	2,839,777	3,839,777	16.6%
> 1 year	11,000	0	0	11,000	0.0%
	11,445,131	7,996,592	3,692,276	23,133,999	100.0%
BY MATURITY					
0-30 days	6,334,131	1,500,000	1,940,148	9,774,279	42.3%
31-90 days	11,000	1,500,000	0	1,511,000	6.5%
91-180 days	5,089,000	4,996,592	899,629	10,985,221	47.5%
181-270 days	0	0	852,499	852,499	3.7%
> 1 Year	11,000	0	0	11,000	0.0%
	11,445,131	7,996,592	3,692,276	23,133,999	100.0%
BY FOSSIL FUEL EXPOSURE (as determined by www.marketforces.org.au)					
Fossil Fuel Lending	11,434,131	5,000,000	2,839,777	19,273,908	83.3%
Non Fossil Fuel Lending	11,000	2,996,592	852,499	3,860,091	16.7%
	11,445,131	7,996,592	3,692,276	23,133,999	100.0%

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

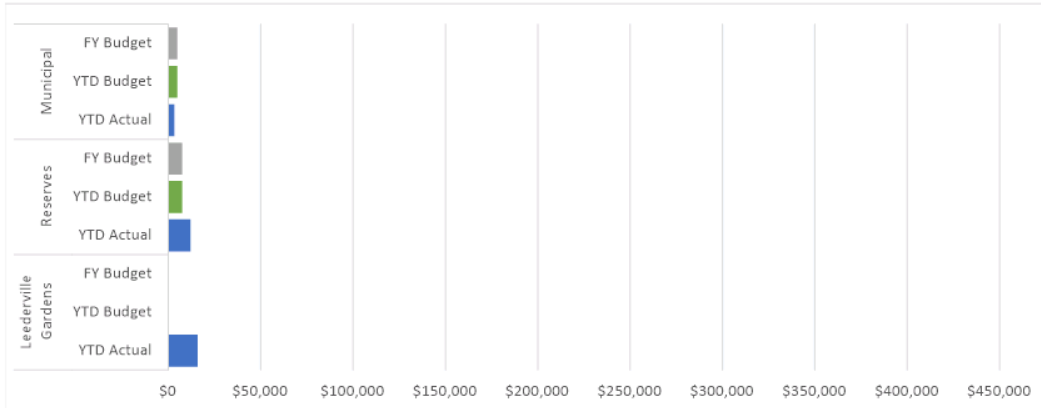
Funds	Institution	Investment Date	Maturity Date	Term	Interest Rate	Principal \$
<u>OPERATING ACCOUNTS</u>						
Municipal	Commonwealth Bank of Australia				0.00%	1,804,732
Municipal	Commonwealth Bank of Australia		Ongoing		0.20%	2,029,399
Total Operating Funds						3,834,131
<u>EQUITY SHARES</u>						
	North Perth Community Bank	23/11/2001				11,000
Total Equity Shares						11,000
<u>TERM DEPOSITS</u>						
Leederville Gardens Inc Surplus Trust	Westpac Banking Corp	01/09/2020	16/08/2021	349	0.80%	1,940,148
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
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
Reserve	Members Equity Bank Ltd.	18/06/2021	14/01/2022	210	0.45%	1,805,262
Leederville Gardens Inc Surplus Trust	Members Equity Bank Ltd.	30/06/2021	28/01/2022	212	0.45%	852,499
Reserve	Bank of Queensland	18/06/2021	14/01/2022	210	0.45%	1,000,000
Total Term Deposits						19,288,868
Total Investment Including At Call						23,133,999

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

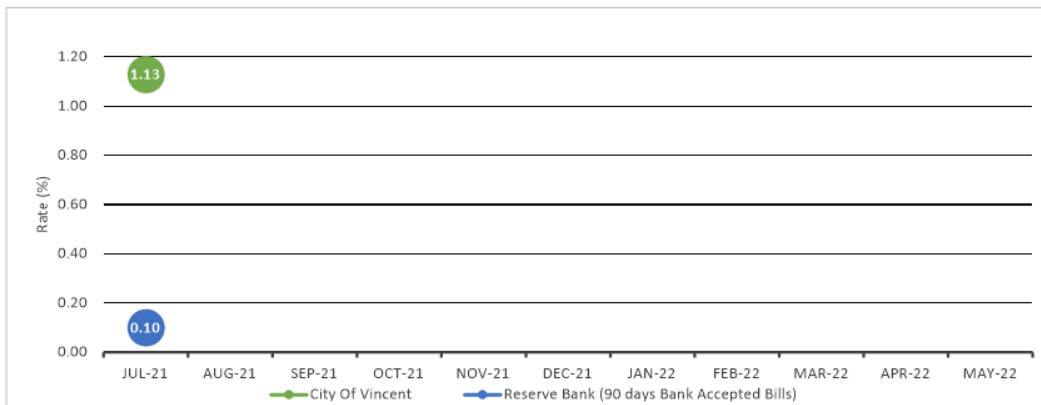
FUNDS INVESTED (ONLINE SAVER AND TERM DEPOSITS)



INTEREST EARNINGS

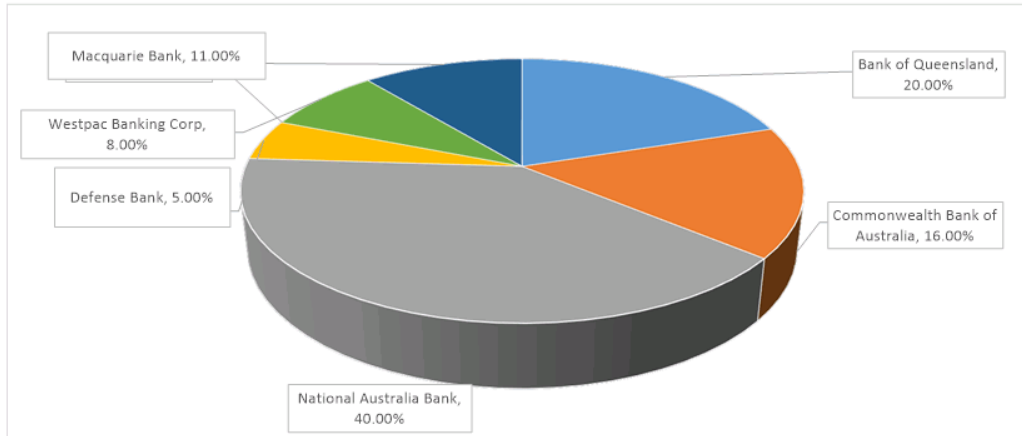


INTEREST RATE COMPARISON

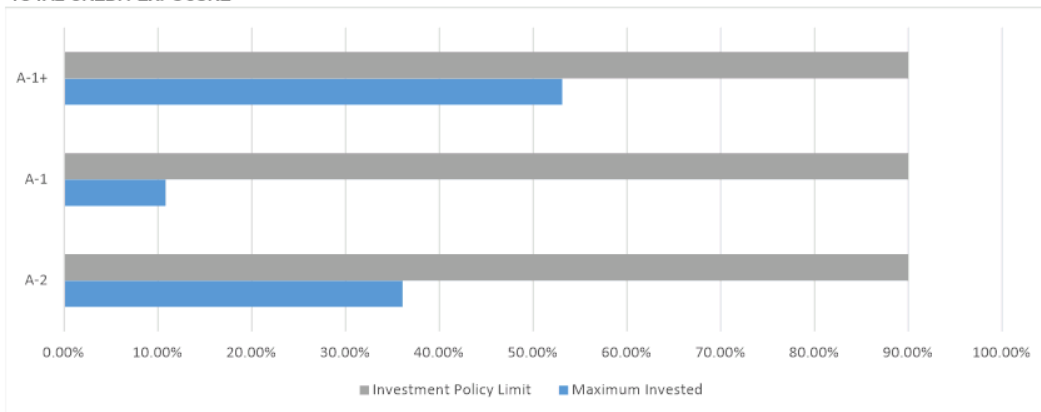


**CITY OF VINCENT
INVESTMENT POLICY COMPLIANCE
AS AT 31 JULY 2021**

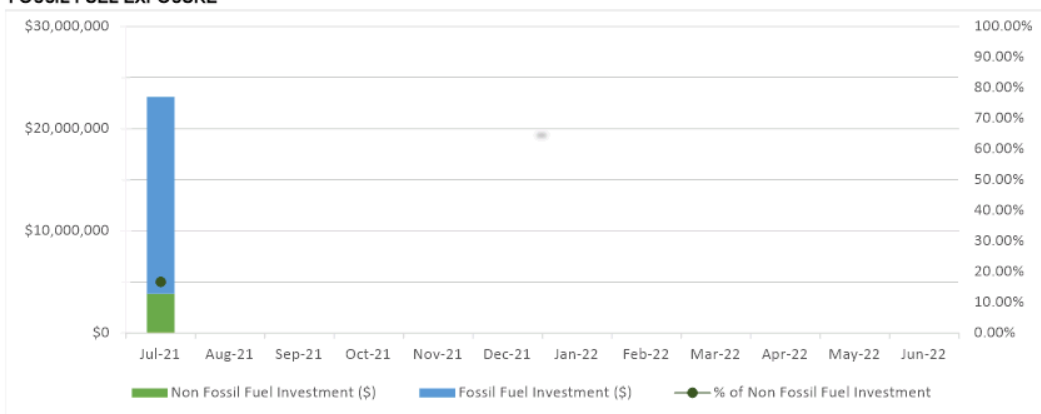
TOTAL PORTFOLIO EXPOSURE



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 JULY 2021**

	YTD 31/07/2021 \$	YTD 31/07/2020 \$	FY 2021/22 \$	FY 2020/21 \$
MUNICIPAL FUNDS				
Budget	4,849	4,889	4,849	70,000
Interest Earnings	3,223	6,225	3,223	69,957
% Income to Budget	66.47%	127.33%	66.47%	99.94%
RESERVE FUNDS				
Budget	7,484	15,990	7,484	90,000
Interest Earnings	12,007	10,345	12,007	79,826
% Income to Budget	160.44%	64.70%	160.44%	88.70%
LEEDERVILLE GARDENS INC SURPLUS TRUST				
Budget	0	0	0	0
Interest Earnings	15,880	6,168	15,880	58,921
% Income to Budget	0.00%	0.00%	0.00%	0.00%
TOTAL				
Budget	12,333	20,879	12,333	160,000
Interest Earnings	31,110	22,738	31,110	208,704
% Income to Budget	252.25%	108.90%	252.25%	130.44%
Variance	18,777	1,859	18,777	48,704
% Variance to Budget	152.25%	8.90%	152.25%	30.44%
TOTAL (EXCL. LEEDERVILLE GARDENS INC SURPLUS TRUST)				
Budget	12,333	20,879	12,333	160,000
Interest Earnings	15,230	16,570	15,230	149,783
% Income to Budget	123.49%	79.36%	123.49%	93.61%
Variance	2,897	(4,309)	2,897	(10,217)
% Variance to Budget	23.49%	-20.64%	23.49%	-6.39%