

**11.4 INVESTMENT REPORT AS AT 30 APRIL 2021**

**Attachments:** 1. Investment Statistics as at 30 April 2021

**RECOMMENDATION:**

That Council **NOTES** the Investment Statistics for the month ended 30 April 2021 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 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**

- No additional funds have been invested in April 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 30 April 2021, the total funds held in the City's operating account (including on call) is \$33,129,488. Interest bearing term deposits account for \$30,931,997 and the remaining \$2,197,491 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
February	\$35,377,640	\$33,681,961	\$38,487,371	\$30,813,182

Month Ended	2019/20		2020/21	
	Total funds held	Total term deposits	Total funds held	Total term deposits
March	\$33,969,162	\$28,466,025	\$35,043,974	\$31,443,637
April	\$30,832,893	\$25,975,451	\$33,129,488	\$27,858,186
May	\$28,935,398	\$22,319,031		
June	\$25,079,463	\$17,565,310		

**Interest Status**

Total accrued interest earned on investments as at 30 April 2021 is:

Total Accrued Interest Earned on Investment	Original Budget	Revised Budget	Budget YTD	Actual YTD	% of FY Budget
Municipal	\$230,000	\$100,000	\$69,895	\$61,558	88.07%
Reserve	\$180,205	\$130,205	\$130,205	\$73,791	56.67%
<b>Subtotal</b>	<b>\$410,205</b>	<b>\$230,205</b>	<b>\$200,100</b>	<b>\$135,349</b>	<b>67.64%</b>
Leederville Gardens Inc. Surplus Trust*	\$0	\$0	\$0	\$60,501	0.00%
<b>Total</b>	<b>\$410,205</b>	<b>\$230,205</b>	<b>\$200,100</b>	<b>\$195,850</b>	<b>97.88%</b>

\*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 0.49% for current investments whereas the Reserve Bank 90 days accepted bill rate for April 2021 is 0.03%. Further Commonwealth bank have advised Administration that the online Saver interest rate of 0.2% will be reduced to 0.1% from the 1<sup>st</sup> May 2021.

Due to the impact of the current economic situation the interest forecast will be adjusted in the third Budget review in May 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.

As at 30 April 2021, \$1,1191,330 (3.6%) of the City's investments are held in financial institutions considered to be investing in non-fossil fuel related activities.

**Investment Guideline update**

In March 2021 Administration updated the investment guidelines which is the supplementary document to the Council Investment Policy. The new investment guidelines conform with the investment policy objective to give preference to institutions that:

- are assessed to have a higher social and environmental responsibility rating; and
- have been assessed to have no current record of funding fossil fuels, providing that doing so will secure a rate of return that is at least equal to alternatives offered by other institutions.

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%	15.9%	90%	52.4%
A-1	25%	10.0%	90%	10.1%
A-2	20%	18.8%	90%	37.5%
				100%

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 30 APRIL 2021**

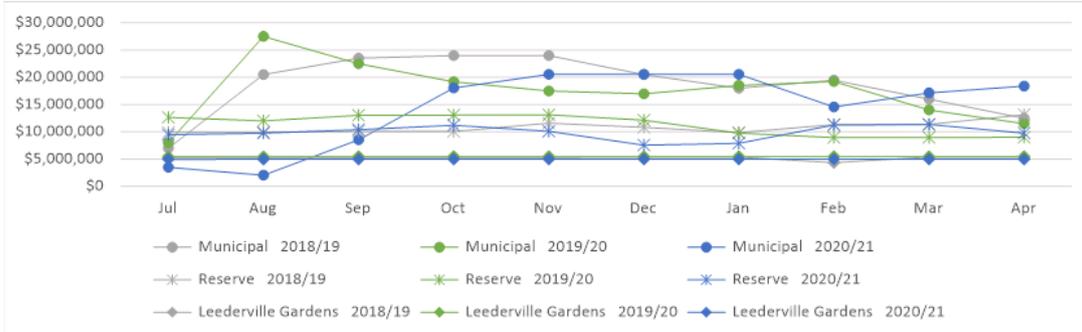
	Municipal	Reserve	Leederville Gardens Inc Surplus Trust	Total	Total
	\$	\$	\$	\$	%
<b>BY INVESTMENT HOLDINGS</b>					
Municipal Account	2,197,491	0	0	2,197,491	6.6%
Online Saver	3,073,811	0	0	3,073,811	9.3%
Term Deposits	13,100,000	9,770,910	4,987,276	27,858,186	84.1%
	<b>18,371,302</b>	<b>9,770,910</b>	<b>4,987,276</b>	<b>33,129,488</b>	<b>100.0%</b>
<b>BY INSTITUTION</b>					
Bank of Queensland	4,100,000	0	899,629	4,999,629	15.0%
Commonwealth Bank of Australia	5,271,302	0	0	5,271,302	15.9%
National Australia Bank	6,500,000	1,500,000	0	8,000,000	24.0%
Westpac Banking Corp	0	0	4,087,647	4,087,647	12.3%
AMP Bank	2,500,000	3,725,729	0	6,225,729	18.8%
Macquarie Bank	0	3,353,851	0	3,353,851	10.0%
Defense Bank	0	1,191,330	0	1,191,330	4.0%
	<b>18,371,302</b>	<b>9,770,910</b>	<b>4,987,276</b>	<b>33,129,488</b>	<b>100.0%</b>
<b>BY CREDIT RATINGS (SHORT-TERM ISSUE)</b>					
A-1+	11,771,302	1,500,000	4,087,647	17,358,949	52.4%
A-1	0	3,353,851	0	3,353,851	10.1%
A-2	6,600,000	4,917,059	899,629	12,416,688	37.5%
	<b>18,371,302</b>	<b>9,770,910</b>	<b>4,987,276</b>	<b>33,129,488</b>	<b>100.0%</b>
<b>BY TERMS</b>					
0-30 days	5,271,302	0	0	5,271,302	15.9%
91-180 days	10,600,000	853,851	0	11,453,851	34.6%
181-270 days	2,500,000	4,191,330	0	6,691,330	20.2%
270-365 days	0	4,725,729	4,987,276	9,713,005	29.3%
	<b>18,371,302</b>	<b>9,770,910</b>	<b>4,987,276</b>	<b>33,129,488</b>	<b>100.0%</b>
<b>BY MATURITY</b>					
0-30 days	7,771,302	1,800,000	0	9,571,302	28.9%
31-90 days	3,000,000	2,779,580	2,147,499	7,927,079	23.9%
91-180 days	7,600,000	3,000,000	1,940,148	12,540,148	37.9%
181-270 days	0	2,191,330	899,629	3,090,959	9.3%
	<b>18,371,302</b>	<b>9,770,910</b>	<b>4,987,276</b>	<b>33,129,488</b>	<b>100.0%</b>
<b>BY FOSSIL FUEL EXPOSURE (as determined by <a href="http://www.marketforces.org.au">www.marketforces.org.au</a>)</b>					
Fossil Fuel Lending	18,371,302	8,579,580	4,987,276	31,938,158	96.4%
Non Fossil Fuel Lending	0	1,191,330	0	1,191,330	3.6%
	<b>18,371,302</b>	<b>9,770,910</b>	<b>4,987,276</b>	<b>33,129,488</b>	<b>100.0%</b>

**CITY OF VINCENT  
CURRENT INVESTMENT HOLDING  
AS AT 30 APRIL 2021**

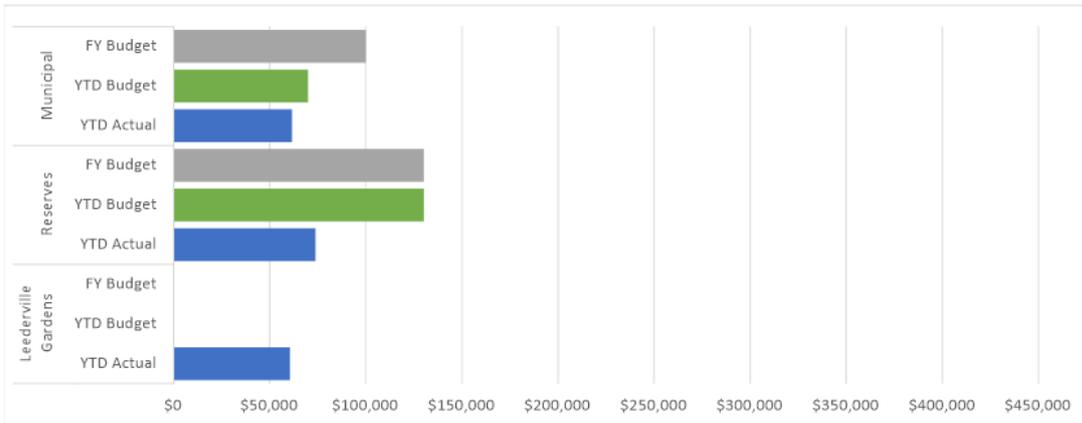
Funds	Institution	Investment Date	Maturity Date	Term	Interest Rate	Principal \$
Municipal	Commonwealth Bank of Australia				0.00%	2,197,491
<b>Total Operating Funds</b>						<b>2,197,491</b>
<b><u>ONLINE SAVER</u></b>						
Municipal	Commonwealth Bank of Australia		Ongoing		0.20%	3,073,811
<b>Total</b>						<b>3,073,811</b>
<b><u>TERM DEPOSITS</u></b>						
Leederville Gardens Inc Surplus Trust Reserve	Westpac Banking Corp	22/07/2020	28/06/2021	341	0.95%	2,147,499
Leederville Gardens Inc Surplus Trust Reserve	AMP Bank	18/08/2020	17/05/2021	272	0.80%	1,800,000
Leederville Gardens Inc Surplus Trust Reserve	Westpac Banking Corp	01/09/2020	16/08/2021	349	0.80%	1,940,148
Municipal	AMP Bank	27/10/2020	29/07/2021	275	0.55%	1,925,729
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
Municipal	National Australia Bank	29/01/2021	20/09/2021	234	0.30%	1,500,000
Municipal	Macquarie Bank	01/02/2021	16/08/2021	196	0.30%	1,500,000
Municipal	Macquarie Bank	01/02/2021	01/11/2021	273	0.55%	1,000,000
Municipal	Macquarie Bank	01/02/2021	15/06/2021	134	0.45%	853,851
Leederville Gardens Inc Surplus Trust Reserve	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
Municipal	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
<b>Total Investment Including At Call</b>						<b>33,129,488</b>

**CITY OF VINCENT  
INVESTMENT PERFORMANCE  
AS AT 30 APRIL 2021**

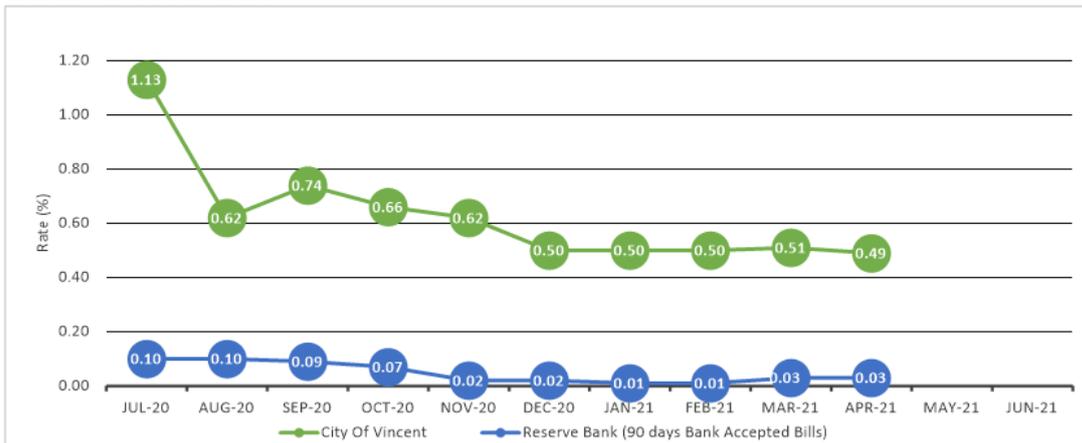
**FUNDS INVESTED (ONLINE SAVER AND TERM DEPOSITS)**



**INTEREST EARNINGS**

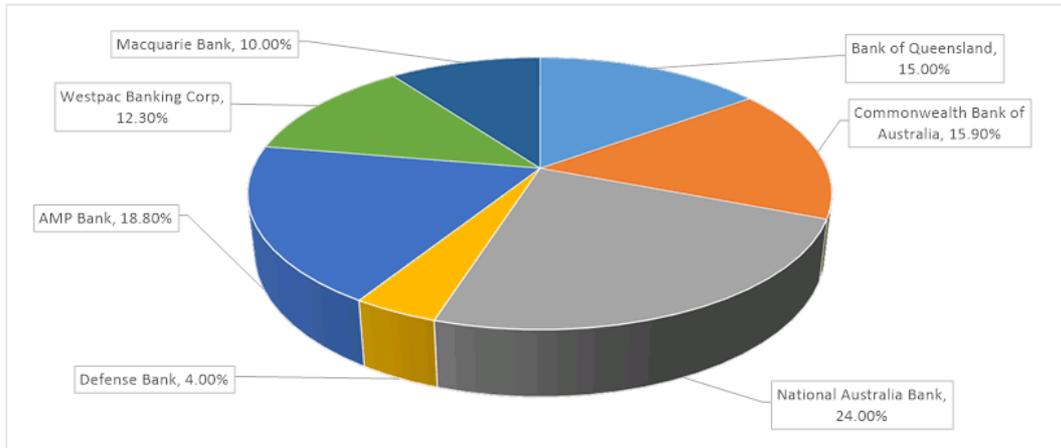


**INTEREST RATE COMPARISON**

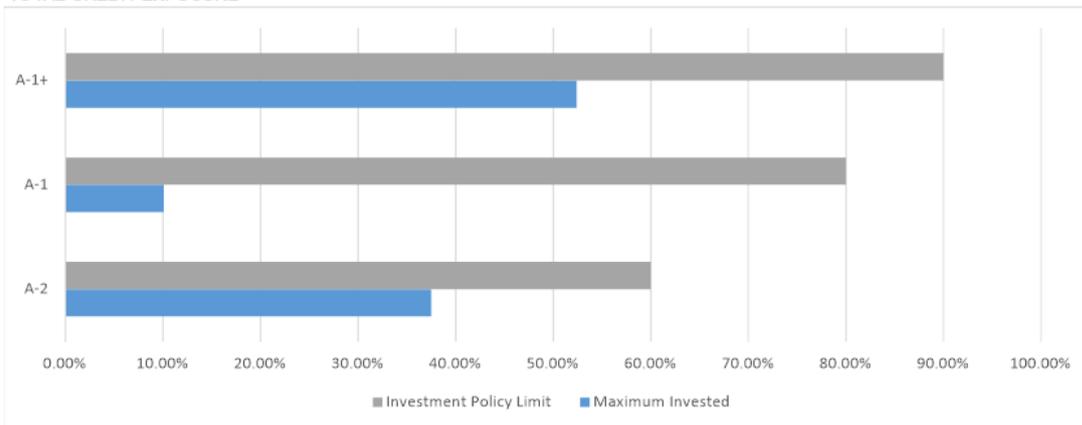


**CITY OF VINCENT  
INVESTMENT POLICY COMPLIANCE  
AS AT 30 APRIL 2021**

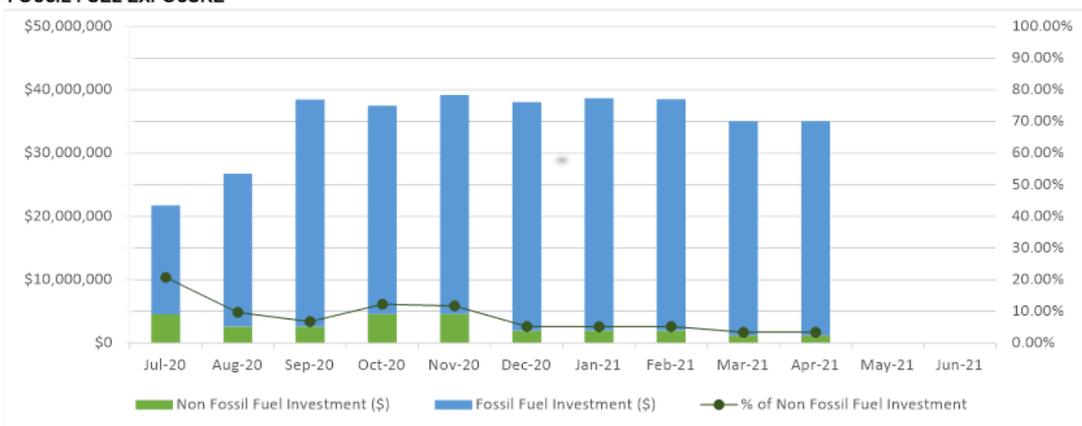
**TOTAL PORTFOLIO EXPOSURE**



**TOTAL CREDIT EXPOSURE**



**FOSSIL FUEL EXPOSURE**



\* Selection of non fossil fuel investments is based on information provided by [www.marketforces.org.au](http://www.marketforces.org.au).

**CITY OF VINCENT  
INVESTMENT INTEREST EARNINGS  
AS AT 30 APRIL 2021**

	YTD 30/04/2021 \$	YTD 30/04/2020 \$	FY 2020/21 \$	FY 2019/20 \$
<b>MUNICIPAL FUNDS</b>				
Budget	69,895	308,330	100,000	250,000
Interest Earnings	61,558	271,890	61,558	297,684
% Income to Budget	88.07%	88.18%	61.56%	119.07%
<b>RESERVE FUNDS</b>				
Budget	130,205	232,240	130,205	200,000
Interest Earnings	73,791	200,683	73,791	223,720
% Income to Budget	56.67%	86.41%	56.67%	111.86%
<b>LEEDERVILLE GARDENS INC SURPLUS TRUST</b>				
Budget	0	0	0	0
Interest Earnings	60,501	89,687	52,484	29,316
% Income to Budget	0.00%	0.00%	0.00%	0.00%
<b>TOTAL</b>				
Budget	200,100	540,570	230,205	450,000
Interest Earnings	195,850	562,260	187,833	550,720
% Income to Budget	97.88%	104.01%	81.59%	122.38%
Variance	(4,250)	21,690	(42,372)	100,720
% Variance to Budget	-2.12%	4.01%	-18.41%	22.38%
<b>TOTAL (EXCL. LEEDERVILLE GARDENS INC SURPLUS TRUST)</b>				
Budget	200,100	540,570	230,205	450,000
Interest Earnings	135,349	472,573	135,349	521,404
% Income to Budget	67.64%	87.42%	58.79%	115.87%
Variance	(64,751)	(67,997)	(94,856)	71,404
% Variance to Budget	-32.36%	-12.58%	-41.21%	15.87%