

7.6 INVESTMENT REPORT AS AT 31 OCTOBER 2021

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

RECOMMENDATION:

That Council NOTES the Investment Statistics for the month ended 31 October 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 October 2021 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**

No additional funds have been invested in October to ensure cash flows are maintained at an optimum level and due to term deposits maturing closer to the reporting period.

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

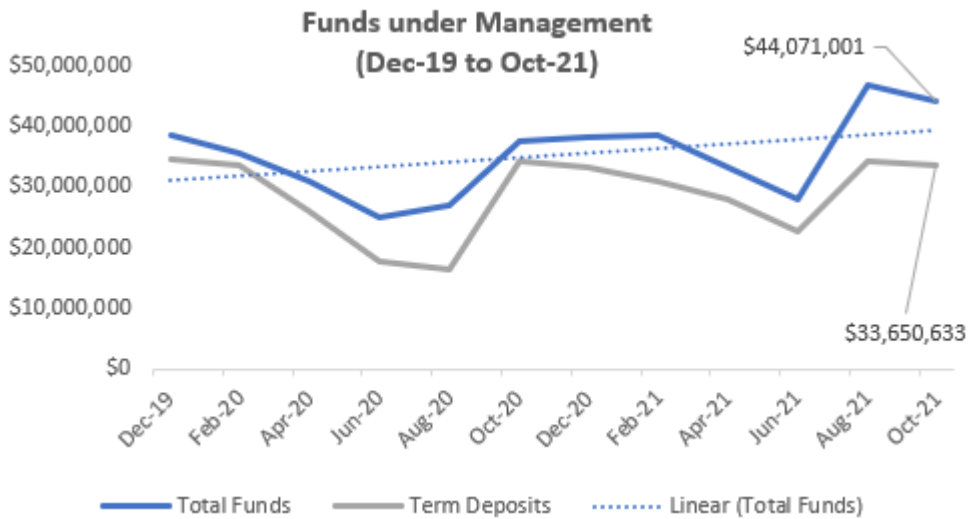
The City's investment portfolio is diversified across several accredited financial institutions.

As of 31 October 2021, the total funds held in the City's operating account (including on call) is \$44,071,001 compared to \$37,495,284 for the period ending 31 October 2020.

Interest bearing term deposits and saver account for \$42,240,213, non-interest bearing account for \$1,819,788 and the remaining \$11,000 is held in equity shares.

The total term deposit investments for the period ending 31 October 2021 are \$33,650,633 compared to \$28,205,175 for the period ending 31 October 2020.

The following chart shows funds under management from December 2019 to October 2021.



Interest Status

Total Accrued Interest Earned on Investment	Budget Adopted	Budget YTD	Actual YTD	% of FY Budget
Municipal	\$100,000	\$14,146	\$ 21,107	149.21%
Reserve	\$100,000	\$28,161	\$15,170	53.87%
Subtotal	\$200,000	\$42,307	\$36,277	85.75%
Leederville Gardens Inc Surplus Trust*	\$0	\$0	\$25,671	0.00%
Total	\$200,000	\$42,307	\$61,948	146.43%

*Interest estimates for Leederville Gardens Inc. Surplus Trust were not included in the 2021/22 Budget as actual interest earned is restricted.

The City has a weighted average interest rate of 0.34% for current investments whereas the Reserve Bank 90 days accepted bill rate for October 2021 is 0.04%. The online Saver interest rate has been maintained at 0.20% and is subject for review by CommBank in November 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%	23.6%	90%	44.6%
A-1	25%	6.8%	90%	6.8%
A-2	20%	11.3%	90%	44.6%

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.

Equity Shares

The City of Vincent holds 11,000 shares in North Perth Community Bank purchased at \$1/share on 23 November 2001.

The performance of these shares, and the City's shareholding, will be reviewed as a component of our Investment Strategy, for consideration later this financial year.

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 OCTOBER 2021**

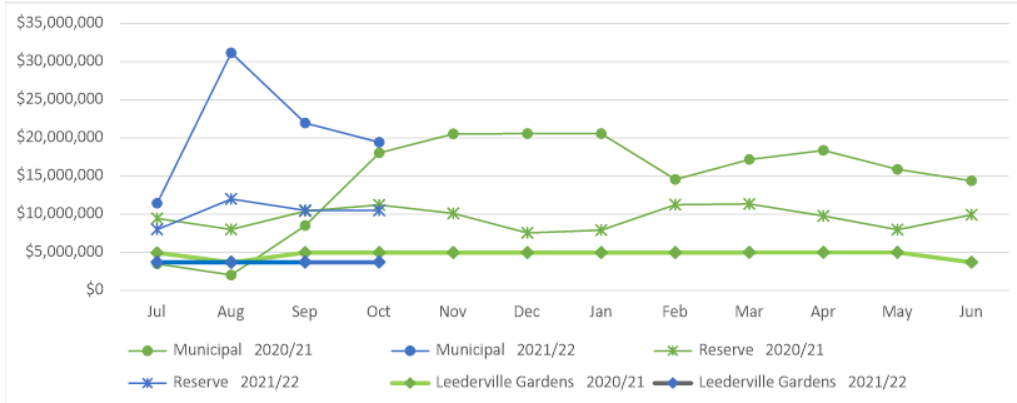
	Municipal	Reserve	Leederville Gardens Inc Surplus Trust	Total	Total
	\$	\$	\$	\$	%
BY INVESTMENT HOLDINGS					
Municipal Account	1,819,788	0	0	1,819,788	4.1%
Online Saver	8,589,581	0	0	8,589,581	19.5%
Term Deposits	19,446,244	10,496,592	3,707,797	33,650,633	76.4%
Equity Shares	11,000	0	0	11,000	0.0%
	29,866,612	10,496,592	3,707,797	44,071,001	100.0%
BY INSTITUTION					
Bank of Queensland	10,676,244	1,000,000	899,629	12,575,873	28.5%
Commonwealth Bank of Australia	10,409,368	0	0	10,409,368	23.6%
Members Equity Bank	0	1,805,262	852,499	2,657,761	6.0%
National Australia Bank	3,800,000	3,500,000	1,955,669	9,255,669	21.0%
North Perth Community Bank	11,000	0	0	11,000	0.0%
AMP Bank	2,970,000	2,000,000	0	4,970,000	11.3%
Macquarie Bank	2,000,000	1,000,000	0	3,000,000	6.8%
Defense Bank	0	1,191,330	0	1,191,330	2.7%
	29,866,612	10,496,592	3,707,797	44,071,001	100.0%
BY CREDIT RATINGS (SHORT-TERM ISSUE)					
A-1+	14,209,368	3,500,000	1,955,669	19,665,037	44.6%
A-1	2,000,000	1,000,000	0	3,000,000	6.8%
A-2	13,657,244	5,996,592	1,752,128	21,405,964	48.6%
	29,866,612	10,496,592	3,707,797	44,071,001	100.0%
BY TERMS					
0-30 days	10,409,368	0	0	10,409,368	23.6%
31-90 days	0	3,500,000	0	3,500,000	7.9%
91-180 days	1,000,000	0	0	1,000,000	2.3%
181-270 days	11,623,756	5,996,592	852,499	18,472,847	41.9%
271-365 days	4,876,244	1,000,000	2,855,298	8,731,542	19.9%
> 1 year	1,957,244	0	0	1,957,244	4.4%
	29,866,612	10,496,592	3,707,797	44,071,001	100.0%
BY MATURITY					
0-30 days	11,409,368	4,500,000	0	15,909,368	36.1%
31-90 days	11,000	3,996,592	1,752,128	5,759,720	13.1%
91-180 days	989,000	0	0	989,000	2.2%
181-270 days	4,876,244	0	1,955,669	6,831,913	15.5%
271-365 days	12,570,000	0	0	12,570,000	28.5%
> 1 Year	11,000	2,000,000	0	2,011,000	4.6%
	29,866,612	10,496,592	3,707,797	44,071,001	100.0%
BY FOSSIL FUEL EXPOSURE (as determined by www.marketforces.org.au)					
Fossil Fuel Lending	29,855,612	7,500,000	2,855,298	40,210,910	91.2%
Non Fossil Fuel Lending	11,000	2,996,592	852,499	3,860,091	8.8%
	29,866,612	10,496,592	3,707,797	44,071,001	100.0%

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

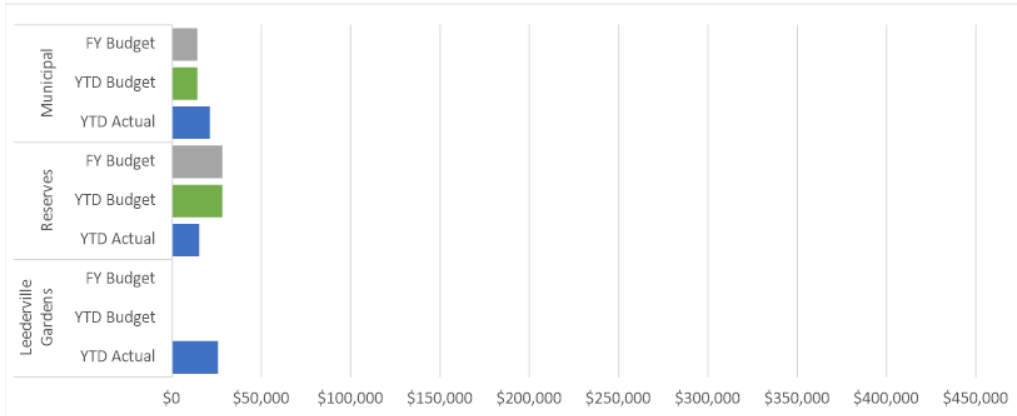
Funds	Institution	Investment Date	Maturity Date	Term	Interest Rate	Principal \$
OPERATING ACCOUNTS						
Municipal	Commonwealth Bank of Australia				0.00%	1,819,788
Municipal	Commonwealth Bank of Australia		Ongoing		0.20%	8,589,581
Total Operating Funds						10,409,368
EQUITY SHARES						
	North Perth Community Bank	23/11/2001				11,000
Total Equity Shares						11,000
TERM DEPOSITS						
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
Reserve	Defense Bank	18/03/2021	13/12/2021	270	0.37%	1,191,330
Reserve	Members Equity Bank	18/06/2021	14/01/2022	210	0.45%	1,805,262
Leederville Gardens Inc Surplus Trust	Members Equity Bank	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
Municipal	AMP Bank	20/08/2021	20/08/2022	365	0.75%	1,946,244.00
Reserve	AMP Bank	20/08/2021	18/08/2022	363	0.75%	2,000,000.00
Reserve	Bank of Queensland	20/08/2021	17/11/2021	89	0.25%	3,500,000.00
Municipal	Macquarie Bank	20/08/2021	18/02/2022	182	0.40%	1,000,000.00
Municipal	Macquarie Bank	30/08/2021	30/11/2021	92	0.40%	1,000,000.00
Municipal	AMP Bank	30/08/2021	01/03/2022	183	0.35%	1,023,756.00
Municipal	Bank of Queensland	30/08/2021	29/03/2022	211	0.33%	3,500,000.00
Municipal	Bank of Queensland	30/08/2021	02/06/2022	276	0.35%	4,876,244.00
Municipal	Bank of Queensland	17/09/2021	18/03/2022	182	0.33%	2,300,000.00
Municipal	National Australia Bank	17/09/2021	18/03/2022	182	0.28%	3,800,000.00
Leederville Gardens Inc Surplus Trust	National Australia Bank	17/09/2021	18/06/2022	274	0.32%	1,955,669.00
Total Term Deposits						33,650,633
Total Investment Including At Call						44,071,001

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

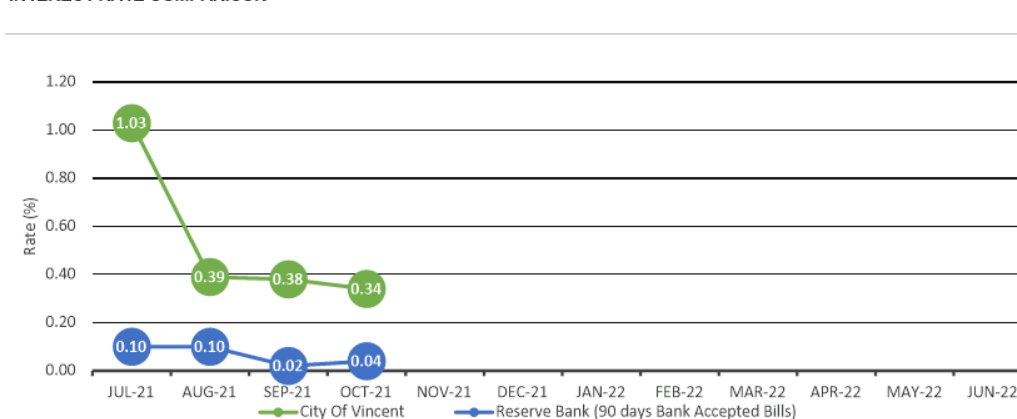
FUNDS INVESTED (ONLINE SAVER AND TERM DEPOSITS)



INTEREST EARNINGS

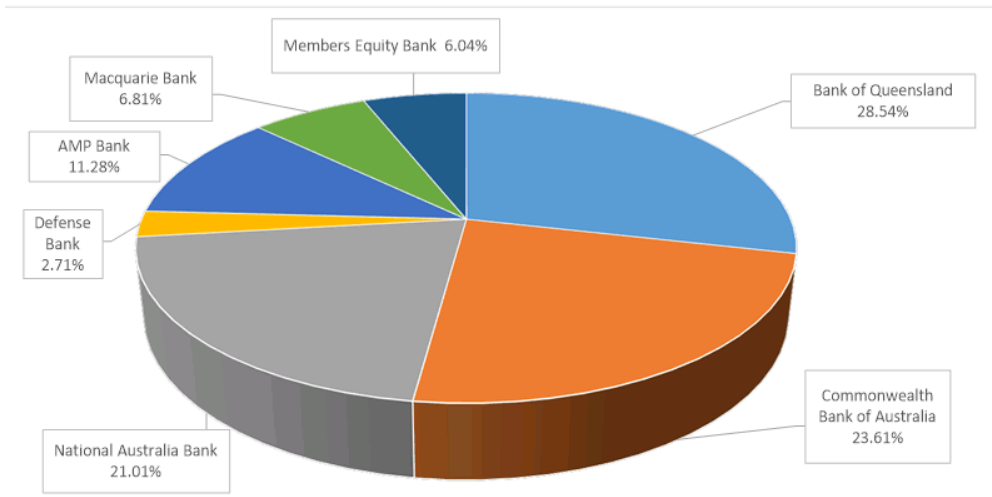


INTEREST RATE COMPARISON

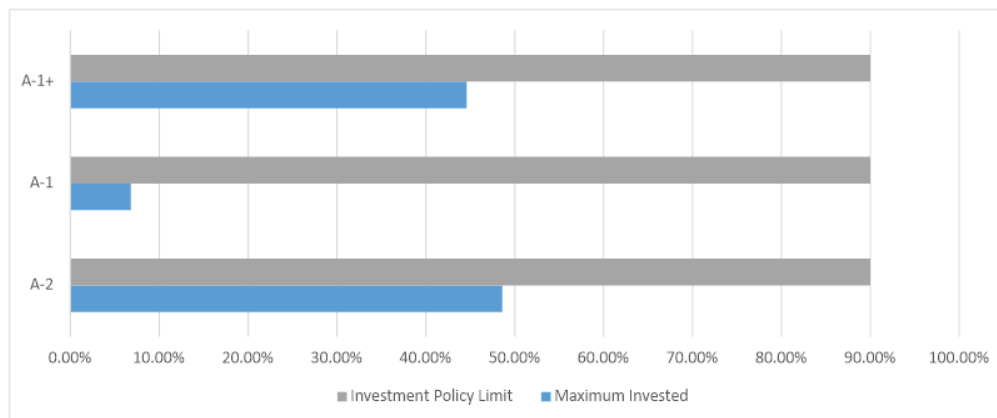


**CITY OF VINCENT
INVESTMENT POLICY COMPLIANCE
AS AT 31 OCTOBER 2021**

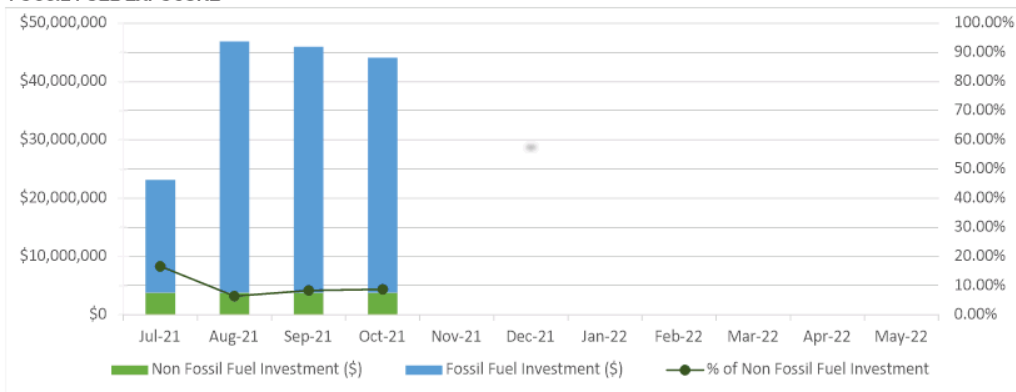
TOTAL PORTFOLIO EXPOSURE



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 31 OCTOBER 2021**

	YTD 31/10/2021 \$	YTD 31/10/2020 \$	FY 2021/22 \$	FY 2020/21 \$
MUNICIPAL FUNDS				
Budget	14,146	76,668	14,146	70,000
Interest Earnings	21,107	18,160	21,107	69,957
% Income to Budget	149.2%	23.7%	149.2%	99.9%
RESERVE FUNDS				
Budget	28,161	60,068	28,161	90,000
Interest Earnings	15,170	38,924	15,170	79,826
% Income to Budget	53.9%	64.8%	53.9%	88.7%
LEEDERVILLE GARDENS INC SURPLUS TRUST				
Budget	0	0	0	0
Interest Earnings	25,671	26,277	25,671	58,921
% Income to Budget	0.0%	0.0%	0.0%	0.0%
TOTAL				
Budget	42,307	136,736	42,307	160,000
Interest Earnings	61,948	83,361	61,948	208,704
% Income to Budget	146.4%	61.0%	146.4%	130.4%
Variance	19,641	(53,375)	19,641	48,704
% Variance to Budget	46.4%	(39.0%)	46.4%	30.4%
TOTAL (EXCL. LEEDERVILLE GARDENS INC SURPLUS TRUST)				
Budget	42,307	136,736	42,307	160,000
Interest Earnings	36,277	57,084	36,277	149,783
% Income to Budget	85.8%	41.8%	85.8%	93.6%
Variance	(6,030)	(79,652)	(6,030)	(10,217)
% Variance to Budget	(14.3%)	(58.3%)	(14.3%)	(6.4%)