

11.4 INVESTMENT REPORT AS AT 31 DECEMBER 2021

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

RECOMMENDATION:

That Council NOTES the Investment Statistics for the month ended 31 December 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 December 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 funds have been invested in December to ensure cash flows are maintained at an optimum level and due to some 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

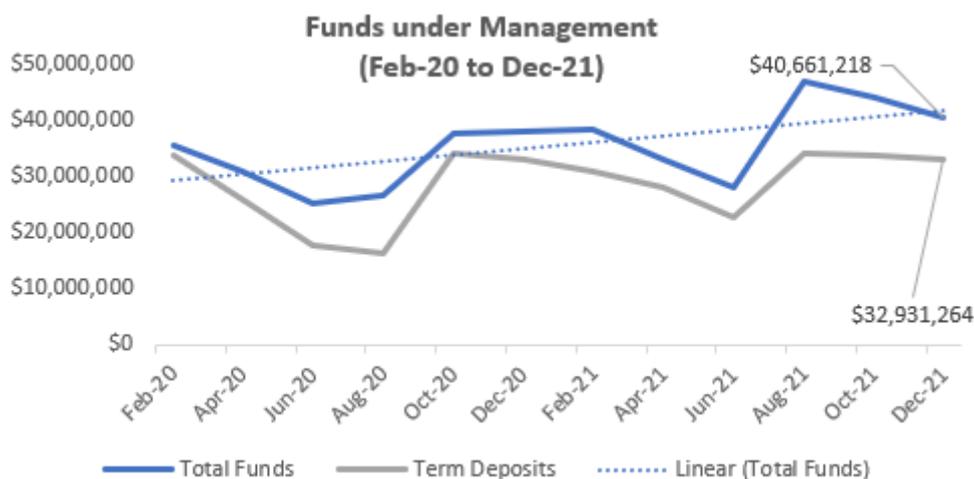
The City's investment portfolio is diversified across several accredited financial institutions.

As of 31 December 2021, the total funds held in the City's operating account (including on call) is \$40,661,218 compared to \$38,061,941 for the period ending 31 December 2020.

Interest bearing term deposits and saver account for \$39,024,879, non-interest bearing account for \$1,625,338 and the remaining \$11,000 is held in equity shares.

The total term deposit investments for the period ending 31 December 2021 are \$32,931,264 compared to \$33,065,398 for the period ending 30 December 2020.

The following chart shows funds under management from February 2020 to December 2021.



Interest Status

Total accrued interest earned on investments at 31 December 2021 is:

Total Accrued Interest Earned on Investment	Budget Adopted	Budget YTD	Actual YTD	% of FY Budget
Municipal	\$100,000	\$29,646	\$ 39,879	134.52%
Reserve	\$100,000	\$39,246	\$22,902	58.36%
Subtotal	\$200,000	\$68,892	\$62,781	91.13%
Leederville Gardens Inc Surplus Trust*	\$0	\$0	\$34,913	0.00%
Total	\$200,000	\$68,892	\$97,694	141.81%

*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 0.42% for current investments whereas the Reserve Bank 90 days accepted bill rate for December 2021 is 0.06%. The online Saver interest rate has been maintained at 0.20% and is subject for review by CommBank in March 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%	21.3%	90%	45.2%
A-1	25%	0.0%	90%	0.0%
A-2	20%	26.2%	90%	54.8%

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 DECEMBER 2021**

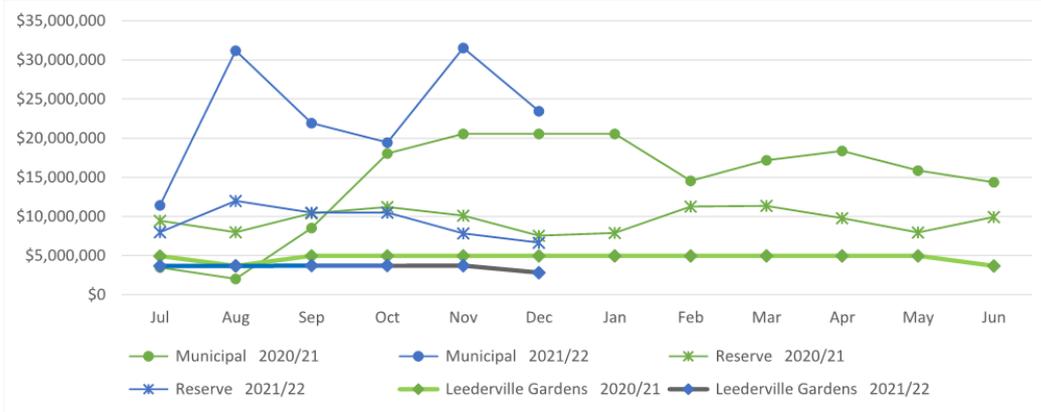
	Municipal	Reserve	Leederville Gardens Inc Surplus Trust	Total	Total
	\$	\$	\$	\$	%
BY INVESTMENT HOLDINGS					
Municipal Account	1,625,338	0	0	1,625,338	4.0%
Online Saver	6,093,615	0	0	6,093,615	15.0%
Term Deposits	23,446,244	6,657,792	2,827,228	32,931,264	81.0%
Equity Shares	11,000	0	0	11,000	0.0%
	31,176,198	6,657,792	2,827,228	40,661,218	100.0%
BY INSTITUTION					
Bank of Queensland	10,676,244	0	0	10,676,244	26.2%
Commonwealth Bank of Australia	7,718,954	0	0	7,718,954	18.9%
Members Equity Bank	0	1,805,262	852,499	2,657,761	6.6%
National Australia Bank	5,671,590	1,000,000	1,955,669	8,627,259	21.3%
North Perth Community Bank	11,000	0	0	11,000	0.0%
AMP Bank	5,074,654	3,852,530	19,060	8,946,244	22.0%
Macquarie Bank	2,023,756	0	0	2,023,756	5.0%
	31,176,198	6,657,792	2,827,228	40,661,218	100.0%
BY CREDIT RATINGS (SHORT-TERM ISSUE)					
A-1+	15,414,300	1,000,000	1,955,669	18,369,969	45.2%
A-1	0	0	0	0	0.0%
A-2	15,761,898	5,657,792	871,559	22,291,249	54.8%
	31,176,198	6,657,792	2,827,228	40,661,218	100.0%
BY TERMS					
0-30 days	7,718,954	0	0	7,718,954	19.0%
31-90 days	0	0	0	0	0.0%
91-180 days	5,000,000	1,852,530	19,060	6,871,590	16.9%
181-270 days	11,623,756	4,805,262	852,499	17,281,517	42.5%
271-365 days	4,876,244	0	1,955,669	6,831,913	16.8%
> 1 year	1,957,244	0	0	1,957,244	4.8%
	31,176,198	6,657,792	2,827,228	40,661,218	100.0%
BY MATURITY					
0-30 days	7,718,954	2,805,262	852,499	11,376,715	28.0%
31-90 days	11,000	0	0	11,000	0.0%
91-180 days	4,989,000	1,852,530	1,974,729	8,816,259	21.7%
181-270 days	1,946,244	2,000,000	0	3,946,244	9.7%
271-365 days	16,500,000	0	0	16,500,000	40.6%
> 1 Year	11,000	0	0	11,000	0.0%
	31,176,198	6,657,792	2,827,228	40,661,218	100.0%
BY FOSSIL FUEL EXPOSURE (as determined by www.marketforces.org.au)					
Fossil Fuel Investments	31,165,198	4,852,530	1,974,729	37,992,457	93.4%
Non Fossil Fuel Investments	11,000	1,805,262	852,499	2,668,761	6.6%
	31,176,198	6,657,792	2,827,228	40,661,218	100.0%

CITY OF VINCENT
CURRENT INVESTMENT HOLDING
AS AT 31 DECEMBER 2021

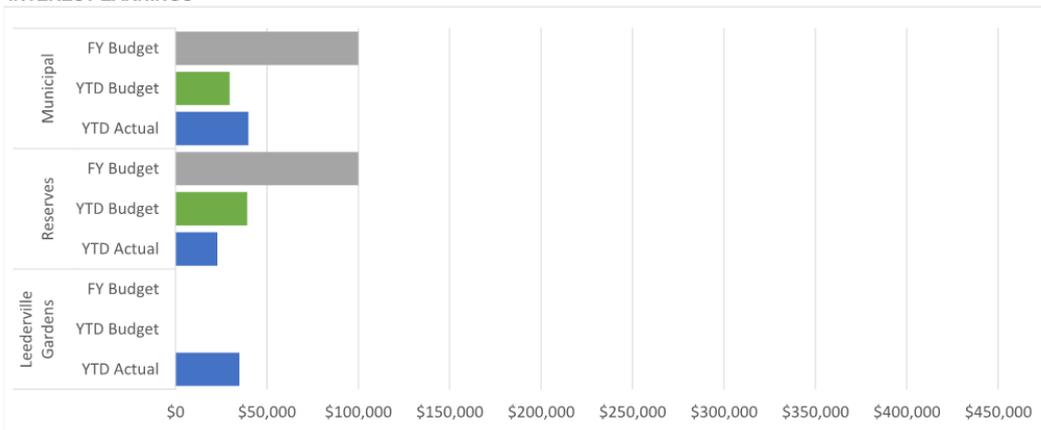
Funds	Institution	Investment Date	Maturity Date	Term	Interest Rate	Principal \$
OPERATING ACCOUNTS						
Municipal	Commonwealth Bank of Australia				0.00%	1,625,338
Municipal	Commonwealth Bank of Australia		Ongoing		0.20%	6,093,615
Total Operating Funds						7,718,954
EQUITY SHARES						
	North Perth Community Bank	23/11/2001				11,000
Total Equity Shares						11,000
TERM DEPOSITS						
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
Reserve	AMP Bank	20/08/2021	18/08/2022	363	0.75%	2,000,000
Municipal	Macquarie Bank	20/08/2021	18/02/2022	182	0.40%	1,000,000
Municipal	AMP Bank	30/08/2021	01/03/2022	183	0.35%	1,023,756
Municipal	Bank of Queensland	30/08/2021	29/03/2022	211	0.33%	3,500,000
Municipal	Bank of Queensland	30/08/2021	02/06/2022	276	0.35%	4,876,244
Municipal	Bank of Queensland	17/09/2021	18/03/2022	182	0.33%	2,300,000
Municipal	National Australia Bank	17/09/2021	18/03/2022	182	0.28%	3,800,000
Leederville Gardens Inc Surplus Trust	National Australia Bank	17/09/2021	18/06/2022	274	0.32%	1,955,669
Reserve	AMP Bank	11/11/2021	09/05/2022	179	0.85%	1,852,530
Leederville Gardens Inc Surplus Trust	AMP Bank	11/11/2021	09/05/2022	179	0.85%	19,060
Municipal	AMP Bank	11/11/2021	11/04/2022	151	0.85%	2,500,000
Municipal	AMP Bank	11/11/2021	09/05/2022	179	0.85%	628,410
Municipal	National Australia Bank	11/11/2021	09/05/2022	179	0.32%	1,871,590
Total Term Deposits						32,931,264
Total Investment Including At Call						40,661,218

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

FUNDS INVESTED (ONLINE SAVER AND TERM DEPOSITS)



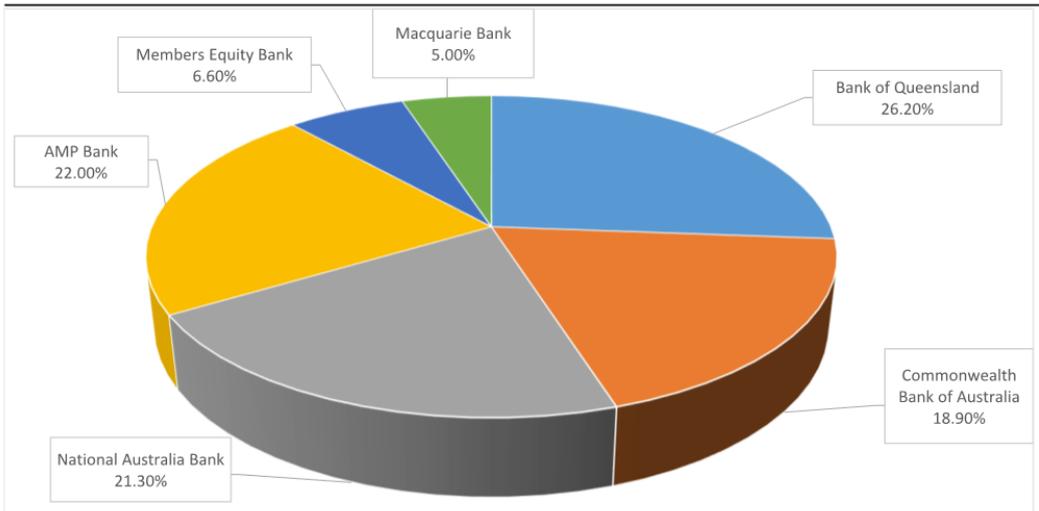
INTEREST EARNINGS



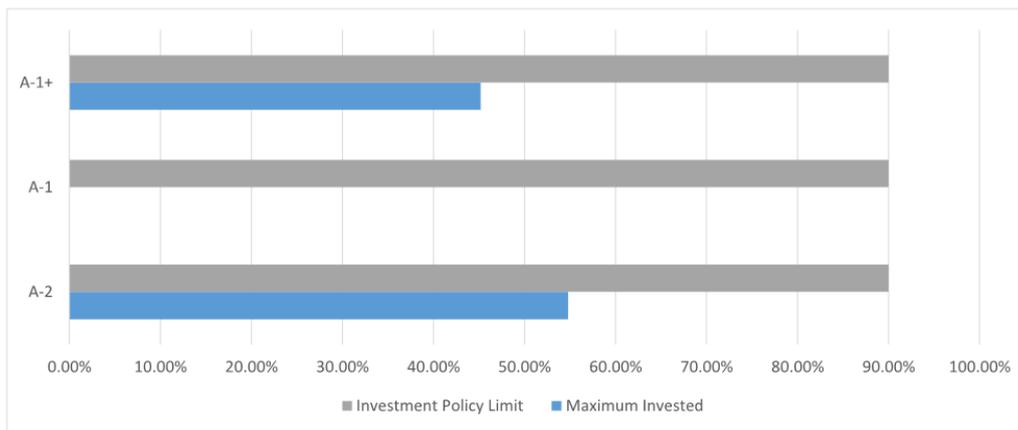
INTEREST RATE COMPARISON



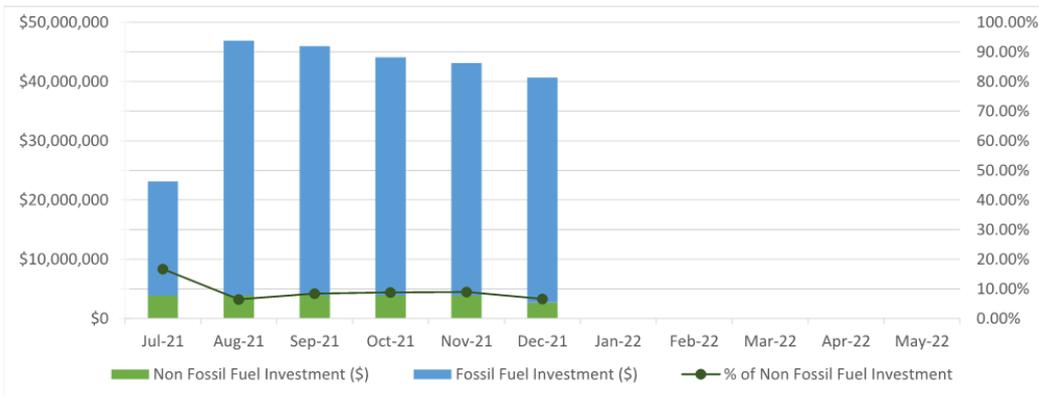
**CITY OF VINCENT
INVESTMENT POLICY COMPLIANCE
AS AT 31 DECEMBER 2021**



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 DECEMBER 2021**

	YTD 31/12/2021 \$	YTD 31/12/2020 \$	FY 2021/22 \$	FY 2020/21 \$
MUNICIPAL FUNDS				
Budget	29,646	9,675	100,000	70,000
Interest Earnings	39,879	38,060	39,879	69,957
% Income to Budget	134.5%	393.4%	39.9%	99.9%
RESERVE FUNDS				
Budget	39,246	46,232	100,000	90,000
Interest Earnings	22,902	54,246	22,902	79,826
% Income to Budget	58.4%	117.3%	22.9%	88.7%
LEEDERVILLE GARDENS INC SURPLUS TRUST				
Budget	0	0	0	0
Interest Earnings	34,913	33,891	34,913	58,921
% Income to Budget	0.0%	0.0%	0.0%	0.0%
TOTAL				
Budget	68,892	55,907	200,000	160,000
Interest Earnings	97,694	126,197	97,694	208,704
% Income to Budget	141.8%	225.7%	48.9%	130.4%
Variance	28,802	70,290	(102,306)	48,704
% Variance to Budget	41.8%	125.7%	(51.2%)	30.4%
TOTAL (EXCL. LEEDERVILLE GARDENS INC SURPLUS TRUST)				
Budget	68,892	55,907	200,000	160,000
Interest Earnings	62,781	92,306	62,781	149,783
% Income to Budget	91.1%	165.1%	31.4%	93.6%
Variance	(6,111)	36,399	(137,219)	(10,217)
% Variance to Budget	(8.9%)	65.1%	(68.6%)	(6.4%)