

**11.3 INVESTMENT REPORT AS AT 31 AUGUST 2022**

**Attachments:** 1. Investment Statistics as at 31 August 2022

**RECOMMENDATION:**

That Council **NOTES** the Investment Statistics for the month ended 31 August 2022 as detailed in Attachment 1.

**PURPOSE OF REPORT:**

To advise Council of the nature and value of the City's Investments as at 31 August 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's non-fossil fuel investments represented 33.80% of total funds invested in the month of August 2022 compared to 8.2% in August 2021. This has been possible due to competitive interest rates offered by fossil fuel free institutions including Members Equity Bank, Defence Bank and My State Bank.

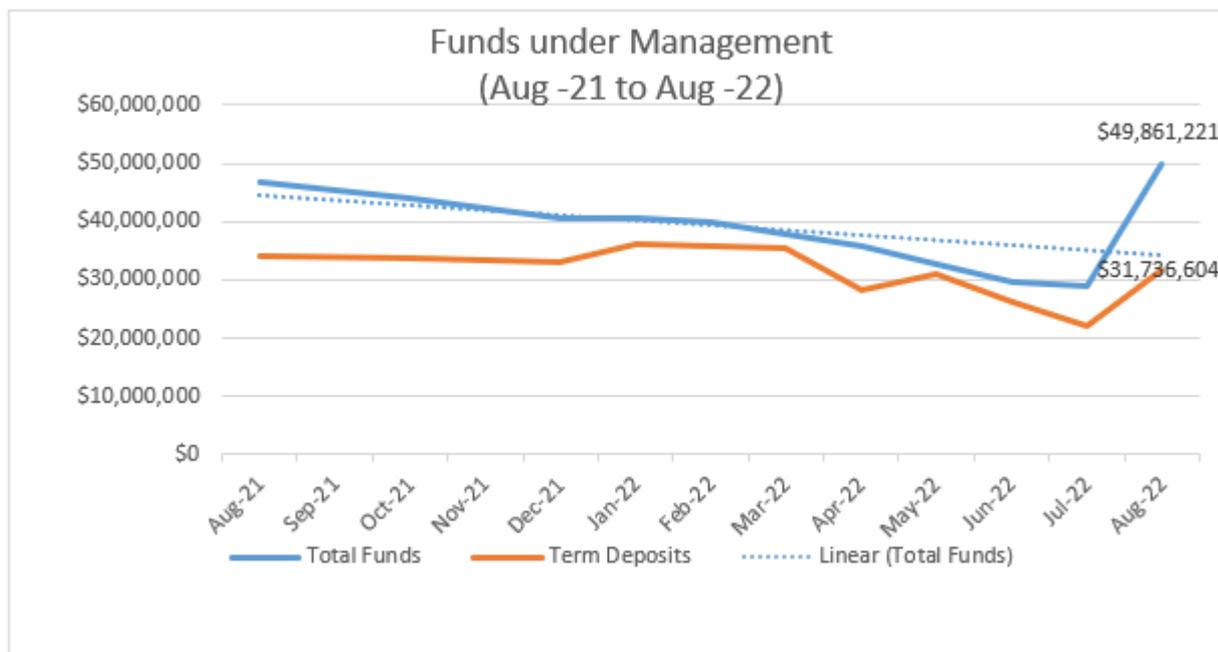
**Investment Status**

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

As at 31 August 2022, the total funds held in the City's operating accounts (including on call) was \$49,861,221 compared to \$46,876,029 for the period ended 31 August 2021. All funds are interest bearing as at 31 August 2022.

The total term deposit investments for the period ended 31 August 2022 were \$31,736,604 compared to \$34,135,112 for the period ended 31 August 2021.

The following chart shows funds under management from August 2021 to August 2022:



**Interest Status**

Total accrued interest earned on investments as at 31 August 2022 is:

Total Accrued Interest Earned on Investment	Budget Adopted	Budget YTD	Actual YTD	% of YTD Budget
Municipal	\$120,000	\$20,000	\$25,069	125.3%
Reserve	\$80,000	\$13,334	\$59,349	445.1%
<b>Subtotal</b>	<b>\$200,000</b>	<b>\$33,334</b>	<b>\$84,418</b>	<b>253.3%</b>
Leederville Gardens Inc Surplus Trust*	\$0	\$0	\$20,950	N/A
<b>Total</b>	<b>\$200,000</b>	<b>\$33,334</b>	<b>\$105,368</b>	<b>316.1%</b>

\*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 2.43% for current investments compared to the Reserve Bank 90 day accepted bill rate for August 2022 of 2.31%.

**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%	36.20%	90%	52.20%
A-1	25%	0.0%	90%	0.0%
A-2	20%	15.62%	90%	47.80%

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. It should be noted that during current period funds in A1+ exceeds the guideline. This is mainly due to funds received during later part of the month from 1<sup>st</sup> instalment for rates in Commonwealth Bank.

**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 AUGUST 2022**

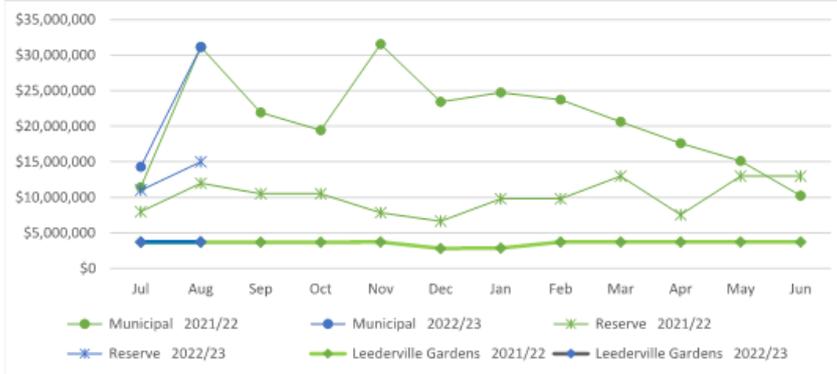
	Municipal	Reserve	Leederville Gardens Inc Surplus Trust	Total	Total
	\$	\$	\$	\$	%
<b>BY INVESTMENT HOLDINGS</b>					
Municipal Account	13,014,558	0	0	13,014,558	26.2%
Online Saver	5,110,059	0	0	5,110,059	10.2%
Term Deposits	13,000,000	15,000,000	3,736,604	31,736,604	63.6%
	<b>31,124,617</b>	<b>15,000,000</b>	<b>3,736,604</b>	<b>49,861,221</b>	<b>100.0%</b>
<b>BY INSTITUTION</b>					
Commonwealth Bank of Australia	18,124,617	0	0	18,124,617	36.20%
Members Equity Bank	3,000,000	4,000,000	873,787	7,873,787	15.62%
National Australia Bank	0	0	902,360	902,360	1.78%
AMP Bank	3,000,000	4,000,000	0	7,000,000	14.10%
Macquarie Bank	4,500,000	2,500,000	0	7,000,000	14.10%
Defence Bank	0	4,500,000	0	4,500,000	9.1%
Auswide Bank	2,500,000	0	0	2,500,000	5.1%
MyState Bank	0	0	1,960,457	1,960,457	4.0%
	<b>31,124,617</b>	<b>15,000,000</b>	<b>3,736,604</b>	<b>49,861,221</b>	<b>100.0%</b>
<b>BY CREDIT RATINGS (SHORT-TERM ISSUE)</b>					
A-1+	22,624,617	2,500,000	902,360	26,026,977	52.2%
A-2	8,500,000	12,500,000	2,834,244	23,834,244	47.8%
	<b>31,124,617</b>	<b>15,000,000</b>	<b>3,736,604</b>	<b>49,861,221</b>	<b>100.0%</b>
<b>BY TERMS</b>					
0-30 days	18,124,617	0	0	18,124,617	36.4%
91-180 days	2,500,000	0	0	2,500,000	5.0%
181-270 days	4,000,000	4,500,000	0	8,500,000	17.0%
271-365 days	6,500,000	10,500,000	3,736,604	20,736,604	41.6%
	<b>31,124,617</b>	<b>15,000,000</b>	<b>3,736,604</b>	<b>49,861,221</b>	<b>100.0%</b>
<b>BY MATURITY</b>					
0-30 days	18,124,617	0	0	18,124,617	36.3%
31-90 days	3,500,000	0	854,727	4,354,727	8.7%
91-180 days	5,000,000	4,500,000	902,360	10,402,360	20.9%
181-270 days	4,500,000	6,500,000	19,060	11,019,060	22.1%
271-365 days	0	4,000,000	1,960,457	5,960,457	12.0%
	<b>31,124,617</b>	<b>15,000,000</b>	<b>3,736,604</b>	<b>49,861,221</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 Investments	25,624,617	6,500,000	902,360	33,026,977	66.2%
Non Fossil Fuel Investments	5,500,000	8,500,000	2,834,244	16,834,244	33.8%
	<b>31,124,617</b>	<b>15,000,000</b>	<b>3,736,604</b>	<b>49,861,221</b>	<b>100.0%</b>

**CITY OF VINCENT  
CURRENT INVESTMENT HOLDING  
AS AT 31 AUGUST 2022**

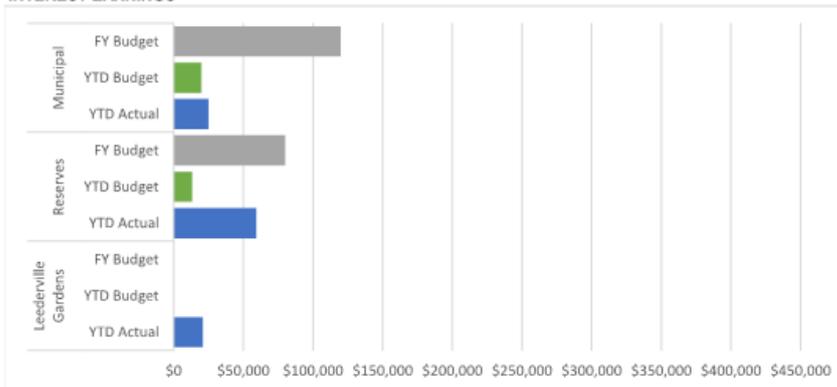
<b>Funds</b>	<b>Institution</b>	<b>Investment Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Principal \$</b>
<b><u>OPERATING ACCOUNTS</u></b>					
Municipal	Commonwealth Bank of Australia			1.60%	13,014,558
Municipal	Commonwealth Bank of Australia	Ongoing		1.95%	5,110,059
<b>Total Operating Funds</b>					<b>18,124,617</b>
<b><u>TERM DEPOSITS</u></b>					
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	Auswide Bank	26/08/2022	26/11/2022	2.75%	2,500,000
Reserve	Defence Bank	19/05/2022	15/12/2022	2.55%	4,500,000
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	AMP Bank	10/08/2022	08/02/2023	3.80%	3,000,000
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
Leederville Gardens Inc Surplus Trust	Members Equity Bank	19/05/2022	19/05/2023	3.15%	19,060
Reserve	Members Equity Bank	19/05/2022	19/05/2023	3.15%	4,000,000
Leederville Gardens Inc Surplus Trust	MyState Bank	30/06/2022	30/06/2023	4.00%	1,960,457
Reserve	AMP Bank	04/08/2022	04/08/2023	4.20%	4,000,000
<b>Total Term Deposits</b>					<b>31,736,604</b>
<b>Total Investment Including At Call</b>					<b>49,861,221</b>

**CITY OF VINCENT  
INVESTMENT PERFORMANCE  
AS AT 31 AUGUST 2022**

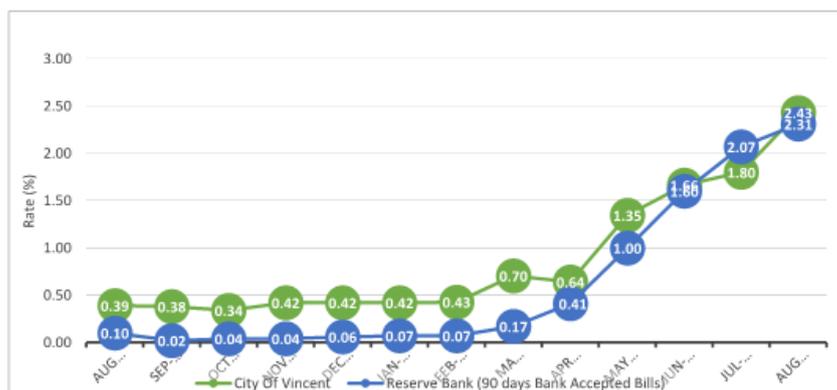
**FUNDS INVESTED (ONLINE SAVER AND TERM DEPOSITS)**



**INTEREST EARNINGS**

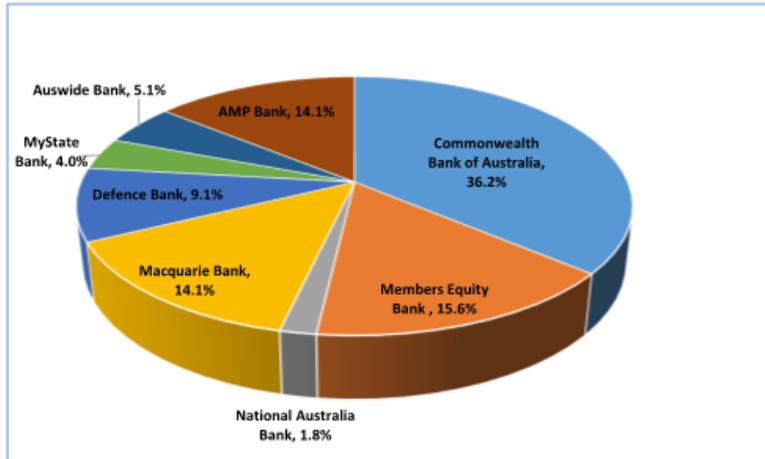


**INTEREST RATE COMPARISON**

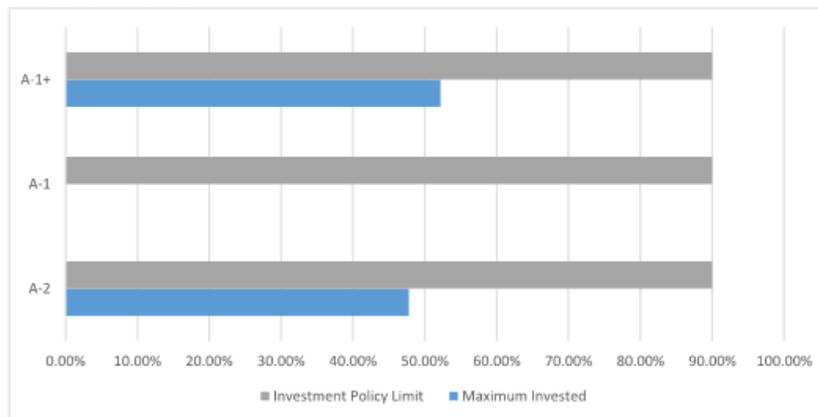


**CITY OF VINCENT  
INVESTMENT POLICY COMPLIANCE  
AS AT 31 AUGUST 2022**

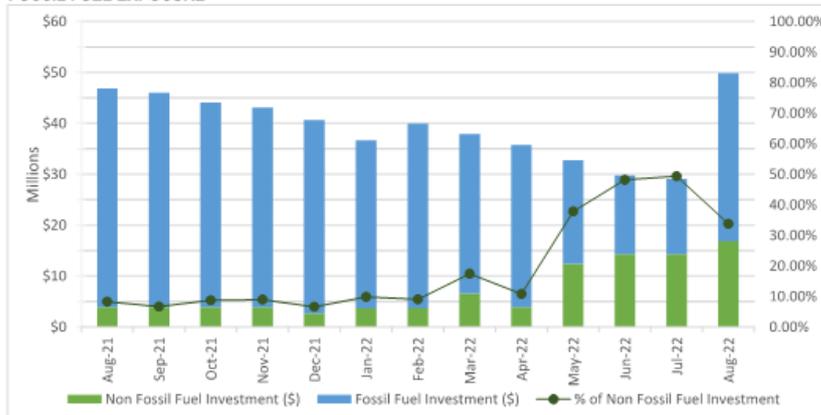
**TOTAL PORTFOLIO EXPOSURE**



**TOATL CREDIT EXPOSURE**



**FOSSIL FUEL EXPOSURE**



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

**CITY OF VINCENT  
INVESTMENT INTEREST EARNINGS  
AS AT 31 AUGUST 2022**

	YTD 31/08/2022	PY YTD 31/08/2021	FY 2022/23	PY FY 2021/22
	\$	\$	\$	\$
<b>MUNICIPAL FUNDS</b>				
Budget	20,000	8,721	120,000	100,000
Interest Earnings	25,069	15,083	25,069	98,791
% Income to Budget	125.3%	173.0%	20.9%	98.6%
<b>RESERVE FUNDS</b>				
Budget	13,334	15,023	80,000	100,000
Interest Earnings	59,349	6,421	59,349	80,469
% Income to Budget	445.1%	42.7%	74.2%	80.5%
<b>LEEDERVILLE GARDENS INC SURPLUS TRUST</b>				
Budget	0	0	0	0
Interest Earnings	20,950	18,189	20,950	58,921
% Income to Budget	0.0%	0.0%	0.0%	0.0%
<b>TOTAL</b>				
Budget	33,334	23,744	200,000	200,000
Interest Earnings	105,368	39,693	105,368	238,180
% Income to Budget	316.1%	167.2%	52.7%	119.1%
Variance	72,034	15,949	(94,632)	38,180
% Variance to Budget	216.1%	67.2%	(47.3%)	19.1%
<b>TOTAL (EXCL. LEEDERVILLE GARDENS INC SURPLUS TRUST)</b>				
Budget	33,334	23,744	200,000	200,000
Interest Earnings	84,418	21,504	84,418	179,259
% Income to Budget	253.3%	90.6%	42.2%	89.6%
Variance	51,084	(2,240)	(115,582)	(20,741)
% Variance to Budget	153.3%	(9.4%)	(57.8%)	(10.4%)