

11.7 INVESTMENT REPORT AS AT 31 OCTOBER 2020

Attachments: 1. Investment Report as at 31 October 2020

RECOMMENDATION:

That Council **NOTES** the Investment Statistics for the month ended 31 October 2020 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 2020 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**

- Administration invested \$13,925,728 in October 2020. This was triggered by the reduction in interest rates from 0.65% to 0.45% for monies held in the Online Saver account.
- A 7% improvement in the portfolio exposure to financial institutions with '*no current record of funding fossil fuels*' compared to last month. There is scope for further improvement however financial institutions in this category are still not providing competitive rates with a reduced appetite for additional investments. This is impacting the City's ability to provide investment preference to these organisations.

Investment Status

As at 31 October 2020, the total funds held in the City's operating account (including on call) is \$37,495,284. Interest bearing term deposits account for \$34,251,899 and the remaining \$3,243,385 is held in a non-interest bearing account.

Overall investment activity has decreased compared to last year due to low interest rates being offered by financial institutions. Furthermore, it is anticipated that interest rates will decrease further in the short to medium term to aid the economy in its recovery.

The following table shows funds under management for the previous and current year: -

Month	2019/20	2020/21
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Ended	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		
December	\$38,557,295	\$34,633,796		
January	\$37,915,806	\$33,773,707		
February	\$35,377,640	\$33,681,961		
March	\$33,969,162	\$28,466,025		
April	\$30,832,893	\$25,975,451		
May	\$28,935,398	\$22,319,031		
June	\$25,079,463	\$17,565,310		

Total accrued interest earned on investments as at 31 October 2020 is:

Total Accrued Interest Earned on Investment	Budget Adopted	Budget YTD	Actual YTD	% of FY Budget
Municipal	\$230,000	\$76,668	\$18,160	23.69%
Reserve	\$180,205	\$60,068	\$38,924	64.80%
Subtotal	\$410,205	\$136,736	\$57,084	41.75%
Leederville Gardens Inc. Surplus Trust*	\$0	\$0	\$26,277	0.00%
Total	\$410,205	\$136,736	\$83,361	60.96%

*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 0.66% for current investments whereas the Reserve Bank 90 days accepted bill rate for October 2020 is 0.07%.

Sustainable Investments

The City's Investment Policy states that preference "is to be given to investments with institutions that 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". Administration currently uses Marketforces.org.au to assist in assessing whether a bank promotes non-investments in fossil fuel related entities.

As at 31 October 2020, \$4,591,726 (12%) of the City's investments are held in financial institutions considered to be investing in non-fossil fuel related activities.

The following guidelines have been established to manage the City's investments, including maximum investment ratios:

Short Term Rating (Standard & Poor's) or Equivalent	Direct Investments Maximum % with any one institution		Managed Funds Maximum % with any one institution		Maximum % of Total Portfolio	
	Policy	Current position	Policy	Current position	Policy	Current position
A1+	30%	24.8%	30%	Nil	90%	67.2%
A-1	25%	6.9%	30%	Nil	80%	6.9%
A-2	20%	10.0%	N/A	Nil	60%	25.9%

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:

Nil.

PUBLIC HEALTH IMPLICATIONS:

Nil.

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 2020**

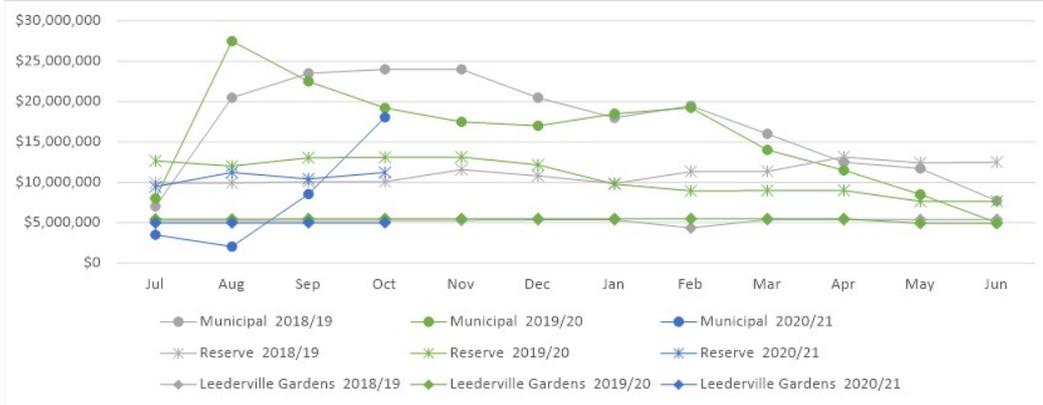
	Municipal	Reserve	Leederville Gardens Inc Surplus Trust	Total	Total
	\$	\$	\$	\$	%
BY INVESTMENT HOLDINGS					
Municipal Account	3,243,385	0	0	3,243,385	8.7%
Online Saver	6,046,724	0	0	6,046,724	16.1%
Term Deposits	12,000,000	11,225,029	4,980,146	28,205,175	75.2%
	21,290,109	11,225,029	4,980,146	37,495,284	100.0%
BY INSTITUTION					
Bank of Queensland	2,000,000	1,100,396	892,499	3,992,895	10.6%
Commonwealth Bank of Australia	9,290,109	0	0	9,290,109	24.8%
Members Equity Bank Ltd.	2,000,000	0	0	2,000,000	5.3%
National Australia Bank	8,000,000	1,110,863	0	9,110,863	24.3%
Westpac Banking Corp	0	2,696,315	4,087,647	6,783,962	18.1%
AMP Bank	0	3,725,729	0	3,725,729	10.0%
Macquarie Bank	0	2,591,726	0	2,591,726	6.9%
	21,290,109	11,225,029	4,980,146	37,495,284	100.0%
BY CREDIT RATINGS (SHORT-TERM ISSUE)					
A-1+	17,290,109	3,807,178	4,087,647	25,184,934	67.2%
A-1	0	2,591,726	0	2,591,726	6.9%
A-2	4,000,000	4,826,125	892,499	9,718,624	25.9%
	21,290,109	11,225,029	4,980,146	37,495,284	100.0%
BY TERMS					
0-30 days	9,290,109	0	0	9,290,109	24.8%
31-90 days	2,000,000	0	0	2,000,000	5.3%
91-180 days	8,000,000	1,110,863	0	9,110,863	24.3%
181-270 days	2,000,000	3,796,711	892,499	6,689,210	17.8%
270-365 days	0	6,317,455	4,087,647	10,405,102	27.8%
> 1 year	0	0	0	0	0.0%
	21,290,109	11,225,029	4,980,146	37,495,284	100.0%
BY MATURITY					
0-30 days	9,290,109	1,110,863	0	10,400,972	27.8%
31-90 days	2,000,000	3,702,590	0	5,702,590	15.2%
91-180 days	10,000,000	2,685,847	892,499	13,578,346	36.2%
181-270 days	0	1,800,000	2,147,499	3,947,499	10.5%
270-365 days	0	1,925,729	1,940,148	3,865,877	10.3%
	0	0	0	0	0.0%
	21,290,109	11,225,029	4,980,146	37,495,284	100.0%
BY FOSSIL FUEL EXPOSURE (as determined by www.marketforces.org.au)					
Fossil Fuel Lending	19,290,109	8,633,303	4,980,146	32,903,558	87.8%
Non Fossil Fuel Lending	2,000,000	2,591,726	0	4,591,726	12.2%
	21,290,109	11,225,029	4,980,146	37,495,284	100.0%

CITY OF VINCENT
CURRENT INVESTMENT HOLDING
AS AT 31 OCTOBER 2020

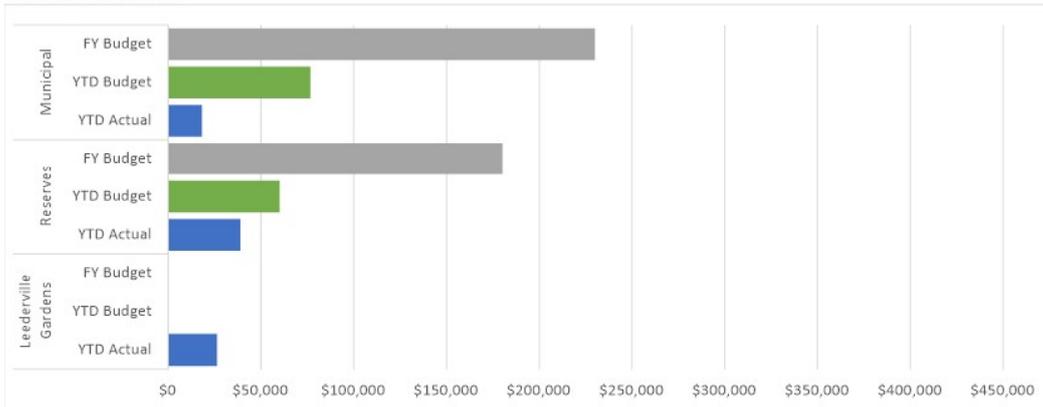
Funds	Institution	Investment Date	Maturity Date	Term	Interest Rate	Principal \$
OPERATING ACCOUNTS						
Municipal	Commonwealth Bank of Australia					3,243,385
Total Operating Funds						3,243,385
TERM DEPOSITS						
Municipal	Commonwealth Bank of Australia - Online Saver		Ongoing	180	0.45%	6,046,724
Reserve	Macquarie Bank	12/03/2020	14/12/2020	277	1.65%	2,591,726
Reserve	Bank of Queensland	18/06/2020	15/03/2021	270	1.08%	1,100,396
Leederville Gardens Inc Surplus Trust	Bank of Queensland	18/06/2020	15/03/2021	270	1.08%	892,499
Reserve	National Australia Bank	23/07/2020	23/11/2020	123	0.83%	1,110,863
Reserve	Westpac Banking Corp	22/07/2020	25/01/2021	187	0.85%	1,110,863
Leederville Gardens Inc Surplus Trust	Westpac Banking Corp	22/07/2020	28/06/2021	341	0.95%	2,147,499
Reserve	Westpac Banking Corp	18/08/2020	12/04/2021	237	0.75%	1,585,451
Reserve	AMP Bank	18/08/2020	17/05/2021	272	0.80%	1,800,000
Leederville Gardens Inc Surplus Trust	Westpac Banking Corp	01/09/2020	16/08/2021	349	0.80%	1,940,148
Municipal	National Australia Bank	27/10/2020	26/02/2021	122	0.48%	2,000,000
Municipal	National Australia Bank	27/10/2020	08/02/2021	104	0.48%	2,000,000
Municipal	National Australia Bank	27/10/2020	01/02/2021	97	0.48%	2,000,000
Reserve	AMP Bank	27/10/2020	29/07/2021	275	0.55%	1,925,729
Municipal	National Australia Bank	27/10/2020	25/01/2021	90	0.48%	2,000,000
Municipal	Members Equity Bank Ltd.	27/10/2020	15/03/2021	139	0.50%	2,000,000
Municipal	Bank of Queensland	27/10/2020	27/04/2021	182	0.50%	2,000,000
Total Term Deposits						34,251,899
Total Investment Including At Call						37,495,284

**CITY OF VINCENT
INVESTMENT PERFORMANCE
AS AT 31 OCTOBER 2020**

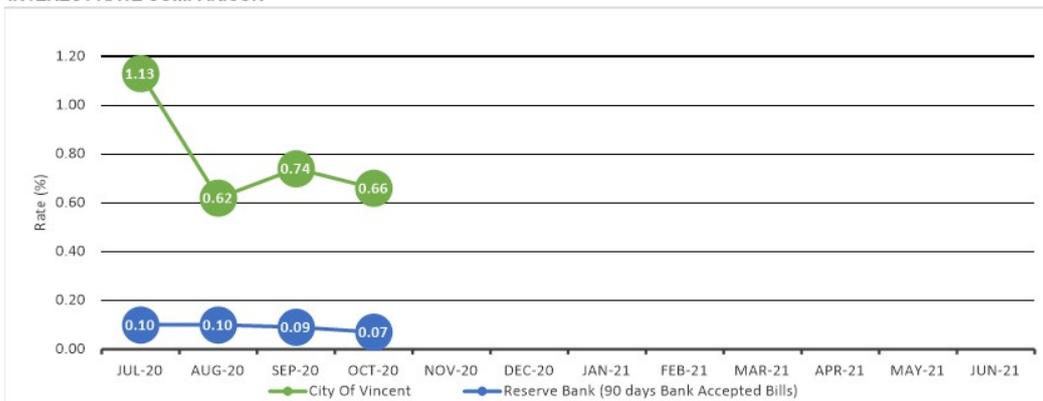
FUNDS INVESTED



INTEREST EARNINGS

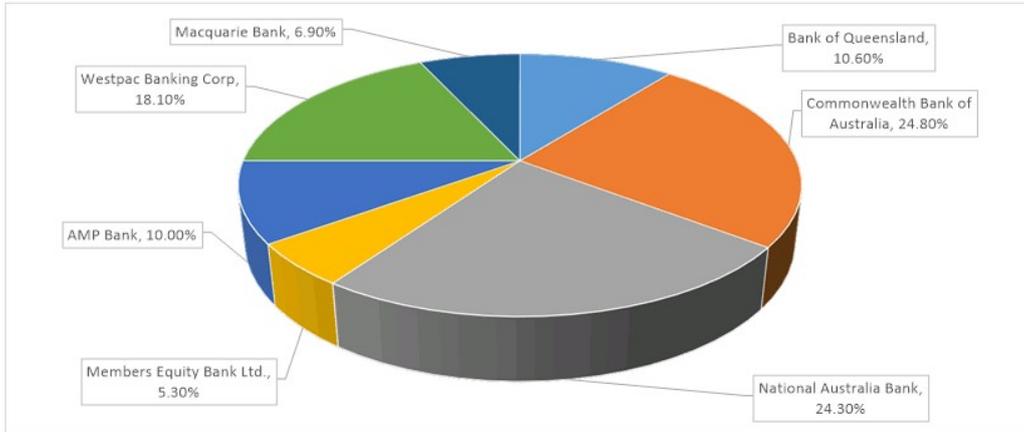


INTEREST RATE COMPARISON

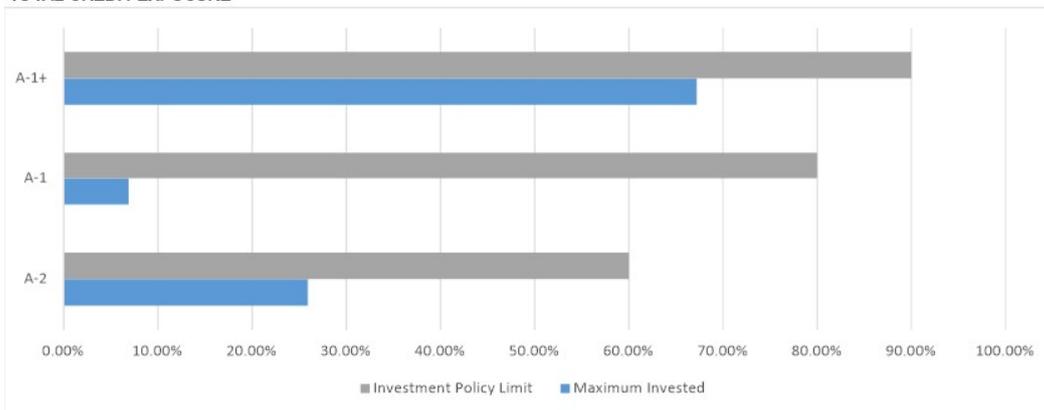


**CITY OF VINCENT
INVESTMENT POLICY COMPLIANCE
AS AT 31 OCTOBER 2020**

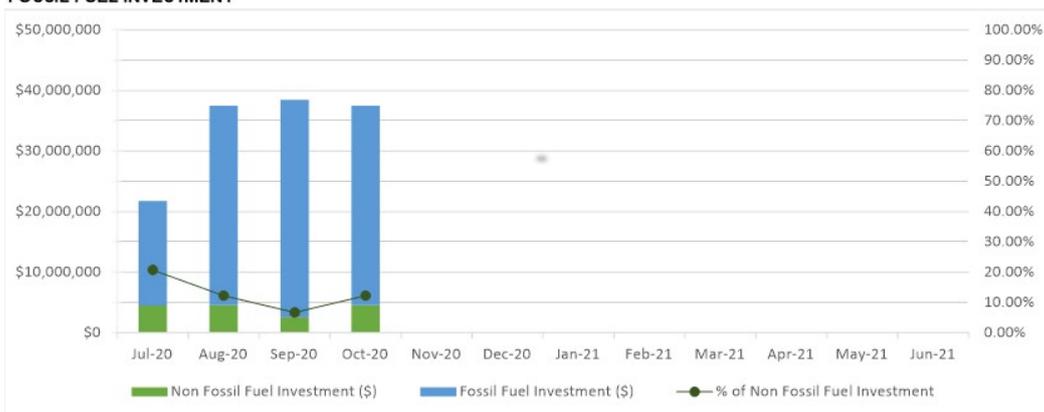
TOTAL PORTFOLIO EXPOSURE



TOTAL CREDIT EXPOSURE



FOSSIL FUEL INVESTMENT



* 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 2020**

	YTD 31/10/2020 \$	YTD 31/10/2019 \$	FY 2020/21 \$	FY 2019/20 \$
MUNICIPAL FUNDS				
Budget	76,668	140,000	230,000	250,000
Interest Earnings	18,160	119,462	18,160	297,684
% Income to Budget	23.69%	85.33%	7.90%	119.07%
RESERVE FUNDS				
Budget	60,068	92,896	180,205	200,000
Interest Earnings	38,924	99,887	38,924	223,720
% Income to Budget	64.80%	107.53%	21.60%	111.86%
LEEDERVILLE GARDENS INC SURPLUS TRUST				
Budget	0	0	0	0
Interest Earnings	26,277	38,102	18,260	29,316
% Income to Budget	0.00%	0.00%	0.00%	0.00%
TOTAL				
Budget	136,736	232,896	410,205	450,000
Interest Earnings	83,361	257,451	75,344	550,720
% Income to Budget	60.96%	110.54%	18.37%	122.38%
Variance	(53,375)	24,555	(334,861)	100,720
% Variance to Budget	-39.04%	10.54%	-81.63%	22.38%
TOTAL (EXCL. LEEDERVILLE GARDENS INC SURPLUS TRUST)				
Budget	136,736	232,896	410,205	450,000
Interest Earnings	57,084	219,349	57,084	521,404
% Income to Budget	41.75%	94.18%	13.92%	115.87%
Variance	(79,652)	(13,547)	(353,121)	71,404
% Variance to Budget	-58.25%	-5.82%	-86.08%	15.87%