

**5.3.1 Investment Report as at 31 October 2016**

<b>Ward:</b>	Both	<b>Date:</b>	4 November 2016
<b>Precinct:</b>	All	<b>File Ref:</b>	SC1530
<b>Attachments:</b>	<a href="#">1</a> – Investment Report		
<b>Tabled Items:</b>	Nil		
<b>Reporting Officers:</b>	S Teoh, Accounting Officer G Garside, Manager Financial Services		
<b>Responsible Officer:</b>	J Paton, Director Corporate Services		

**RECOMMENDATION:**

That Council **NOTES** the Investment Report for the month ended 31 October 2016 as detailed in Attachment 1.

**PURPOSE OF REPORT:**

To advise Council of the level of investment funds and operating funds available, the distribution of surplus funds in investments and the interest earned to date.

**BACKGROUND:**

Surplus funds are invested in Bank Term Deposits for various terms, to maximise investment returns in compliance with good governance, legislative requirements and Council's Investment Policy No 1.2.4. Details are attached in **Attachment 1**.

The City's Investment Portfolio is diversified across several Financial Institutions in accordance with the Investment Policy.

**DETAILS:**

Total funds held for the period ended 31 October 2016 including on call in the City's operating account were \$37,581,885 as compared to \$32,212,324 for the period ended 31 October 2015.

Total Investments for the period ended 31 October 2016 were \$34,521,542 as compared to \$34,302,896 for the period ended 30 September 2016 and \$30,701,564 for the period ended 31 October 2015 respectively.

Investment comparison table:

	2015/16		2016/17	
	Total Funds Held	Total Investments	Total Funds Held	Total Investments
July	\$17,885,002	\$14,961,000	\$19,683,412	\$18,420,252
August	\$32,600,029	\$26,961,000	\$26,167,645	\$22,573,297
September	\$33,331,757	\$31,361,000	\$36,754,571	\$34,302,896
October	\$32,212,324	\$30,701,564	\$37,581,885	\$34,521,542
November	\$32,694,298	\$31,206,505		
December	\$29,737,925	\$27,239,542		
January	\$30,282,430	\$29,229,172		
February	\$31,529,914	\$29,221,565		
March	\$28,785,278	\$27,983,289		
April	\$27,011,580	\$26,587,166		
May	\$24,348,546	\$23,486,917		
June	\$23,024,830	\$21,005,952		

Total accrued interest earned on Investments as at 31 October 2016:

	<b>Original Budget</b>	<b>Budget YTD</b>	<b>Actual YTD</b>	<b>% of FY Budget</b>
Municipal	\$390,000	\$151,000	\$144,266	36.99%
Reserve	\$206,000	\$57,000	\$65,984	32.03%
Leederville Gardens Inc Surplus Trust*	\$0	\$0	\$44,833	0.00%
<b>Total</b>	<b>\$596,000</b>	<b>\$208,000</b>	<b>\$255,083</b>	<b>42.80%</b>

\*Interest estimates for Leederville Gardens Inc Surplus Trust was not included in 2016-17 City of Vincent's budget; actual interest earned is restricted.

**CONSULTATION/ADVERTISING:**

Not applicable.

**LEGAL/POLICY:**

Funds are invested in accordance with the City's Investment Policy No. 1.2.4.

City of Vincent Investment Report Grouping*	Long Term Rating (Standard & Poor's) or Equivalent	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	Actual	Policy	Actual	Policy	Actual
	AAA Category	A1+	30%	Nil	45%	Nil	100%	Nil
Group A	AA Category	A1+	30%	28.3%	30%	Nil	90%	46.5%
Group B	A Category	A1	20%	18.0%	30%	Nil	80%	43.8%
Group C	BBB Category	A2	10%	9.6%	n/a	Nil	20%	10.0%

\*As per subtotals on Attachment1

**RISK MANAGEMENT IMPLICATIONS:**

**Moderate:** As per the City's Investment Policy No. 1.2.4, funds are invested with various financial institutions with high Long Term and Short Term Rating (Standard & Poor's or equivalent), obtaining more than three quotations for each investment. These investment funds are spread across various institutions and invested as Term Deposits from one to 12 months to reduce risk.

Section 6.14 of the *Local Government Act 1995*, section 1, states, Subject to the regulations:

"(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 in accordance with Part III of the Trustees Act 1962.*"

**STRATEGIC IMPLICATIONS:**

In keeping with the City's Strategic Plan 2013-2023:

*"4.1 Provide good strategic decision-making, governance, leadership and professional management:*

*4.1.2 Manage the organisation in a responsible, efficient and accountable manner;*

*(a) Continue to adopt best practice to ensure the financial resources and assets of the City are responsibly managed and the quality of services, performance procedures and processes is improved and enhanced."*

**SUSTAINABILITY IMPLICATIONS:**

Not Applicable

**FINANCIAL/BUDGET IMPLICATIONS:**

The financial implications of this report are as noted in the details and comments section of the report. Overall the conclusion can be drawn that appropriate and responsible measures are in place to protect the City's financial assets and to ensure the accountability of the management.

**COMMENTS:**

The funds for investment have increased from the previous period due to excess funds available from receipt of rates revenue after creditors and other payments.

The City has obtained a weighted average interest rate of 2.61% for current investments including the operating account, and 2.84% excluding the operating account respectively. The Reserve Bank 90 days Accepted Bill rate for October 2016 is 1.75%.

As at 31 October 2016, the City's total investment earnings exceed the budget estimate by \$47,083 (22.64%). However, of this, \$44,833 was earned by the Leederville Gardens Inc Surplus Trust and funds in this trust are restricted. Investment earnings from this trust were excluded from the 2016-17 budget calculations.

In response to the recent amendment to the City's Investment Policy that provided for preference "to be given to investments with institutions that have been assessed as to have a higher rating of demonstrated social and environmental responsibility, providing that doing so will secure a rate of return that is at least equal to alternatives offered by other institutions", administration has actively sought investment offerings from relevant institutions. As a result. At 31 October 2016, 53.5% of the City's investments were held in non-fossil fuel lending institutions.

The investment report (**Attachment 1**) consists of:

- Investment & Earnings Charts;
- Investment Report;
- Investment Fund Summary;
- Investment Earnings Performance; and
- Percentage of Funds Invested.