



CITY OF VINCENT

AGENDA
Late Reports
Council Briefing
14 August 2018

Time: 6pm
Location: Administration and Civic Centre
244 Vincent Street, Leederville

Len Kosova
Chief Executive Officer

Order Of Business

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7.3	LATE REPORT: Investment Report as at 31 July 2018	4

7 CORPORATE SERVICES

7.3 LATE REPORT: INVESTMENT REPORT AS AT 31 JULY 2018

TRIM Ref: D18/115396
Author: Sheryl Teoh, A/Coordinator Financial Services
Authoriser: Kerryn Batten, Director Corporate Services
Attachments: 1. Investment Report  

RECOMMENDATION:

That Council **NOTES** the Investment Report for the month ended 31 July 2018 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.

There are still a number of year end transactions and adjustments that need to be completed before the year end accounts will be finalised and audited. Whilst the overall balance of investments and interest earned is not likely to change, the allocations between Municipal, Trust and Reserve funds may need to be adjusted.

DETAILS:

Total funds held for the period ended 31 July 2018 including on call in the City's operating account were \$26,826,861; compared to \$23,433,728 for the period ending 31 July 2017.

Total term deposit investments for the period ended 31 July 2018 were \$23,990,516 compared to \$24,687,341 for the prior month end, and \$21,212,649 for the period ending 31 July 2017.

Funds under management comparison table:

Month Ended	2017/18		2018/19	
	Total funds held	Total investments	Total funds held	Total investments
July	\$23,433,728	\$21,212,649	\$26,826,861	\$23,990,516
August	\$30,161,860	\$27,714,651		
September	\$40,305,364	\$37,944,911		
October	\$41,087,462	\$38,947,823		
November	\$41,716,473	\$39,482,047		
December	\$38,768,084	\$37,065,389		
January	\$39,498,741	\$36,147,499		
February	\$39,217,278	\$36,665,928		
March	\$36,377,700	\$34,622,001		
April	\$33,647,074	\$31,177,278		
May	\$30,338,407	\$28,712,736		
June	\$28,409,157	\$24,687,341		

Total accrued interest earned on Investments as at 31 July 2018:

	Adopted Budget	YTD Budget	YTD Actual	% of YTD Budget
Municipal	\$420,000	\$32,939	\$19,631	59.60%
Reserve	\$246,060	\$45,108	\$23,429	51.94%
Sub-total	\$666,060	\$78,047	\$43,060	55.17%
Leederville Gardens Inc Surplus Trust*	\$0	\$0	\$12,078	N/A

*Interest estimates for Leederville Gardens Inc Surplus Trust were not included in the 2018/19 Budget as actual interest earned is held in trust and restricted.

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 may be invested 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.

To further guide the prudent and responsible investment of the City's funds, Council has adopted the City's Investment Policy No. 1.2.4, which delegates the authority to invest surplus funds to the Chief Executive Officer or his delegate.

Administration has established guidelines for the management of the City's investments, including the following ratings table:

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
A1+	30%	25.8%	30%	Nil	90%	62.3%
A1	25%	1.9%	30%	Nil	80%	1.9%
A2	20%	17.2%	n/a	Nil	60%	35.8%

*As per subtotals on **Attachment 1**

RISK MANAGEMENT IMPLICATIONS:

Moderate: Funds are invested with various financial institutions with high long term and short term ratings (Standard & Poor's or equivalent), after obtaining three quotations for each investment. Investment funds are spread across various institutions and invested as term deposits of between one and twelve months, to reduce risk.

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:

Nil.

FINANCIAL/BUDGET IMPLICATIONS:

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

COMMENTS:

Funds for investment have decreased from the previous period due to excess of payments to creditors and for other expenditures, over cash receipts, which is the expected seasonal cash flow.

The City has obtained a weighted average interest rate of 2.46% for current investments including the operating account; and 2.67% excluding the operating account. The Reserve Bank 90 days Accepted Bill rate for July 2018 is 2.02%.

As at 31 July 2018, the City's total investment earnings excluding the Leederville Gardens Inc. Surplus Trust income lower than the year to date budget estimate by \$34,987 (44.83%). This negative variance is expected to be temporary.

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*". The City uses Marketforce.com to assist in assessing whether a bank promotes non-investment in fossil fuel related entities. 37.66% of the City's investments were held in institutions considered non-fossil fuel lending by Marketforce.com as at 31 July 2018.

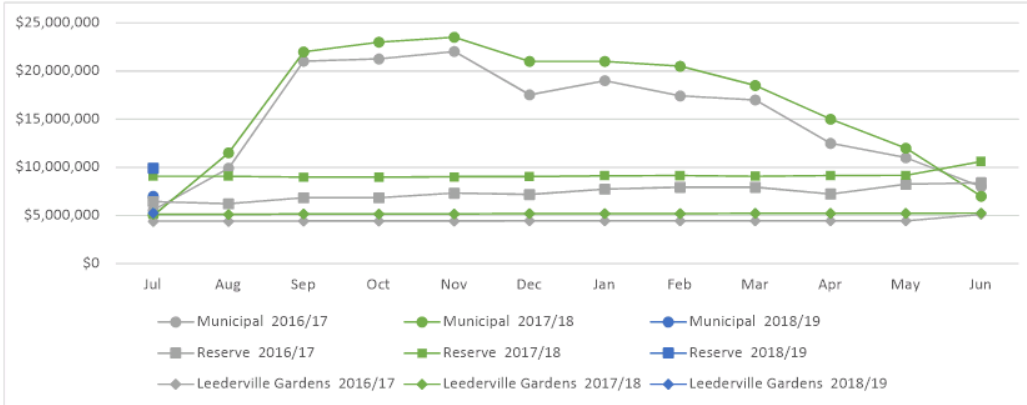
The investment report (**Attachment 1**) consists of:

- Investment Performance & Policy Compliance Charts;
- Investment Portfolio;
- Investment Interest Earnings; and
- Current Investment Holding.

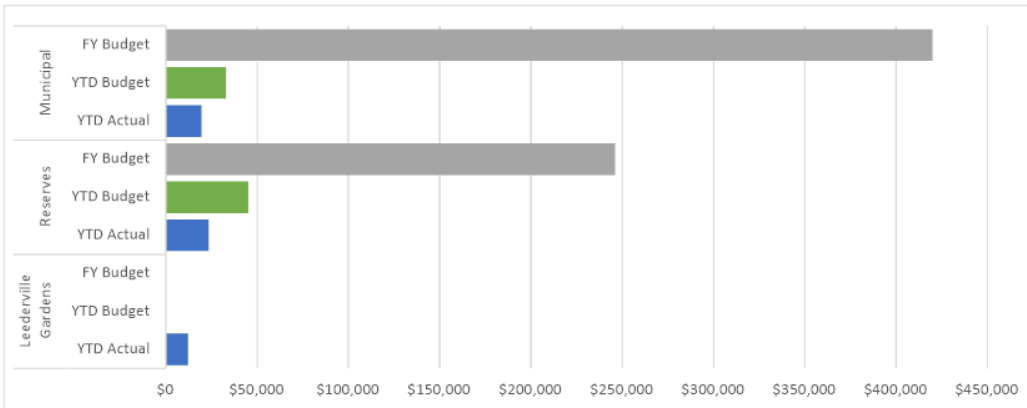
**CITY OF VINCENT
INVESTMENT PERFORMANCE
AS AT 31 JULY 2018**



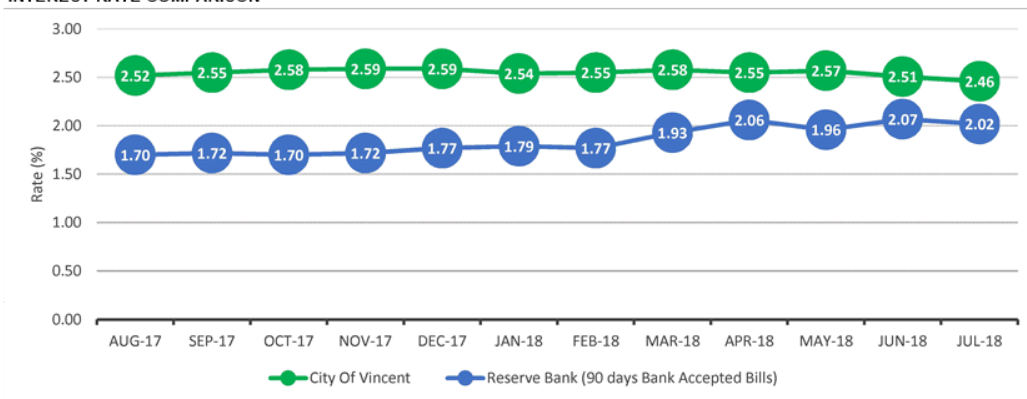
FUNDS INVESTED OVER 3 YEARS



INTEREST EARNINGS



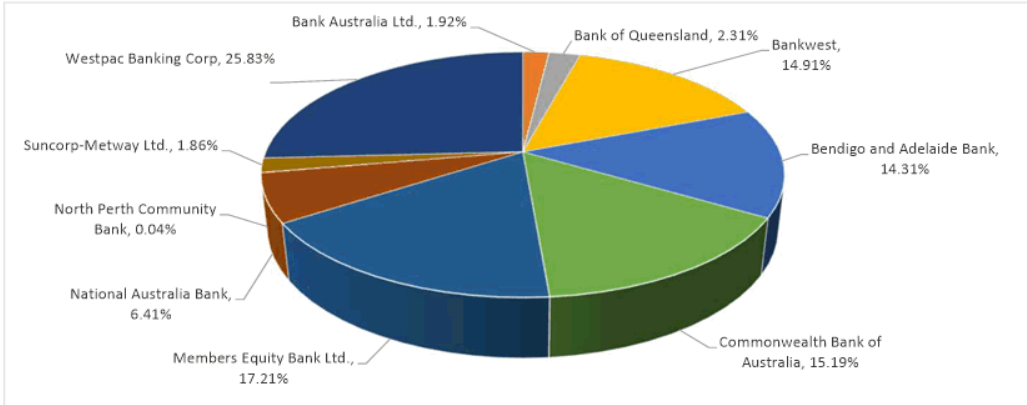
INTEREST RATE COMPARISON



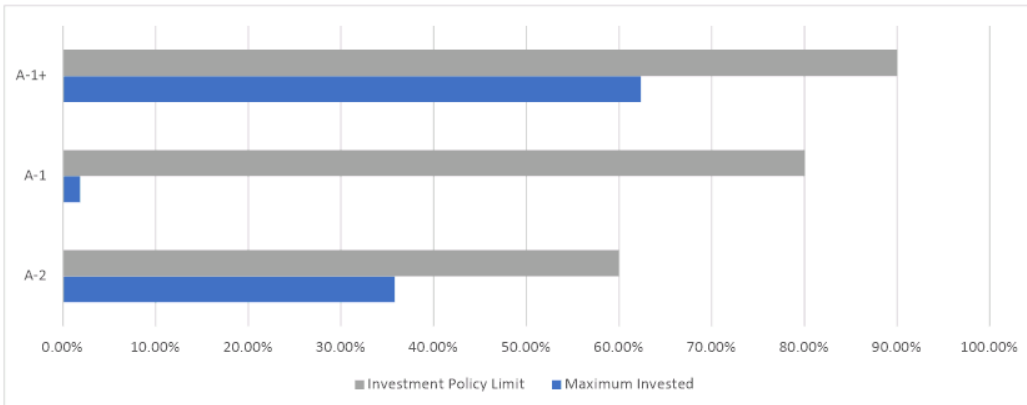
**CITY OF VINCENT
INVESTMENT POLICY COMPLIANCE
AS AT 31 JULY 2018**



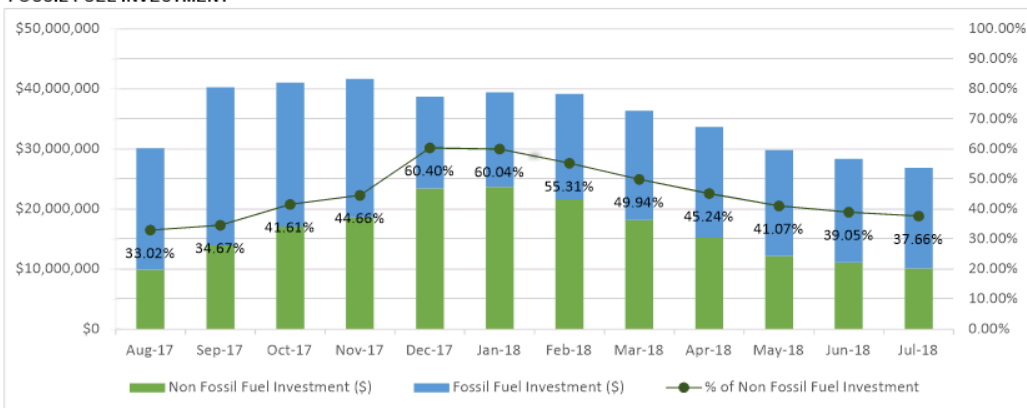
TOTAL PORTFOLIO EXPOSURE



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 PORTFOLIO
AS AT 31 JULY 2018



	Municipal	Reserve	Trust	Leederville Gardens Inc Surplus Trust	Total	Total
	\$	\$	\$	\$	\$	%
BY INVESTMENT HOLDINGS						
Operating Accounts	1,897,541	725,042	213,762	0	2,836,345	10.6%
Term Deposits	7,000,000	9,913,119	1,800,000	5,266,397	23,979,516	89.4%
Shares	11,000	0	0	0	11,000	0.0%
	8,908,541	10,638,161	2,013,762	5,266,397	26,826,861	100.0%
BY INSTITUTION						
ANZ Banking Group	0	0	0	0	0	0.0%
Bank Australia Ltd.	0	516,398	0	0	516,398	1.9%
Bank of Queensland	0	619,503	0	0	619,503	2.3%
Bankwest	4,000,000	0	0	0	4,000,000	14.9%
Bendigo and Adelaide Bank	0	3,840,118	0	0	3,840,118	14.3%
Commonwealth Bank of Australia	1,897,541	1,184,998	213,762	777,485	4,073,786	15.2%
Members Equity Bank Ltd.	0	2,093,442	500,000	2,023,063	4,616,505	17.2%
National Australia Bank	0	0	300,000	1,420,303	1,720,303	6.4%
North Perth Community Bank (Equity Share)	11,000	0	0	0	11,000	0.0%
Suncorp-Metway Ltd.	0	500,000	0	0	500,000	1.9%
Westpac Banking Corp	3,000,000	1,883,702	1,000,000	1,045,546	6,929,248	25.8%
	8,908,541	10,638,161	2,013,762	5,266,397	26,826,861	100.0%
BY CREDIT RATINGS (SHORT-TERM ISSUE)						
A-1+	8,897,541	3,068,700	1,513,762	3,243,335	16,723,338	62.3%
A-1	0	500,000	0	0	500,000	1.9%
A-2	11,000	7,069,461	500,000	2,023,062	9,603,523	35.8%
	8,908,541	10,638,161	2,013,762	5,266,397	26,826,861	100.0%
BY TERMS						
0-30 days	1,897,541	725,042	213,762	0	2,836,345	10.6%
31-90 days	4,000,000	0	0	0	4,000,000	14.9%
91-180 days	3,000,000	0	0	0	3,000,000	11.2%
181-270 days	0	0	500,000	0	500,000	1.9%
270-365 days	0	9,913,119	1,300,000	5,266,397	16,479,516	61.4%
> 1 year	11,000	0	0	0	11,000	0.0%
	8,908,541	10,638,161	2,013,762	5,266,397	26,826,861	100.0%
BY MATURITY						
0-30 days	4,897,541	1,441,325	213,762	0	6,552,628	24.4%
31-90 days	4,000,000	1,135,901	500,000	1,045,546	6,681,447	24.9%
91-180 days	0	2,413,425	500,000	2,023,063	4,936,488	18.4%
181-270 days	0	2,481,745	500,000	777,485	3,759,230	14.0%
270-365 days	0	3,165,765	300,000	1,420,303	4,886,068	18.2%
> 1 year	11,000	0	0	0	11,000	0.0%
	8,908,541	10,638,161	2,013,762	5,266,397	26,826,861	100.0%
BY FOSSIL FUEL EXPOSURE (as determined by www.marketforces.org.au)						
Fossil Fuel Lending	8,897,541	3,068,700	1,513,762	3,243,335	16,723,338	62.3%
Non Fossil Fuel Lending	11,000	7,569,461	500,000	2,023,062	10,103,523	37.7%
	8,908,541	10,638,161	2,013,762	5,266,397	26,826,861	100.0%

CITY OF VINCENT
INVESTMENT INTEREST EARNINGS
AS AT 31 JULY 2018



	YTD 31/07/2018 \$	YTD 31/07/2017 \$	FY 2018/19 \$	FY 2017/18 \$
MUNICIPAL FUNDS				
Budget	32,939	22,720	420,000	423,000
Interest Earnings	19,631	19,825	19,631	506,274
% Income to Budget	59.60%	87.26%	4.67%	119.69%
RESERVE FUNDS				
Budget	45,108	19,700	246,060	220,000
Interest Earnings	23,429	19,051	23,429	240,110
% Income to Budget	51.94%	96.71%	9.52%	109.14%
LEEDERVILLE GARDENS INC SURPLUS TRUST				
Budget	0	0	0	0
Interest Earnings	12,078	12,319	12,078	139,939
% Income to Budget	N/A	N/A	N/A	N/A
TOTAL (EXCL. LEEDERVILLE GARDENS INC SURPLUS TRUST)				
Budget	78,047	42,420	666,060	643,000
Interest Earnings	43,060	38,876	43,060	746,384
% Income to Budget	55.17%	91.65%	6.46%	116.08%
Variance	(34,987)	(3,544)	(623,000)	103,384
% Variance to Budget	-44.83%	-8.35%	-93.54%	16.08%

CITY OF VINCENT
CURRENT INVESTMENT HOLDING
AS AT 31 JULY 2018



Funds	Institution	Investment Date	Maturity Date	Term	Interest Rate	Principal \$
OPERATING ACCOUNTS						
Municipal	Commonwealth Bank of Australia					(8,015,578)
Reserve	Commonwealth Bank of Australia					10,638,161
Trust	Commonwealth Bank of Australia					213,762
Total Operating Funds						2,836,345
SHARES						
Municipal	North Perth Community Bank	23/11/2001				11,000
Total Shares						11,000
TERM DEPOSITS						
Municipal	Westpac Banking Corp	12/03/2018	30/07/2018	140	2.64%	1,000,000
Reserve	Bendigo and Adelaide Bank	08/08/2017	06/08/2018	363	2.70%	716,283
Municipal	Westpac Banking Corp	12/03/2018	07/08/2018	148	2.64%	500,000
Municipal	Westpac Banking Corp	22/03/2018	13/08/2018	144	2.70%	1,000,000
Municipal	Westpac Banking Corp	22/03/2018	20/08/2018	151	2.70%	500,000
Trust	Members Equity Bank Ltd.	14/12/2017	03/09/2018	263	2.62%	500,000
Leederville Gardens Ir	Westpac Banking Corp	06/09/2017	06/09/2018	365	2.77%	1,045,546
Reserve	Bank Australia Ltd.	14/09/2017	10/09/2018	361	2.80%	516,398
Municipal	Bankwest	26/07/2018	17/09/2018	53	2.46%	3,000,000
Municipal	Bankwest	26/07/2018	25/09/2018	61	2.55%	1,000,000
Reserve	Bank of Queensland	10/10/2017	09/10/2018	364	2.60%	619,503
Reserve	Bendigo and Adelaide Bank	09/11/2017	06/11/2018	362	2.65%	708,814
Leederville Gardens Ir	Members Equity Bank Ltd.	14/12/2017	03/12/2018	354	2.61%	2,023,063
Reserve	Members Equity Bank Ltd.	14/12/2017	10/12/2018	361	2.61%	762,760
Trust	Westpac Banking Corp	12/03/2018	12/12/2018	275	2.64%	500,000
Reserve	Westpac Banking Corp	14/02/2018	14/01/2019	334	2.60%	941,851
Reserve	Westpac Banking Corp	14/02/2018	11/02/2019	362	2.60%	941,851
Trust	Westpac Banking Corp	22/03/2018	04/03/2019	347	2.69%	500,000
Leederville Gardens Ir	Commonwealth Bank of Australia	12/03/2018	11/03/2019	364	2.66%	777,485
Reserve	Commonwealth Bank of Australia	12/03/2018	11/03/2019	364	2.66%	459,956
Reserve	Suncorp-Metway Ltd.	14/06/2018	12/03/2019	271	2.80%	500,000
Reserve	Members Equity Bank Ltd.	12/04/2018	08/04/2019	361	2.75%	579,938
Reserve	Members Equity Bank Ltd.	08/05/2018	06/05/2019	363	2.80%	750,744
Trust	National Australia Bank	14/06/2018	11/06/2019	362	2.80%	300,000
Leederville Gardens Ir	National Australia Bank	14/06/2018	11/06/2019	362	2.80%	1,420,303
Reserve	Bendigo and Adelaide Bank	29/06/2018	11/06/2019	347	2.85%	2,415,020
Total Term Deposits						23,979,516
Total Investment Including At Call						26,826,861