



City of Nedlands

# ***Agenda***

## ***Audit and Risk Committee Meeting***

***14 October 2013***

### **ATTENTION**

This Agenda has yet to be dealt with by the Committee.

The Administration Recommendations, shown at the beginning of each item, have yet to be considered by the Committee and are not to be interpreted as being the position of either the Committee or Council.

The Minutes of the meeting held to discuss this Agenda should be read to ascertain the decision of the Committee.

Before acting on any recommendation of the Committee a check must also be made in the Ordinary Council Minutes following the Committee Meeting to ensure that Council did not make a decision at variance to the Committee Recommendation.

## Table of Contents

Declaration of Opening .....	2
Present and Apologies and Leave Of Absence (Previously Approved) .....	2
1. Public Question Time .....	3
2. Addresses By Members of the Public (only for items listed on the agenda) .....	3
3. Disclosures of Financial Interest .....	3
4. Disclosures of Interests Affecting Impartiality .....	4
5. Declarations by Members That They Have Not Given Due Consideration to Papers .....	4
6. Confirmation of Minutes .....	4
6.1 Audit and Risk Committee Meeting 21 March 2013 .....	4
7. Items for Discussion .....	4
7.1 Terms of Reference – Audit and Risk Committee .....	5
7.2 Annual Financial Statement .....	8
7.3 Annual Insurance Cover Report .....	16
7.4 Outstanding Insurance Claims Report .....	18
7.5 Investment Strategy .....	21
Date of next meeting .....	24
Declaration of Closure .....	24

## City of Nedlands

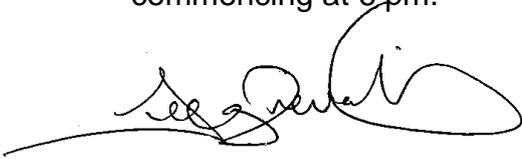
**Notice of a meeting of the Audit and Risk Committee to be held in the Council Chamber at 71 Stirling Hwy, Nedlands on Monday 14<sup>th</sup> October 2013 at 6.00 pm.**

---

### **Council Committee Agenda**

Dear Committee member

The next meeting of the Audit and Risk Committee will be held on Monday 14 October 2013 in the Council Chambers at 71 Stirling Highway, Nedlands commencing at 6 pm.



Greg Trevaskis  
Chief Executive Officer  
14 October 2013

### **Declaration of Opening**

The Presiding Member will declare the meeting open at 6.00 pm and will draw attention to the disclaimer below.

(NOTE: Council at its meeting on 24 August 2004 resolved that should the meeting time reach 11.00 p.m. the meeting is to consider an adjournment motion to reconvene the next day).

### **Present and Apologies and Leave Of Absence (Previously Approved)**

**Leave of Absence**                      None.  
**(Previously Approved)**

**Apologies**                      None as at distribution of this agenda.

## **Disclaimer**

Members of the public who attend Council meetings should not act immediately on anything they hear at the meetings, without first seeking clarification of Council's position. For example by reference to the confirmed Minutes of Council meeting. Members of the public are also advised to wait for written advice from the Council prior to taking action on any matter that they may have before Council.

Any plans or documents in agendas and minutes may be subject to copyright. The express permission of the copyright owner must be obtained before copying any copyright material.

### **1. Public Question Time**

A member of the public wishing to ask a question should register that interest by notification in writing to the CEO in advance, setting out the text or substance of the question. Questions tabled at the meeting may be unable to be answered due to the requirement for technical research and will therefore be answered direct afterwards.

Questions must relate to a matter contained within the agenda of this meeting.

### **2. Addresses By Members of the Public (only for items listed on the agenda)**

Addresses by members of the public who have completed Public Address Session Forms will be invited to be made at this point.

### **3. Disclosures of Financial Interest**

The Presiding Member to remind Councillors and Staff of the requirements of Section 5.65 of the *Local Government Act* to disclose any interest during the meeting when the matter is discussed.

A declaration under this section requires that the nature of the interest must be disclosed. Consequently a member who has made a declaration must not preside, participate in, or be present during any discussion or decision making procedure relating to the matter the subject of the declaration.

However, other members may allow participation of the declarant if the member further discloses the extent of the interest. Any such declarant who wishes to participate in the meeting on the matter, shall leave the meeting, after making their declaration and request to participate, while other members consider and decide upon whether the interest is trivial or insignificant or is common to a significant number of electors or ratepayers.

**4. Disclosures of Interests Affecting Impartiality**

The Presiding Member to remind Councillors and Staff of the requirements of Council's Code of Conduct in accordance with Section 5.103 of the *Local Government Act*.

Councillors and staff are required, in addition to declaring any financial interests to declare any interest that may affect their impartiality in considering a matter. This declaration does not restrict any right to participate in or be present during the decision-making procedure.

The following pro forma declaration is provided to assist in making the disclosure.

"With regard to ..... the matter in item x..... I disclose that I have an association with the applicant (or person seeking a decision). As a consequence, there may be a perception that my impartiality on the matter may be affected. I declare that I will consider this matter on its merits and vote accordingly."

The member or employee is encouraged to disclose the nature of the association.

**5. Declarations by Members That They Have Not Given Due Consideration to Papers**

Members who have not read the business papers to make declarations at this point.

**6. Confirmation of Minutes**

**6.1 Audit and Risk Committee Meeting 21 February 2013**

The minutes of the Audit and Risk Committee held 21 February 2013 are to be confirmed.

**7. Items for Discussion**

Note: Regulation 11(da) of the *Local Government (Administration) Regulations 1996* requires written reasons for each decision made at the meeting that is significantly different from the relevant written recommendation of a committee or an employee as defined in section 5.70, but not a decision to only note the matter or to return the recommendation for further consideration.

## **7.1 Terms of Reference – Audit and Risk Committee**

### **Purpose**

To assist the Council to discharge its responsibilities with regard to the exercise of due care, diligence and skill in relation to:

- the reporting of financial information, the application of accounting policies, and the management of the financial affairs of the City,
- the assessment of the adequacy of the management of Risk.

### **Scope**

The committee shall have as its primary duties and responsibilities the following tasks:

### **Audit**

1. To consider and approve the brief for the provision of audit services;
2. To evaluate the responses to the request for the provision of audit services and to make a recommendation to Council on the appointment of an auditor;
3. To meet with Council's external auditors and review the Audit Plan prior to the conduct of the interim audit each year;
4. To ensure that the audit is being conducted in accordance with the brief and the terms of appointment and that matters of concern to the Council and/or the Committee are being addressed;
5. Ensure that the Council's financial affairs and systems and processes are being managed and reported in accordance with statutory requirements and Australian Accounting Standards;
6. Ensure that relevant financial information is reported to Council in a form that meets the needs and expectations of Council, clearly setting out the key relevant financial data, such that the Council can confidently understand the financial performance of the Council's affairs;
7. Review the audit report and make appropriate recommendations to Council; and
8. Where appropriate and with the approval of Council seek advice and/or assistance in relation to matters pertaining to the audit or financial affairs of the City.

## **Risk Management**

1. At least once every year consider a report in relation to the management of risk within the City of Nedlands, and satisfy itself that appropriate controls and processes are in operation, and are adequate for dealing with the risks that impact on the City.
2. To address any specific requests referred to it from Council in relation to issues of risk and risk management.

## **Membership**

1. The membership of the committee shall comprise the Mayor and one Councillor from each ward with the Councillors being determined by nomination and if necessary a ballot conducted at a Council Meeting and up to two non-Councillor Members, being residents of The City of Nedlands
2. Council may if it considers it appropriate appoint deputies to the members of the committee.
3. If a vacancy on the committee occurs for whatever reason then Council shall appoint a replacement in accordance with the same arrangements as for the original appointment set out in 1 above.
4. The quorum for a meeting shall be three.
5. The term of membership expires with the expiry of the committee immediately prior to the next ordinary Council election.
6. The presiding member shall be determined by election amongst the members of the committee. The election will take place at the first meeting following the reconstitution of the committee after each ordinary Council election. The Mayor is eligible to vote for a presiding member but is not eligible to sit as the presiding member.
7. The term of the presiding member expires with the expiry of the committee immediately prior to the next ordinary Council election; and
8. Should the elected presiding member not be present during a meeting of the committee then a temporary presiding member shall be elected in accordance with 3. above.
9. Community members are non-voting and have appropriate qualifications in Audit and Risk.

## **Staff**

The following staff will attend committee meetings to provide technical support and advice:

- Chief Executive Officer;
- Director of Corporate Services; and
- Manager Finance.

Other staff may attend committee meetings when requested by the Committee through the Chief Executive Officer:

## **Invitees/Attendees**

The committee may invite relevant persons to attend and address or advise the committee, within the ambit of its scope and where necessary with the approval of Council (eg if authorisation of funding is required), as it sees fit including but not limited to:

- the external auditor or his/her representative,
- financial advisors,
- relevant consultants.

## **Meetings**

The Committee shall have flexibility in relation to when it needs to meet, but as a minimum shall meet twice a year. It is the responsibility of the presiding member to call the meetings of the committee. As a minimum the following business shall be conducted either at each or collectively over the two meetings:

- meet with the internal auditor with regards to the Audit Plan;
- consider a report in relation to the management of risk and review the insurance requirements of the City of Nedlands; and
- meet with the auditor following the completion of the Annual Audit and the issue of the Audit Report.

## 7.2 Annual Financial Statement

### Executive Summary

The Audited Financial Report for the year ended 30 June 2013, including the Independent Auditor's Report is presented to the Audit & Risk Committee for its review, and to recommend to Council that it be received as part of the City's Annual Report for discussion at the annual meeting of electors.

### Recommendation to Committee

#### Council

1. in accordance with the provisions of *Section 5.54 of the Local Government Act 1995*, accepts the Financial Report of the City of Nedlands for the Year ended 30 June 2013 comprising:
  - a. the Financial Report
  - b. the Auditor's Report; and
2. refers the Financial Report for the year ended 30 June 2013 to the annual meeting of electors of the City of Nedlands

### Strategic Plan

KFA: Governance and Civic Leadership

The report enables Council to assess the financial performance of the City and compliance with the relevant statutory obligations.

### Background

*Section 5.53 of the Local Government Act 1995* requires a Local Government to prepare an Annual Report for each financial year. The Annual Report is to contain a report from the Mayor, a report from the Chief Executive Officer, the Financial Report for the Financial Year, the Auditor's Report for the Financial Year, a number of other matters in relation to principal activities and such other information as may be prescribed.

Once received Council is then required by *Section 5.27 of the Local Government Act of 1995* to hold an annual meeting of electors to discuss the contents of the Annual Report for the previous financial year and any other general business.

### **Proposal Detail**

Attached is the Financial Report for the year ended 30 June 2013 comprising the Financial Report and Independent Auditor's Report.

The Financial Report comprising the Accounts for the year ended 30 June 2013 was completed and submitted to Council's Auditor Macri Partners who completed their audit in September 2013.

### **Consultation**

Required by legislation: Yes  No X

Required by City of Nedlands policy: Yes  No X

### **Legislation**

*Sections 5.27, 5.29, 5.53, 5.54 and 6.4 of the Local Government Act 1995* respectively deal with the requirement for a General Meeting of Electors each financial year and the requirement for an Annual Financial Report.

### **Budget/financial implications**

#### **Financial Performance**

In terms of Financial Performance the City completed the year with an operating surplus of \$1,136,629. This compares with an operating surplus of \$63,900 in the budget adopted in June 2012. The Operating Statement includes all operating revenues and expenses, both cash and non-cash, as well as grants and contributions for acquisition of assets. In terms of setting its rates Council does not budget to raise rates to recover the non-cash costs of depreciation but does budget to generate sufficient operating revenue to fund its capital works program.

There were several significant factors contributing to the favourable variation of actual to adopted budget. The operating revenues, excluding contributions for capital acquisitions, were better than budget by \$93,956. The operating expenses show savings of \$1,352,290. Grants and contributions received for capital acquisitions, together with net profit on asset disposals, were below the budget by \$373,516.

The reasons for the significant variances are:

### **Revenue**

1. Operating Grants and Contributions show an improvement over Budget of \$29,311 (1.6%). Although the City received in late June 2013 an advance of \$413,527 on the 2013/14 operating grant from the Grants Commission, this was largely off-set by \$401,736 of the grant budgeted for 2012/13 being received the previous financial year.
2. Fees and charges raised were better than budget by \$61,213 (1.0%), due mainly to more than anticipated parking infringements being issued.
3. The City earned \$164,958 less than budgeted from the investment of funds surplus to its immediate requirements. This was due to a drop in interest rates by banks, coupled with the restrictions on placement of the funds to the "big four" banks and the maximum percentage that can be placed with any one institution.
4. Rates levied were \$71,911 (0.40%) more than what was anticipated at the time of Budget adoption. The increase was due to improvements to properties, resulting in higher Gross Rental Values.

### **Operating Expenses**

1. The operating expenses for the year were \$27,103,910. Compared to the Budget of \$28,456,200, this is an overall saving of \$1,352,290 (4.8 %).
2. Most of the operating expenses were close to budget, with the bulk of the 'savings' coming from depreciation of non-current assets. This reduction in depreciation expenses was due to the implementation of the Roman II system for the valuation of the components of the roads, and the application of different useful life to the different components. This resulted in total depreciation dropping by \$1.54 million compared to the Budget.
3. Employee costs were up by \$550,931 (5.7 %) compared to the Budget. This was due to a combination of lower vacancy factor and review of salaries in line with the Mercer recommendations.
4. Materials and Contracts costs are down by \$287,932 (2.8%) compared to the Budget. This is partly due to the deferment of some operating projects.

5. Insurance expenses have come down by \$55,700. This is mainly due to the drop in premiums on motor vehicles insurance, in turn resulting from the switch to replacement of the light fleet after 3 years instead of after two years' use and the use of market values.

### Capital Works

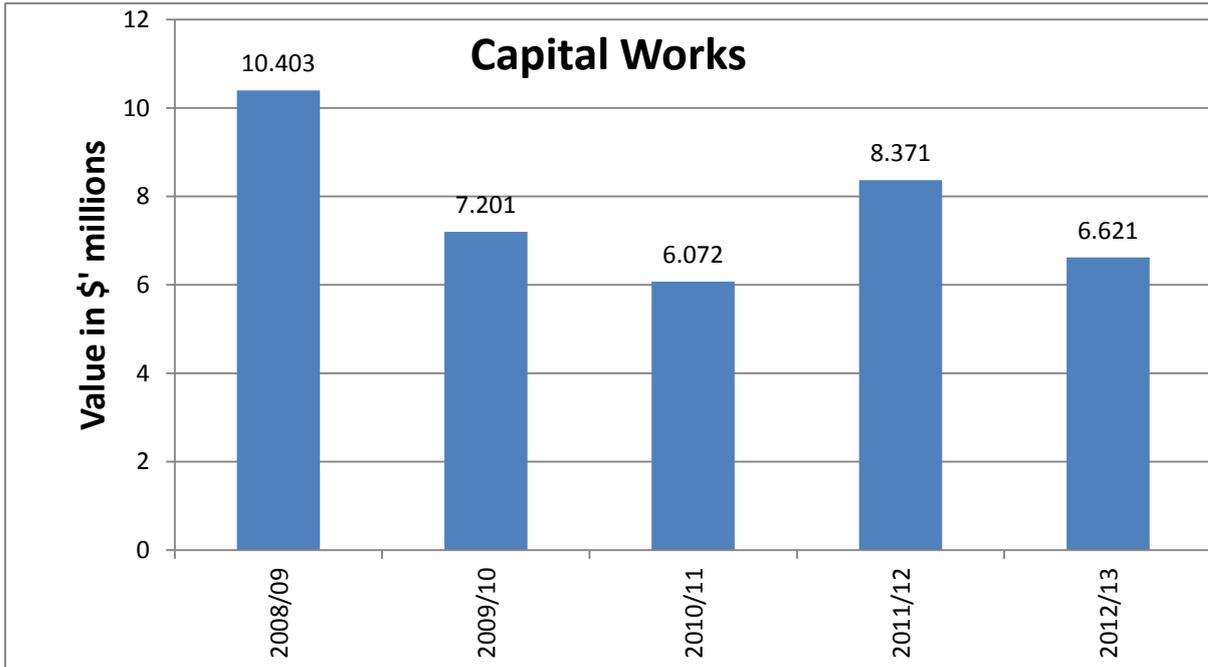
During the financial year the City spent \$6.62 million in carrying out its capital works program. The major share of the funds, \$3.58 million, was utilised in improving infrastructure assets –roads, drainage, parks and gardens – with another \$1.34 million used for upgrading and renovating the City's buildings and purchase of plant and equipment. The City also purchased the land next to the Administration buildings, together with the house on it, for \$1.71 million. This purchase was fully funded from the City's Reserves.

The original capital budget for the year was \$7.09 million. During the mid-year Budget Review this was amended to \$10.01 million. However, a number of projects were not completed during the year and are carried forward to 2013/14. Some of these have been re-budgeted in the 2013/14 budget adopted in June 2013; the funds carried over for those that have not been re-budgeted include:

River Wall Maintenance (unspent)	- \$ 306,400
Adams Road	- \$ 171,200
Alfred Road (Black Spot)	- \$ 37,000
Stirling Hway/Vincent St	- \$ 20,500
Stirling Hway/Florence	- \$ 20,600
Nedlands Library	- \$ 150,000
Allen Park Lower Pavillion	- \$ 60,100
Administration Building Roof	- \$ 121,400
City Wide Building Repairs	- \$ 60,000
College Park Practice Wickets	- \$ 30,100
IT Disaster Recovery Centre	- \$ 258,000

Of the total funds expended on capital works, \$914,000 were from grants and contributions. The balance was made up of operating surplus, sale of plant, depreciation write-back and drawdown from Reserves.

The value of capital works completed during the past 5 years is shown in the following chart. It is to be noted that the high value of capital works in 2008/09 is due to the construction of the Karrakatta Underpass which was completed in that year.



### Revaluation of Assets

The City's Accounting Policy, as well as the Australian Accounting Standards, requires certain asset classes to be revalued on a regular basis such that the carrying values in the books are not materially different from fair value. Towards the end of 2012/13 financial year the City assessed the fair value of the City's Plant and Equipment, and the relevant asset records have been amended effective 30 June 2013. The impact of the revaluation is the recognition in Other Comprehensive Income of a notional gain of \$458,442, and a corresponding increase in the Asset Revaluation Reserves.

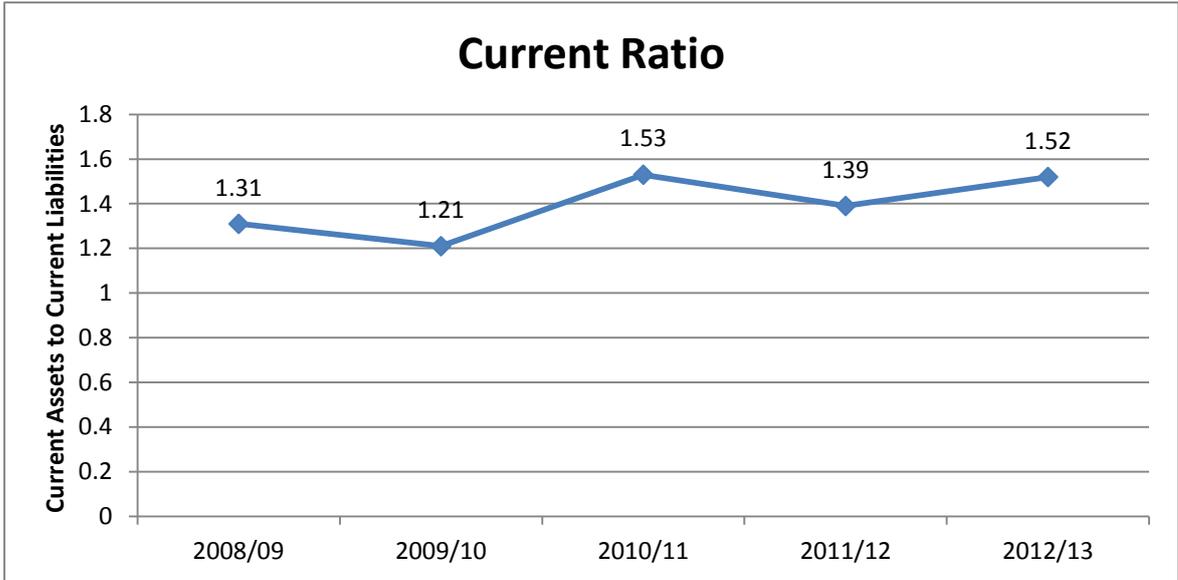
It is to be noted that the revaluation does not have any impact on the cash position of the City.

### Financial Performance Indicators

The Financial Ratios in Note 18 to the accounts give an overview of the financial performance of the City in 2012/13 compared with the previous two years. Three of the key indicators are charted below, for the past 5 years.

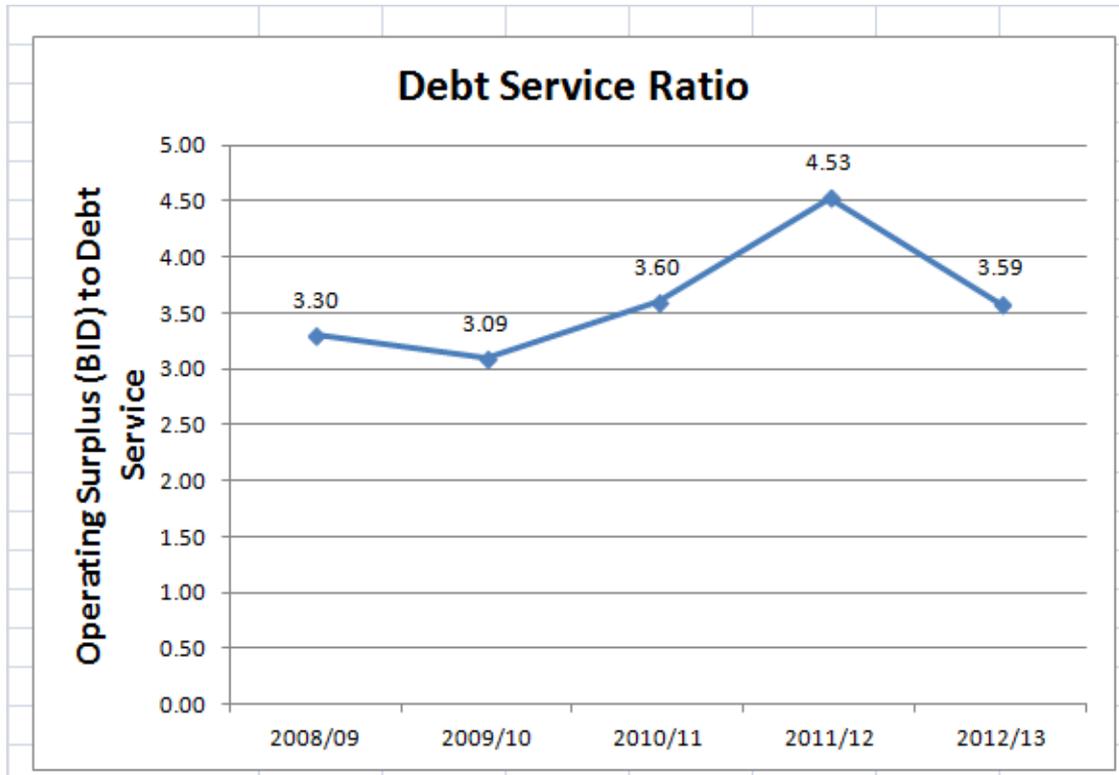
#### Current Ratio

The Current Ratio is a liquidity ratio which indicates the ability of the City to meet its short-term financial obligations out of unrestricted current assets. A ratio greater than 1.00 is preferred. The chart shows that the City has had good liquidity levels of 1.21 to 1.53 over the past 5 years.



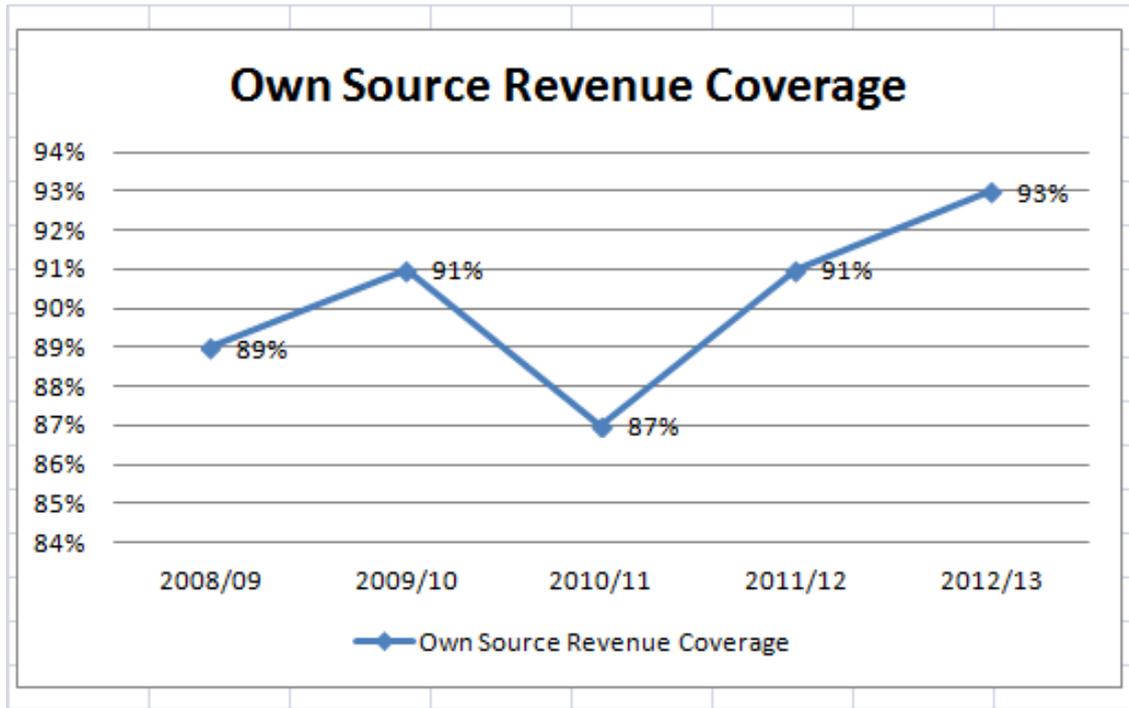
### Debt Service Cover Ratio

The Debt Service Cover Ratio measures the capacity of the City to service its debt (principal and interest, as they become due) out of its available operating surplus before interest and depreciation. A Basic standard is achieved if the ratio is equal to or greater than 2. The City's debt service cover ratio was 3.59 for 2012/13, and has been above 3.09 for the past 5 years.



**Own Source Coverage Ratio**

This ratio is a measure of the City’s ability to cover its costs through its own revenue efforts – rates and service charges, fees and user charges, reimbursements and recoveries, interest income and profit on disposal of assets. A ratio in the 60% to 90% range is considered healthy for medium sized local governments without a major source of user-pay fee revenue like parking. The City’s Own Source Coverage has averaged around the upper limit of the range over the past five years.



**Audit Report**

The City’s Auditor, Macri Partners, has given a standard form unqualified Audit Report for 2012/13.

**Risk Management**

Not applicable.

**Conclusion**

That the Committee recommends to Council the acceptance of the Financial Report for the City of Nedlands for the year ended 30 June 2013 comprising the Financial Report and the Auditor’s Report.

**Attachments**

1. Financial Report for the year ended 30 June 2013, incorporating the Independent Audit Report to the Ratepayers of the City.

### 7.3 Annual Insurance Cover Report

#### Executive Summary

Administration is required to provide a report to Council advising of the insurance cover (and associated costs) put in place following the expiry of the existing insurance policies as soon as practicable after the budget is adopted in accordance with Council Policies.

#### Recommendation to Council

**Council receives the report on the City's Annual Insurance Cover for 2013/2014.**

#### Strategic Plan

KFA: Governance and Civic Leadership

Insurance cover is taken by the City as part of Risk Management and good governance. This report provides the assurance to Council that the City has in place adequate insurance cover.

#### Background

Council requires the Chief Executive Officer to ensure that adequate insurance cover is in place at all times.

Council requires:

- that each year prior to the expiry of the existing insurance, the Chief Executive Officer shall invite Council's insurers to meet to discuss and review Council's annual insurance requirements, and
- that the Chief Executive Officer, or their nominee, is to provide a report to Council advising of the insurance cover (and associated costs) put in place following the expiry of the existing insurance policies as soon as practicable after the budget is adopted.

#### Consultation

Required by legislation: Yes  No   
Required by City of Nedlands policy: Yes  No

#### Legislation / Policy

The Annual Insurance Cover report meets the requirement of Council Policy.

**Budget/Financial Implications**

Adequate provision has been made in the 2013/2014 Budget for the funding of insurance premium expenses as outlined below and any additional insurance premium adjustments that may be incurred in the course of the year.

**Risk Management**

As part of the City’s Risk Management Strategy, insurance cover is sought to offset the financial risks arising from loss, theft or accidental damage.

**Discussion**

The Annual Insurance Cover Summary for the 2013/2014 is as follows:

<b>Insurance Class</b>	<b>2013/14 Base Premium (\$)</b>	<b>2012/13 Premium (\$)</b>
Contract Works	750.00	878.00
Councillors and Officers Liability	9,126.06	8,569.00
Motor vehicles owned by the City	71,558.27	89,279.35
Journey Injury – Employee travel to and from workplace	410.00	410.00
Personal Accident and Travel Councillors, employees and volunteers	1,800.00	1,800.00
Casual Hirers Liability	3,570.00	3,400.00
Fidelity Guarantee	1,757.66	1,725.80
LGIS Property – All properties and contents	112,976.55	107,000.00
LGIS Liability - Public Liability	153,826.23	146,711.96
LGIS Work Care (Workers Compensation)	170,917.67	170,917.00
<b>TOTAL</b>	<b>526,692.44</b>	<b>530,692.11</b>

Additional motor-vehicle insurance premium expense is expected to be incurred during the year due to the replacement of motor-vehicles. The workers compensation insurance is also expected to increase should claims payments exceed the current ceiling for claims.

**Conclusion**

The City has taken adequate insurance cover in consultation with LGIS Broking and review of industry claims history. The cover is summarised in this report, which Council is requested to receive.

## 7.4 Outstanding Insurance Claims Report

### Executive Summary

This report is to inform the Audit and Risk Committee of all insurance claims on the City and Workers Compensation claims which were pending as at 30th September 2013. This report will be updated every quarter.

### Recommendation to Committee

**The Audit and Risk Committee receives the Insurance Claims Report as at 30th September 2013.**

### Strategic Plan

KFA: Governance and Civic Leadership

Monitoring of claims on the City and taking appropriate decisions as necessary is good governance and is part of the City's Risk Management Strategy.

### Background

The City receives claims from the public from time to time, and these are investigated internally as to their accuracy before being passed on to the City's insurers to manage. No liability is admitted until the insurers have completed their investigations and recommended a course of action to resolve the matter. The City monitors the progress to ensure that the claims are processed by the insurers on a timely manner to ensure that the City's liabilities are managed effectively.

### Consultation

Required by legislation: Yes  No   
Required by City of Nedlands policy: Yes  No

### Legislation / Policy

This report is in keeping with good governance but is not a requirement under any Legislation / Policy.

### Budget/Financial Implications

Adequate provision has been made in the 2013/2014 Budget for any additional insurance premium expenses that may be incurred due to claims payout.

**Risk Management**

Monitoring of claims and taking appropriate action to minimise claims is part of the Risk Management practice of the City.

**Discussion**

The open insurance claims as at 30th September 2013 are as follows:

Workers' Compensation Claims

Claim No	Date Incurred	Particulars	Net Paid	Estimated Outstanding	Estimated Total
18550	07/04/10	Left shoulder pain – repetitive tasks	\$119,459	\$69,927	\$189,386
19695	06/05/11	Right shoulder strain and pain in both hands – repetitive tasks	\$7,553	\$44,373	\$51,926
21434	30/10/12	Right elbow strain and pain – repetitive tasks	\$11,235	\$21,740	\$32,975
21792	21/02/13	Pain in both hands	\$28,655	\$35,914	\$64,569
22167	13/06/13	Lower back pain – moving tables and chairs	\$1,442	\$7,500	\$8,942

Professional Indemnity Claim

Claim No	Date Submitted	Particulars	Amount Claimed	Date Settled	Status
618047	24/06/13	City advised vendor, based on records, that swimming pool was compliant. Subsequently found not to be so. Buyer is claiming the cost to make pool compliant.	Not stated		Insurer finalising settlement.

Public Liability Claims

Claim No	Date Submitted	Particulars	Amount Claimed	Date Insurer Responded	Status
617387	14/11/12	Tripped on pavement in front of 120 Victoria Avenue	Not stated	20/02/13	Denied but file not closed yet.
617775	13/03/13	City impounded car. When owner reclaimed alleged it had white spray on it.	Not stated	25/03/13	Denied but file not closed yet.
167797	20/03/13	Cracking on walls caused by retaining wall repairs to Beecham Rd. Property: 6 Kings Row	Not stated	28/03/13	Denied but file not closed yet.
618083	20/06/13	Cracking on walls caused by retaining wall repairs to Beecham Rd. Property: 22 Lisle St	Not stated	25/06/13	Denied but file not closed yet.
618108	03/07/13	Tripped on paving stone on Mooro Avenue	\$58	05/07/13	Denied but file not closed yet.
618229	14/08/13	Tripped on paving stone at 17 Hampden Rd	\$60,000	19/08/13	Denied but file not closed yet.
618230	14/08/13	Tree root damage to fencing – 23 Adderley St	\$2,137	19/08/13	Denied but file not closed yet.
618249	20/08/13	Damage to fencing & retaining wall by tree branch – 18 Hobbs Ave	Not stated	22/08/13	Denied but file not closed yet.
618236	16/08/13	Telstra claimed costs for damage to manhole during road works on Railway Road.	\$4,765	20/08/13	Denied but file not closed yet.

**Conclusion**

This Insurance Claims Report as at 30th September 2013 is presented to the Audit and Risk Committee for information.

## **7.5 Investment Strategy**

### **Purpose**

To consider the Investment Strategy for 2013/14

### **Recommendation to Committee**

#### **Committee**

1. Notes the requirement to invest the funds surplus to its immediate needs as per Council's Policy, with financial institutions having a credit rating of Long Term A and Short Term A-1 or better
2. Agrees that the City of Nedlands will invest only with the four major banks, or their operating divisions, viz:  
National Australia Bank  
ANZ Bank  
Westpac Bank and St George Bank  
Commonwealth Bank and BankWest
3. Notes that this conservative strategy is to be adhered in view of the volatility of global financial markets.

### **Strategic Plan**

KFA 5: Governance

5.1 Manage the City's resources in a sustainable and responsible manner.

This report is to obtain Council approval for the Investment Strategy to be adopted by the officers in investing funds surplus to Immediate needs in accordance with the Council's investment Policy.

### **Background**

Council Policy, Investment of Council Funds, last reviewed in October 2010, stipulates that funds surplus to Council's immediate requirements are to be invested in accordance with the Local Government Act 1995 and the Policy.

The Policy further states that investments may be placed with banks having a credit rating of at least A (long term) / A1 (short term), as rated by Standard and Poors, or for short terms with other financial institutions authorised by the Chief Executive Officer. The amount invested with any one institution is not to exceed 30% of average annual funds invested.

A report is provided to Council each month detailing the investments and their respective yields. The Investment Report for September 2013 is attached to this Agenda item

**Proposal Detail**

The Audit and Risk Committee at its meeting on 6 October 2011 agreed that the City can have its surplus funds invested in up to 10 institutions satisfying the City’s Investment Policy. However, at its meeting in March 2012 Council decided that all future investment of funds be restricted to the National Australia Bank, Westpac Bank, Commonwealth Bank of Australia and ANZ Bank.

This proposal reiterates the Council’s resolution, but seeks the Audit and Risk Committee’s agreement that the City can invest in the independent operating divisions of the “Big Four” banks, namely St George Bank (a division of Westpac Bank) and BankWest (a division of Commonwealth Bank). These divisions operate under the Authorised Deposit-taking Institution licence of the respective parent Banks.

The credit ratings of the four banks are as follows:

<b>Bank</b>	<b>Long Term Rating</b>	<b>Short Term Rating</b>
National Australia Bank	AA-	A-1+
Westpac Bank & St George Bank	AA-	A-1+
Commonwealth Bank & BankWest	AA-	A-1+
ANZ Bank	AA-	A-1+

**Consultation**

Not applicable.

**Legislation**

Satisfies Clause 6.14 of the Local Government Act 1995 and the prudent person requirement of the Trustees Act 1962.

**Budget/Financial Implications**

The 2013/14 Budget estimates that the City will earn approximately \$895,000 from its investments.

### **Risk Management**

There are two main risks associated with the investments, being credit risk and interest risk. The credit risk will be managed by spreading the investments across the different banks, and closely monitoring the credit rating of each institution to ensure that they meet the requirements stipulated in the Council Policy. The interest risk is managed by evaluating the yield offered by the various institutions each time funds are available to be placed.

### **Conclusion**

The City invests its surplus funds in interest bearing deposits, adopting the investment strategy recommended in this report.

### **Attachments**

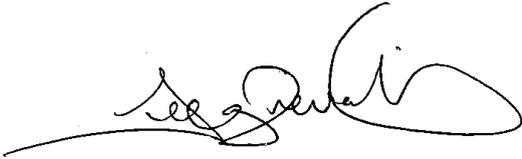
Investment Report as at 30 September 2013

**Date of next meeting**

The date of the next meeting of this Committee is to be advised.

**Declaration of Closure**

There being no further business, the Presiding Member will declare the meeting closed.

A handwritten signature in black ink, appearing to read 'Greg Trevaskis', with a long horizontal flourish extending to the left.

Greg Trevaskis  
Chief Executive Officer