

ADMINISTRATION AND FINANCE COMMITTEE MEETING

BUSINESS PAPER

TUESDAY 12 FEBRUARY 2008

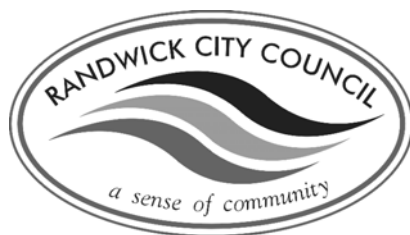
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10 September 2008

ADMINISTRATION AND FINANCE COMMITTEE MEETING

Notice is hereby given that a Administration and Finance Committee Meeting of the Council of the City of Randwick will be held in the Council Chamber, Town Hall, 90 Avoca Street, Randwick, on Tuesday, 12 February 2008 at 6:30pm.

Committee Members: The Mayor, B Notley-Smith, Andrews (Chairperson), Hughes, Kenny, Matson, Nash (Deputy Chairperson), Seng, Woodsmith.

Quorum: Five (5) members.

NOTE: At the Extraordinary Meeting held on 28 September 2004, the Council resolved that the Administration and Finance Committee be constituted as a committee with full delegation to determine matters on the agenda.

Apologies/Granting of Leave of Absences

Confirmation of the Minutes

Declarations of Pecuniary and Non-Pecuniary Interests

Address of Committee by Members of the Public

Urgent Business

Administration Reports

Nil

Finance Reports

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Closed Session

Nil

Notices of Rescission Motions

Nil

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Ray Brownlee
GENERAL MANAGER

Finance Report No. F1/08



Subject: Investment Report - November & December 2007

Folder No: F2004/06527

Author: Greg Byrne

Introduction

The Local Government (General) Regulation requires that the Responsible Accounting Officer provide a written report to the ordinary meeting of the Council giving details of all monies invested and a certificate as to whether or not the investments have been made in accordance with the Act, the regulations and Council's Investment Policy No: 3.02.07.

Issues

Council is authorised by s625 of the Local Government Act to invest its surplus funds. Funds may only be invested in the form of investment notified by Order of the Minister dated 23 September 2005. The Local Government (General) Regulation prescribes the records that must be maintained in relation to Council's investments.

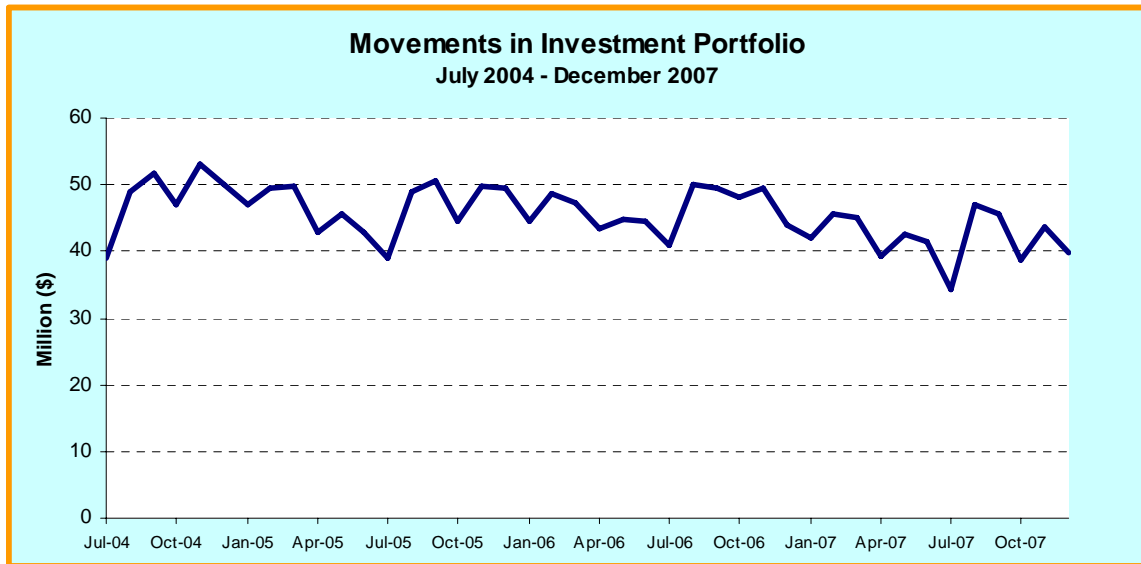
The attached table titled "Investment Performance Report – Nov / Dec 2007" outlines the investment portfolio held by Council as at the end of December 2007. All investments have been made in accordance with the Act, Regulations and Council's Investment Policy.

Investment Commentary

The size of the investment portfolio may vary significantly from month to month as a result of cash flows for the period. Cash outflows (expenditure) are typically relatively stable from one month to another. Cash inflows (income) are cyclical and are largely dependent on the rates instalment due dates and the timing of grant payments including receipt of the Financial Assistance Grant.

The balance of the investment portfolio as at 30 November 2007 was \$43.72 million and as at 31 December 2007 was \$39.68 million. November received rate income from the second rates instalment. December cash flows realised little revenue but incurred operating expenditure of \$4.2 million and capital works expenditure of \$1.8 million.

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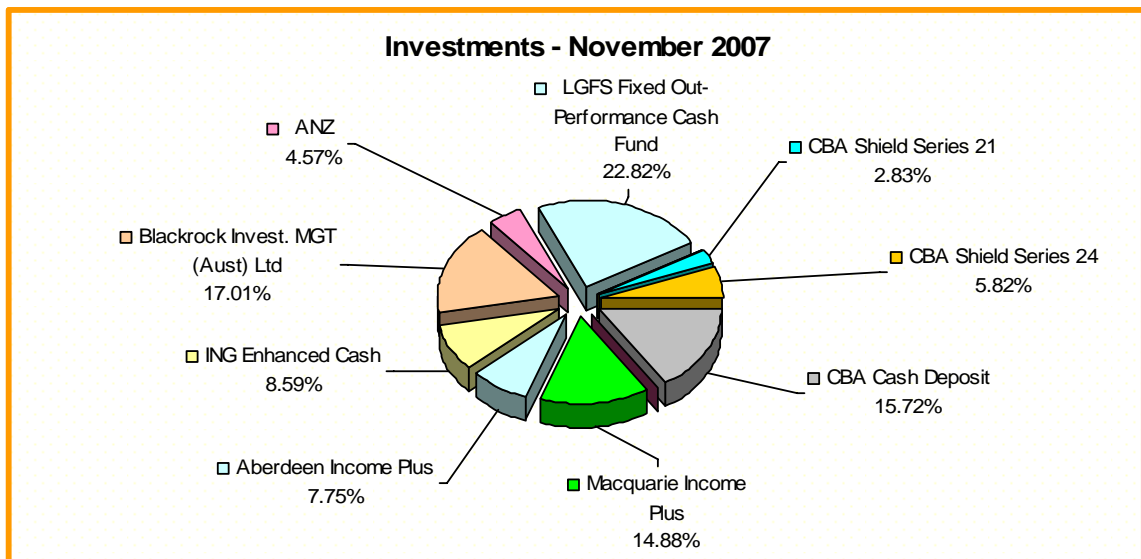


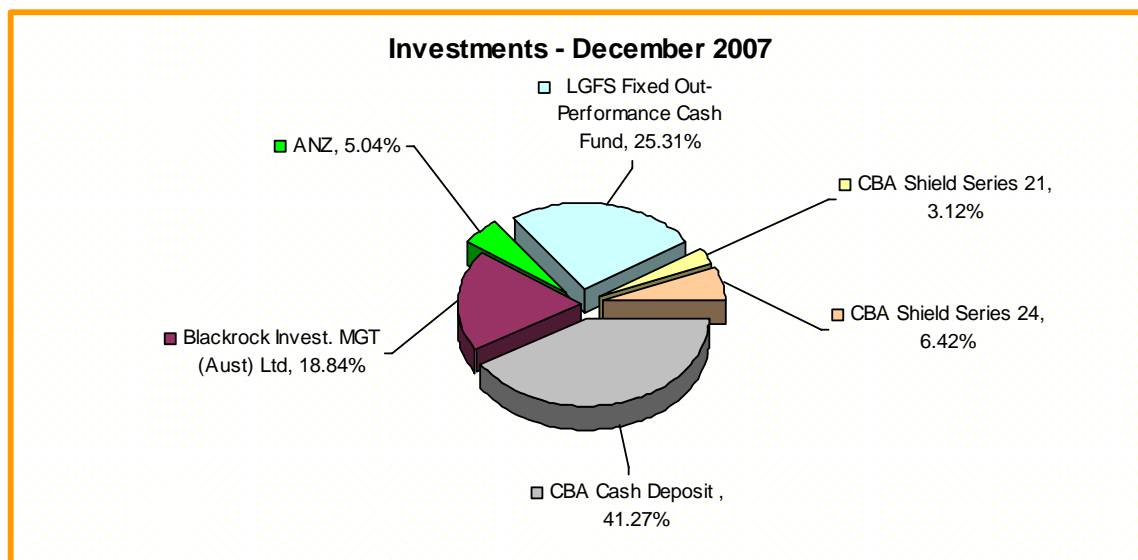
The above graph illustrates the movement in the investment portfolio from July 2004 to December 2007. The peaks are representative of the rates instalment periods.

The investment portfolio is diversified across a number of investment types and is spread across a number of financial institutions. The various investment types may include managed funds, term deposits, rolling rate investments, floating rate notes and on-call accounts.

The following graphs indicate the various investments held at the end of November 2007 and December 2007.

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F1/08

The investment portfolio is regularly reviewed in order to maximise investment performance and minimise risk. Comparisons are made between existing investments with available products that are not part of Council's portfolio. Independent advice is sought on new investment opportunities.

Investment performance has been below benchmark for the period July to December 2007 and has been subject to significant volatility in the monthly returns. A comprehensive report has been prepared on investment performance. The report includes all investment material and advice that has been received in the period July to December 2007. The General Manager and the Mayor have been briefed on Council's current investment position.

Council advisors (Grove Advisory and Research) have indicated that:

"Managed funds have been significantly impacted by an unprecedented repricing of credit investments in the financial year to date, with performance driven by the spill-over effects originating from the US sub-prime mortgage market which has subsequently filtered through to the global finance sector. No managed funds that Council has invested in has, or has ever had, a direct exposure to the US sub-prime market"

To combat the volatility in the market, Council's revenue streams from rates and other sources in 2007/2008 have been placed into term deposits that have less risk and an LGFS product that provides a 0.5% return over the bank bill index and is underwritten by the Local Government Superannuation Scheme. To further reduce volatility and to maximise certainty with returns for the second half of the 2007/2008 financial year, several of the managed funds have been exited. These funds were deposited in the CBA cash deposit fund prior to being transferred to the LGFS Fixed Out-Performance Fund in the first week of January 2008.

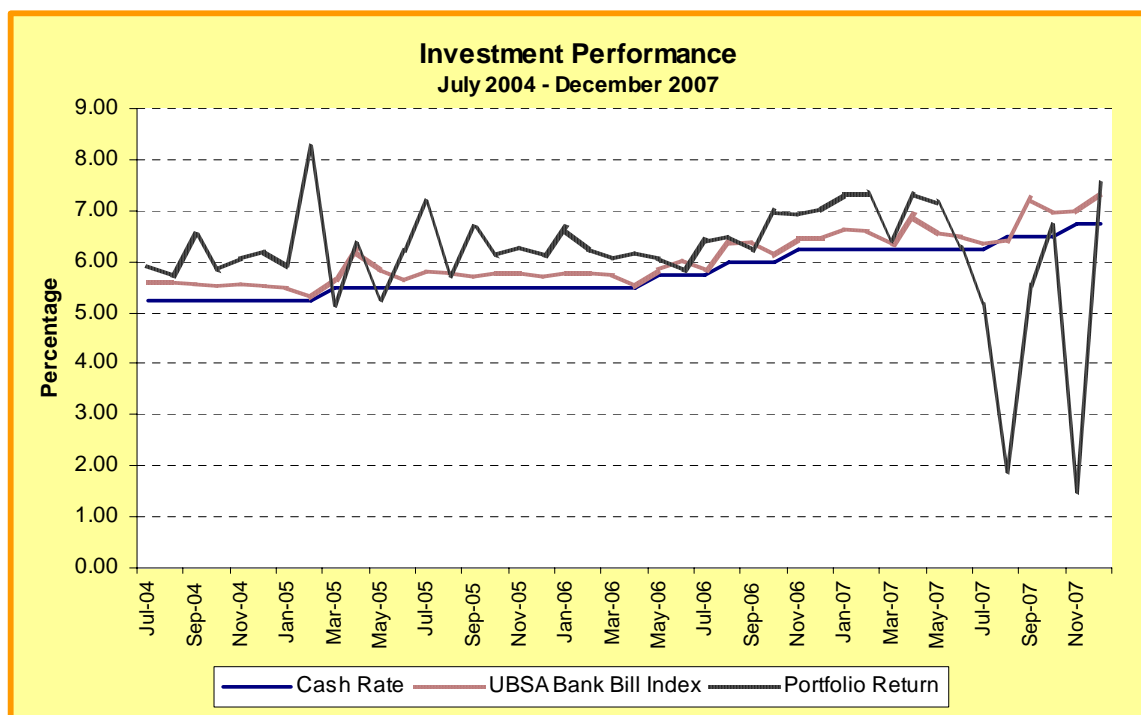
Council still has exposure to managed funds where significant exit fees currently apply. The Blackrock Diversified Credit fund has a normal buy/sell spread of 0.07% which is normally sufficient to cover any costs to the fund of filling applications and redemptions (deposits and withdrawals). Due to current market conditions, Blackrock has instituted a change whereby redeeming investors bear the full costs of any redemptions. The exit cost is not fixed in advance but rather is determined by the spreads in the credit market on a given day. Blackrock have indicated that transaction charges currently range from 1 – 2 percent. If Council redeemed all of its holdings in the Blackrock Diversified Credit fund and a 2% transaction charge

was incurred, this would equate to a \$149,557 exit fee. This situation will be monitored and appropriate action taken when opportune pricing occurs.

To ensure probity, a brief has been provided to Carl Millington of Pitcher Partners Accountants, Auditors and Advisors, to review Councils investment policy, practices and strategies. A copy of the review report is provided to Councillors under separate cover.

The review of investment performance has highlighted the need to have Council's investment policy updated. A draft investment policy has been prepared and will be reported to the February ordinary meeting.

The following graph shows the investment returns achieved against the USB Bank Bill Index and the official Reserve Bank of Australia (RBA) cash interest rate for the period July 2004 to December 2007. The graph highlights the abnormal volatility that has been experienced in the period July to December 2007.



Investment performance for the financial year to date has been below the industry benchmark UBS Australian Bank Bill Index with an average return after fees of 3.73%, compared with the benchmark index of 6.88%.

Official Reserve Bank of Australia (RBA) cash interest rate increased to 6.50% during November 2007.

Relationship to City Plan

The relationship with the City Plan is as follows:

Outcome 1: Leadership in Sustainability.

Direction 1c: Long term financial viability is achieved.

Key Action: Investment Policy and Procedures.

Financial impact statement

Funds are invested with the aim of achieving budgeted income in 2007/2008 and outperforming the UBS Australian Bank Bill Index over a 12 month period. The revised budget provision following the September quarterly review for income from this source is \$2,845,000. Income to 31 December 2007 amounted to \$768,750. Any further changes to budgeted income from investment earnings will be reported in subsequent quarterly reviews. It is proposed that interest revenue for the December quarter be reduced by \$350,000.

Changes to the economic climate and financial markets are being closely monitored. Appropriate adjustments to the investment strategy will continue to be made as required.

Conclusion

All investments as at 31 December 2007 have been made in accordance with Council Investment Policy No: 3.02.07. All investments meet the requirements of s625 of the Local Government Act and the Local Government (General) Regulation.

Recommendation

That the investment report for November and December 2007 be received and noted.

Attachment/s:

- 1 Investment Performance Report – November/December 2007. 1 Page

Financial impact statement

Funds are invested with the aim of achieving budgeted income in 2007/2008 and outperforming the UBS Australian Bank Bill Index over a 12 month period. The revised budget provision following the September quarterly review for income from this source is \$2,845,000. Income to 31 December 2007 amounted to \$768,750. Any further changes to budgeted income from investment earnings will be reported in subsequent quarterly reviews. It is proposed that interest revenue for the December quarter be reduced by \$350,000.

Changes to the economic climate and financial markets are being closely monitored. Appropriate adjustments to the investment strategy will continue to be made as required.

Conclusion

All investments as at 31 December 2007 have been made in accordance with Council Investment Policy No: 3.02.07. All investments meet the requirements of s625 of the Local Government Act and the Local Government (General) Regulation.

Recommendation

That the investment report for November and December 2007 be received and noted.

Attachment/s:

1 [View](#) Investment Performance Report – November/December 2007. 1 Page

Investment Performance Report - Nov / Dec 2007

Investment	Credit Rating	Amount Invested (\$)	Interest Earned (\$)		Investment Performance (%)		
			Period	FYTD	Period	FYTD	Past 12 Months
CBA Cash Deposit (CDA)	AA	16,378,305	80,874	184,909	6.70	6.49	6.35
LGFS Fixed Out-Performance Cash Fund	AA-f	10,043,117	110,802	143,118	7.67	7.61	6.78
Blackrock Invest. MGT (Aust) Ltd	A	7,477,843	-115,377	-88,460	-7.89	-2.12	2.57
ANZ Bank - Three Pillars	AA-	2,000,060	27,007	78,623	8.08	7.80	7.72
Commonwealth Bank Shield Series 21	AA	1,239,240	Purchased April 2004. Capital is guaranteed and interest is paid at maturity. Investment est. value as at 31 December 2007 is \$1,202,860 which equates to return since inception of 5.05%				
Commonwealth Bank Shield Series 24	AA	2,546,250	36,937	104,747	8.59	9.73	8.07
					3 month BBSW + 1.50%		
Interest earned from matured investments	-	-	30,814	328,024	-	-	-
General Fund Bank Account	-	-	9,184	17,789	-	-	-
Total		39,684,815	180,241	768,750	2.59	3.73	6.30
Official (Reserve Bank of Australia) Cash Rate					6.75	6.54	6.40
UBS Australian Bank Bill Index					7.16	6.88	6.73

Credit Rating: * Bank Bills and Term Deposits are not credit rated. The 'f' subscript to the credit rating signifies that it is a Standard & Poors fund rating and that assets are valued at their market value.

Report Author: Aldo Meoli, Financial Accountant - Financial Operations

G:\ACCTS\Financial Operations\Investments\Investment Performance Report\TABLES

F1/08

Finance Report No. F2/08



Subject: Monthly Financial Report as at 30 November 2007

Folder No: F2006/00690

Author: Aneesh Zahra

Introduction

Section 202 of the Local Government (General) Regulation 2005 requires that the responsible accounting officer of a council must:

- (a) establish and maintain a system of budgetary control that will enable the council's actual income and expenditure to be monitored each month and to be compared with the estimate of the council's income and expenditure, and
- (b) if any instance arises where the actual income or expenditure of the council is materially different from its estimated income or expenditure, report the instance to the next meeting of the council.

Issues

This report provides the financial results of Council as at 30 November 2007. Attachment 1 summarises Council's Financial Performance and its Source and Application of Funds. It also summarises the operating result for each of Council's principal activities. Attachment 2 details the financial position of Council as at 30 November 2007.

Relationship to City Plan

The relationship with the City Plan is as follows:

Outcome: 1: Leadership in Sustainability.

Direction: 1c: Long term financial viability is achieved.

Financial impact statement

There is no direct financial impact for this matter.

Conclusion

There is no direct financial impact for this matter.

Recommendation

The attached monthly financial reports as at 30 November 2007 be noted.

Attachment/s:

- | | |
|--|---------|
| 1 Statement of Financial Performance, Source & Application of Funds and Statement of Financial Position - UNDER SEPARATE COVER. | 6 Pages |
|--|---------|

F2/08

Finance Report No. F3/08



Subject: Monthly Financial Report as at 31 December, 2007

Folder No: F2006/00690

Author: Aneesh Zahra

Introduction

Section 202 of the Local Government (General) Regulation 2005 requires that the responsible accounting officer of a council must:

- (a) establish and maintain a system of budgetary control that will enable the council's actual income and expenditure to be monitored each month and to be compared with the estimate of the council's income and expenditure, and
- (b) if any instance arises where the actual income or expenditure of the council is materially different from its estimated income or expenditure, report the instance to the next meeting of the council.

Issues

This report provides the financial results of Council as at 31 December 2007. Attachment 1 summarises Council's Financial Performance and its Source and Application of Funds. It also summarises the operating result for each of Council's principal activities. Attachment 2 details the financial position of Council as at 31 December 2007.

Relationship to City Plan

The relationship with the City Plan is as follows:

Outcome: 1: Leadership in Sustainability.

Direction: 1c: Long term financial viability is achieved.

Financial impact statement

There is no direct financial impact for this matter.

Conclusion

There is no direct financial impact for this matter.

Recommendation

The attached monthly financial reports as at 31 December 2007 be noted.

Attachment/s:

1	Statement of Financial Performance, Source & Application of Funds, Statement of Financial Position - UNDER SEPARATE COVER	6 Pages
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F3/08

Finance Report No. F4/08



Subject: Contingency Fund - Status as at 31 January 2008

Folder No: F2004/07396

Author: Julie Hartshorn

Introduction

The purpose of this report is to detail the progressive amount of donations, allocations, waiving of fees and other similar contributions for the 2007/08 financial year.

Issues

In the 2007/08 financial year there have been 46 allocations totalling \$165,792.95 as listed in the table below.

MEETING	DETAILS	NET COST TO COUNCIL
Ordinary Council – 27 June 2006	<u>Annual contribution</u> – Waiving of Greenwaste Disposal Fees or the Guriwal Aboriginal Community at La Perouse	\$6,500.00
Ordinary Council – 27 June 2006	<u>Annual contribution</u> - Waiving of fees for Special Rubbish Pick Up Service – Ronald McDonald House	\$650.00
Ordinary Council – 25 July 2006	<u>Annual contribution</u> (3 years from 2006/07) - SSROC East Timor Partnership	\$4,000.00
Ordinary Council – 26 Sept 2006	<u>Annual contribution</u> (7 years from 2006/07) Interest foregone on interest free loan - Coogee Surf Life Saving Club renovations	\$4,500.00
Ordinary Council - 26 June 2007	Coogee Surf Life Saving Club – Centenary Dinner	\$1,200.00
Ordinary Council - 26 June 2007	Financial assistance for 2007 Rock Eisteddfod – Randwick Girls & Boys High Schools	\$5,000.00
Ordinary Council - 26 June 2007	Waiving of fees - installation of banner – Eastern Suburbs Teachers Association	\$1,132.00
Ordinary Council - 26 June 2007	Waiving of fees - World Youth Day - "Journey of the World Youth Day Cross and Icon" event	\$1,371.29
Ordinary Council - 26 June 2007	Sponsorship - S.O.S Preschool	\$1,400.00
Ordinary Council – 24 July 2007	Waiving of fees - St Pauls Anglican Church Coogee - Carols by the Sea	\$1,095.00
Ordinary Council – 24 July 2007	8th Annual Des Renford Chair of Heart Research Family Gala and Charity Day – use of Des Renford Aquatic Centre	\$6,500.00
Ordinary Council – 24 July 2007	Waiving of fees – use of Town Hall for Cana Ball	\$1,548.00
Ordinary Council – 24 July 2007	Our Lady of the Rosary College - centenary celebrations	\$200.00
Ordinary Council – 28 August 2007	Waiving of fees - usage of Yarra Bay for the Emerging Athlete Program for Junior Lifesavers	\$485.90
Ordinary Council – 28 August 2007	Contribution - Maroubra Fun Run, Oktoberfest and Market Day	\$4,538.00

F4/08

F4/08

MEETING	DETAILS	NET COST TO COUNCIL
Ordinary Council – 28 August 2007	Waiving of fees - Development Application lodgement - South Coogee Primary School	\$1,941.00
Ordinary Council – 28 August 2007	Contribution - Gallery East "Hula Dreams" ukuleles exhibition and performance	\$2,000.00
Ordinary Council – 28 August 2007	Waiving of fees – Use of Maroubra Beach for Rugby League Tag	\$626.90
Ordinary Council – 25 September 2007	Waiving of Fees - St Marks Anglican Church, Malabar - Carols By Candlelight	\$10,513.83
Extraord Council – 18 Sept 2007	Banners to congratulate Randwick Girls and Boys High Schools' Rock Eisteddfod Team on winning the 2007 Rock Eisteddfod	\$2,420.00
Extraord Council – 18 Sept 2007	Donation - Commemorative tree planting in Centennial Park	\$5,000.00
Extraord Council – 18 September 2007	Waiving of fees - South Maroubra Village Green Art Show	\$235.00
Extraord Council – 18 September 2007	Waiving of fees - Use of Kokoda Park, Kensington for Carols by Candlelight	\$5,360.83
Ordinary Council – 25 September 2007	Rosella Aboriginal Women's Vigoro Sporting Club – 75 year celebrations	\$2,000.00
Ordinary Council – 30 October 2007	Carols by Candlelight – Matraville	\$8,000.00
Ordinary Council – 30 October 2007	Financial contribution & waiving of fees - Coogee Family Fun Day – Goldstein Reserve	\$16,655.30
Ordinary Council – 30 October 2007	Waiving of fees – Randwick Shield at Coogee Beach	\$1,297.10
Ordinary Council – 30 October 2007	Waiving of fees – Express Glass Island Challenge – Coogee Beach	\$1,832.10
Ordinary Council – 30 October 2007	Financial assistance – Australia Day Botany Bay Regatta	\$500.00
Ordinary Council – 30 October 2007	Sponsorship – Our Lady of the Sacred Heart Church – World Youth Day Launch	\$500.00
Ordinary Council – 30 October 2007	Financial contribution – Australia East Timor Association – Weavers' Tour	\$400.00
Ordinary Council – 30 October 2007	Waiving of fees – South Sydney Football Club – Membership promotion	\$1,375.00
Ordinary Council – 30 October 2007	East Timor Scholarships (x2)	\$10,000.00
Ordinary Council – 27 November 2007	Financial assistance - underwrite hire charges of the marquee for the Annual Pere Receveur Historic Mass	\$2,675.20
Ordinary Council – 27 November 2007	Waiving of fees – Yarra Bay Greek Orthodox Epiphany Celebration	\$3,278.90
Ordinary Council – 27 November 2007	Waiving of fees – 3 rd Paul Travini Cup Community Cricket Day	\$3,345.00
Ordinary Council - 11 December 2007	Volunteering Partnership Project on Namatjira Public Housing Estate - provision of native plant stock from Council's nursery	\$500.00
Ordinary Council - 11 December 2007	Restoration of War Memorial corner Anzac Parade and Haig Street, Maroubra	\$11,500.00
Ordinary Council - 11 December 2007	Waiving of fees - Coogee Arts Festival	\$10,596.50
Ordinary Council - 11 December 2007	Waiving of fees for banner – Rainbow Street Public School	\$2,134.90
Ordinary Council - 11 December 2007	Waiving of fees for banner – Learning Links	\$2,134.90

MEETING	DETAILS	NET COST TO COUNCIL
Ordinary Council - 11 December 2007	Waiving of fees for banner – Lifestart P&F	\$1,134.90
Ordinary Council - 11 December 2007	Waiving of fees - Coogee Surf Life Saving Club - Surf Carnival	\$1,179.10
Ordinary Council - 11 December 2007	Waiving of fees – Carols by Candlelight – South Maroubra Village Green	\$2,964.00
Ordinary Council - 11 December 2007	Waiving of fees – Surf Life Saving Sydney – Surfing Competition	\$552.30
Ordinary Council - 11 December 2007	2008 Chinese New Year celebrations	\$15,000.00
TOTAL:		\$165,792.95

The amounts shown in the table above reflect the net cost to Council in providing the donation, grant or assistance. The GST, where applicable, has not been shown because it will be claimed back from the Australian Taxation Office.

Relationship to City Plan

The relationship with the City Plan is as follows:

- Outcome 2: A vibrant and diverse community.
Our community will be proud to be part of our City and celebrate its range of cultures and people.
- Direction 2b: Enrich our range of community services that meet our community's needs.
- Key Actions: Support the provision of services and facilities to meet the needs of our Target Groups and celebrate the range of cultures and people within Randwick City.

Financial impact statement

Council has allocated \$150,000 in the 2007/08 budget for contingencies – being the original budget allocation of \$120,000, plus an additional \$30,000 allocated at the December 2007 Administration and Finance Committee Meeting. The budget for the Contingency Fund will be further adjusted at the December 2007 quarterly budget review to reflect expenditure committed to date plus an estimate for commitments to 30 June 2008.

Recommendation

That the report be received and noted.

Attachment/s:

Nil

F4/08