

**ADMINISTRATION AND FINANCE  
COMMITTEE MEETING**

**SUPPLEMENTARY BUSINESS PAPER**

**LATE GENERAL MANAGER'S REPORTS**

**TUESDAY 8 MAY 2012**

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## **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, 8 May 2012 at 6pm.

### **Late General Manager's Reports**

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.....  
Ray Brownlee  
**GENERAL MANAGER**



## Late General Manager's Report No. A3/12



**Subject:** Ongoing Management of Wylies Baths  
- Response to Media Reports

**Folder No:** F2004/06336

**Author:** David Kelly, Manager Administrative Services

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### Introduction

As Councillors would be well aware, an article appeared in the Sydney Morning Herald on the 28<sup>th</sup> April, 2012 asserting that Wylies Baths was going to be turned into commercial Bondi Icebergs type establishment at the expense of the charm and character of the existing Baths. The purpose of this report is to advise Council of the current situation at Wylies Baths.

### Issues

The heritage listed Wylies Baths was established in 1907 and is situated on Crown land, with the Head Lease held by Council. The Baths have been sub leased to the Wylies Baths Trust since 1996 with the current lease in operation until 2018.

As part of our due diligence, to ensure the continued viability of the Baths, Council undertook a thorough governance review in 2010/11 and identified a range of issues for the Trust to address. Of these issues, two in particular concerned the provision of catering services and the current operating practices in the kiosk. The Wylies Baths Trust actions and considerations to Council's 'due diligence' recommendations as at May 2012 is attached.

The previous arrangement of lifeguards assisting in the kiosk at the expense of performing their designated duties was considered unacceptable, meaning the operation of the kiosk needs to be reviewed. Council also recommended, as part of this due diligence review, that the Trust review the catering agreement with the sole existing caterer, which is due to expire in June 2012, in order to achieve the best value for money for this service. Accordingly the Trust resolved to undertake Expressions of Interest for Kiosk and Function Catering. An expression of interest was duly called and one of the respondents was the owner of the café at the Bondi Icebergs.

At this point in time the Executive of the Trust have simply sought permission from the Trust to hold further discussions with this particular operator as their submission was the most promising. No decision on this matter has been made as yet by the Trust and it should be pointed out that they are simply following the recommendations of Council contained in the due diligence report.

At no point in time has any member of the Trust resolved or even discussed the option of turning Wylies Baths into a Bondi Icebergs type establishment. Again the Trust is simply exercising due diligence in response to Council's recommendations as part of our due diligence review.

A "Meet the Trust" meeting was held on Friday 4<sup>th</sup> May, 2012 at the Baths with over one hundred people in attendance. At this meeting the Trust was very forthcoming with what they have done with the Baths over the last two years and what they intended to do over the next twelve months. The Trust then answered questions from

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those in attendance for approximately forty minutes. Those in attendance seemed satisfied with the direction the Trust is taking Wylies Baths.

The Mayor is currently the Chairperson of the Wylies Baths Trust and the General Manager attends meetings as an observer. Accordingly, Council is fully satisfied with, and has full confidence in, how the current Trustees of the Wylies Baths Trust are managing the Baths.

### **Relationship to City Plan**

The relationship with the City Plan is as follows:

Outcome 2: A Vibrant & Diverse Community.

Direction 2c: Strong partnerships between the Council, community groups and government agencies.

### **Financial impact statement**

There is no direct financial impact for this matter at this time as it involves the activities of the Trust. It should be noted that the kiosk operations at Wylies Baths are operating at a loss.

### **Conclusion**

The inference made in the recent article that the Trust intends to turn the Baths into a Bondi Icebergs type establishment is not correct. Both the Council and the Trust are not looking to change the charm or character of the Baths, but it needs to be run as a profitable concern to ensure that all of its assets are maintained to a satisfactory level for the benefit of our local community.

Council is supportive of all the governance measures undertaken thus far by the Baths as it is imperative that the operation of the Baths is based on good governance principles to ensure its ongoing viability.

### **Recommendation**

That the report on the ongoing operation of Wylies Baths be received and noted.

### **Attachment/s:**

1. Wylies Baths Trust actions to Randwick City Council's 'due diligence' recommendations as at May 2012.

## Summary of Recommendations following the RCC Due Diligence Review of Operations – Wylie's Baths

May 2012

	Recommendation	Current Action	Completed
1	Dedicated Kiosk staff be employed during busy periods to ensure the water areas are supervised by lifeguards at all times	Draft release of food handling, daily kiosk duties, employee allowance address employee access to kiosk areas. Proposal now to secure lifeguard stand (in conj. with CSLS- Dave Winkle), to place in a secure area pool level, to primarily locate lifeguard personnel away from kiosk level and increase visibility by patrons. Lifeguards not to work in the kiosk – sole responsibility is to provide lifeguard services to baths	Mgr advised and actioned 16/12/10
2	Consideration of reclassification of Wylies Baths as a Category 3 facility	Classification to be determined as part of Risk Assessment process facilitated by Royal Life Saving Society and documented in Operations Manual (currently in draft form).	
3	Introduce a stock management system and review stock profit margins	Current review of combinability of POS & Access Control automation. Requires overall strategic review covering linked areas of: Future kiosk lease Café situation Physical access options (ramp/elevator, automated gates) Storage Heritage considerations Linked to point 12.	Manager has implemented in house procurement, stockroom storage & control, with price increases more in line with retail levels – subject to ongoing review
4	Review the catering agreement with Grinners catering	To be revisited at contract end June 2012 – refer Action (3). <b>Trust resolved to approve a number of Caterers, including Grinners in preference to an exclusive arrangement. New arrangements to be in place for 2012/13 season bookings.</b>	EOI closed 24 October 2011 – 10 submissions received,
5	Review arrangements with service providers – yoga and massage	Manager to undertake a tender planning process for new commercial agreements for end of current tenures. Consider future options for revenue generation functions such as some gymnasium type equipment.	New Contracts signed with Yoga and Massage incumbents October 2011.

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	Recommendation	Current Action	Completed
6	Review accounting practices and procedures including the accounting for future provisions and cash management	Current Accountants Meagher, Howard & Wright retained to produce 2010/11 Financial Reports / Audit. Advice furnished in relation to RCC Review matters. MHW appointed to Audit 2011/12 accounts.	MHW advise Wyllie's Baths Inc is an Incorporated Association presenting special purpose financial accounts. The application of Accounting Standard AASB137 is debateable, however there is a sound basis for inclusion of the "Seawall Provision" in the Balance Sheet given the understanding that it will need to be replaced at some stage in future. 12/7/11
7	Prepare an investment strategy	Investment strategy discussed. Bank Term Deposits to continue pending review and advised as renewed.	Resolved that the Trust Investment Strategy would consist of renewal of a number of secure Term Deposits with a first tier Australian Bank delivering the highest available interest rate. 15/7/11
8	Introduce a more formal auditing approach that provides audit management letters	Audit approach discussed with Meagher, Howard & Wright (MHW). Audit function to be reassessed once accounting arrangements finalised – refer Action (6).	Audit Management Letters are not issued by MHW on basis all matters consistently discussed are well understood and not required in preparing the special purpose financial accounts. 15/7/11
9	Conduct water quality testing at least biannually or more regularly	Procedure to be included in Operations Manual being developed as part of Risk Assessment	



	Recommendation	Current Action	Completed
		process. Various options for testing being considered.	
10	Complete a fully documented facility Risk Assessment for Wylie's Baths	Royal Life Saving Society quote accepted by Trust 3/5/11. Risk Assessment process commenced 20/5/11, with on site meeting including representation from RCC, Coogee SLSC, Baths Management, Lifeguards and Trust. First draft RMP currently under review. Refer Action (2).	
11	Review after-hours access and give consideration to extending opening hours – 6am opening with staff commencing 5.30am	Change in Staff hours and Lifeguard coverage to be considered as part of Risk Assessment by new Manager with subsequent recommendation to Trust. Refer Action (10) above.	
12	Review disabled access to the facility	Noted at point 3 as overall strategic review covering access and other automation. Further discussion required at Trust level – current thinking that it may be a project / study to refer back to RCC, who have offered to assist.	
13	Document operating procedures and checklists to ensure consistency between shifts and different staff	Full range of sample documentation for use as possible templates provided by DRAC. Wylies' specific Procedures to be included in Operations Manual being developed as part of Risk Assessment process currently underway. Refer Action (10) Discussion Food Safety Procedure circulated December 2011	Policies & Procedures Manual completed, includes; Opening, closing, cleaning duties (Kiosk), Staff Allowance, Lifeguard Duties, Food Safety (separate manual), Function Preparation, Banking & Financial, Stock Control
14	Implement a formal OHS system immediately to comply with all regulations	DRAC sample documentation provided. Wylies' specific OHS&E System to be incorporated in Operations Manual being developed (currently in first draft) as part of Risk Assessment process, now underway as per Action (13).	
15	Introduce a money security pick up service once per week in winter and twice weekly in summer	Currently banking twice weekly. Eftpos facility introduced with excellent take up, significantly reducing cash exposure on site. 30 swim passes	Requirement reviewed by Manager and deemed still satisfactory to make twice-

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	Recommendation	Current Action	Completed
		have also assisted. Ongoing review over peak season.	weekly banking and more frequent during high season – closed May 12.
16	Review after hours security arrangement including the introduction of an on site alarm system	Back to Base alarm installed and operating. Caretaker advised not to intervene with break ins but to call police / security. This to be included in SOP's.	Completed February 11
17	Remove asbestos from the ceiling space of the caretakers residence as soon as possible		Completed 21 September 2011, including new roof and facia.
18	Conduct regular annual inspections of other material containing asbestos to ensure it remains in good condition	Trust have accepted Council recommendation and this should be minuted to close out the action item.	RCC to undertake regular annual inspections as per Council's Asbestos Identification and Removal program 3/5/11
19	Structural engineering to inspect the structural posts urgently to determine how many posts will require replacement	Further review of RCC recommendations undertaken Dec11 by Ross and Chuck, with further response from Chuck to Stephen Audet sent 19 Jan 12 RCC engaged Opus International Consultants to conduct inspection in conjunction with Forests NSW and Jeffrey & Katauskas June 2011. Chuck Hahn Preliminary Report tabled 26/10/11, currently being revised by Council after further on site inspection of foundation & post footings. Community Building Partnership Program (CBPP) Grant application pending.	Timber Deck Assessment Report received and discussed with Council engineers 13/7/11. Repair work pending results of Geotechnical study.
20	Introduce a formal asset maintenance program which includes determining priorities based on service and risk criteria	Pending further discussion and consideration of Opus Report Action (19). Chuck Hahn and Steve Levett liaising with Manager	

	Recommendation	Current Action	Completed
		Manager currently compiling list of "maintenance Items, histories, past works and schedules for inclusion. Current Maintenance items completed for Manager's handover.	
21	Randwick Council and the Trust work together in completing the Asset Management Plan	As per Action (20) above.	

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## Late General Manager's Report No. A4/12



**Subject:** One Association - Urgent - List of delegates and addresses for voting  
**Folder No:** F2004/07778  
**Author:** Julie Hartshorn, Senior Administrative Coordinator

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### Introduction

The formation of One Association to represent Local Government in NSW was first reported to Council in July 2010, where it was resolved (in part):

'(Notley-Smith/Andrews) that Council notes the importance of forming One Association to provide a uniform voice for Local Government in NSW.'

The formation of One Association to represent Local Government in NSW has been reported to Council on a number of occasions since that time, with the most recent progress report being submitted to the April Council Meeting, where it was resolved:

'(Woodsmith/Matson) that this matter be deferred to allow Councillors to further consider all the relevant information.'

### Issues

The President of the Local Government Association of NSW (LGA) has written to Councils again, indicating that both Associations have now resolved to have the proposal (to form One Association) submitted to a secret postal ballot of delegates of the members of each Association. Subject to approval from Fair Work Australia, the conduct of the ballot will be handed over to the Australian Electoral Commission to manage the voting process.

Member Councils are required to supply an up to date list of their voting delegates for this ballot by 31 May 2012. The details required to be supplied are:

1. The full name of the voting delegates; and
2. The private mailing address of the delegates.

Randwick City Council is entitled to five (5) voting delegates in the ballot.

The LGA's 'Update and Status Report – May 2012' is attached for Councillors' information. This report addresses the question of equity between the LGA and the Shires Association after the merger, which was a topic of discussion at last month's Council Meeting.

### Relationship to City Plan

The relationship with the City Plan is as follows:

- Outcome 1: Leadership in sustainability.  
Direction 1b.2: Contribute to protecting the Council's reputation and enhancing its positive public image.

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**Financial impact statement**

There is no direct financial impact for this matter.

**Conclusion**

The Executives of both Associations have also decided that it would be preferable for the formal process for the creation of the new association to be finalised before the forthcoming Local Government elections on 8 September 2012.

Council is required to supply a list of its voting delegates to the LGA by 31 May 2012.

**Recommendation**

That Council nominate five (5) voting delegates to take part in the forthcoming secret postal ballot to deal with the matter of One Association to represent Local Government in NSW and that their names and personal postal addresses be forwarded to the Associations to form the Roll of Voters.

**Attachment/s:**

1. Local Government Association 'Update and Status Report – May 2012'

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## Local Government Association of NSW

2 May 2012

Mr Ray Brownlee  
General Manager  
Randwick City Council  
30 Frances Street  
RANDWICK NSW 2031

Randwick City Council

07 MAY 2012

Records Received

Dear Mr Brownlee,

### ONE ASSOCIATION - URGENT - LIST OF DELEGATES AND ADDRESSES FOR VOTING

Last week the Executive Committees of both Associations each separately took important formal steps for progressing the proposal to establish "One Association" to the next stage, which is to have the proposal submitted to a secret postal ballot of delegates of the members of each Association.

On 17 April 2012, in the case of the Executive Committee of the Shires Association, and on 20 April 2012 in the case of the Executive Committee of the Local Government Association, a number of formal resolutions were adopted authorising the two Associations to jointly apply to Fair Work Australia for its approval for the submission of the proposed amalgamation to ballot.

As a result of the resolutions being passed by both Executive the Application was lodged on Friday afternoon 20 April 2012 and a hearing before Fair Work Australia is now awaited.

If, as is hoped Fair Work Australia gives its approval in the near future, the conduct of the vote will be handed to the Australian Electoral Commission who will independently manage the voting process.

Members will be required to supply an up to date list of their voting delegates for this ballot and this process needs to be undertaken as a matter of priority, to ensure that the completion of the ballot is not delayed.

### WHAT COUNCILS NEED TO DO NOW

All Councils need to supply the following to the Association by 31 May 2012:

1. The full name of their voting delegate/s; and
2. The private mailing address of their delegate/s.

The Association's staff will be following up with all members about this important information over the next few weeks, and to assist with any enquiries you may have.

In addition, your Association will be providing you with regular communications as this matter progresses through what is now the critical stages of this important initiative.

To assist you with this matter I enclose a report which I urge you to provide to your next available Council meeting.

If you have any enquiries at this stage please contact Peter Coulton at the Associations on 9242 4030.

Yours Sincerely,



Cr Keith Rhoades AFSM  
President

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**One Association – Update & Status Report****May 2012****Summary**

This report provides Council with an update regarding the progress towards One Association, outlines next steps and outlines what Council needs to do next. A number of Frequently Asked Questions are also provided with answers to assist Council with their discussions surrounding this very important matter.

**Report****Status as at end April 2012**

On the 17 April 2012 the Shires Executive and on 20 April 2012 the Local Government Association Executive passed the formal resolutions required to progress the One Association matter to go to a vote of the members' delegates.

The Shires Association Executive unanimously resolved in favour of the resolutions. The Local Government Association Executive adopted the resolutions by a majority of 21 to 3.

The formal documentation has been lodged with Fair Work Australia. Shortly Fair Work Australia will engage the Australian Electoral Commission to undertake the secret postal ballot of members' delegates.

It is important to note that there are actually two separate secret postal ballots; one will be a ballot of LGA member's delegates, and the other will be a ballot of SA members' delegates. Both ballots need to achieve a majority of "yes" votes to enable the formation of One Association.

It is anticipated that the ballots will occur before the September 2012 Local Government general elections but exact timing will depend on Fair Work Australia.

**What Councils need to do**

All Councils need to supply the following to the Association by 31 May 2012:

1. The full name of their voting delegate/s, and,
2. The private mailing address of the delegate/s

This is very important as the Association is required to prepare the Roll of Voters for the Australian Electoral Commission.



### Frequently Asked Questions

- Q: *Why is the ballot being held before the September elections?*  
 A: This process has been ongoing for many years. Current Councillors should be aware of the progress of the matter. If the ballot is held over until after the 2012 general elections new councillors will not be aware of the history or the process and would not be in a position to make an informed decision.
- Q: *When would One Association take affect?*  
 A: Assuming that the majority of delegates vote "yes" forming One Association would not take place until after 1 March 2013, but no later than 2 June 2013. Even after a positive vote there is significant work to be done in conjunction with Fair Work Australia as well as making provision for the numerous administrative changes which would have to take place, such as transferring assets and transitioning staff. The transition however needs to take effect before 2 June 2013 otherwise the Shires Association would need to hold fresh Executive elections.
- Q: *Why is the ballot a secret postal ballot?*  
 A: Because it is a requirement under the Fair Work (Registered Organisations) Act. The Associations have no choice in this decision.
- Q: *Has there been enough consultation?*  
 A: The issue of One Association has been discussed over many years. In more recent times it has been discussed:
- At the 2003 LGA Conference
  - At the 2004 SA Conference
  - At the 2004 LGA Conference
  - As part of the 2005 Woods/Wearne report titled "Options for One Local Government Association in NSW"
  - At the 2005 SA Conference
  - At the 2005 LGA Conference
  - At the 2006 SA Conference
  - At the 2006 LGA Conference
  - At the 2007 SA Conference
  - At the 2007 LGA Conference
  - At the 2008 SA Conference
  - At the 2008 LGA Conference
  - At the 2009 SA Conference
  - At the 2009 LGA Conference
  - At the One Association Convention held in August 2010
  - At the 2010 LGA Conference
  - In February 2011 the Associations sent all Councils a draft Constitution requesting feedback and comments
  - In February 2011 the SA held a Special Conference to discuss the Principles set out at the 2010 Convention
  - At the 2011 SA Conference
  - In November 2011 the Associations sent all Councils a further draft Constitution requesting feedback and comments

In addition there have been numerous presentations made to all Shires Divisional meetings at various times, and to various LGA ROC meetings and in other forums.

- Q: *Why is there no "No" Case?*  
 A: There are two reasons, firstly the Fair Work (Registered Organisations) Act does not require a "No" case to be prepared because it presumes a process towards an amalgamation would not have started in the first place unless it had been directed by members – which is the case in this instance. The issue of One Association has arrived

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at the stage of a ballot after repeated Conference resolutions calling for a single Association. It is not in the interests of the Association to prepare a case which cuts across the wishes and resolutions of the majority of our members.

Q: *How many voting delegates does my Council have for the secret postal ballot?*

A: The numbers are calculated under the current rules of each Association, so for:

- Shires Association members, each has one voting delegate, and for
- Local Government Association Members it depends on the member's population, and is calculated in accordance with the following scale:

Group No.	Population	Delegates
1	Less than 10,000	1
2	10,000 - 20,000	2
3	20,000 - 50,000	3
4	50,000 - 100,000	4
5	100,000 - 150,000	5
6	Over 150,000	7
7	County councils	2
8	Aboriginal Land Council	27

(To independently determine a Council's population see the latest release of Australian Bureau of Statistics publication 3218.0)

Q: *Can Associate members vote?*

A: No, only ordinary members can vote in the secret ballot. The Fair Work (Registered Organisations) Act treats this ballot the same as if it was a ballot for the election of members of the Executive.

Q: *How does voting work under One Association:*

A: One of the key principles to come from the One Association Convention held in August 2010 was to enshrine the concept that the overall voting numbers of the rural/regional area would be the same as the overall voting numbers of the Metropolitan/Urban areas. This was covered as Principles 4 and 5, and was, with the other Principles ratified by subsequent Conferences of both Associations. These Principles say:

- 4 *"For the purpose of voting for the Board of Directors, each region will have an equal number of votes, which will be distributed proportionally on a basis to be determined among those ordinary member councils who fall within that region, with all ordinary member councils receiving at least one vote."*
- 5 *"For the purpose of voting on motions at Conference, each region will have an equal number of votes, which will be distributed proportionally on a basis to be determined among those ordinary member councils who fall within that region, with all ordinary member councils receiving at least one vote."*

The voting arrangements satisfy the overarching requirements of equality among the regions. What this means in effect is that councils in the same region with similar populations will have the same number of votes, but this will not always be the case for similar sized councils in different regions. The reason for this is the difference in council numbers between the regions, the Rural/Regional Region has 114 general purpose Councils, 10 County Councils and 8 Regional Aboriginal Lands Councils. The Metropolitan/Urban Region has 38 general purpose Councils, 2 County Councils and 1 Regional Aboriginal Lands Council. Due to the larger number of Councils in the Rural/Regional Region additional votes needed to be allocated to the Councils in the Metropolitan/Urban Region to balance the overall voting numbers.

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Q: *But is this "fair"*

A: The One Association rules have been developed to ensure equity across the membership in a number of ways. Importantly, the One Association rules provide that only Rural/Regional voting delegates are able to vote for the 10 Rural/Regional Board members and the Rural/Regional Vice President in the same way that only Metropolitan/Urban voting delegates are able to vote for the 10 Metropolitan/Urban Board members and the Metropolitan/Urban Vice President. It makes no difference if a Metropolitan/Urban Council with the same population has a different number of voting delegates to a Rural/Regional Council with a similar population as they won't be voting for the same candidates in the same elections.

For the positions of President and Treasurer both regions have the same number of votes in total. This will allow for these positions be popularly elected overall – however, the rules also ensures that the position of President must alternate between the Metropolitan/Urban and Rural/Regional areas. This further enhances the equity.

Similarly with Conference motions, both Regions have the same overall numbers. This provides for Association policy to be made which has the sanction of the majority of members, and ensures that no Region can dominate the other.

Q: *What about the Assets of my current Association?*

A: The assets of both Associations will be merged together on the amalgamation date. Neither Association will be financial detrimentally affected in any consequential way by this merger. To illustrate this we need to use the last full year's financial statements, 2010/2011 which showed the total equity of each Association as follows:

	Total Equity (\$)	% Equity	Subscriptions \$	% Subscriptions
<b>LGA</b>	19,015,275	66.19	2,876,208	65.77
<b>SA</b>	9,713,269	33.81	1,496,629	34.23
<b>Total Combined</b>	<b>28,728,544</b>	<b>100.00</b>	<b>4,372,837</b>	<b>100.00</b>

The Associations' Rules (and the rules for the new One Association) provide that if the Association is dissolved any surplus funds are paid to the members in the proportion which each member's subscription for the year bears to the total amount of subscriptions for that year.

What this means is that had the Associations dissolved at the end of the 2010/11 financial year the members of each Association would have received in total the complete equity of their Association, that is, for the LGA members 100% X \$19,015,275 and for the SA 100% X \$9,713,269.

If the Associations had merged and immediately dissolved at the end of the 2010/11 financial year:

LGA members would have received: 65.77% of \$28,728,544 = \$18,894,763  
 SA members would have received: 34.23% of \$28,728,544 = \$9,833,781

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The overall affect would be:

	No Merge \$	Merge \$	Difference \$
LGA	19,015,275	18,894,763	(120,512)
SA	9,713,269	9,833,781	120,512
<b>Total Combined</b>	<b>28,728,544</b>	<b>28,728,544</b>	<b>0</b>

For this example, at this point in time, the LGA members combined would be "worse off" by \$120,512 on dissolution, and SA members combined would be "better off" by the same amount. On an individual Council basis Association's calculations have shown the "worse off" Councils range in dollar terms from (\$43.05) to (\$2,202.46) while the "better off" Councils range in dollar terms from \$165.47 to \$2,457.64. As the combined difference represents less than half a percent of overall total equity ( $\$120,512/\$28,728,544 \times 100 = .419\%$ ) it is not considered significant.

**Recommendation:**

That Councillor/s [REDACTED] be nominated as Councils voting delegates to take part in the forthcoming secret postal ballot to deal with the matter of One Association, and that their names and personal postal addresses be forwarded to the Associations to form the Roll of Voters.

## Finance Report No. F10/12



**Subject:** Investment Report - April 2012 –  
Additional Information.

**Folder No:** F2004/06527

**Author:** Greg Byrne, Manager Financial Operations

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### Introduction

The Local Government (General) Regulation requires a written report to be provided 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.

### 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 12 January 2011. The Local Government (General) Regulation prescribes the records that must be maintained in relation to Council's investments.

The table in this report titled "Investment Register – April 2012" outlines the investment portfolio held by Council as at the end of April 2012. All investments have been made in accordance with the Act, Regulations and Council's Investment Policy.

### Investment Commentary

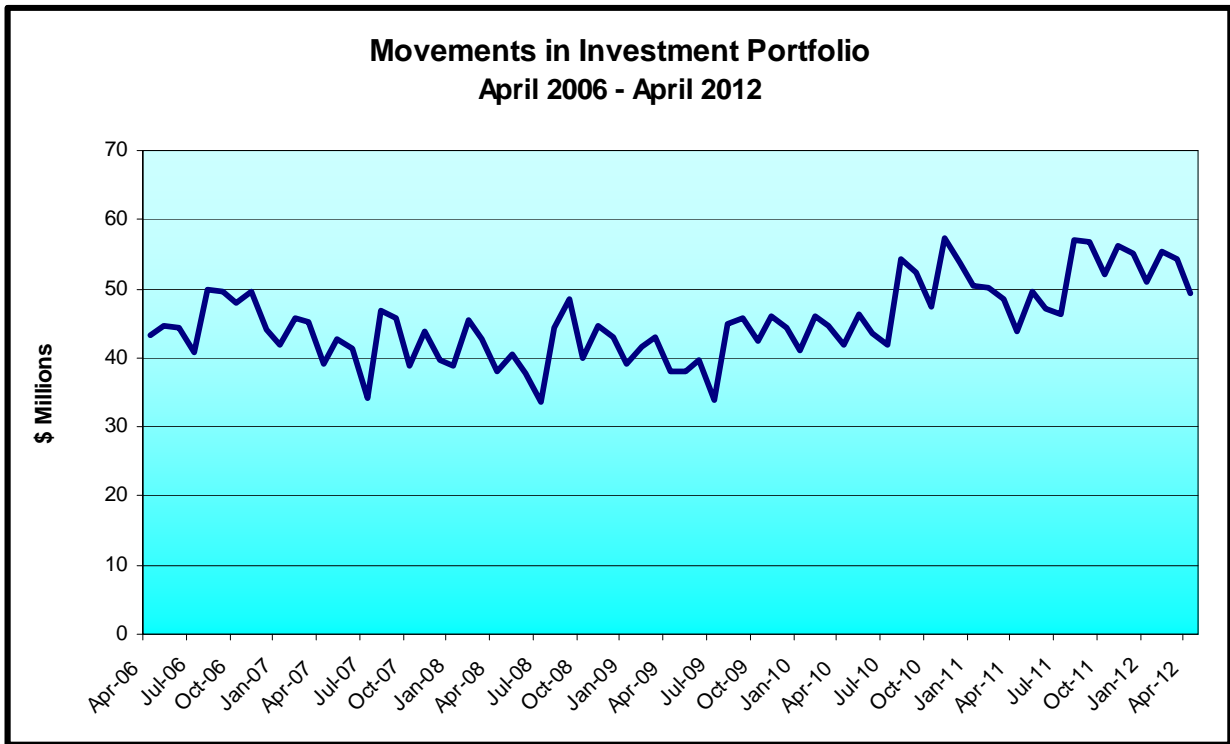
The size of the investment portfolio may vary significantly from month to month as a result of cash flows for the period. Cash outflows (expenditure) are typically relatively stable from one month to another. Cash inflows (income) are cyclical and are largely dependent on the rates instalment due dates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

Expenditure during the period was incurred for capital works, payroll and miscellaneous expenses. Main income sources were rates income, grants and miscellaneous fees and charges.

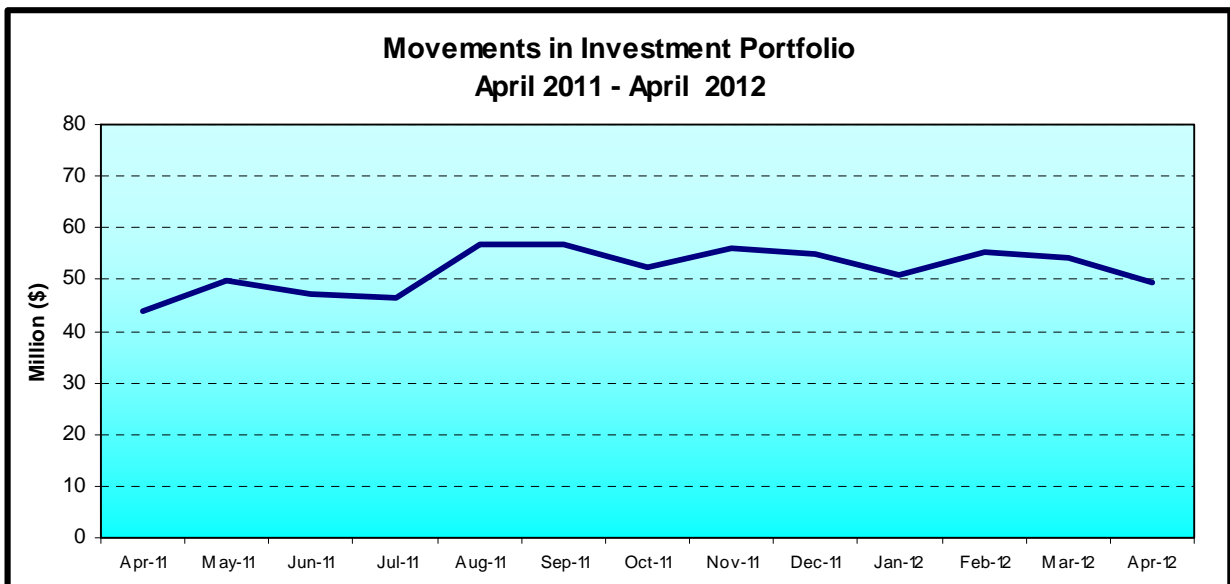
The investment portfolio decreased by \$4.769 million during April 2012. The decrease is representative of negative cash flow for the month as expenditure exceeded income.

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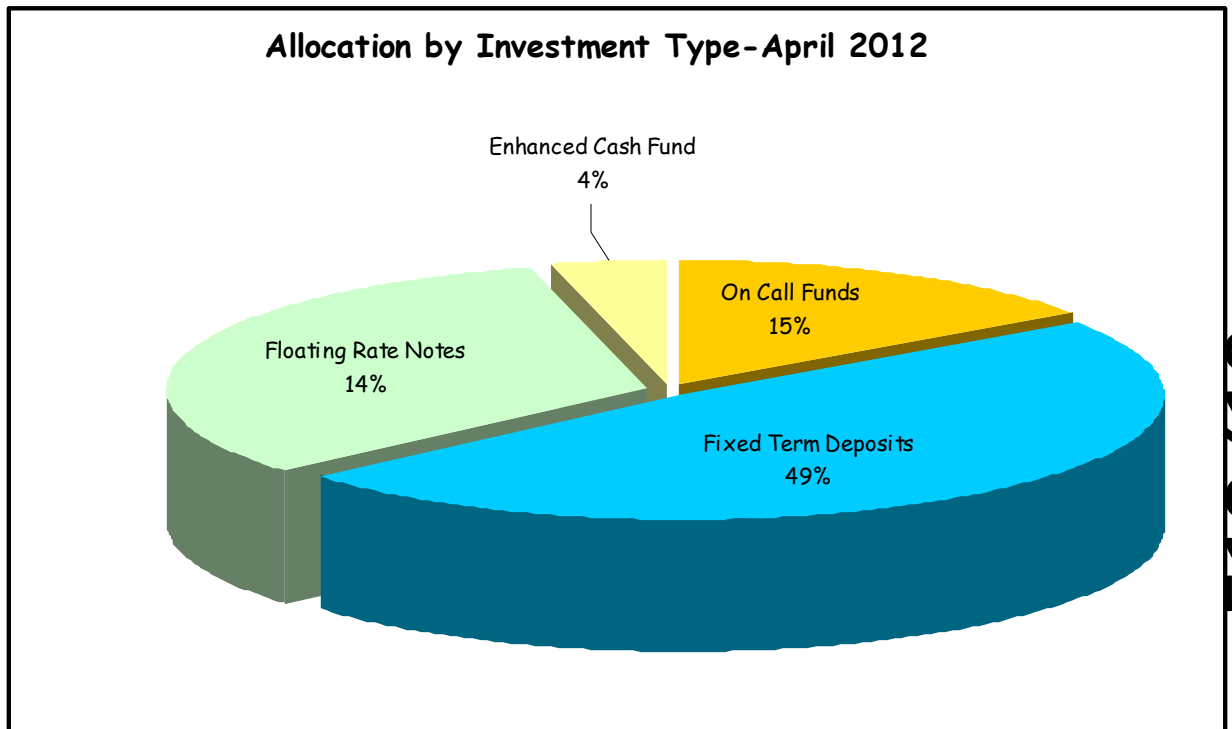
The above graph illustrates the movement in the investment portfolio from April 2006 to April 2012. Peaks are representative of the rates instalment periods.



The above graph illustrates the movement in the investment portfolio for the past twelve months.

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.

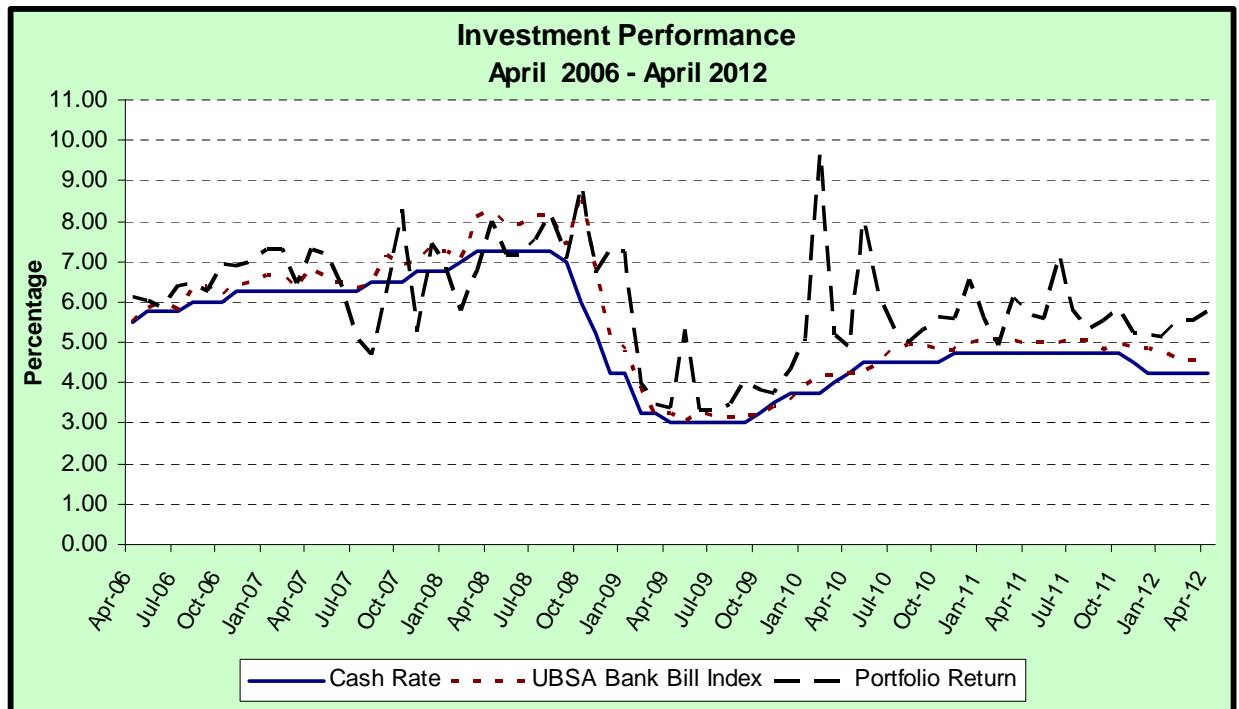
The following graph indicates the allocation of investment types held at the end of April 2012.



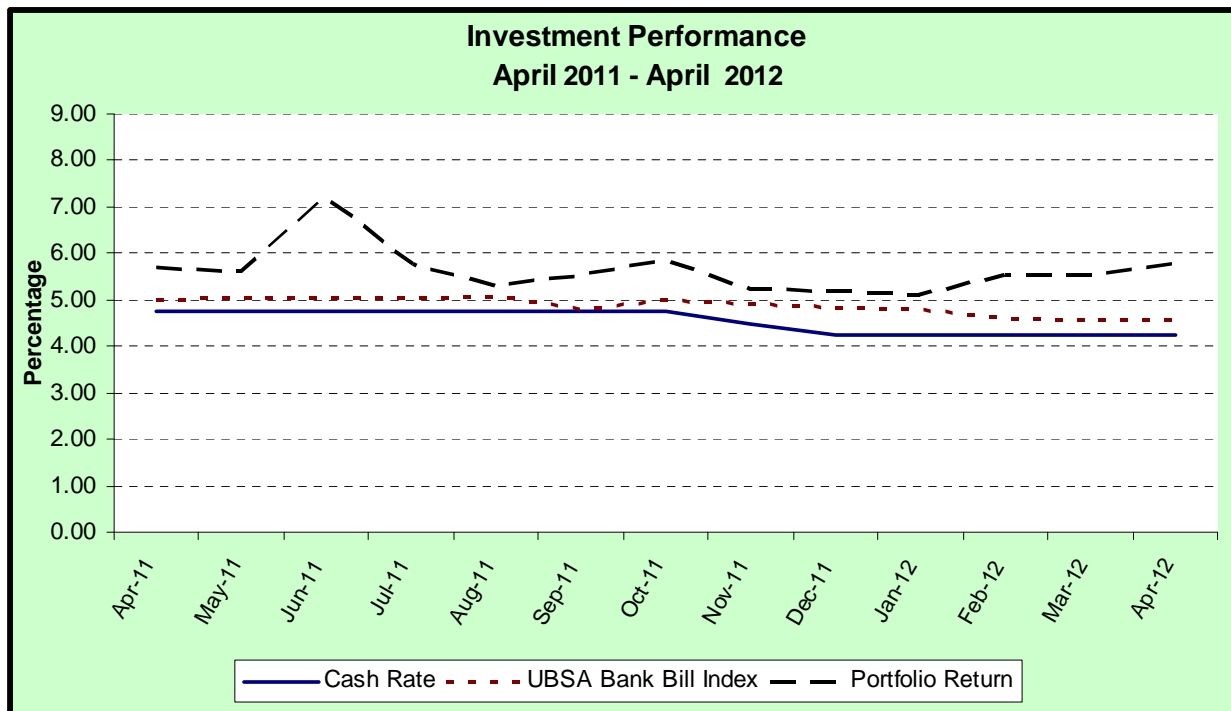
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The investment portfolio is regularly reviewed in order to maximise investment performance and minimise risk. Comparisons are made between existing investments with available products that are not part of Council's portfolio. Independent advice is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

The following graph shows the investment returns achieved against the UBS Bank Bill Index and the official Reserve Bank of Australia (RBA) cash interest rate for the period April 2006 to April 2012.



The following graph shows the investment returns achieved against the UBS Bank Bill Index and the official Reserve Bank of Australia (RBA) cash interest rate for the previous twelve months.



Investment performance for the financial year to date is above the industry benchmark UBS Australian Bank Bill Index with an average return after fees of 5.77%, compared with the benchmark index of 4.57%.

The official Reserve Bank of Australia (RBA) cash interest rate is currently 4.25%.

### Ministerial Investment Order

In late 2007, the NSW Government commissioned a review of NSW local government investments. The review, known as the Cole Report included eight recommendations that were all adopted by the NSW Government and incorporated into the Ministerial Investment Order dated 31 July 2008. This Ministerial Investment Order included transitional arrangements that allow councils to continue to hold investments that were made in compliance with the previous Ministerial Order dated 15 July 2005. Council's investment portfolio contains a number of investments that fall into this category including both Managed Funds and Structured Products.

A revised Investment Order was issued on the 12 January 2011, which replaces the Order dated 31 July 2008 and includes changes that:

- remove the ability to invest in the mortgage of land;
- remove the ability to make a deposit with the Local Government Financial Services Pty Ltd;
- and includes the addition of "Key Considerations", with a comment that a council's General Manager, or any other staff, with delegated authority by a council to invest in funds on behalf of the council must do so in accordance with the council's adopted investment policy.



## Managed Funds

Investment	Product Type	Credit Rating	Par Value	Market Value
Blackrock Care & Maintenance Fund	Collective Investment	Not Rated	1,929,600	1,923,162

The majority of investments held in managed funds were matured back in 2007 during the start of the Global Financial Crisis. Funds are still held in the Blackrock Care & Maintenance Fund that was created following the closure of the Blackrock Diversified Credit Fund. This new fund is referred to as a "Collective Investment" and is closed to any new deposits or withdrawals. Proceeds of the fund are distributed to investors as the underlying investments reach maturity or the fund manager considers it an opportune time to sell the investments at current market rates. The purpose of the fund is to limit the financial losses that would have occurred if the underlying assets were sold at market prices at the time that the original fund was wound up.

The fund is held by a custodian (UBS Wealth Management Aust) in an account in Council's name. The fund manager issued the following comment in May 2011 concerning the maturity duration of the fund:

*"In regards to the securities held within the Care & Maintenance Fund the longer dated maturities in the fund tend to be either subordinated bank debt with callable dates well before their stated maturity . . . At this stage adopting a conservative approach we can expect the fund to run maybe a further 5 years."*

Council's investment advisors CPG Advisory have indicated that they expect much of the assets will pay down within a couple of years. The likelihood is that a rump of assets will be sold at some point rather than the fund run down to zero over many years.

The Blackrock value in this report is the value as at the 31 March as value as at the 30 April 2012 was unavailable at the time of writing.

## Floating Rate Notes

The investment portfolio includes \$16.007 million in floating rate notes (FRN).

The Royal Bank of Scotland FRN was purchased at a capital price of \$2,025,000.00. The premium of \$25,000 is being amortised on payment of the quarterly coupons. The life to date amount amortised is \$22,754.01 bringing the book value to \$2,002,245.99.

The National Australia Bank FRN was purchased at a capital price of \$3,006,360.00, the premium of \$6,360.00 will be amortised on payments of the quarterly coupons. The amortised amount to date is \$1,483.70 bringing the book value to \$3,004,876.29

A Macquarie Bank FRN was purchased on 13 March 2012 for the amount of \$2,000,000.00 with a trading margin of 1.9%.

The balance of the FRN's is held by the CBA for \$4,000,000.00, the Bank of Scotland for \$1,000,000.00 and Westpac for \$4,000,000.00.

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**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**

Funds are invested with the aim of achieving budgeted income in 2011-12 and outperforming the UBS Australian Bank Bill Index over a 12 month period. The current revised budget provision for income from this source is \$2,391,411.00. Investment income to 30 April 2012 amounted to \$2,489,573.49.

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Following is the detailed Investment Report – April 2012

Investment Register - April 2012								
Investment	Credit Rating	Investment Amount as at 1 April 2012	Monthly Movements	Investment Balance as at 30 April 2012	Investment Book Value	Date Invested	Maturity Date	Interest Rate
<b>On Call Funds</b>								
Commonwealth Bank Business Online Saver Account	AA	1,809,726	2,273,418	4,083,144	4,083,144	Various	NA	RBA Cash Rate
AMP Easysaver	AA	3,400,000	0	3,400,000	3,400,000	Various	NA	5.10%
<b>Term Deposits</b>								
RaboDirect	AAA	1,000,000		1,000,000	1,000,000	21/03/2011	21/03/2016	7.15%
RaboDirect	AAA	1,000,000	0	1,000,000	1,000,000	20/06/2011	19/06/2013	6.70%
AMP Bank Ltd	A	1,000,000	0	1,000,000	1,000,000	19/07/2011	19/06/2013	6.60%
AMP Bank Ltd	A	1,000,000	0	1,000,000	1,000,000	8/08/2011	8/08/2012	6.30%
RaboDirect	AAA	1,000,000	0	1,000,000	1,000,000	9/08/2011	13/02/2013	6.30%
NAB	AA	3,000,000	0	3,000,000	3,000,000	2/09/2011	27/06/2012	5.70%
Arab Bank	A-	2,000,000	0	2,000,000	2,000,000	16/11/2011	14/11/2012	5.80%
ING Bank	A+	1,000,000	0	1,000,000	1,000,000	21/11/2011	16/05/2012	5.64%
Macquarie Bank	A	1,000,000	0	1,000,000	1,000,000	21/11/2011	23/05/2012	5.65%
Suncorp Bank	AA	1,000,000	-1,000,000	0	0	29/11/2011	27/04/2012	6.05%
NAB - Flexi Deposit	A	2,000,000	0	2,000,000	2,000,000	29/11/2011	29/11/2012	5.85%
ING Bank	A+	2,000,000	-2,000,000	0	0	2/12/2011	4/04/2012	5.75%
Bankwest	AA	2,000,000	-2,000,000	0	0	5/12/2011	11/04/2012	5.76%
Bankwest	AA	2,000,000	-2,000,000	0	0	12/12/2011	18/04/2012	5.95%
ING Bank	A	2,000,000	0	2,000,000	2,000,000	21/02/2012	15/08/2012	6.00%
Members Equity Bank	BBB	2,000,000	0	2,000,000	2,000,000	28/02/2012	6/06/2012	5.95%
Bank of Qlds	BBB	2,000,000	0	2,000,000	2,000,000	28/02/2012	25/07/2012	5.85%
ING Bank	A	1,000,000	0	1,000,000	1,000,000	28/02/2012	4/07/2012	5.82%
Suncorp Bank	A	2,000,000	0	2,000,000	2,000,000	20/03/2012	18/07/2012	5.84%
CUA	BBB	1,000,000	0	1,000,000	1,000,000	20/03/2012	7/11/2012	6.00%
<b>Floating Rate Notes</b>								
Commonwealth Bank Floating Rate Note	AA	2,000,000	0	2,000,000	2,000,000	14/07/2009	14/07/2014	90 day BBSW plus 145 bpts
Royal Bank of Scotland - Floating Rate Note	AA	2,000,000	0	2,000,000	2,002,246	4/09/2009	15/06/2012	90 day BBSW plus 225 bpts
Bank of Scotland - Floating Rate Note	AA	1,000,000	0	1,000,000	1,000,000	10/09/2010	10/09/2012	90 day BBSW plus 175 bpts
NAB - Floating Rate Note	AA	3,004,876	0	3,004,876	3,004,876	29/06/2011	21/06/2016	90 day BBSW plus 112 bpts
CBA - Floating Rate Note	AA	2,000,000	0	2,000,000	2,000,000	2/08/2011	2/08/2016	90 day BBSW plus 117 bpts
Westpac FRN (Bond Covered)	AAA	4,000,000	0	4,000,000	4,000,000	6/02/2012	6/02/2017	90 day BBSW plus 165 bpts
Macquarie Bank	A	2,000,000	0	2,000,000	2,000,000	12/03/2012	13/03/2014	90 day BBSW plus 190 bpts
<b>Managed Funds</b>								
Blackrock Care & Maintenance Fund *	A	1,929,600		1,929,600	1,923,162	31/10/2008	NA	Variable
UBS CMT - Blackrock Distribution	A	44,283	-42,327	1,956	1,956	30/07/2009	NA	RBA Cash Rate plus 0.05%
<b>Totals</b>								
<b>Total</b>		<b>54,188,486</b>	<b>-4,768,909</b>	<b>49,419,576</b>	<b>49,415,384</b>			
<b>Indices</b>								
Reserve Bank of Australia (RBA) Official Cash Rate	4.25%	UBS Australian 90 day Bank Bill Index		4.57%	Portfolio Return		5.77%	
* Originally invested in Feb 2005 under the Merrill Lynch Diversified Fund which became the Blackrock Diversified Fund in August 2007.								

**Conclusion**

All investments as at 30 April 2012 have been made in accordance with Council Investment Policy. All investments meet the requirements of s625 of the Local Government Act and the Local Government (General) Regulation.

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.

**Recommendation**

That the investment report for April 2012 be received and noted.

**Attachment/s:**

Nil

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