

# Kogarah City Council

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12 February 2016

## **GOVERNANCE AND CORPORATE SERVICES WORKING PARTY MEETING**

Council will hold its next Governance and Corporate Services Working Party Meeting in the Council Chambers, 2 Belgrave Street, Kogarah on Monday, 15 February 2016, commencing at 6:00pm.

I enclose your Agenda for the Meeting.



Paul Woods  
**General Manager**

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### **AGENDA:**

#### **A. Apologies**

#### **B. Disclosures of Interest**

#### **C. Reports from Officers**

C1. Monthly Budget Review to 31 December 2015 and Quarterly Budget Review Statement to 31 December 2015 .....	1
C2. Monthly Budget Review for January 2016.....	3
C3. Quarterly Investment Report to 31 December 2015.....	5
C4. St George Men's Shed - Lease Agreement .....	9
C5. Review of Council's Policies .....	11

#### **D. Closed Session**

D1. Confidential Item - Staff Movements .....	13
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### **Members of the Working Party**

Cr Nathaniel Smith (Chairperson)  
Cr Nick Katris  
Cr Kathryn Landsberry  
Cr Lachlan McLean  
Cr Jacinta Petroni  
Cr Michael Platt  
Cr Sam Stratikopoulos  
Cr Annie Tang (Deputy Mayor)

Paul Woods (General Manager)  
Evan Hutchings (Director Governance and  
Corporate Services)  
John Maunder (Chief Financial Officer)

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# Kogarah City Council

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**To attend as required**

Cathryn Bush (Manager Governance)  
Alison Hester (Manager Human Resources)

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**Item C1: Monthly Budget Review to 31 December 2015 and Quarterly Budget Review Statement to 31 December 2015****Author:** Evan Hutchings - Director Governance and Corporate Services (JM)**Reason for report:** To provide an update on the status of the monthly budget review conducted to 31 December 2015 and to provide a Quarterly Budget Review Statement to 31 December 2015.**Recommendation:**

- a) That the proposed budget variations described in this report be adopted with the variations decreasing unrestricted working funds by \$1,041 and increasing restricted working funds by \$27,463.
  - b) That the Quarterly Budget Review Statement be received and noted.
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**Background**

1. Council requires that budget reviews be undertaken and reported on a monthly basis.
2. As part of the Office of Local Government's integrated planning and reporting requirements councils are required to produce Quarterly Budget Review Statements. The Office of Local Government has provided templates for the minimum requirements for information to be provided.
3. Although councils had previously been required to provide budget updates on a quarterly basis, the presentation of that information varied from council to council. These new minimum requirements will allow for more meaningful comparisons of different councils' financial positions.
4. Kogarah City Council had exceeded the previous legislative requirement by producing budget updates on a monthly rather than quarterly basis. Monthly budget reviews will continue to be conducted with additional financial information, required by these new reporting requirements, being provided on a quarterly basis.

**Findings**

5. A review of Council's budget up to 31 December 2015 has identified some proposed variations to existing budgets. Further details of the budget variations proposed, as well as monthly key performance indicators are annexed to this report (refer Monthly Budget Reviews).
6. In brief, the budget variations are summarised as follows:
  - The forecast unrestricted budget expenditure has decreased by \$1,041 being completion of capital works projects for Oatley Pleasure Grounds new shark net (\$70), Donnelly Park pontoon replacement (\$604), street tree removals (\$69), Wyong St new footpath (\$70), Kyle Pde footpath (\$228); and

**Item C1 (cont.)**

- The forecast restricted budget expenditure has decreased by \$27,463 being the completion of the 27 Joffre St demolition project under budget.

**Financial Comment**

7. Council has been operating within budget for the month of December 2015.
8. After reviewing the budget figures to date, Council's yearly forecasts should be achieved.
9. Council's projected level of available working funds at year-end remains in a satisfactory position as at 31 December 2015.
10. One of Council's key performance measures is maintaining a surplus in its forecast unrestricted working funds result.
11. If the variations in this report are adopted and taking into account variations already adopted by Council, the forecast unrestricted budget result will be in surplus by \$33,942.
12. Council has still maintained uncommitted unrestricted working funds greater than five percent (5%) of operating income for unforeseen circumstances in accordance with Council's long-term financial plan.
13. All of Council's investments have been made in accordance with the Local Government Act (NSW) 1993, the Local Government (General) Regulations 2005, Council's Investment Policy and Council's Investment Strategy.

**Operational Plan Budget**

14. No net impact on Council's working funds.

**Attachments/Annexures**

<a href="#">1</a>	Monthly Budget Review to 31 December 2015	9 Pages	Annexure
<a href="#">2</a>	Quarterly Budget Review Statement to 31 December 2015	10 Pages	Annexure

**End of Report**

**Item C2: Monthly Budget Review for January 2016****Author:** Evan Hutchings - Director Governance and Corporate Services (JM)**Reason for report:** To provide an update on the status of the monthly budget review conducted for the month to 31 January 2016.**Recommendation:**

That the proposed budget variations, described in the report, be adopted with the variations having no net impact on Council's working funds.

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**Background**

1. Council requires that budget reviews be undertaken and reported on a monthly basis.

**Findings**

2. A review of Council's budget up to 31 January 2016, has identified some proposed variations to existing budgets. Further details of the budget variations proposed as well as monthly key performance indicators are annexed to this report.
3. In brief, the budget variations are summarised as follows:
  - The forecast restricted budget income has increased by \$50,500 being forecast grant income for library community heritage grant (\$4,500); and Carss Park seawall grant (\$46,000); and
  - The forecast restricted budget expenditure has increased by \$50,500 being the expenditure of grant funds for library community heritage grant (\$4,500); and Carss Park Seawall (\$46,000)

**Financial Comment**

4. Council has been operating within budget for the month to 31 January 2016.
5. After reviewing the budget figures to date, Council's yearly forecasts should be achieved.
6. The Council's projected level of available working funds at year-end remains in a satisfactory position as at 31 January 2016.
7. One of Council's key performance measures is maintaining a surplus in its forecast unrestricted working funds result.
8. Taking into account variations already adopted by Council, the forecast unrestricted budget result will be in surplus by \$33,942.
9. Council has still maintained uncommitted unrestricted working funds greater than five percent (5%) of operating income for unforeseen circumstances in accordance with Council's long-term financial plan.

**Item C2 (cont.)**

10. All of Council's investments have been made in accordance with the Local Government Act (NSW) 1993, the Local Government (General) Regulation 2005, Council's Investment Policy and Council's Investment Strategy.

**Operational Plan Budget**

11. No net impact on Council's working funds.

**Attachments/Annexures**

<a href="#">1</a>	Monthly Budget Review to 31 January 2016	9 Pages	Annexure
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**End of Report**

**Item C3: Quarterly Investment Report to 31 December 2015****Author:** Evan Hutchings - Director Governance and Corporate Services (JM)**Reason for report:** To review the independent investment advisors quarterly report on Council's investment portfolio.**Recommendation:**

That the quarterly investment report to 31 December 2015 from CPG Research and Advisory Pty Ltd be received and noted.

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**Background**

1. Council uses the services of CPG Research and Advisory Pty Ltd (CPG) to provide independent financial advice.
2. All investment decisions are ultimately made by Council. CPG Research and Advisory Pty Ltd do not act as intermediaries when investments are purchased and Council maintains ownership of investments at all times.
3. CPG Research and Advisory Pty Ltd produce a quarterly investment report for Council that provides the following information:
  - A review of Council's investment portfolio as at the end of each quarter;
  - A review of conformity to Council's adopted investment policy and strategy;
  - A review of different investment types;
  - A review of current economic conditions; and
  - Recommendations for future investment portfolio requirements.
4. Recommendations contained in the report will be considered as the investments mature or new funds become available whilst ensuring compliance with Council's adopted investment policy and strategy.

**Report Summary**

5. Council's investment portfolio has been reviewed and compared to the limits set out in Council's Investment Policy Statements with the following outcomes:
  - Credit Quality – Using the ratings assigned by rating agencies to each of the investments in Council's investment portfolio. Limits have been set as to what percentage of Council's investment portfolio can be invested in different rating categories. CPG has concluded that Council's investment policy is of high quality with 71% of the portfolio rated "A" or higher.

## Item C3 (cont.)

- Counterparty – Looks at how much Council has invested in any one investment institution. Council again has limits set up in its investment portfolio for how much can be invested in a single institution. CPG indicates that Council does not have too high a percentage of its investment portfolio invested with one institution. There is a high diversity of institutions that Council is invested with.
  - Term to Maturity – Looks at how long before each of Council's investments will mature. Generally Council needs to have money available when it is required to be spent. Council tries to spread the maturity dates of investments. This helps to mitigate the effect of changing interest rates on Council's investment income. There is some flexibility within the limits to allow Council to lengthen or shorten the average maturity dates of investments. The weighted average maturity of Council's investments is about twelve months. Council's longer maturing investments have provided some protection against the current low interest rate environment. Council has 33% of its investments maturing within three months and an additional 23% of investments maturing within twelve months. Maturity dates of investments are also reviewed to ensure funds are available to meet the operational cash needs of Council. In addition Council has a further 23% of its portfolio invested in Floating Rate Notes (FRNs). There is a secondary market for these products allowing for additional liquidity if it is required.
  - Asset class – Relates to the types of investment products within Council's investment portfolio. The Minister's guidelines are fairly restrictive in the types of investment products Council can invest in. The majority of Council's investment portfolio is invested in term deposits (about 54% of total portfolio). However, there is currently less value in new term deposits and Council has begun shifting its investment focus towards other investments such as floating rate notes. Floating rate note investments are currently providing greater yield opportunities and liquidity than term deposits.
6. At the end of the quarter Council's investment portfolio returns were averaging an excellent 3.73% per annum. This is around 1.7% above the official cash rate, at that time, set by the Reserve Bank of Australia (RBA) and exceeds the current interest rates available on comparable investments today. During the quarter the RBA kept official interest rates at 2.00% per annum. Further reductions in official interest rates are possible however market consensus is that official interest rates will remain on hold at 2% for the foreseeable future. Council's outperformance against benchmark is a result of strategy decisions made over several years. Council still has five separate deposits in the portfolio with an interest rate greater than 5% per annum.
7. Council's investment portfolio returns are expected to be lower over the next twelve months. This is due to Council having to reinvest, as funds mature, at lower rates than were available for the maturing investments. Having lengthened the maturity dates on Council investments (within policy limits), Council will have some protection against the current low interest rate environment. However, interest income returns are expected to be subdued over the next few years.



**Item C3 (cont.)**

8. Current rates for term deposits continue to fall, providing less value for this type of investment. Council will aim to take advantage of any opportunistic rates that become available if they fit within policy limits and investment strategy. Currently there is less of a comparative value for term deposits as opposed to floating rate notes. Council has shifted its focus from term deposits to the more favourable floating rate note investments.
9. Over the next quarter Council has \$5.5m of investments maturing. Council's investment portfolio has a good spread of maturity dates for its investment with a high proportion of Council investments maturing in 2016 and beyond. Council's maturity limits provide plenty of scope for investment terms of 2-5 years.
10. The Reserve Bank of Australia left official interest rates at 2.00% per annum during the quarter. The market is factoring in potential official rate reductions likely in the middle of 2016. The RBA is providing little guidance on the future of official interest rates through their monthly commentary. Previously the RBA neutral position for official interest rates (where monetary policy is not providing any stimulation or contraction to the economy) was 4% per annum. This may need to be recalibrated to somewhere around 3.5% per annum given the new low interest rate environment. Fears for a housing bubble in Sydney and Melbourne eased during the quarter and provides scope should the RBA decide to reduce official interest rate in the future. The market is not expecting significant movement back towards a neutral interest rate stance until 2017.
11. Council has a number of bonds and floating rate notes (FRNs) that provide a fixed interest margin over the three month cash rate. These investments can be traded on a secondary market. The market value of Council's bonds and FRNs will depend on current interest rates on these products. If the interest rate margin falls compared to Council's investment then the value of Council's investment will increase and vice versa. The unrealised capital gain for Council of these investments as at 31 December 2015 was approximately \$2,280.
12. Council still invests in two managed cash funds that are grandfathered under current Ministerial investment orders. These funds have a fund manager who buy and sell cash assets on behalf of the unit holders. These investments are no longer available to councils but were grandfathered to ensure there were no losses during the global financial crisis due to forced selling. These funds provide excellent liquidity, diversity for the portfolio. Despite movements in the value of these funds, providing unrealised capital gains and losses when looked at on a month to month basis, the underlying yield of these funds continues to be very competitive to other cash products in Councils portfolio. Council cannot add to the funds in these investments and Council monitors the funds regularly to determine the optimum point at which to exit these funds. CPG has recommended that the Macquarie managed fund be retained by Council and the Henderson managed fund be sold should liquidity needs arise. However, the sale of the Henderson managed fund would be a lower priority sale for liquidity purposes than other investments in the portfolio.

Item C3 (cont.)

**Operational Plan Budget**

13. No budget impact for this report.

**Attachments/Annexures**

<a href="#">1</a>	Quarterly Investment Report to 31 December 2015	44 Pages	Annexure
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**End of Report**

**Item C4: St George Men's Shed - Lease Agreement****Author:** Andrew Sharp - Director Assets and Services**Reason for report:** To seek endorsement for the establishment of a lease agreement between Kogarah City Council and St George Men's Shed for the use of the observation deck building at Carss Bush Park.**Recommendation:**

That a lease be granted to the St. George Men's Shed for a period of ten years for the use of the observation deck building at Carss Bush Park, subject to compliance with the requirements of the Local Government Act.

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**Background**

1. At the meeting of 26 October 2015, Council considered a report regarding the refurbishment of the observation deck building at Carss Bush Park for the purpose of accommodating St George Men's Shed. Council subsequently resolved (Min No. 135/2015):

*"That the improvements to the observation deck building at Carss Bush Park for a Men's Shed be approved."*

**Design, Development Application and Works**

2. Following the structural assessment of the building, a detailed design was prepared by architectural consultants "Designs for Living". A Development Application for the required work and the change of use of the building to "community facility" was lodged on 13 August 2015 (DA No. 162/2015) and consent was subsequently granted on 20 August 2015.
3. Quotations were sourced for the required works and they are now nearing completion, including the reconstruction of the floor slab and external walls, provision of unisex toilet facilities, and extensive internal electrical and plumbing works.

**Lease Agreement**

4. St George Men's Shed have requested that a lease agreement be established with Kogarah City Council to ensure their ongoing tenure of the facility. Section 46 of the Local Government Act, 1993 (the Act) provides for the establishment of such leases over facilities on community land, providing that express authorisation is given in the applicable plan of management. The Carss Bush Park & Todd Park Plan of Management, adopted in 2004, makes such provisions.

**Item C4 (cont.)**

5. Section 47 of the Local Government Act states that if a council proposes to grant a lease, licence or other estate in respect of community land for a period (including any period for which the lease, licence or other estate could be renewed by the exercise of an option) exceeding 5 years, it must:
- (a) give public notice of the proposal; and
  - (b) exhibit notice of the proposal on the land to which the proposal relates; and
  - (c) give notice of the proposal to such persons as appear to it to own or occupy the land adjoining the community land; and
  - (d) give notice of the proposal to any other person, appearing to the council to be the owner or occupier of land in the vicinity of the community land, if in the opinion of the council the land the subject of the proposal is likely to form the primary focus of the person's enjoyment of community land.

Any person may make a submission in writing to the council during the period specified for the purpose in the notice and the council must consider all submissions duly made to it.

6. St George Men's Shed has requested a lease period of not less than ten years.

**Comment**

7. Men's Shed is a community-based, non-profit, non-commercial organisation that is accessible to all men and whose primary activity is the provision of a safe and friendly environment where men are able to work on meaningful projects at their own pace, in their own time, in the company of other men. A major objective is to advance the well-being and health of their male members by being productive and valuable to the community, connecting with friends and maintaining an active body and mind.

**Conclusion**

8. It is recommended a lease be granted to the St. George Men's Shed for a period of ten years for the use of the observation deck building at Carss Bush Park, subject to the process of notification, as outlined in paragraph 5 above.

**Operational Plan Budget**

9. No budget impact for this report.

**Attachments/Annexures**

Nil.

**End of Report**

**Item C5: Review of Council's Policies****Author:** Evan Hutchings - Director Governance and Corporate Services (CB)**Reason for report:** To review and update Council's policies.**Recommendation:**

That the Library Membership Policy annexed to the report be adopted.

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**Background**

1. Council has a program of reviewing its policies in the year following the election of a new Council. This review has been completed, however due to changes in legislation and circumstances, some policies are required to be reviewed in the interim.
2. The Library Membership Policy has been reviewed and updated with proposed amendments. The following paragraphs provide a background to the document and summarise the particular proposed changes:

**The Library Membership Policy**

3. The purpose of the Library Membership policy is to provide a framework for the management of Kogarah City Council's Library membership. The policy provides a framework for:
  - Who is eligible for individual, sponsored and institutional Library membership;
  - The process for becoming a Library member; and
  - The conditions, responsibilities and rights of Library membership.
4. The current policy was adopted in July 2009 and recently revised in August 2015.
5. The main objective of this policy is to provide a quality, customer-focused library service that is responsive to the informational, cultural, recreational and educational needs of the local community.
6. There have been several changes to this policy as outlined below:
  - New clause allowing Children aged 16 and over to join the library independently.
  - New reference to Conditions of Library use.
  - Revised statement of Library members' responsibilities and rights.
  - New statement of Library's responsibilities and rights.

**Item C5 (cont.)**

- New procedure for joining the Library  
Process for online membership application  
Process for parents of children  
Process for sponsored membership  
Process for organisations.
  - References to new policy throughout  
Library Children's Policy (currently draft)  
Library Public Computer Devices and WIFI internet Policy (currently draft).
  - References to updated policy throughout  
Kogarah Town Square Library and Cultural Centre Study Room Policy  
Kogarah Town Square Library and Cultural Centre Activity Room Policy  
Kogarah Town Square Library and Cultural Centre Exhibition Space Policy  
Library Collection Development Policy.
7. It is recommended that the Library Membership Policy annexed to the report be adopted.

**Operational Plan Budget**

8. Within budget allocation.

**Attachments/Annexures**

<a href="#">1</a>	Library Membership Policy	12 Pages	Annexure
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**End of Report**

**Item D1:**                    **Confidential Item - Staff Movements**  
**Author:**                    Paul Woods - General Manager (AH)  
**Reason for report:**    To advise of staff movements from 11 November 2015 to 9 February 2016.

Note: A confidential report on this matter has been sent to all Councillors separately.:

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Confidential Reason: Section 10A (2) (a) personnel matters concerning particular individuals.