

MINUTES

Strategic Financial Management Committee

MINUTES OF THE STRATEGIC FINANCIAL MANAGEMENT COMMITTEE MEETING

HELD ON

MEETING DATE



TUESDAY, 26 FEBRUARY 2008

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City of
Joondalup

CITY OF JOONDALUP

MINUTES OF THE STRATEGIC FINANCIAL MANAGEMENT COMMITTEE MEETING HELD IN CONFERENCE ROOM 3, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON TUESDAY, 26 FEBRUARY 2008

ATTENDANCE

Committee Members:

Cr Geoff Amphlett	<i>Presiding Person</i>	Central Ward	
Cr Russ Fishwick	<i>Deputy Presiding Person</i>	South Ward	<i>From 1817 hrs</i>
Mayor Troy Pickard			
Cr Tom McLean		North Ward	
Cr Brian Corr		South-East Ward	

Observers:

Cr Kerry Hollywood		North Ward
Cr Marie Macdonald		Central Ward

Officers:

Mr Garry Hunt	Chief Executive Officer
Mr Ian Cowie	Director Governance and Strategy
Mr Mike Tidy	Director Corporate Services
Mr Clayton Higham	Director Planning and Community Development
Mr Said Hafez	Manager Financial Services
Mr Bill Mulcahy	Senior Management Accountant
Ms Janet Harrison	Administrative Services Coordinator

DECLARATION OF OPENING

The Presiding Person declared the meeting open at 1810 hrs.

APOLOGIES/LEAVE OF ABSENCE

Apology – Cr John

CONFIRMATION OF MINUTES

MINUTES OF THE STRATEGIC FINANCIAL MANAGEMENT COMMITTEE
MEETING HELD ON 20 NOVEMBER 2007

MOVED Cr McLean, SECONDED Mayor Pickard that the minutes of the meeting of the Strategic Financial Management Committee held on 20 November 2007 be confirmed as a true and correct record.

The Motion was Put and

CARRIED (4/0)

In favour of the Motion: Crs Amphlett, McLean and Corr, Mayor Pickard.

ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

Nil.

DECLARATIONS OF INTEREST

Nil.

**IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY SIT BEHIND
CLOSED DOORS**

Nil.

PETITIONS AND DEPUTATIONS

Nil.

REPORTS

**ITEM 1 DRAFT STRATEGIC PLAN - RESULTS OF
CONSULTATION – [01529]**

WARD	All
RESPONSIBLE DIRECTOR:	Mr Ian Cowie Governance and Strategy

PURPOSE/EXECUTIVE SUMMARY

To provide feedback to the Strategic Financial Management Committee on the results of the consultation with respect to the draft Strategic Plan. These are presented so that committee members get an early understanding of the nature of the feedback received.

BACKGROUND

The Draft Strategic Plan 2008-2011 (Attachment 1) was endorsed for a community consultation period of 60 days at the Council Meeting on 28 August 2007 (CJ157 – 09/07 refers) which involved advertising the draft document and making copies available on the City's website (electronically); in all the City's libraries, at the customer service centres at the Joondalup Administration Building and the Whitford City Shopping Centre and by request. Members of the public were invited to use a feedback form to give their comments on the document.

Also at the Council Meeting of 28 August 2007, it was resolved that the consultation process would include consideration of "...the outcomes of a community workshop before final adoption of the Strategic Plan 2008 – 2011." A community workshop was scheduled for Wednesday 12 December 2007 but later cancelled.

DETAILS

Survey Responses

Nine submissions were received by the close of the consultation period on 5 November 2007. The results are summarised in Attachment 2 to this report. This shows the following levels of support for the draft plan.

Support for the draft Strategic Plan overall – 89%

Support for the Key Focus Areas:

- Leadership and governance – 78%
- The natural environment – 89%
- Community wellbeing – 89%
- Economic prosperity and growth – 78%
- The built environment – 78%

Community Workshop

In accordance with the resolution, a community workshop was scheduled for Wednesday 12 December 2007. 93 people were randomly selected from the City's databases and were sent a personalised invitation to attend. Of those invited, only 3 responses were received by the due date and they could not attend the workshop. Given the above, it is recommended that the draft Strategic Plan is referred to Council for adoption without further amendment or consultation.

OPTIONS

The Committee could recommend that either:

- The draft plan, as approved by Council for consultation, be adopted without further consultation;
- The City undertakes further consultation on the draft plan.

Link to Strategic Plan:

Not Applicable.

Legislation – Statutory Provisions:

Not Applicable.

Risk Management considerations:

Not Applicable.

Financial/Budget Implications:

Not Applicable.

Policy implications:

Not Applicable.

Regional Significance:

Not Applicable.

Sustainability implications:

Not Applicable.

Consultation:

As noted in report.

COMMENT

Nil.

ATTACHMENTS

Attachment 1	Draft Strategic Plan
Attachment 2	Consultation feedback to date

VOTING REQUIREMENTS

Simple Majority.

The Director Governance and Strategy provided an overview of the consultation process. Discussion ensued.

Cr Fishwick entered the Room at 1817 hrs.

MOVED Cr McLean SECONDED Cr Fishwick that the Strategic Financial Management Committee:

- 1 NOTES the comments received from the nine submissions;**
- 2 REFERS the draft Strategic Plan to Council for adoption without further amendment or consultation.**

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Crs Amplett, Fishwick, McLean and Corr, Mayor Pickard.

ITEM 2 SOUTH AUSTRALIAN STRATEGIC ACTION PLANNING GUIDE FOR SUSTAINABLE PUBLIC LIGHTING [00906]

WARD: All

**RESPONSIBLE
DIRECTOR:** Mr Ian Cowie
 Governance and Strategy

PURPOSE/ EXECUTIVE SUMMARY

To provide the Strategic Financial Management Committee with opportunity to consider and review the South Australian Strategic Action Planning Guide for Sustainable Public Lighting.

BACKGROUND

At the Council Meeting held on 28 August 2007 Cr Steve Magyar moved the following motion:

“That Council REQUESTS a report on the “South Australian Strategic Action Planning Guide for Sustainable Public Lighting” report.

The “South Australian Strategic Action Planning Guide for Sustainable Public Lighting” report prepared by ICLEI-Local Governments for Sustainability-Australia/New Zealand, released in October 2006 is referred to the Sustainability Advisory Committee for consideration, following which a report will be presented to Council”.

In accordance with the Local Government Act 1995 all committees’ membership ceased on the 20 October 2007 at the October 2007 local government elections. As at that time it was unknown when the next Sustainability Advisory Committee will be held the requested report on the “South Australian Strategic Action Planning Guide for Sustainable Public Lighting” report has been provided directly to Council.

At the Council Meeting held on the 19 December 2007 a report was presented to Council on “South Australian Strategic Action Planning Guide for Sustainable Public Lighting”. Council moved the following motion:

- “1 NOTES the South Australian Strategic Action Planning Guide for Sustainable Public Lighting forming Attachment 1 to Report CJ271-12/07;*
- 2 NOTES the Improved Street lighting Study for Greenhouse and Safety Benefits: Institutional and Technical Review forming Attachment 2 to Report CJ271-12/07;*
- 3 REFERS the guide to the Sustainability Advisory Committee and the Strategic Financial Management Committee for consideration and review.”*

DETAILS

The report on the South Australian Strategic Action Planning Guide for Sustainable Public Lighting is provided in Attachment One. The purpose of this report is to review the International Council for Local Environmental Initiatives Report titled the 'South Australian Strategic Action Planning Guide for Sustainable Public Lighting'. The potential for the City of Joondalup to utilise the information provided in the Report is also assessed.

Link to Strategic Plan:

Outcome: The City of Joondalup is environmentally responsible in its activities.
Objective: 2.1 To plan and manage our natural resources to ensure environmental sustainability.

Outcome: The City of Joondalup is an interactive community.
Objective: To ensure the City responds to and communicates with the community.

Legislation – Statutory Provisions:

Not Applicable.

Risk Management considerations:

Not Applicable.

Financial/Budget Implications:

Not Applicable.

Policy implications:

Not Applicable.

Regional Significance:

Not Applicable.

Sustainability implications:

Not Applicable

Consultation:

Not Applicable.

COMMENT

Nil.

ATTACHMENTS

- Attachment 1 South Australian Strategic Action Planning Guide for Sustainable Public Lighting (Report to Council).
- Attachment 2 South Australian Strategic Action Planning Guide for Sustainable Public Lighting.
- Attachment 3 Improved Street lighting Study for Greenhouse and Safety Benefits: Institutional and Technical Review.

VOTING REQUIREMENTS

Simple Majority.

OFFICER'S RECOMMENDATION

That the Strategic Financial Management Committee considers and reviews the attached South Australian Strategic Action Planning Guide for Sustainable Public Lighting Report.

The Director Governance and Strategy provided an overview of the report. Discussion ensued.

Information was requested on the timeframe within which savings could be expected, in the event that \$14 million was spent to upgrade overhead power.

MOVED Mayor Pickard SECONDED Cr Fishwick that the Strategic Financial Management Committee:

- 1 NOTES the attached South Australian Strategic Action Planning Guide for Sustainable Public Lighting Report;**
- 2 REQUESTS the North Metropolitan Zone to ask the WA Local Government Association to present a whole of government approach to the State Government for the provision of sustainable public lighting.**

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Crs Amphlett, Fishwick, McLean and Corr, Mayor Pickard.

ITEM 3 DEVELOPMENT OF THE 2008/09 BUDGET - [66610]

WARD: All

**RESPONSIBLE
DIRECTOR:** Mr Mike Tidy
 Corporate Services

PURPOSE

For the Strategic Financial Management Committee to consider the proposed development plan for the 2008/09 budget and the parameters on which the budget will be based.

EXECUTIVE SUMMARY

After due consideration of the setting and context for the 2008/09 budget it is recommended that the Strategic Financial Management Committee recommends to Council the:

- 1 *ENDORSEMENT of the key parameters for establishing the development of the draft 2008/09 budget based on*
 - (a) *increases in fees and charges of 3.0%,*
 - (b) *employment cost increases be budgeted at business unit level in line with current EBA provisions of 4% and any additional provision for the new EBA be separately budgeted for, and*
 - (c) *non employment operating cost increases being maintained at 3.0% recognising that this increase will not be uniform and areas will vary.*
- 2 *ENDORSEMENT of the programme for the adoption of the 2008/09 budget.*

BACKGROUND

Progress in relation to the compilation of the 2008/09 budget is underway with the preparation of working files and other back office processes. The Executive will have carriage of the compilation of draft budgets to the point that they are able to be presented to elected members and then workshopped. The objective is to have a final draft budget document ready for consideration for adoption by mid June 2008. A copy of the timetable is at attachment 1.

DETAILS

Issues and options considered:

The economic environment continues to be very strong with significant pressure on costs and the ability to resource operations and projects whether via directly employed staff or by contract. The inflationary risks are starting to be of greater concern after a long period of growth with sustained low inflation.

To set the scene:

General

- The Australian Bureau of Statistics (ABS) National Consumer Price Index (CPI) weighted average for the 12 months to December 2007 was 3.0% as was the CPI for Perth up from 2.6% for the previous quarter.
- The ANZ economic forecast for the December 2007 quarter predicts that nationally inflation will return to 3.0% and remain at this level through 2008.
- The WALGA local government Economic Briefing for December 2007 reports the Reserve Bank's outlook for the national CPI is an annualised rate of 3.5% for the next few quarters before slowing to around 3.0% by the end of 2008. Over the past four years annualised CPI growth in WA has been 0.7% points above the national figure translating the above national forecast into a Perth CPI forecast of close to 4% for 2008. Clearly the Perth CPI which is the environment in which the City of Joondalup has to operate continues to outstrip the national CPI and sets the benchmark for the kind of economic environment in which we operate.
- The WALGA local government Economic Briefing for December 2007 also reports that during 2007 the General Construction Cost Index fell below 10.0% pa for the first time since 2004. The prediction is that the increase for this index in 2008 will be 8.5%. If this is the case the WALGA Local Government Cost Index (a combination of the Construction Index and Perth CPI) will calculate at approximately 5.5% for the first half of the 2008 calendar year falling to around 5% by the end of 2008. A copy of the WALGA local government Economic Briefing for December 2007 is at attachment 2.

Labour Costs

Labour costs are a key factor in the City's cost structure traditionally accounting for as much as 40% of the operational expenditure budget.

The City's principal employment instruments are contracts for executives, managers and some coordinators and Enterprise Bargaining Agreements (EBAs) for the bulk of the staff. In the latter case there are three separate agreements. These three agreements are all up for renegotiation before the end of 2008.

For this reason the predictability of labour cost increases for the 2008/09 year are far less certain than the last couple of years.

- The ABS Labour Price Index (LPI) for the 12 months to September 2007 shows a national public sector movement of 4.1% with the Western Australian figure being 4.4%. The all sectors movement for Western Australia is 4.7%.

Proposed Parameters

With this economic background in mind for the 2008/09 draft budget development it is proposed that:

- 1 Existing fees and charges be reviewed in line with market and expected CPI on average, ie 3.0%.

- 2 While the outcomes of EBA negotiations are some way off and there is no certainty, the City should consider a conservative approach to the budget. It is quite possible that the agreed annual increase over the life of the EBA is not uniform and increases may be different in different years. With the economic data and EBA issues in mind and the current very tight recruitment market it is proposed that for the practical purpose of putting the budget together the base labour cost working target for the draft budget be as per the current EBA of 4.0%. Any additional requirement to meet the new EBA will be provided for separately. At this stage what that might be is unknown but it should be better understood as we get closer to budget adoption.

- 3 In relation to non employment related operating costs the picture is not uniform. Some costs are increasing and others are showing negligible increases or even decreases. The competitiveness of the particular market is a key factor. On this basis the City is working towards a target of containing non-employment operating costs to an average increase in line with CPI predictions of around 3.0%. This will vary however from one type of cost to the other. New construction tenders for example are expected to reflect cost increases well above this.

Link to Strategic Plan:

Organisational Development

- 4.1 To manage the business in a responsible and accountable manner
- 4.2 To provide quality services with the best use of resources

Legislation – Statutory Provisions:

The requirements for local governments to prepare a budget are set out in section 6.2 of the Local Government Act 1995. Section 5.56 further provides for local governments to prepare and adopt a plan for the future. The provisions of the Local Government (Financial Management) Regulations 1996 also contain extensive provisions in relation to the preparation and presentation of budgets while the Local Government (Administration) Regulations 1996 contain provisions in relation to the setting up of plans for the future.

Risk Management considerations:

The adoption of the annual budget contains significant risk management considerations in terms of being able to ensure that the City can supply the works, services and facilities and continue to manage the assets that it is charged with.

Financial/Budget Implications:

This report considers the content and framework for the preparation and consideration for the draft 2008/09 budget. This impacts the underlying financial premises on which the budget is based.

Policy Implications:

Not Applicable.

Regional Significance:

Not Applicable.

Sustainability Implications:

Financial sustainability is absolutely critical to the future growth and development of the City of Joondalup. The adoption of an annual budget is a critical element to this long-term financial sustainability.

Consultation:

Not Applicable.

COMMENT

It is considered that the parameters described represent a significant stretch target in terms of putting together the draft 2008/09 budget. In some areas of Council's operations this will be very difficult to achieve while other areas will fare better.

While these parameters are very broad there are significant demands on the City in relation to the provision of services, facilities and the management of its assets and infrastructure. The City has in recent times struggled to maintain its programmes in terms of being able to provide the resources whether from internal means or externally by contract and to do so at a reasonable cost to the community.

ATTACHMENTS

Attachment 1 Budget Preparation Timetable

Attachment 2 West Australian Local Government Association Economic Briefing December 2007

VOTING REQUIREMENTS

Simple Majority.

The Director Corporate Services provided an overview of the report. Discussion ensued, with the following requests being made:

- Elected Members requested to have input into capital expenditure prior to May.
- A request was made that the timetable be included in the body of the report.

MOVED Cr Corr SECONDED Cr Fishwick that the Strategic Financial Management Committee recommends that Council:

1 ENDORSES the key parameters for establishing the development of the draft 2008/09 budget based on:

- (a) increases in fees and charges of 3.0%;**

- (b) **employment cost increases be budgeted at business unit level in line with current EBA provisions of 4% and any additional provision for the new EBA be separately budgeted for; and**
- (c) **non employment operating cost increases being maintained at 3.0% recognising that this increase will not be uniform and areas will vary.**

2 ENDORSES the programme for the adoption of the 2008/09 budget.

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Crs Amphlett, Fishwick, McLean and Corr, Mayor Pickard.

ITEM 4 REVIEW OF INVESTMENTS POLICY 8-9 – [19136]

WARD: All
RESPONSIBLE DIRECTOR: Mr Mike Tidy
Corporate Services

PURPOSE

To consider a report and make a recommendation to Council on the review of the City's Investment Policy 8-9.

EXECUTIVE SUMMARY

Policy 8-9 relates to investments of funds by the City. The current policy arose out of a major review of all policies undertaken and subsequently adopted by Council in June of 1999. The policy has subsequently been reviewed on five occasions, the last in October 2007 with only relatively minor changes being made.

Due to the current investment environment and following requests from Elected Members it was considered appropriate to review the policy to ensure that it best supports and preserves the City's cash assets.

It is recommended that the Strategic Financial Management Committee recommends to Council that it:

- 1 *REVOKES the current Policy 8-9 Investment (attachment 1); and*
- 2 *ADOPTS a new Policy 8-9 Investment (attachment 3).*

BACKGROUND

The current City Policy 8-9 Investment was adopted in June 1999 following a major review of the entire Policy Manual. The policy has been reviewed on a number of occasions since then without substantial change.

There has been significant turmoil in investment markets in recent times and a number of local governments across Australia have investments that have been caught in that turmoil. Also there have been a number of enquiries from Elected Members relative to the exposure of the City to the current investment turmoil and the adequacy of the City's investment policy. It is considered appropriate therefore to undertake a review of the investment policy.

It is important to understand firstly the broad types of investments that local government are involved in and how these are exposed to the market.

The traditional investments for local government have been interest bearing deposits and bank accepted/endorsed commercial bills. The key features are:

- are usually backed by major banks have a high credit rating due to the backing for the investment being clearly known and understood;
- are relatively short term;
- are very secure;
- the value of the investment at any time is known;
- the return on the investment and when it will be received is known, and
- if there is a need to break the investment before its maturity this may result in a penalty.

Because of this they generally offer a conservative rate of return relative to benchmarks.

In the last decade local government has been more involved in investing in managed funds. These come in many permutations but essentially they involve pooling investors funds and then reinvesting those funds across a range of investment types. The key features are:

- offered by many institutions some have major bank backing but many do not and there can be more than one institution involved;
- are generally longer term not short term investments;
- are investing in a variety of securities such as cash based investments, equities, mortgages etc;
- in some cases specialise in investing in certain types of securities;
- exposed to the market fluctuations particularly affecting the types of underlying securities that the fund has invested in and therefore do not provide a predetermined return on the investment;
- exiting a managed fund prior to maturity means selling in the market at prevailing market rates;
- while they have credit ratings (in some cases quite high ratings) these can be confusing because it doesn't mean that the underlying securities that the fund has invested in all have the same rating and the relationship between the securities and their potential impact on the whole fund can be complex and not readily understood.

The biggest issue with managed funds is having a clear understanding of what the managed fund is investing in. In many cases this can be clear and transparent and the risks of the investment can be determined. As the investment instruments become more and more complex however it can be very difficult to determine the risk and exposure. Relying on rating agencies to rate the investment also can be risky. Some of the funds that have been hardest hit were rated relatively highly.

The investment market turmoil of recent times has hit managed funds hard. In some cases such as the sub prime mortgage market problems it is because the fund has direct exposure to these types of investments. In other cases it is simply because of general market conditions and the exposure to equity markets generally.

It should be noted that while a lot of focus is currently on the poor performance of managed funds the traditional interest bearing deposits and bank accepted/endorsed commercial bills are performing very well. Twelve months ago it was the reverse.

DETAILS

Issues and options considered:

The existing Policy 8-9 Investment is included as attachment 1. The policy sets out the:

- investment objectives;
- risk profile of the City;
- delegated authority to invest;
- types of authorised investments;
- limitations on direct investments in terms of quotations, terms of maturity, liquidity requirements etc;
- prudential requirements where investments are made with fund managers;
- policy guidelines in terms of diversification of risk etc.

There is also a section dealing with financial reporting and the current practice is to provide a comprehensive investment report with each financial report put to Council on a monthly basis.

There are several perspectives from which the policy needs to be viewed.

The first is does the policy adequately cover all of the issues that ought to be addressed in an appropriate investment policy and does it support prudent and effective management of the City's investments with appropriate levels of governance. The Department of Local Government and Regional Development has been developing a local government operational guideline for investment policy and in December 2007 released a draft of that guideline a copy of which is at attachment 2. A key element of that guideline is the establishment of appropriate investment policies and what should comprise those policies. The draft guideline canvasses a wide range of issues for consideration in an investment policy and is considered a valuable reference point.

The elements proposed in the draft guideline comprise;

- Objectives
- Legislative Requirements
- Delegations of Authority to CEO
- Prudent Person Standard
- Ethics and Conflicts of Interest
- Approved Investments
- Prohibited Investments
- Risk Management Guidelines

- Investment Advisor
- Measurement
- Benchmarking
- Reporting and Review

Many of these elements are encapsulated in the City's existing policy although not necessarily under the same heading. A sample investment policy is included in the draft guideline.

In examining the issues covered by the draft guideline there are a number of areas where the City's existing policy is quite adequate but others where there could be improvements. In some cases its just improvements to the wording but in others the specific intent of the policy can be improved. The key changes proposed are:

- 1 The City's current policy has objectives however they also include references to legislation and benchmarking which would both be better referred to separately. The wording of the suggested objectives in the draft guideline also better articulate the objective of an investment policy.
- 2 The City's current policy under the heading Risk Profile has an extensive list of all of the issues that are to be considered when considering an investment decision. Many of these are covered by other parts of the policy and some are really about process and not policy. There is no equivalent of this in the draft guideline. It is proposed to delete this section.
- 3 The draft guideline contains a section dealing with ethics and conflicts of interest. This issue however is not exclusive to the area of investment and applies right across all activities of the City. The City's Code of Conduct and other policy provisions and statutory provisions under the Local Government Act all cover issues of ethics and conflict of interest and to include a specific section would only be duplication. It is not considered therefore that such specific reference is warranted in the investment policy.
- 4 The draft guideline has both an approved investments section as well as a prohibited investments section. By comparison the existing City policy has only an authorised investments section. It could be argued that if the policy spells out what is authorised then all else is unauthorised and it shouldn't be necessary to also spell these out. Unfortunately with the vast array of investment instruments that exist there are many shades of grey which could leave open to some interpretation whether a certain investment is authorised or not. While the interpretation of the City's current authorised investments means that no investment would be made in the sort of investments listed in the draft guidelines prohibited investment list it is considered that there is merit in spelling this out in the policy. It makes a clear statement about the type of investment that the City does not want to make.
- 5 The City's existing policy in regard to risk management guidelines is not adequate. The existing policy uses a single percentage to define the spread between financial institutions and the credit rating. These would be better set out separately. The City has been examining this for some time and has determined a separate set of limits for overall portfolio and the counterparty credit framework. This also includes separating direct investments from managed funds. The draft guideline uses the same breakdown. The percentage spreads that are recommended by administration however are

more conservative than those proposed under the draft guideline. By way of example the draft guideline suggests that up to 50% of the entire investment portfolio could be invested with a single AAA rated managed fund. It is proposed in the City's case that this be limited to 25% to achieve a more conservative spread of risk. The proposed term to maturity framework is also more conservative than that suggested in the draft guideline. Maximum term proposed is 36 months for a maximum of 10% of the portfolio.

- 6 The draft guideline suggests the inclusion of the requirements of an investment advisor. There are no specific requirements that a local government has to have an independent investment advisor. The City of Joondalup does have such an advisor and has used one for quite some time. It is proposed to include a new section to cover the provisions relating to an investment advisor.

The second perspective is once having a policy that covers the issues that are believed to be required can the policy be applied in practice and deliver on its objectives.

Although there are quite a number of changes that are proposed many of these are already current practice even though they may not have been clearly spelt out in the policy. For example:

- The City does not invest in any of the type of investment instruments referred to in the proposed prohibited investments;
- Although the current policy permits up to 50% of the portfolio to be invested with a single AAA rated investment the City doesn't do this in practice.

It is felt therefore that the policy as now proposed has practical application as well as ensuring prudent and effective management of the City's investments with appropriate levels of governance.

The proposed new City Policy 8-9 Investment incorporating the above points is at Attachment 3.

Link to Strategic Plan:

Organisational Development

4.1 To manage the business in a responsible and accountable manner

Legislation – Statutory Provisions:

The requirements governing local government investments are covered by:

- Local Government Act 1995 – Section 6.14;
- The Trustees Act 1962 – Part III Investments;
- Local Government (Financial Management) Regulation 1996 – Regulation 19, Regulation 28, and Regulation 49
- Australian Accounting Standards

Risk Management considerations:

There are significant risk implications in managing the City's investment portfolio. Policy 8-9 Investment sets out provisions for compliance and governance that are designed to mitigate these risks. In addition to the policy there are internal processes and procedures governing investment transactions and these are subject to both internal and external audit.

Financial/Budget Implications:

As most of the proposed changes to Policy 8-9 Investment represent current actual practice there will not be any financial impact from adopting the new policy.

Policy Implications:

This report proposes the replacement of the existing policy with a new Policy 8-9 Investment.

Regional Significance:

Not Applicable.

Sustainability Implications:

Financial sustainability is absolutely critical to the future growth and development of the City of Joondalup. The policy in relation to the City's investments is a critical element to this long-term financial sustainability.

Consultation:

Not Applicable.

COMMENT

The existing Policy 8-9 Investment has served the City well and the proposed changes in the new policy really represent a fine tuning and not radical change. The changes tighten the policy in particular more clearly defining the types of investments and the spread of risk. Please note that the proposed new policy on Attachment 3 is not provided with 'tracked changes' as it has been totally reformatted.

The proposed policy represents a relatively conservative approach to investment that is felt to be appropriate to the needs of the City and for the market conditions.

ATTACHMENTS

- | | |
|--------------|--|
| Attachment 1 | Existing Policy 8-9 Investment |
| Attachment 2 | Department of Local Government and Regional Development
Draft Investment Policy Local Government Operational
Guideline |
| Attachment 3 | Proposed new Policy 8-9 Investment |

VOTING REQUIREMENTS

Simple Majority.

OFFICER'S RECOMMENDATION

That the Strategic Financial Management Committee recommends that Council:

- 1 REVOKES the current Policy 8-9 Investment forming Attachment 1 to this Report;
- 2 ADOPTS a new Policy 8-9 Investment forming Attachment 3 to this Report.

The Director Corporate Services provided an overview of the proposed changes to the policy. Discussion ensued.

MOVED Mayor Pickard SECONDED Cr McLean that the Strategic Financial Management Committee recommends that Council:

- 1 REVOKES the current Policy 8-9 Investment forming Attachment 1 to this Report;**
- 2 ADOPTS a new Policy 8-9 Investment forming Attachment 3 to this Report;**
- 3 REFERS the new Policy 8-9 Investment forming Attachment 3 to this Report to the Policy Committee for comment prior to final adoption by Council.**

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Crs Amphlett, Fishwick, McLean and Corr, Mayor Pickard.

MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil.

REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION

The Chief Executive Officer advised that the following reports will be presented to the next meeting of the Strategic Financial Management Committee, anticipated to be held in early April:

- Workshop on Expenditure;
- Joondalup CBD development;
- Current developments approved by Council the CBD in the last 12 months.

Cr Amphlett requested that reports be presented to the Committee on:

- Street advertising
- Library bookmarks.

CLOSURE

There being no further business, the Presiding Person declared the Meeting closed at 1925 hrs; the following Elected Members being present at that time:

Cr Geoff Amphlett
Cr Russ Fishwick
Mayor Troy Pickard
Cr Tom McLean
Cr Brian Corr