

## **AGENDA**

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### **Finance and Governance Committee**

**Monday, 12 February 2024**

**6:00 PM**

**Waratah Room**

**Georges River Civic Centre**

**Hurstville**



## **OATH OF OFFICE OR AFFIRMATION OF OFFICE**

All Georges River Councillors are reminded of their Oath of Office or Affirmation of Office made at the time of their swearing into the role of Councillor.

All Councillors are to undertake the duties of the office of Councillor in the best interests of the people of the Georges River Council area and are to act faithfully and impartially carry out the functions, powers, authorities and discretions vested in them under the *Local Government Act 1993* or any other Act to the best of their ability and judgement.

## **DISCLOSURES OF INTEREST**

All Georges River Councillors are reminded of their obligation to declare any conflict of interest (perceived or otherwise) in a matter being considered by Council or at any meeting of Council.

## FINANCE AND GOVERNANCE COMMITTEE MEETING

### ORDER OF BUSINESS

#### OPENING

#### ACKNOWLEDGEMENT OF COUNTRY

Council acknowledges the Bidjigal people of the Eora Nation, who are the Traditional Custodians of all lands, waters and sky in the Georges River area. I pay my respect to Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples who live, work and meet on these lands.

#### APOLOGIES / LEAVE OF ABSENCE

#### REQUEST TO JOIN VIA AUDIO VISUAL LINK

#### NOTICE OF WEBCASTING

#### DISCLOSURES OF INTEREST

#### PUBLIC FORUM

#### CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

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#### CONFIDENTIAL (CLOSED SESSION)

<b>FIN001A-24</b>	<b>Property Matter - 6 Dora Street, Hurstville - Lease</b>	
	(Report by Senior Property Officer)	



**CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS**

**Item:** FIN001-24 Confirmation of the Minutes of the Finance and Governance Committee Meeting held on 11 December 2023

**Author:** Executive Services Officer

**Directorate:** Office of the General Manager

**Matter Type:** Previous Minutes

FIN001-24

**RECOMMENDATION:**

That the Minutes of the Finance and Governance Committee Meeting held on 11 December 2023, be confirmed.

**ATTACHMENTS**

Attachment [↓](#)1 Minutes of the Finance and Governance Committee Meeting held on 11 December 2023



UNCONFIRMED MINUTES

## MINUTES

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### Finance and Governance Committee

Monday, 11 December 2023

6:00 PM

Waratah Room

Georges River Civic Centre

Hurstville

UNCONFIRMED MINUTES



GEORGES RIVER COUNCIL

## **PRESENT**

### **COUNCIL MEMBERS**

Councillor Christina Jamieson (Chairperson), Councillor Elise Borg, Councillor Veronica Ficarra, Councillor Nick Katris, Councillor Peter Mahoney and Councillor Colleen Symington.

### **COUNCIL STAFF**

Director Business and Corporate Services - Danielle Parker, Chief Finance Officer – Scott Henwood, Executive Manager City Futures - Simon Massey, Chief Audit Executive – Steven Baker (online), Executive Assistant – Nickie Paras (Minutes), IMT Administration Officer – Garima Jasoria (Minutes), Technology Business Support Officer - Earl Santos.

## **OPENING**

The Chairperson, Councillor Jamieson, opened the meeting at 6:03 PM.

## **ACKNOWLEDGEMENT OF COUNTRY**

The Chairperson, Councillor Jamieson acknowledged the Bidjigal people of the Eora Nation, who are the Traditional Custodians of all lands, waters and sky in the Georges River area. I pay my respect to Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples who live, work and meet on these lands.

## **APOLOGIES/LEAVE OF ABSENCE**

There were no apologies or requests for leave of absence.

## **NOTICE OF WEBCASTING**

The Chairperson, Councillor Jamieson advised staff and the public that the meeting is being recorded for minute-taking purposes and is also webcast live on Council's website, in accordance with section 5 of Council's Code of Meeting Practice. This recording will be made available on Council's Website.

## **CODE OF MEETING PRACTICE**

Council's Code of Meeting Practice prohibits the electronic recording of meetings without the express permission of Council.

## **DISCLOSURES OF INTEREST**

There were no disclosures of interest made.

## **PUBLIC FORUM**

There were no registered speakers.

## CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

### FIN045-23 Confirmation of the Minutes of the Finance and Governance Committee Meeting held on 20 November 2023

(Report by Manager Office of the General Manager)

**RECOMMENDATION:** Deputy Mayor, Councillor Borg, Councillor Mahoney

That the Minutes of the Finance and Governance Committee Meeting held on 20 November 2023, be confirmed.

#### Record of Voting

For the Motion: Deputy Mayor, Councillor Borg, Councillor Jamieson, Councillor Ficarra, Councillor Katris, Councillor Mahoney, Councillor Symington

On being PUT to the meeting, voting on this Motion was UNANIMOUS. The Motion was CARRIED.

## COMMITTEE REPORTS

### FIN046-23 Draft Georges River Council Loan Borrowing Policy

(Report by Chief Financial Officer)

**RECOMMENDATION:** Deputy Mayor, Councillor Borg, Councillor Katris

(a) That Council receive and note the submission received following the public consultation of the Draft Georges River Council Loan Borrowing Policy.

(b) That Council adopt the Georges River Council Loan Borrowing Policy which will become effective as from the date of adoption.

(c) That it is noted Council is currently debt free and there are no proposals to obtain a loan for a particular capital project at the time of this report.

#### Record of Voting

For the Motion: Deputy Mayor, Councillor Borg, Councillor Jamieson, Councillor Ficarra, Councillor Katris, Councillor Mahoney, Councillor Symington

On being PUT to the meeting, voting on this Motion was UNANIMOUS. The Motion was CARRIED.

### FIN047-23 Sustainable Procurement Policy - Positive Local Feedback

(Report by Team Leader Procurement and Contracts Governance)

**RECOMMENDATION:** Councillor Katris, Councillor Symington

(a) That Council receive and note the positive feedback received by the St George Business Chamber on the Sustainable Procurement Policy that was on public exhibition in October 2023.

(b) That Council sends its appreciation to the President of St. George Business Chamber Mr. Tony Baddour, for the very supportive submission on the policy to Council.

#### Record of Voting

For the Motion: Deputy Mayor, Councillor Borg, Councillor Jamieson, Councillor Ficarra, Councillor Katris, Councillor Mahoney, Councillor Symington

On being PUT to the meeting, voting on this Motion was UNANIMOUS. The Motion was CARRIED.

**FIN048-23 Investment Report as at 31 October 2023**

(Report by Senior Financial Accountant - Reporting)

**RECOMMENDATION:** Councillor Ficarra, Councillor Symington

That the Investment Report as at 31 October 2023 be received and noted by Council.

**Record of Voting**

For the Motion: Deputy Mayor, Councillor Borg, Councillor Jamieson, Councillor Ficarra,  
Councillor Katris, Councillor Mahoney, Councillor Symington

On being PUT to the meeting, voting on this Motion was UNANIMOUS. The Motion was CARRIED.

**FIN049-23 Code of Conduct Complaint Statistics 2023**

(Report by Chief Audit Executive)

**RECOMMENDATION:** Councillor Mahoney, Deputy Mayor, Councillor Borg

That Council receives and notes the report on the Code of Conduct Complaints Statistics for the period 1 September 2022 to 31 August 2023.

**Record of Voting**

For the Motion: Deputy Mayor, Councillor Borg, Councillor Jamieson, Councillor Ficarra,  
Councillor Katris, Councillor Mahoney, Councillor Symington

On being PUT to the meeting, voting on this Motion was UNANIMOUS. The Motion was CARRIED.

**CONCLUSION**

The Meeting was closed at 6:12 PM.

\_\_\_\_\_  
Chairperson

**COMMITTEE REPORTS****Item:** FIN002-24 Investment Report as at 30 November 2023**Author:****Directorate:** Business and Corporate Services**Matter Type:** Committee Reports

FIN002-24

**RECOMMENDATION:**

That the Investment Report as at 30 November 2023 be received and noted by Council.

**EXECUTIVE SUMMARY**

1. This report details Council's performance of its investment portfolio as at 30 November 2023 and compares its performance against key benchmarks.
2. This report also includes the estimated market valuation of Council's investment portfolio, loan liabilities and any required update on Council's legal action against various parties.
3. Council's annualised rate of return as at 30 November 2023 is 3.79% which is 0.03% above benchmark with income from interest on investments totalling \$4,242,000 which is \$2,046,000 higher than the year-to-date adopted budget of \$2,196,000.

**BACKGROUND**

4. Council's Responsible Accounting Officer is required to report monthly on Council's investment portfolio and certify that the investments are held in accordance with Council's Investment Policy, section 625 of the *Local Government Act 1993* and *Local Government (General) Regulation 2021*.

**INVESTMENT PERFORMANCE COMMENTARY**

5. Council's performance against the benchmark for returns of its investment portfolio for November 2023, are as follows:

	<b>1 Month</b>	<b>3 Month</b>	<b>12 Month</b>
Portfolio Performance	0.369%	1.100%	3.79%
Performance Index	0.350%	1.025%	3.76%
Excess Performance	0.019%	0.075%	0.03%

Notes:

- (a) Portfolio performance is the rate of return of the portfolio over the specified period.
- (b) The Performance Index is the Bloomberg Ausbond Bank Bill Index.
- (c) Excess performance is the rate of return of the portfolio in excess of the (b) Performance Index.

6.

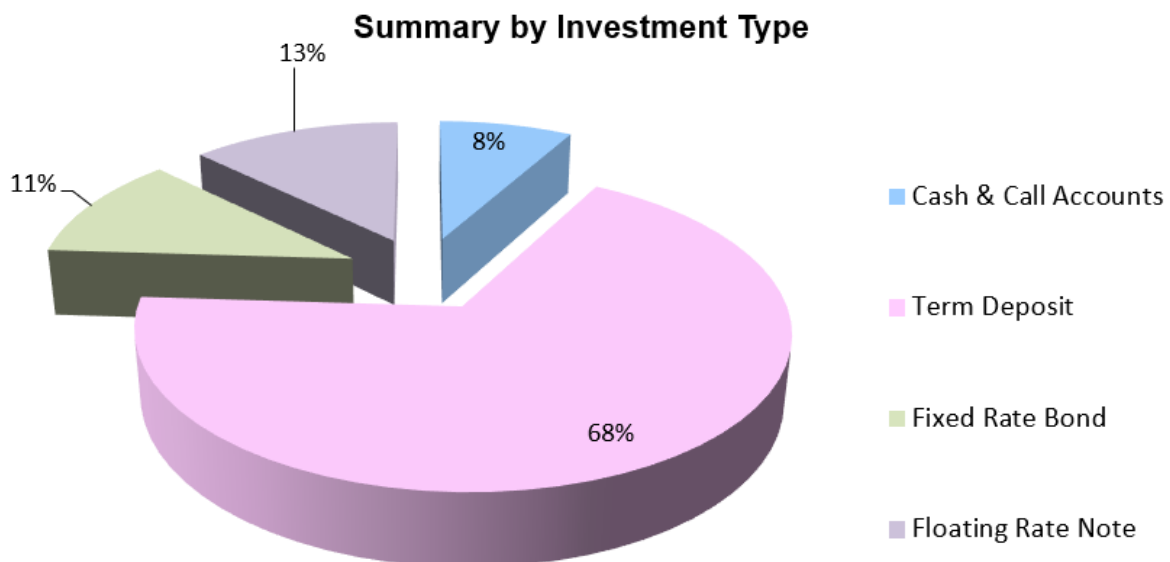
Council's investment portfolio as at the end of November 2023 was as follows:

Security Type	Market Value \$000's	% Total Value
At Call Deposit	108	0.04%
Consolidated Cash Fund	20,030	8.06%
Term Deposit	168,700	67.88%
Fixed Rate Bond	28,100	11.31%
Floating Rate Note	31,580	12.71%
<b>Portfolio Total</b>	<b>248,518</b>	<b>100%</b>

FIN002-24

7. At the end of November 2023, total cash and investments were \$249 million, which was an increase of \$6 million from the previous month (October 2023: \$243 million).
8. Council continues to utilise the Federal Government's current guarantee (\$250,000) investing in term deposits with a range of Authorised Deposit Taking Institutions (ADI's).

## TYPE OF INVESTMENTS



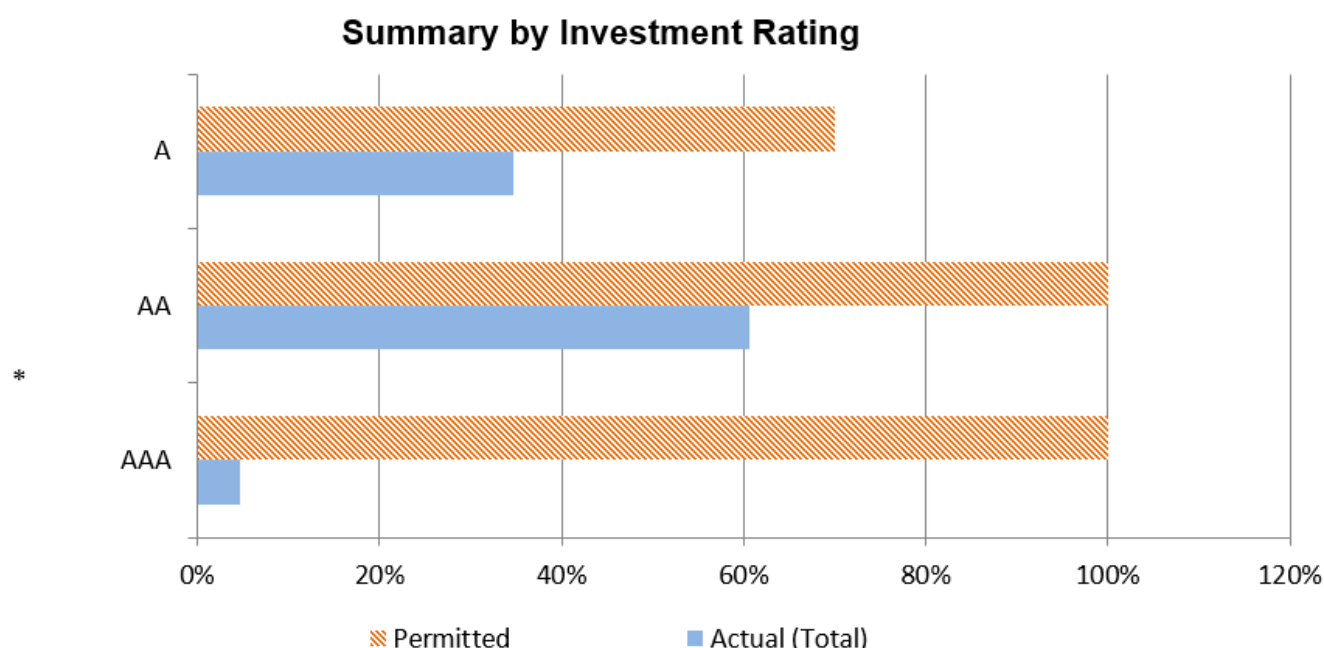
9. The majority of Council's investment portfolio is made up of term deposits, which account for approximately 68% of total investments.
10. Floating Rate Notes (FRN) can offer liquidity and a higher rate of income accrual, which is highly recommended by our Investment Advisors (CPG Research & Advisory).
11. The following are the types of investments held by Council:
  - a) Cash and Call Accounts refer to funds held at a financial institution and can be recalled by Council either same day or on an overnight basis.
  - b) A Floating Rate Note (FRN) is a debt security issued by a company with a variable interest rate. This can either be issued as Certificates of Deposit (CD) or as Medium-Term Notes (MTN). The interest rate is floating, where the adjustments to the interest rate are usually made quarterly and are tied to a certain money market index such as the Bank Bill Swap Rate.
  - c) A Term Deposit is a debt security issued by a company with a fixed or floating interest rate over the term of the deposit, where the adjustments to the interest

rate are usually made quarterly and are tied to a certain money market index such as the Bank Bill Swap Rate.

- d) A Fixed Rate Bond is a debt security can be issued by a company or government in a form of fixed rate of interest at a specified time.

## POLICY LIMITS

12. The graph below shows the investment rating limits, as a percentage of total cash investments, which are allowed under Council's Investment Policy. All funds invested are within the limits set in the Investment Policy.



## INVESTMENT INCOME

13. Income from interest on investments totals \$4,242,000 which is \$2,046,000 higher than the year-to-date adopted budget of \$2,196,000.
14. Investments have been made in accordance with the *Local Government Act 1993*, Minister's Guidelines, Regulations and Council's Investment Policy.

## ANALYSIS OF INVESTMENTS

15. Investment Duration

Investment Term	Market Value \$000's	% Total Value	Policy Limits %
0 to < 1 Year	87,138	35.06%	100%
1 to < 3 Years	73,030	29.39%	60%
3 to < 5 Years	88,350	35.55%	40%
<b>Portfolio Total</b>	<b>248,518</b>	<b>100.00%</b>	

16. Council's portfolio is moderately liquid, with 35% of assets maturing within 12 months. FRNs, At-Call Funds and Fixed Rate Bonds also provide additional liquidity in an emergency.

17. The following graph shows the analysis of the total cash investment by institution as at 30 November 2023.



## CREDIT RATING

18. Credit ratings are generally a statement as to an institution's credit quality. Council's investment advisors (CPG Research & Advisory) use standard & poor's credit ratings to classify the investments held by Council. Ratings ranging from AAA to A are considered investment grade.
19. A general guide for the meaning of each credit rating that Council deals with is as follows:
  - AAA: The highest possible quality. An obligor's capacity to meet its financial commitments on the obligation is extremely strong.
  - AA: The best quality companies, reliable and stable. An obligor's capacity to meet its financial commitments on the obligation is very strong.
  - A: The obligor's capacity to meet its financial commitments on the obligation is still strong but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.
20. The credit quality of Council's portfolio is high with 100% of assets rated 'A' or higher.

## COUNCIL'S INVESTMENT POWERS

21. Council's investment powers are regulated by Section 625 of the *Local Government Act 1993*, which states:
  - A council may invest money that is not, for the time being, required by the council for any other purpose.
  - Money may be invested only in a form of investment notified by order of the Minister published in the Gazette.
  - An order of the Minister notifying a form of investment for the purposes of this section must not be made without the approval of the Treasurer.
  - The acquisition, in accordance with Section 358, of a controlling interest in a corporation or an entity within the meaning of that section is not an investment for the purposes of this section.
22. Council's Investment Policy and strategy requires that all investments are to be made in accordance with:
  - *Local Government Act 1993* - Section 625
  - *Local Government Act 1993* - Order (of the Minister) dated 12 January 2011
  - The Trustee Amendment (Discretionary Investments) Act 1997 - Sections 14A (2), 14C (1) & (2)
  - *Local Government (General) Regulations 2021*
  - Investment guidelines issued by the Department of Local Government

## LEGAL MATTERS

23. Georges River Council is participating in a Group Class Action since January 2019 against Fitch Ratings Inc and Fitch Ratings Ltd (collectively Fitch), in respect to losses suffered in relation to products Council acquired which were rated by Fitch, specifically the Corsair (Cayman Islands) No.4 Ltd Series 6 Kakadu Collateralised Debt Obligation (CDO) notes (rated AA by Fitch but estimated in fact BB). Council suffered a capital loss of \$215,000 on these investments dating back to December 2006 and will seek damages of the capital loss including lost interest, as part of the action.

24. As a Group Member, Council will not incur any legal costs or disbursements, or be liable for any adverse costs order that the Court may make in the proceedings. The Banton Group Pty Ltd (Banton) is the legal firm acting for Council in relation to the class action proceedings against Fitch, engaged on November 2020. Banton has been working on the matter and conferring with consultant experts on a new potential fraud issue within Fitch's ratings methodology. The latest correspondence on this matter was in early November 2023, where Banton is still working on conducting investigations, and the anticipated substantive update has been delayed slightly for commencement of the proceedings against Fitch.

### **FINANCIAL IMPLICATIONS**

25. Income from interest on investments totals \$4,242,000 which is \$2,046,000 higher than the year-to-date adopted budget of \$2,196,000.

### **RISK IMPLICATIONS**

26. Enterprise risk/s identified, and management process applied.
27. Council's enterprise risk identified was 'poor financial management adversely impacts Council's long-term financial sustainability'. The risk has been managed by Council's management of investments in accordance with the relevant Act and Regulations, along with Council's adopted Investment Policy and introduction of the SRV. To further minimise the risk, Council is progressively moving towards the placement of investments only in investments rated A or above.

### **COMMUNITY ENGAGEMENT**

28. No community consultation is required.

### **FILE REFERENCE**

D23/298077

### **ATTACHMENTS**

Attachment [1](#) P05. Investment Portfolio as at 30 Nov 2023





# INVESTMENT REPORT

## As at 30 November 2023



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1. Portfolio as at 30 November 2023
2. Portfolio Valuation by Categories as at 30 November 2023



Investment Report  
Georges River Council  
as at 30 November 2023

1. Portfolio Valuation As At 30 November 2023

	Fixed Interest Security	ISIN	Face Value Original	Market Value	% Total Value
Cash at Bank					
	CBA Consolidated operating 70 & 18		20,029,918.12	20,029,918.12	8.06%
			20,029,918.12	20,029,918.12	8.06%
At Call Account					
	CBA Cash deposit 167242		108,195.21	108,195.21	0.04%
	CBA Online saver 7676		-	-	0.00%
			108,195.21	108,195.21	0.04%
Fixed rate bond					
	NTTC 1.0 15 Dec 2024 1206DAY Fixed		5,000,000.00	5,000,000.00	2.01%
	NAB 4.95 25 Nov 2027 1826DAY Fixed	AU3CB0294502	7,400,000.00	7,400,000.00	2.98%
	ING 4.70 8 Dec 2025 1096DAY Fixed	AU3CB0294759	3,750,000.00	3,750,000.00	1.51%
	Suncorp 4.80 14 Dec 2027 1826DAY Fixed	AU3CB0294957	5,200,000.00	5,200,000.00	2.09%
	Rabobank 5.71 21 Nov 2028 1827DAY Fixed	AU3CB0304525	6,750,000.00	6,750,000.00	2.72%
			28,100,000.00	28,100,000.00	11.31%
Floating rate note					
	MACQ 0.48 09 Dec 2025 FRN	AU3FN0057709	3,000,000.00	2,975,280.00	1.20%
	Suncorp 0.45 24 Feb 2026 FRN	AU3FN0058343	2,100,000.00	2,075,377.50	0.84%
	BOQ 1.07 14 May 2025 FRN	AU3FN0054086	6,500,000.00	6,529,380.00	2.63%
	RBCSyd 0.73 30 Jun 2026 FRN	AU3FN0079133	5,000,000.00	5,000,000.00	2.01%
	Suncorp 1.05 12 Jul 2028 FRN	AU3FN0079406	3,000,000.00	3,000,000.00	1.21%
	CBA 0.95 17 Aug 2028 FRN	AU3FN0080396	2,000,000.00	2,000,000.00	0.80%
	ABOCSyd 0.90 4 Sep 2026 FRN	AU3FN0080859	10,000,000.00	10,000,000.00	4.02%
			31,600,000.00	31,580,037.50	12.71%



Investment Report  
Georges River Council  
as at 30 November 2023

Term Deposit

WBC 0.80 09 Sep 2024 1098DAY TD	4,000,000.00	<b>4,000,000.00</b>	1.61%
NAB 0.82 06 Sep 2024 1095DAY TD	3,000,000.00	<b>3,000,000.00</b>	1.21%
WBC 0.88 08 Oct 2024 1099DAY TD	4,000,000.00	<b>4,000,000.00</b>	1.61%
WBC 1.21 04 Dec 2023 732DAY TD	8,000,000.00	<b>8,000,000.00</b>	3.22%
WBC 1.13 14 Dec 2023 730DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.01%
WBC 3.29 02 May 2024 731DAY TD	6,000,000.00	<b>6,000,000.00</b>	2.41%
ING 3.40 02 May 2024 731DAY TD	2,000,000.00	<b>2,000,000.00</b>	0.80%
ING 3.90 08 Aug 2025 1096DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.01%
WBC 4.67 30 Aug 2027 1827DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.01%
CBA 4.36 05 Sep 2025 1096DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.01%
WBC 5.10 27 Sep 2027 1826DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.01%
WBC 5.10 27 Sep 2027 1826DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.01%
WBC 5.10 27 Sep 2027 1826DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.01%
ING 5.00 05 Oct 2027 1827DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.01%
WBC 4.76 05 Oct 2027 1827DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.01%
WBC 5.08 18 Oct 2027 1826DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.01%
WBC 5.15 10 Nov 2027 1826DAY TD	10,000,000.00	<b>10,000,000.00</b>	4.02%
ING 4.65 14 Dec 2027 1827DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.01%
ING 5.13 06 Mar 2028 1827DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.01%
ING 4.85 14 Mar 2028 1827DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.01%
NAB 5.30 7 Jun 2024 365DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.01%
ING 5.20 15 Jun 2028 1827DAY TD	4,000,000.00	<b>4,000,000.00</b>	1.61%
ING 5.41 19 Jun 2025 731DAY TD	4,000,000.00	<b>4,000,000.00</b>	1.61%
WBC 5.41 7 Jul 2026 1096DAY TD	3,000,000.00	<b>3,000,000.00</b>	1.21%
NAB 5.45 16 Jul 2024 365DAY TD	10,000,000.00	<b>10,000,000.00</b>	4.02%
NAB 5.40 17 Jul 2024 365DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.01%
WBC 5.06 20 Jul 2026 1098DAY TD	2,200,000.00	<b>2,200,000.00</b>	0.89%
WBC 5.12 24 Jul 2026 1096DAY TD	3,000,000.00	<b>3,000,000.00</b>	1.21%
ING 5.37 18 Aug 2025 731DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.01%
ING 5.01 24 Aug 2026 1096DAY TD	3,000,000.00	<b>3,000,000.00</b>	1.21%
NAB 5.20 27 Aug 2024 365DAY TD	3,000,000.00	<b>3,000,000.00</b>	1.21%
ING 5.00 4 Sep 2026 1096DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.01%
NAB 5.20 9 Sep 2024 367DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.01%
NAB 5.20 10 Sep 2024 365DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.01%
ING 5.30 3 Oct 2025 730DAY TD	2,500,000.00	<b>2,500,000.00</b>	1.01%
ING 5.20 16 Oct 2024 366DAY TD	2,000,000.00	<b>2,000,000.00</b>	0.80%
	<b>164,700,000.00</b>	<b>168,700,000.00</b>	<b>67.88%</b>
<b>Portfolio Total</b>		<b>248,518,150.83</b>	<b>100%</b>

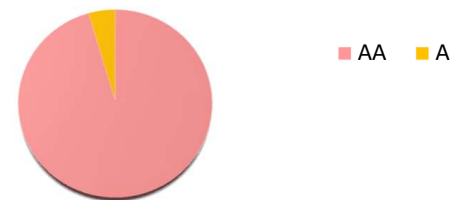


Investment Report  
Georges River Council  
as at 30 November 2023

## 2. Portfolio Valuation By Categories As At 30 November 2023

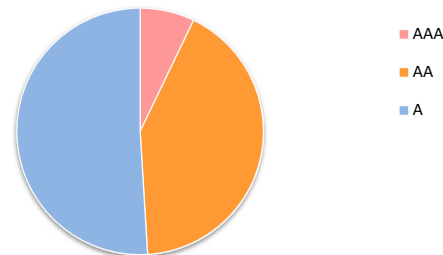
Short Term		% Total
Issuer/Security Rating Group	Market Value	Value
AA	83,138,113	33.45%
A	4,000,000	1.61%
Portfolio Total	87,138,113	35.06%

Market Value by Security Rating Group  
(Short Term)



Long Term		% Total
Issuer/Security Rating Group	Market Value	Value
AAA	11,529,380	4.64%
AA	67,600,000	27.20%
A	82,250,658	33.10%
Portfolio Total	161,380,038	64.94%

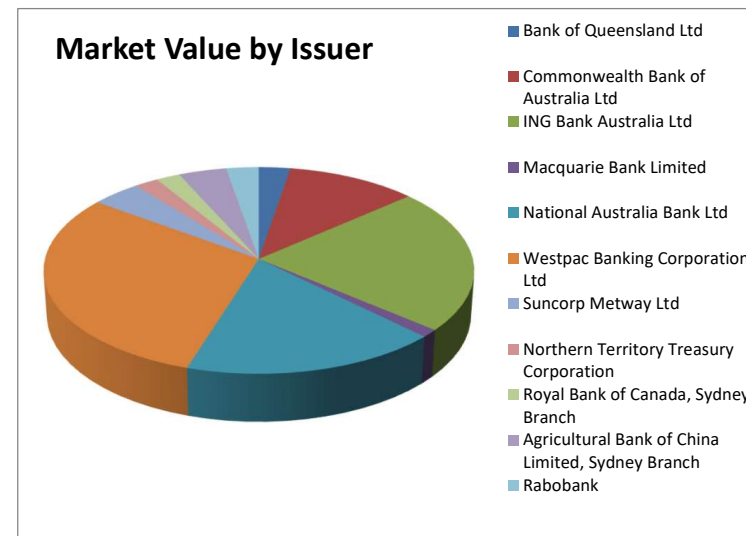
Market Value by Security Rating Group  
(Long Term)





Investment Report  
Georges River Council  
as at 30 November 2023

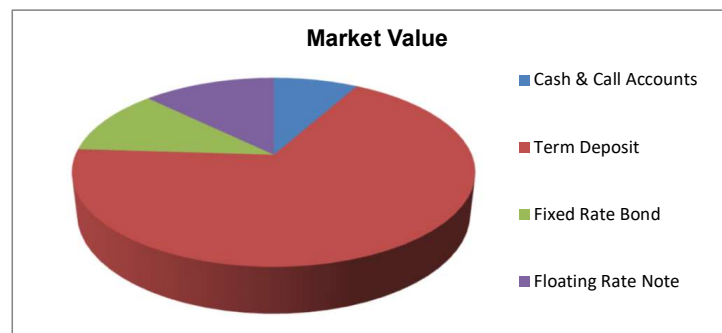
Issuer	Market Value	% Total Value
Bank of Queensland Ltd	6,529,380	2.63%
Commonwealth Bank of Australia Ltd	27,138,113	10.92%
ING Bank Australia Ltd	56,250,000	22.63%
Macquarie Bank Limited	2,975,280	1.20%
National Australia Bank Ltd	43,400,000	17.46%
Westpac Banking Corporation Ltd	75,200,000	30.26%
Suncorp Metway Ltd	10,275,378	4.13%
Northern Territory Treasury Corporation	5,000,000	2.01%
Royal Bank of Canada, Sydney Branch	5,000,000	2.01%
Agricultural Bank of China Limited, Sydney Branch	10,000,000	4.02%
Rabobank	6,750,000	2.72%
Portfolio Total	248,518,151	100.00%





Investment Report  
Georges River Council  
as at 30 November 2023

Security Type	Market Value	% Total Value
Cash & Call Accounts	20,138,113	8.10%
Term Deposit	168,700,000	67.88%
Fixed Rate Bond	28,100,000	11.31%
Floating Rate Note	31,580,038	12.71%
Portfolio Total	248,518,151	100.00%

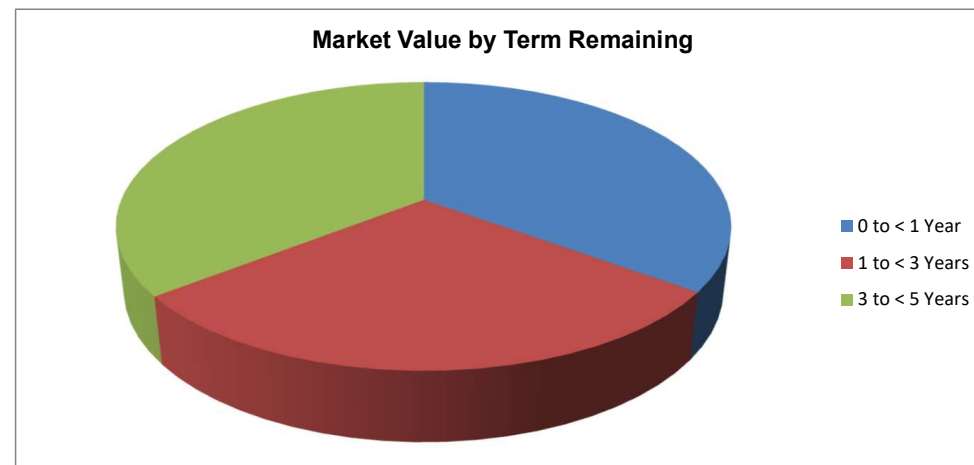




Investment Report  
Georges River Council  
as at 30 November 2023

Term Remaining	Market Value	% Total Value	Policy Limits %
0 to < 1 Year	87,138,113	35.06%	100%
1 to < 3 Years	73,030,038	29.39%	60%
3 to < 5 Years	88,350,000	35.55%	40%
Portfolio Total	248,518,151	100.00%	

Note: Term Remaining is calculated using a weighted average life date (WAL) where appropriate and available otherwise the interim (initial) maturity date is used.



**Item:** FIN003-24 Investment Report as at 31 December 2023

**Author:** Senior Financial Accountant - Reporting

**Directorate:** Business and Corporate Services

**Matter Type:** Committee Reports

FIN003-24

### RECOMMENDATION:

That the Investment Report as at 31 December 2023 be received and noted by Council.

### EXECUTIVE SUMMARY

1. This report details Council's performance of its investment portfolio as at 31 December 2023 and compares its performance against key benchmarks.
2. This report also includes the estimated market valuation of Council's investment portfolio, loan liabilities and any required update on Council's legal action against various parties.
3. Council's annualised rate of return as at 31 December 2023 is 3.92% which is 0.03% above benchmark with income from interest on investments totalling \$5,183,000 which is \$2,548,000 higher than the year-to-date adopted budget of \$2,635,000.

### BACKGROUND

4. Council's Responsible Accounting Officer is required to report monthly on Council's investment portfolio and certify that the investments are held in accordance with Council's Investment Policy, section 625 of the *Local Government Act 1993* and *Local Government (General) Regulation 2021*.

### INVESTMENT PERFORMANCE COMMENTARY

5. Council's performance against the benchmark for returns of its investment portfolio for December 2023, are as follows:

	1 Month	3 Month	12 Month
Portfolio Performance	0.386%	1.130%	3.92%
Performance Index	0.369%	1.058%	3.89%
Excess Performance	0.017%	0.072%	0.03%

Notes:

- (a) Portfolio performance is the rate of return of the portfolio over the specified period.
- (b) The Performance Index is the Bloomberg Ausbond Bank Bill Index.
- (c) Excess performance is the rate of return of the portfolio in excess of the (b) Performance Index.

6.

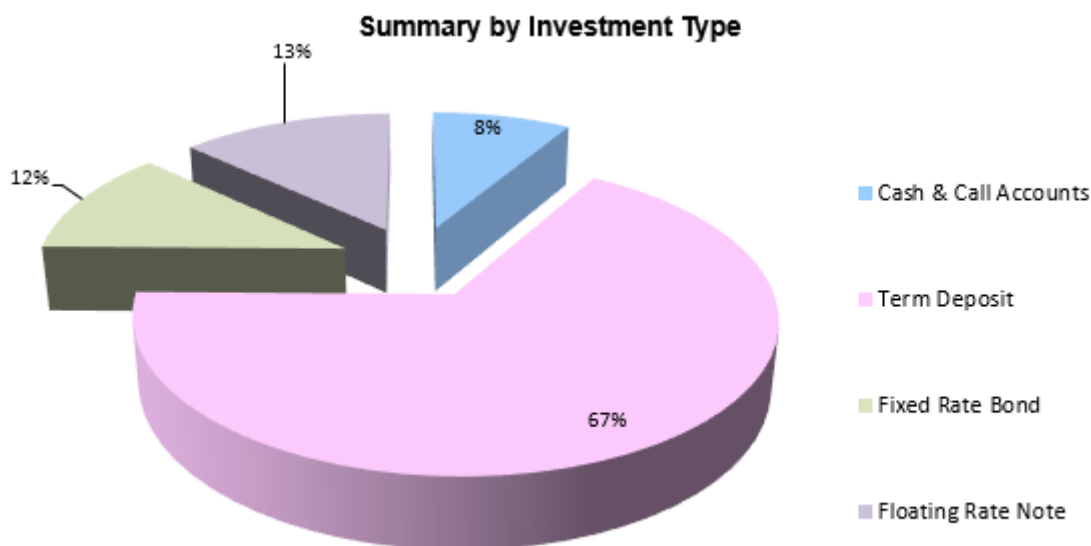
Council's investment portfolio as at the end of December 2023 was as follows:

Security Type	Market Value \$000's	% Total Value
At Call Deposit	108	0.04%
Consolidated Cash Fund	20,537	8.52%
Term Deposit	160,700	66.67%
Fixed Rate Bond	28,100	11.66%
Floating Rate Note	31,580	13.10%
<b>Portfolio Total</b>	<b>241,025</b>	<b>100%</b>

FIN003-24

7. At the end of December 2023, total cash and investments were \$241 million, which was a decrease of \$8 million from the previous month (November 2023: \$249 million).
8. Council continues to utilise the Federal Government's current guarantee (\$250,000) investing in term deposits with a range of Authorised Deposit Taking Institutions (ADI's).

## TYPE OF INVESTMENTS



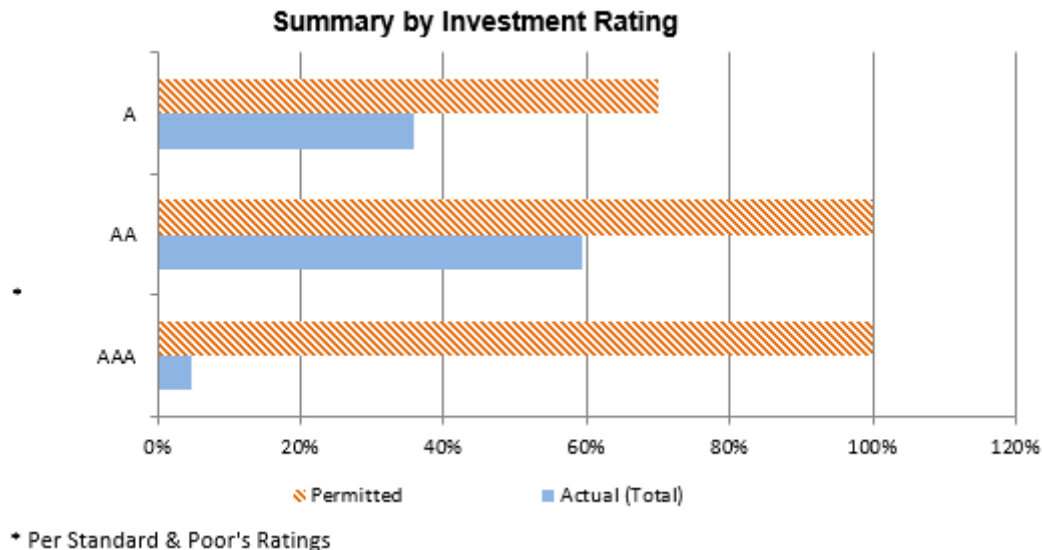
9. The majority of Council's investment portfolio is made up of term deposits, which account for approximately 67% of total investments.
10. Floating Rate Notes (FRN) can offer liquidity and a higher rate of income accrual, which is highly recommended by our Investment Advisors (CPG Research & Advisory).
11. The following are the types of investments held by Council:
  - a) Cash and Call Accounts refer to funds held at a financial institution and can be recalled by Council either same day or on an overnight basis.
  - b) A Floating Rate Note (FRN) is a debt security issued by a company with a variable interest rate. This can either be issued as Certificates of Deposit (CD) or as Medium-Term Notes (MTN). The interest rate is floating, where the adjustments to the interest rate are usually made quarterly and are tied to a certain money market index such as the Bank Bill Swap Rate.
  - c) A Term Deposit is a debt security issued by a company with a fixed or floating interest rate over the term of the deposit, where the adjustments to the interest

rate are usually made quarterly and are tied to a certain money market index such as the Bank Bill Swap Rate.

- d) A Fixed Rate Bond is a debt security can be issued by a company or government in a form of fixed rate of interest at a specified time.

## POLICY LIMITS

12. The graph below shows the investment rating limits, as a percentage of total cash investments, which are allowed under Council's Investment Policy. All funds invested are within the limits set in the Investment Policy.



## INVESTMENT INCOME

13. Income from interest on investments totals \$5,183,000 which is \$2,548,000 higher than the year-to-date adopted budget of \$2,635,000.
14. Investments have been made in accordance with the *Local Government Act 1993*, Minister's Guidelines, Regulations and Council's Investment Policy.

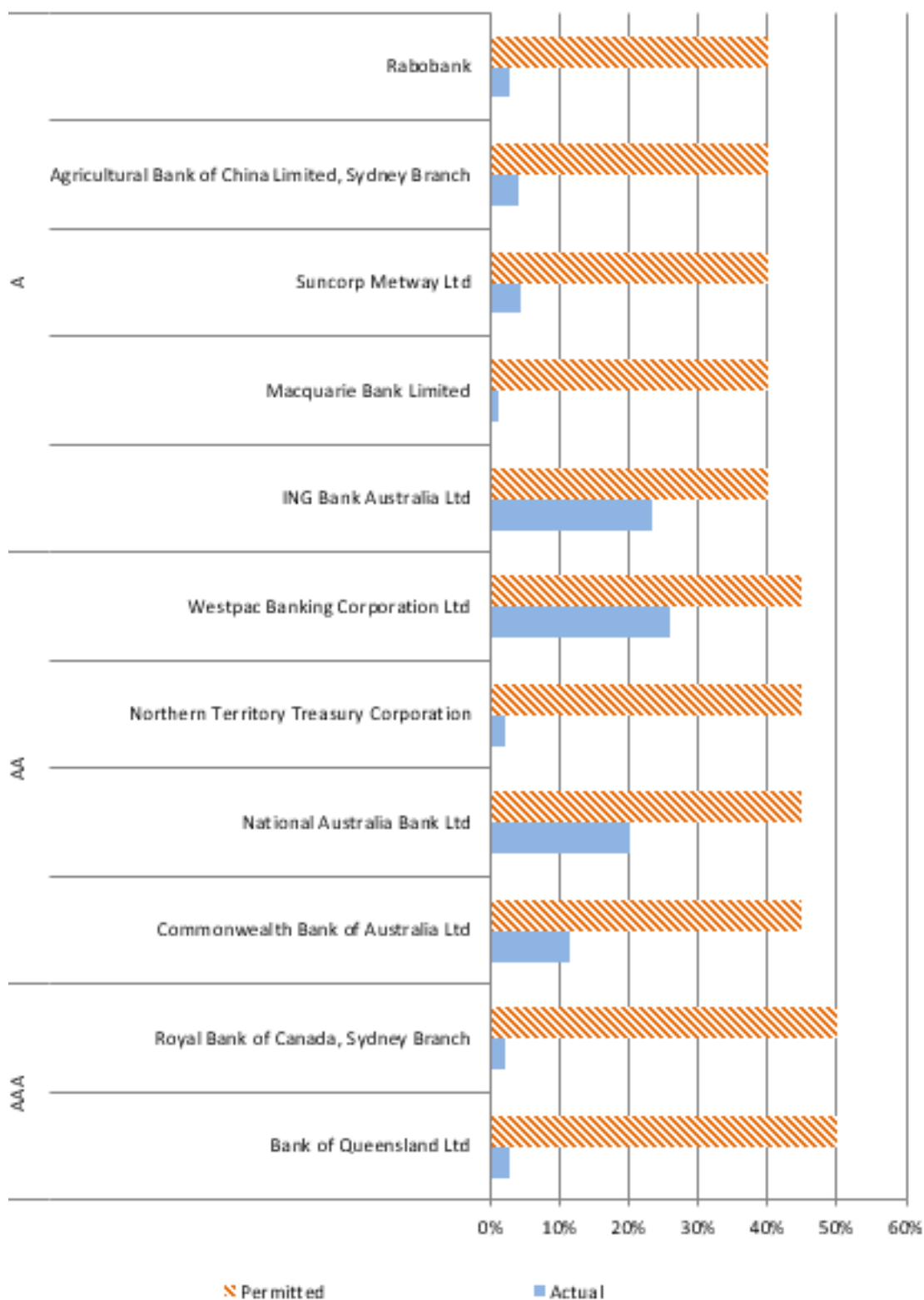
## ANALYSIS OF INVESTMENTS

15. Investment Duration

Investment Term	Market Value \$000's	% Total Value	Policy Limits %
0 to < 1 Year	84,645	35.12%	100%
1 to < 3 Years	68,030	28.23%	60%
3 to < 5 Years	88,350	36.66%	40%
<b>Portfolio Total</b>	<b>241,025</b>	<b>100.00%</b>	

16. Council's portfolio is moderately liquid, with 35% of assets maturing within 12 months. FRNs, At-Call Funds and Fixed Rate Bonds also provide additional liquidity in an emergency.
17. The following graph shows the analysis of the total cash investment by institution as at 31 December 2023.

## Investment by Institution



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## CREDIT RATING

18. Credit ratings are generally a statement as to an institution's credit quality. Council's investment advisors (CPG Research & Advisory) use standard & poor's credit ratings to classify the investments held by Council. Ratings ranging from AAA to A are considered investment grade.
19. A general guide for the meaning of each credit rating that Council deals with is as follows:
  - AAA: The highest possible quality. An obligor's capacity to meet its financial commitments on the obligation is extremely strong.
  - AA: The best quality companies, reliable and stable. An obligor's capacity to meet its financial commitments on the obligation is very strong.
  - A: The obligor's capacity to meet its financial commitments on the obligation is still strong but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.
20. The credit quality of Council's portfolio is high with 100% of assets rated 'A' or higher.

## COUNCIL'S INVESTMENT POWERS

21. Council's investment powers are regulated by Section 625 of the *Local Government Act 1993*, which states:
  - A council may invest money that is not, for the time being, required by the council for any other purpose.
  - Money may be invested only in a form of investment notified by order of the Minister published in the Gazette.
  - An order of the Minister notifying a form of investment for the purposes of this section must not be made without the approval of the Treasurer.
  - The acquisition, in accordance with Section 358, of a controlling interest in a corporation or an entity within the meaning of that section is not an investment for the purposes of this section.
22. Council's Investment Policy and strategy requires that all investments are to be made in accordance with:
  - *Local Government Act 1993* - Section 625
  - *Local Government Act 1993* - Order (of the Minister) dated 12 January 2011
  - The Trustee Amendment (Discretionary Investments) Act 1997 - Sections 14A (2), 14C (1) & (2)
  - *Local Government (General) Regulations 2021*
  - Investment guidelines issued by the Department of Local Government

## LEGAL MATTERS

23. Georges River Council is participating in a Group Class Action since January 2019 against Fitch Ratings Inc and Fitch Ratings Ltd (collectively Fitch), in respect to losses suffered in relation to products Council acquired which were rated by Fitch, specifically the Corsair (Cayman Islands) No.4 Ltd Series 6 Kakadu Collateralised Debt Obligation (CDO) notes (rated AA by Fitch but estimated in fact BB). Council suffered a capital loss of \$215,000 on these investments dating back to December 2006 and will seek damages of the capital loss including lost interest, as part of the action.

24. As a Group Member, Council will not incur any legal costs or disbursements, or be liable for any adverse costs order that the Court may make in the proceedings. The Banton Group Pty Ltd (Banton) is the legal firm acting for Council in relation to the class action proceedings against Fitch, engaged on November 2020. Banton has been working on the matter and conferring with consultant experts on a new potential fraud issue within Fitch's ratings methodology. The latest correspondence on this matter was in early November 2023, where Banton is still working on conducting investigations, and the anticipated substantive update has been delayed slightly for commencement of the proceedings against Fitch.

### **FINANCIAL IMPLICATIONS**

25. Income from interest on investments totals \$5,183,000 which is \$2,548,000 higher than the year-to-date adopted budget of \$2,635,000.

### **RISK IMPLICATIONS**

26. Enterprise risk/s identified, and management process applied.
27. Council's enterprise risk identified was 'poor financial management adversely impacts Council's long-term financial sustainability'. The risk has been managed by Council's management of investments in accordance with the relevant Act and Regulations, along with Council's adopted Investment Policy and introduction of the SRV. To further minimise the risk, Council is progressively moving towards the placement of investments only in investments rated A or above.

### **COMMUNITY ENGAGEMENT**

28. No community consultation is required.

### **FILE REFERENCE**

D23/322968

### **ATTACHMENTS**

Attachment [1](#) P06. Investment Portfolio as at 31 Dec 2023





# INVESTMENT REPORT

## As at 31 December 2023



## TABLE OF CONTENTS

1. Portfolio as at 31 December 2023
2. Portfolio Valuation by Categories as at 31 December 2023



Investment Report  
Georges River Council  
as at 31 December 2023

1. Portfolio Valuation As At 31 December 2023

	Fixed Interest Security	ISIN	Face Value Original	Market Value	% Total Value
Cash at Bank					
	CBA Consolidated operating 70 & 18		20,536,513.39	20,536,513.39	8.52%
			20,536,513.39	20,536,513.39	8.52%
At Call Account					
	CBA Cash deposit 167242		108,217.44	108,217.44	0.04%
	CBA Online saver 7676		-	-	0.00%
			108,217.44	108,217.44	0.04%
Fixed rate bond					
	NTTC 1.0 15 Dec 2024 1206DAY Fixed		5,000,000.00	5,000,000.00	2.07%
	NAB 4.95 25 Nov 2027 1826DAY Fixed	AU3CB0294502	7,400,000.00	7,400,000.00	3.07%
	ING 4.70 8 Dec 2025 1096DAY Fixed	AU3CB0294759	3,750,000.00	3,750,000.00	1.56%
	Suncorp 4.80 14 Dec 2027 1826DAY Fixed	AU3CB0294957	5,200,000.00	5,200,000.00	2.16%
	Rabobank 5.71 21 Nov 2028 1827DAY Fixed	AU3CB0304525	6,750,000.00	6,750,000.00	2.80%
			28,100,000.00	28,100,000.00	11.66%
Floating rate note					
	MACQ 0.48 09 Dec 2025 FRN	AU3FN0057709	3,000,000.00	2,975,280.00	1.23%
	Suncorp 0.45 24 Feb 2026 FRN	AU3FN0058343	2,100,000.00	2,075,377.50	0.86%
	BOQ 1.07 14 May 2025 FRN	AU3FN0054086	6,500,000.00	6,529,380.00	2.71%
	RBCSyd 0.73 30 Jun 2026 FRN	AU3FN0079133	5,000,000.00	5,000,000.00	2.07%
	Suncorp 1.05 12 Jul 2028 FRN	AU3FN0079406	3,000,000.00	3,000,000.00	1.24%
	CBA 0.95 17 Aug 2028 FRN	AU3FN0080396	2,000,000.00	2,000,000.00	0.83%
	ABOCSyd 0.90 4 Sep 2026 FRN	AU3FN0080859	10,000,000.00	10,000,000.00	4.15%
			31,600,000.00	31,580,037.50	13.10%



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Georges River Council  
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Term Deposit

WBC 0.80 09 Sep 2024 1098DAY TD	4,000,000.00	<b>4,000,000.00</b>	1.66%
NAB 0.82 06 Sep 2024 1095DAY TD	3,000,000.00	<b>3,000,000.00</b>	1.24%
WBC 0.88 08 Oct 2024 1099DAY TD	4,000,000.00	<b>4,000,000.00</b>	1.66%
WBC 3.29 02 May 2024 731DAY TD	6,000,000.00	<b>6,000,000.00</b>	2.49%
ING 3.40 02 May 2024 731DAY TD	2,000,000.00	<b>2,000,000.00</b>	0.83%
ING 3.90 08 Aug 2025 1096DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.07%
WBC 4.67 30 Aug 2027 1827DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.07%
CBA 4.36 05 Sep 2025 1096DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.07%
WBC 5.10 27 Sep 2027 1826DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.07%
WBC 5.10 27 Sep 2027 1826DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.07%
WBC 5.10 27 Sep 2027 1826DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.07%
ING 5.00 05 Oct 2027 1827DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.07%
WBC 4.76 05 Oct 2027 1827DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.07%
WBC 5.08 18 Oct 2027 1826DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.07%
WBC 5.15 10 Nov 2027 1826DAY TD	10,000,000.00	<b>10,000,000.00</b>	4.15%
ING 4.65 14 Dec 2027 1827DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.07%
ING 5.13 06 Mar 2028 1827DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.07%
ING 4.85 14 Mar 2028 1827DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.07%
NAB 5.30 7 Jun 2024 365DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.07%
ING 5.20 15 Jun 2028 1827DAY TD	4,000,000.00	<b>4,000,000.00</b>	1.66%
ING 5.41 19 Jun 2025 731DAY TD	4,000,000.00	<b>4,000,000.00</b>	1.66%
WBC 5.41 7 Jul 2026 1096DAY TD	3,000,000.00	<b>3,000,000.00</b>	1.24%
NAB 5.45 16 Jul 2024 365DAY TD	10,000,000.00	<b>10,000,000.00</b>	4.15%
NAB 5.40 17 Jul 2024 365DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.07%
WBC 5.06 20 Jul 2026 1098DAY TD	2,200,000.00	<b>2,200,000.00</b>	0.91%
WBC 5.12 24 Jul 2026 1096DAY TD	3,000,000.00	<b>3,000,000.00</b>	1.24%
ING 5.37 18 Aug 2025 731DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.07%
ING 5.01 24 Aug 2026 1096DAY TD	3,000,000.00	<b>3,000,000.00</b>	1.24%
NAB 5.20 27 Aug 2024 365DAY TD	3,000,000.00	<b>3,000,000.00</b>	1.24%
ING 5.00 4 Sep 2026 1096DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.07%
NAB 5.20 9 Sep 2024 367DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.07%
NAB 5.20 10 Sep 2024 365DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.07%
ING 5.30 3 Oct 2025 730DAY TD	2,500,000.00	<b>2,500,000.00</b>	1.04%
ING 5.20 16 Oct 2024 366DAY TD	2,000,000.00	<b>2,000,000.00</b>	0.83%
NAB 5.00 11 Mar 2024 91DAY TD	5,000,000.00	<b>5,000,000.00</b>	2.07%
	<b>156,700,000.00</b>	<b>160,700,000.00</b>	<b>66.67%</b>
<b>Portfolio Total</b>		<b>241,024,768.33</b>	<b>100%</b>

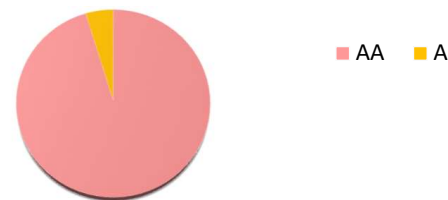


Investment Report  
Georges River Council  
as at 31 December 2023

## 2. Portfolio Valuation By Categories As At 31 December 2023

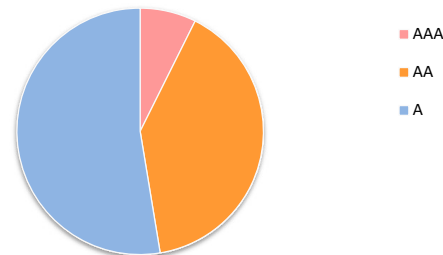
Short Term		% Total
Issuer/Security Rating Group	Market Value	Value
AA	80,644,731	33.46%
A	4,000,000	1.66%
Portfolio Total	84,644,731	35.12%

Market Value by Security Rating Group  
(Short Term)



Long Term		% Total
Issuer/Security Rating Group	Market Value	Value
AAA	11,529,380	4.78%
AA	62,600,000	25.97%
A	82,250,658	34.13%
Portfolio Total	156,380,038	64.88%

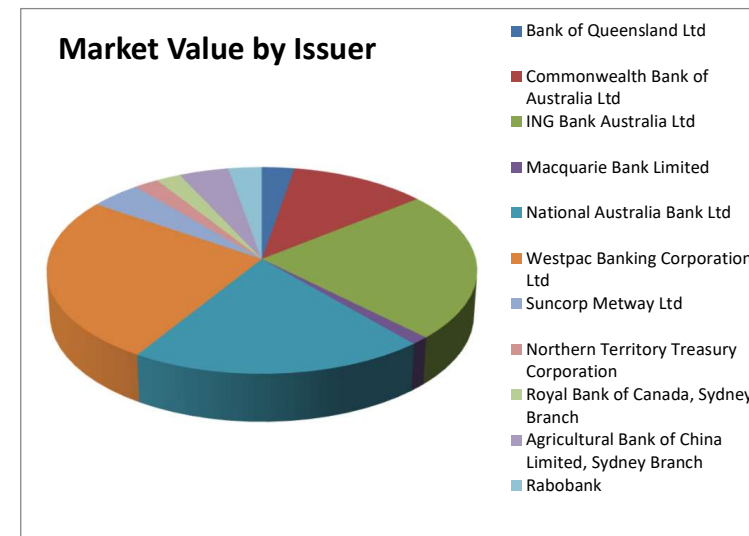
Market Value by Security Rating Group  
(Long Term)





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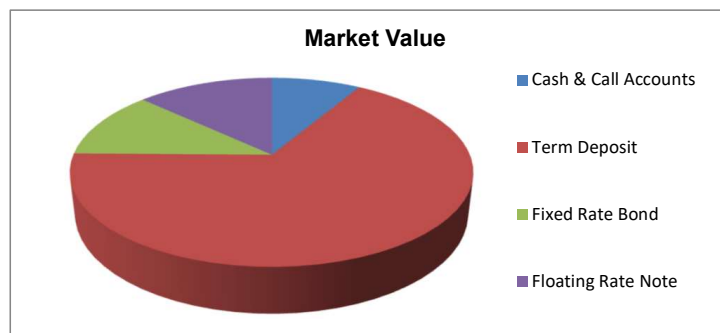
Issuer	Market Value	% Total Value
Bank of Queensland Ltd	6,529,380	2.71%
Commonwealth Bank of Australia Ltd	27,644,731	11.47%
ING Bank Australia Ltd	56,250,000	23.34%
Macquarie Bank Limited	2,975,280	1.23%
National Australia Bank Ltd	48,400,000	20.08%
Westpac Banking Corporation Ltd	62,200,000	25.81%
Suncorp Metway Ltd	10,275,378	4.26%
Northern Territory Treasury Corporation	5,000,000	2.07%
Royal Bank of Canada, Sydney Branch	5,000,000	2.07%
Agricultural Bank of China Limited, Sydney Branch	10,000,000	4.15%
Rabobank	6,750,000	2.80%
Portfolio Total	241,024,768	100.00%





Investment Report  
Georges River Council  
as at 31 December 2023

Security Type	Market Value	% Total Value
Cash & Call Accounts	20,644,731	8.57%
Term Deposit	160,700,000	66.67%
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Floating Rate Note	31,580,038	13.10%
Portfolio Total	241,024,768	100.00%

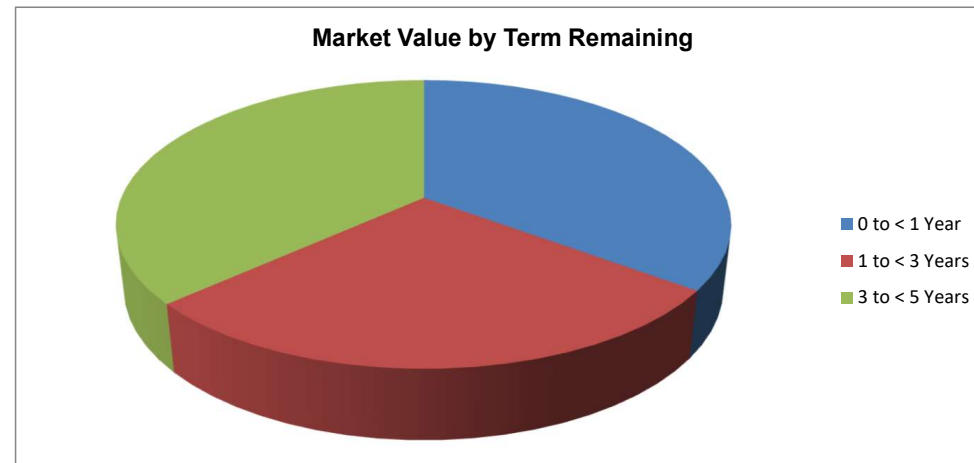




Investment Report  
Georges River Council  
as at 31 December 2023

Term Remaining	Market Value	% Total Value	Policy Limits %
0 to < 1 Year	84,644,731	35.12%	100%
1 to < 3 Years	68,030,038	28.23%	60%
3 to < 5 Years	88,350,000	36.66%	40%
Portfolio Total	241,024,768	100.00%	

Note: Term Remaining is calculated using a weighted average life date (WAL) where appropriate and available otherwise the interim (initial) maturity date is used.



**Item:** **FIN004-24 Quarterly Budget Review Report for Period Ending 31 December 2023**

**Author:** Senior Business Performance Accountant

**Directorate:** Business and Corporate Services

**Matter Type:** Committee Reports

FIN004-24

**RECOMMENDATION:**

- (a) That Council receives and notes the contents of this report in relation to the Quarterly Budget Review for the period ending 31 December 2023.
- (b) That Council adopt the proposed amendments to the 2023/24 Budget as outlined in Attachment 1.

**EXECUTIVE SUMMARY**

1. This report highlights Council's December year to date (YTD) performance against the 2023/24 budget and presents budget variations in consideration of projected financial results for the remainder of the financial year.
2. The proposed amendments to the 2023/24 Operational Budget have resulted in a realignment to the original adopted operating surplus of \$3.4 million, which is a \$197,000 improvement to the Q1 Budget Review.
3. Council should also note that the projected operating surplus remains under the Long-Term Financial Plan (LTFP) surplus that was submitted as part of the Special Rate Variation Application of \$6.1 million, and therefore must continue to adhere to the principles of sound financial management to protect cash for ongoing operations and continue to ensure Council avoids operating in deficit in future years.
4. The proposed amendments to the Capital Program result in a new 3-year Capital Works Program budget of \$96.9 million. This can be broken down across the 3 years as follows:
  - a. 2022/23 – actual expenditure of \$26.4 million
  - b. 2023/24 – budget expenditure of \$50.1 million
  - c. 2024/25 – budget expenditure of \$20.4 million

**BACKGROUND**

5. Section 203 of the Local Government (General) Regulation 2021 requires that a Quarterly Budget Review be considered by Council that shows current estimates for income and expenditure for the year; indicates whether Council's financial position is satisfactory and makes recommendations for remedial action, if required.

Overview - Financial Quarter Performance

6. The 2023/24 Budget will be the second year Council is forecast to achieve a surplus and difficult prioritisation of valued services, projects and programs will be essential in achieving financial sustainability and compliance with Council legislative obligations.
7. The overall financial performance of Council to December 2023 is showing an operating surplus of \$3.0 million and is illustrated in the table below. This surplus is better than the December YTD budgeted surplus by \$2.9 million as operating income of \$85.4 million is

currently higher than budget by \$4.3 million, and overall expenditure of \$82.4 million is higher than budget by \$1.4 million.

	Original Budget 2023/24 (\$'000)	2022/23 Carry overs (\$'000)	Qtr 1 Budget Variation (\$'000)	Qtr 2 Budget Variation (\$'000)	Qtr 3 Budget Variation (\$'000)	Revised Budget 2023/24 (\$'000)	YTD Actuals (\$'000)
Total Income	165,208	32	603	4,013	-	169,856	85,430
Total Expenses	161,853	32	763	3,816	-	166,464	82,417
<b>Operating Result before Capital Revenue – Surplus/(Deficit)</b>	<b>3,355</b>	<b>-</b>	<b>(160)</b>	<b>197</b>	<b>-</b>	<b>3,392</b>	<b>3,013</b>
Capital Grants & Contributions	18,976	3,794	(983)	865		22,652	8,630

FIN004-24

8. Several events/trends have evolved following the adoption of the 2023/24 Budget which have materially impacted the result and have required a change as part of the Q2 budget review. These specific items include:
- (a) Investment returns have performed strongly in the first half of the year, finishing at \$5.3 million to December (\$2.6 million better than budget). This has occurred due to a higher than anticipated cash reserve balance, and the continuation of higher cash rates within the economy. This over achievement is expected to continue through to the remainder of the year, with Investment returns now expected to exceed budget by at least \$4.0 million.
  - (b) Depreciation costs were \$16.4 million for the first half of the year (\$2.5 million above budget). This has been the result of the impact of the increased cost of materials and changes to the useful lives of Open Space Assets while performing the annual valuation process for the 2022/23 end of year results. The full year impact is now better understood, and it is anticipated that Depreciation will now finish \$2.9 million higher than the adopted budget.
  - (c) Employee costs have been higher than budget in the first 6 months of the year due to a higher-than-expected increase in employee leave liabilities. The full year budget has been adjusted to increase by \$940,000 and this is mainly to accommodate the below 2 factors -
    - (i) the impact of the 1st of July 4.5% award increase inflating the value of existing employee leave balances.
    - (ii) A relatively high number of new roles being filled over the last 12 months (118 Full time equivalents, or 19% of Council's workforce) has resulted in an increase to leave balances due to the notion that new starters tend to accumulate rather than take leave in the first 1-2 years of employment.
9. As per previous reviews, any further variances to budget are being closely monitored to ensure that they continue to be offset by expenditure savings or other sources of income to ensure there is minimum impact to Council's adopted budget position.

#### Operating Income - Financial Quarter Performance

10. YTD Operating income to December 2023 is currently trending above budget by \$4.3 million.
11. This is primarily due to better-than-expected income from:

- d. Interest income of \$5.3 million due to higher than anticipated return on investment portfolio income (\$2.6 million above budget YTD)
- e. User Fees & Charges is \$8.9 million (\$700,000 above budget YTD), largely due to strong income from Road and Footpath Restorations and Construction / Work Zones. Legal Fee recoveries have also been above budget year to date as costs incurred from previous appeals have been awarded in Council's favour.

#### Operating Expenditure - Financial Quarter Performance

- 12. Operating expenditure is currently above budget by \$1.4 million to the end of December 2023.
- 13. The main contributors to these overruns are in the previously mentioned costs for Employee Leave Liabilities and Depreciation.
- 14. Materials and Services and Other Expenses are currently under budget by \$1.8 million, however the majority of these savings are primarily due to the timing of expenditure and will continue to be monitored, though it is anticipated that these costs will be more aligned to budget by the end of the financial year.

#### Overview of the Quarter 2 Proposed Budgetary Changes

- 15. The proposed amendments to the 2023/24 Operating Budget result in a revised Operating Surplus of \$3.4 million, which is a \$197,000 improvement to the Q1 position, and is now realigned back to the \$3.4 million adopted position. Most of this recent improvement is due additional income being generated in Council's investment portfolio, noting that a large portion of this is being offset by cost increases in depreciation and employee leave liabilities.
- 16. The details of the proposed Operating Budget amendments are listed in Table 2 of attachment 1.

#### Capital Program, Cash Flow and Reserve Balances - Financial Quarter Performance

- 17. As illustrated in the table below, Capital expenditure to December 2023 was \$14.7 million or 29% of the revised 2023/24 Capital Budget, with material expenditure occurring on:
  - Olds Park Skate Park and Netball Upgrade \$4.4 million
  - The land acquisition of 247 Princes Highway \$3.7 million
  - Hurstville Revitalisation \$1.9 million
  - Forest Rd and Durham St intersection upgrade \$834,000
  - Road Resheeting program \$461,000

Capital Program Budget Review Statement Summary	Adopted 2023/24 Capital Budget	2022/23 Carry Over	Qtr 1 Variation	Qtr 2 Variation	Qtr 3 Variation	Revised 2023/24 Capital Budget	YTD Actuals	2024/25 Capital Budget
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
New Assets	4,242	13,913	1,619	435		20,209	7,870	10,989
Renewal of Assets	19,608	8,313	283	84		28,288	6,262	9,381
Capitalised Project Salaries	1,600					1,600	576	
<b>Total</b>	<b>25,450</b>	<b>22,226</b>	<b>1,902</b>	<b>519</b>		<b>50,096</b>	<b>14,708</b>	<b>20,370</b>

18. The proposed amendments to the Capital Program result in a revised 3-year Capital Program Budget of \$96.9 million (FY23-FY25), which is a \$519,000 increase from the previous budget review. Details of these Q2 adjustments can be seen in Table 4 of attachment 1.
19. It should be noted that the Capital Program budget expenditure is not expected to occur entirely in the 2023/24 financial year. Table 5 of attachment 1 (summarised below) shows the timing of expenditure for the revised Capital Budget, with \$50.1 million expected to occur in 2023/24 and the remaining \$20.4 million in 2024/25 (with \$26.4 million actuals in 2022/23).

Capital Program Phasing – Expenditure Forecast	Original Adopted Capital Program				REVISED Q2 Capital Program			
	FY23 Q3 Budget	FY24 Budget	FY25 Budget	Total FY23-FY25	FY23 Actual	FY24 Budget*	FY25 Budget*	Total FY23-25
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
New Assets	31,573	4,242	8,125	43,940	12,994	20,209	10,989	44,191
Renewal of Assets	31,500	19,608	3,931	55,039	12,344	28,288	9,381	50,013
Capitalised Project Salaries	1,502	1,600	-	3,102	1,059	1,600	-	2,659
<b>Total</b>	<b>64,576</b>	<b>25,450</b>	<b>12,056</b>	<b>102,082</b>	<b>26,398</b>	<b>50,096</b>	<b>20,370</b>	<b>96,864</b>

20. The income budgeted for Capital Grants has increased by \$865,000 to \$22.7 million. This is largely due to the additional funds being received for the Poulton Park retaining wall works, and recognition of LRCI grant money being applied to Hurstville Oval and Charles Pirie Sports Lighting projects.

## FINANCIAL IMPLICATIONS

21. Attachment 1 contains detailed information on the proposed changes and Quarterly results.
22. The proposed amendments to the 2023/24 Operational Budget have resulted in a realignment to the original adopted operating surplus of \$3.4 million, which is a \$197,000 improvement to the Q1 Budget Review.
23. Council should also note that the projected operating surplus remains under the Long-Term Financial Plan (LTFP) surplus that was submitted as part of the Special Rate Variation Application of \$6.1 million, and therefore must continue to adhere to the principles of sound financial management to protect cash for ongoing operations and continue to ensure Council avoids operating in deficit in future years.
24. The proposed amendments to the Capital Program result in a new 3-year Capital Works Program budget of \$96.9 million. This can be broken down across the 3 years as follows:
- f. 2022/23 – actual expenditure of \$26.4 million
  - g. 2023/24 – budget expenditure of \$50.1 million
  - h. 2024/25 – budget expenditure of \$20.4 million

## RISK IMPLICATIONS

25. The final years of the Long-Term Financial Plan (LTFP) indicate a deficit position will occur in the last 2 years (shown as Model 1 in the Resourcing Strategy) and will need to be addressed in coming years.

26. Council must comply with Section 8B of the Act - Principles of sound financial management; and in particular, the following sub sections of section 8B:

*“(a) Council spending should be responsible and sustainable, aligning general revenue and expenses...”*

*(d) Councils should have regard to achieving intergenerational equity, including ensuring the following:*

*(i) policy decisions are made after considering their financial effects on future generations,*

*(ii) the current generation funds the cost of its services”.*

## **COMMUNITY ENGAGEMENT**

27. No community consultation is required because of this report.

## **FILE REFERENCE**

D24/12343

## **ATTACHMENTS**

Attachment [1](#) Quarterly Budget Review Report - Q2 31 December 2023





# **BUDGET REVIEW STATEMENT**

## **for the Quarter ended 31 December 2023**

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**Report by Responsible Accounting Officer**

In accordance with Clause 203(2) of the Local Government (General) Regulations 2021, it is my opinion that the Quarterly Budget Review Statement for Georges River Council for the quarter ended 31 December 2023 indicates that Council's projected financial position at 30 June 2024 will be satisfactory at year end, having regard to the projected estimates of income and expenditure and the original budgeted income and expenditure.

**Danielle Parker**

**Director Business & Corporate Services**

*Responsible Accounting Officer*

*26 February 2024*

## Appendices

Table 1: Income & Expenditure Budget Review Statement

	Original Budget 2023/24	2022/23 Carry overs	Qtr 1 Budget Variation	Qtr 2 Budget Variation	Qtr 3 Budget Variation	Revised Budget 2023/24	YTD Actuals
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Income</b>							
Rates and Annual Charges	116,543					116,543	58,761
User Charges & Fees	16,333					16,333	8,864
Interest	5,400			4,000		9,400	5,325
Other Revenues from Ordinary Activities	14,063		84			14,147	8,033
Operating Grants and Contributions	12,246	32	519	13		12,810	4,484
Net Gain/Loss on Disposal	623					623	(36)
<b>Total Income</b>	<b>165,208</b>	<b>32</b>	<b>603</b>	<b>4,013</b>	<b>-</b>	<b>169,856</b>	<b>85,430</b>
<b>Expense</b>							
Employee Costs	64,256		173	940		65,369	33,226
Borrowing Costs Expense	-					-	-
Materials & Services	65,483	32	590	13		66,118	30,725
Depreciation	27,611			2,863		30,474	16,375
Other Expenses	4,503					4,503	2,092
<b>Total Expenses</b>	<b>161,853</b>	<b>32</b>	<b>763</b>	<b>3,816</b>	<b>-</b>	<b>166,464</b>	<b>82,417</b>
<b>Operating Result before Capital Revenue – Surplus/(Deficit)</b>	<b>3,355</b>	<b>-</b>	<b>(160)</b>	<b>197</b>	<b>-</b>	<b>3,392</b>	<b>3,013</b>
Capital Grants & Contributions	18,976	3,794	(983)	865		22,652	8,630

**Table 2: Detailed Operational Budget Variations**

Project Description	Directorate	Major Account Category	Reason	Funding Source	Q2 Budget Variations (\$'000)
Interest Income	BACS / E&P	Interest	Increased income due to higher returns on investments	General Revenue	(4,000)
Review of Heritage DCP Controls	E&P	Operating Grants & Contributions	NSW Heritage Grant	Grant	(13)
PEP Round 1 Step Increases	All	Employee Costs	Performance increases as part of Employee Round 1 Review	General Revenue	85
FY24 Award increase impact on Employee Leave Entitlements (ELE)	All	Employee Costs	Impact of the 4.5% award increase on leave balances has increased the leave liability above levels that cannot be absorbed	General Revenue	475
FY24 new starter leave balance increase impact on ELE	All	Employee Costs	Impact of new starters generally not taking 4 weeks annual leave in their first year. Assumption is 2 weeks not taken on 118 FTE roles filled in last 12 month	General Revenue	380
Review of Heritage DCP Controls	E&P	Materials and Services	NSW Heritage Grant	Grant	13
Depreciation Expense	All	Depreciation	Increase in Open Space Depreciation as a result of FY23 year-end adjustment to useful lives	General Revenue	2,863
<b>Net change of variations - Surplus/(Deficit)</b>					<b>197</b>

**Table 3: Capital Program Budget Review Statement Summary**

Capital Program by Asset Class	Adopted 2023/24 Capital Budget \$'000	2022/23 Carry Over \$'000	Qtr 1 Variation \$'000	Qtr 2 Variation \$'000	Qtr 3 Variation \$'000	Revised 2023/24 Capital Budget \$'000	YTD Actuals \$'000	2024/25 Capital Budget*
<b>New Assets</b>								
Buildings - Non Specialised	385	2,631	467	50		3,533	429	7,775
Buildings - Specialised		462				462		
Footpaths	505	463				968	238	
Open Space/Recreational	1,770	187				1,957	588	2,954
Operational Land Council Owned		6,079	200			6,279	3,670	
Other Structures	725	3,087	332	339		4,482	2,000	90
Roads	857	1,005	620			2,482	899	170
Various Plant and Equip Other				46		46	45	
<b>Sub-Total</b>	<b>4,242</b>	<b>13,913</b>	<b>1,619</b>	<b>435</b>		<b>20,209</b>	<b>7,870</b>	<b>10,989</b>
<b>Renewal of Assets</b>								
Buildings - Non Specialised	2,920		500	50		3,470	90	1,620
Buildings - Specialised								
Footpaths	815	12				827	208	146
Library Collections	442					442	158	
Office Equip	420					420	93	
Open Space/Recreational	2,765	7,951				10,716	4,693	7,225
Other Structures	525	81	-467	34		173	180	
Plant and Equipment	2,300					2,300	244	
Roads	8,250					8,250	461	
Stormwater	1,171	269	250			1,690	135	390
<b>Sub-Total</b>	<b>19,608</b>	<b>8,313</b>	<b>283</b>	<b>84</b>		<b>28,288</b>	<b>6,262</b>	<b>9,381</b>
Capitalised Project Salaries	1,600					1,600	576	
<b>Total</b>	<b>25,450</b>	<b>22,226</b>	<b>1,902</b>	<b>519</b>		<b>50,096</b>	<b>14,708</b>	<b>20,370</b>

\*Includes carryovers

**Table 4: Detailed Capital Program Variations**

Project Description	Direct.	Major Account Category	Reason	Funding Source	Q2 Budget Variations (\$'000)
New Footpath Construction	A&I	Capital Grants & Contributions	LRCI Funding allocation to existing program per December Council Meeting.	LRCI Grant	(42)
Hurstville Oval Lighting	A&I	Capital Grants & Contributions	LRCI Funding allocation to existing budget.	LRCI Grant	(325)
Charles Pirie Sports Lighting	A&I	Capital Grants & Contributions	LRCI Funding Allocation. Increase to existing budget per December Council Meeting.	LRCI Grant	(339)
Poulton Park Retaining Wall	A&I	Capital Grants & Contributions	Successful grant application for existing capital project.	Grant	(159)
Charles Pirie Sports Lighting	A&I	Capital	LRCI Funding Allocation. Increase to existing budget per December Council Meeting.	LRCI Grant	339
Tennis Court Fencing - Ken Rosewall	A&I	Capital	Increase current budget from \$100k to \$120k to implement best practice, longer lasting fence.	General Revenue	20
Minor Open Space Capital Renewal	A&I	Capital	Reduce existing budget to fund the increase in Tennis Court Fencing costs.	General Revenue	(20)
Lower Gannons Park Spoil Remediation	A&I	Capital	Increase to budget per CCL051A-23 Council Meeting 27/11/23. To be funded by reallocation of funds from existing capital works program, Domestic Waste Reserve.	Domestic Waste Reserve	210
Carss Park Pool Site remediation works	A&I	Capital	Reduce existing budget to fund the Lower Gannons Park spoil remediation.	Domestic Waste Reserve	(210)
Poulton Park Retaining Wall	A&I	Capital	Successful grant application for this existing project exceeds adopted budget of \$125,000.	Grant	34
Todd Park Sporting Facility Design	A&I	Capital	Reallocation of funds from major building renewals.	General Revenue	50
Major Building Renewals	A&I	Capital	Reallocation of funds to Todd Park Sporting Facility Design.	General Revenue	(50)
Design of Community Centre at 7A Hedley St Riverwood refurbishment	A&I	Capital	Reallocation of funds from major building renewals to commence design, per council resolution at November Council Meeting	General Revenue	200
Major Building Renewals	A&I	Capital	Reallocation of funds to the design of Community Centre at 7A Hedley St Riverwood refurbishment.	General Revenue	(200)
Kogarah Town Square Deck Repair	BACS	Capital	Scope of repair works has now changed and structural work need to be completed	Commercial Property Reserve	100
Aircon for baby Health Centre	BACS	Capital	We own the space within the building, building management are switching off old aircon system - owners of spaces to get their own	Commercial Property Reserve	46

**Table 5: Capital Program Phasing – Expenditure Forecast**

Asset Class	Original Adopted Capital Program				REVISED Q2 Capital Program			
	FY23 Q3 Budget \$'000	FY24 Budget \$'000	FY25 Budget \$'000	Total FY23-FY25 \$'000	FY23 Actual \$'000	FY24 Budget* \$'000	FY25 Budget* \$'000	Total FY23-25 \$'000
<b>New Assets</b>								
Buildings - Non Specialised	6,341	385	7,475	14,201	3,941	3,533	7,775	15,249
Buildings - Specialised	485	-	-	485	23	462	-	485
Footpaths	2,127	505	-	2,632	1,664	968	-	2,632
Furniture and Fittings	24	-	-	24		-	-	-
Open Space/Recreational	4,180	1,770	480	6,430	669	1,957	2,954	5,579
Operational Land Council Owned	8,100	-	-	8,100	1,764	6,279	-	8,043
Other Structures	6,400	725	-	7,125	3,095	4,482	90	7,667
Plant and Equipment	-	-	-	-	-	-	-	-
Roads	3,542	857	170	4,569	1,468	2,482	170	4,120
Software Licenses and System Development	-	-	-	-	-	-	-	-
Stormwater	-	-	-	-	-	-	-	-
Various Plant and Equipment Other	375	-	-	375	371	46	-	417
<b>Sub-Total</b>	<b>31,573</b>	<b>4,242</b>	<b>8,125</b>	<b>43,940</b>	<b>12,994</b>	<b>20,209</b>	<b>10,989</b>	<b>44,191</b>
<b>Renewal of Assets</b>								
Buildings - Non-Specialised	35	2,920	1,620	4,575	-	3,470	1,620	5,090
Buildings - Specialised	-	-	-	-	-	-	-	-
Footpaths	1,436	815	146	2,397	923	827	146	1,896
Furniture and Fittings	-	-	-	-	-	-	-	-
Library Collections	410	442	-	852	373	442	-	815
Office Equipment	160	420	-	580	97	420	-	517
Open Space/Recreational	14,442	2,765	1,745	18,952	793	10,716	7,225	18,734
Other Structures	972	525	-	1,497	404	173	-	577
Plant and Equipment	4,000	2,300	-	6,300	1,474	2,300	-	3,774
Roads	8,224	8,250	-	16,474	7,323	8,250	-	15,573
Stormwater	1,749	1,171	420	3,340	900	1,690	390	2,980
Various Plant and Equipment Other	72	-	-	72	57	-	-	57
<b>Sub-Total</b>	<b>31,500</b>	<b>19,608</b>	<b>3,931</b>	<b>55,039</b>	<b>12,344</b>	<b>28,288</b>	<b>9,381</b>	<b>50,013</b>
Capitalised Project Salaries	1,502	1,600	-	3,102	1,059	1,600	-	2,659
<b>Total</b>	<b>64,576</b>	<b>25,450</b>	<b>12,056</b>	<b>102,082</b>	<b>26,398</b>	<b>50,096</b>	<b>20,370</b>	<b>96,864</b>

\*Includes carryovers

**Table 6: Budgeted Statement of Cash Flows**

	2022/23 Actual \$'000	2023/24 Original Budget \$'000	2023/24 Revised Budget \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Rates and Annual Charges	109,345	116,180	116,180
User Charges and Fees	17,221	16,491	16,491
Grants and Contributions	15,617	12,095	12,659
Other	20,810	13,540	13,624
<b>Payments</b>			
Employee Benefits and On-Costs	(59,989)	(63,855)	(64,112)
Borrowing Costs	(2)	-	-
Materials and Contracts	(74,019)	(63,786)	(64,421)
Other	(2,445)	(4,392)	(4,392)
<b>Net Cash Provided from Operating Activities</b>	<b>26,538</b>	<b>26,273</b>	<b>26,029</b>
<b>INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
Investment & Interest Revenue Received	5,882	4,752	8,752
Capital Grants & Contributions	31,126	10,480	19,755
Proceeds from Sale of Assets	634	1,263	1,263
<b>Payments</b>			
Capital Works and Purchase of Fixed Assets	(24,734)	(40,035)	(49,578)
<b>Net Cash Provided from Investing Activities</b>	<b>12,908</b>	<b>(23,540)</b>	<b>(19,808)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
Proceeds from Borrowings			
<b>Payments</b>			
Loan Principal Payment	(125)	-	
Principal component of lease payments	(45)	(46)	(46)
<b>Net Cash Provided from Financing Activities</b>	<b>(170)</b>	<b>(46)</b>	<b>(46)</b>
Net/Increases/Decreases in Cash, Cash Equivalents and Investments	39,276	2,687	6,175
Opening Cash Balance – Beginning of the Year	187,794	203,357	227,070
<b>Total Cash, Cash Equivalents, and Investments</b>	<b>227,070</b>	<b>206,043</b>	<b>233,245</b>

**Table 7: Externally Restricted Cash Reserves**

	<b>2022/23 Actual \$'000</b>	<b>2023/24 Original Budget \$'000</b>	<b>2023/24 Revised Budget \$'000</b>
<b>Externally Restricted Closing Balances</b>			
Developer Contributions	98,848	89,493	97,528
Specific Purpose Unexpended Grants	11,831	8,143	11,831
Domestic Waste Management Reserve	21,640	11,448	13,527
Stormwater Management	2,097	1,778	2,105
Environmental Levy	-	93	93
Town Improvement Levy Funds	2,172	2,150	2,196
Infrastructure Plus	382	203	203
<b>Total Externally Restricted Balances</b>	<b>136,970</b>	<b>113,309</b>	<b>127,482</b>
<b>Internally Restricted Closing Balances</b>			
Employee Leave Entitlements	6,126	6,126	6,981
Plant and Vehicle Replacement	7,038	2,071	5,361
Election	1,812	1,465	2,012
Childcare Equipment	956	566	566
Hurstville Golf Course	112	112	112
Financial Assistance Grant	5,309	3,614	5,309
Bonds and Damage Deposits	4,240	4,240	4,240
Merger Initiatives Allocation	1,388	418	538
Stronger Communities Fund	-	117	-
Assets, Roads and Infrastructure Management	15,289	14,734	18,547
Commercial Property	20,166	15,404	17,370
Strategic Centres	5,743	5,743	5,743
Revolving Energy	105	141	141
Tree Preservation	1,011	666	1,011
Aquatic Facilities	58	115	58
Outdoor Synthetic Sports Fields Reserve	114	114	114
Heritage Building Grants Program Reserve	23	17	23
Street Lighting Project Reserve	179	179	179
Passenger Sustainable Fleet Reserve	31	31	31
Waste Strategy Implementation	2,550	2,550	2,550
Net Zero Emissions	102	7	102
Pooling Contributions	-	10,600	8,975
<b>Total Internally Restricted Balances</b>	<b>72,352</b>	<b>69,030</b>	<b>79,964</b>
<b>Total Restricted Cash Reserve Balances</b>	<b>209,322</b>	<b>182,339</b>	<b>207,446</b>
<b>Unrestricted Cash Balance Forecast</b>	<b>17,748</b>	<b>23,703</b>	<b>25,799</b>

**Table 8: Key Performance Indicators**

Indicators	Description	Benchmark	Original Budget 2023/24	Revised Budget	Dec 2023 YTD Actuals
<b>Operating Performance</b>	Measures Council's achievement of containing operating expenditure within operating revenue	Greater than 0%	2.1%	n/a	3.5%
<b>Own Source Operating Revenue</b>	Measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.	Greater than 60%	87.2%	n/a	86.1%
<b>Rates, annual charges, outstanding percentage</b>	Highlights the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.	Less than 5.00%	4.37%*	n/a	7.20%
<b>Debts over \$20,000</b>	Highlights the number of debts outstanding that are over \$20,000	0	n/a	n/a	\$2,024,915 (35 Debtors)
<b>Unrestricted Current Ratio</b>	Highlights the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.	Greater than 1.5x	1.8	n/a	2.0

\* Rates and annual charges outstanding baseline is as at 30 June 2023

**Table 9: Consultancy, Contractor and Labour Hire & Legal Expenses Review**

<b>Consultancy Costs by Directorate</b>	<b>YTD Expenditure (\$'000)</b>	<b>Current YTD Budget (\$'000)</b>
Environment and Planning	561	463
Business and Corporate Services	207	351
Assets and Infrastructure	125	180
Office of the General Manager	62	60
Community and Culture	7	120
<b>Total</b>	<b>962</b>	<b>1,174</b>

<b>Contractors &amp; Labour Hire Costs by Directorate</b>	<b>YTD Expenditure (\$'000)</b>	<b>Current YTD Budget (\$'000)</b>
Environment and Planning	763	483
Business and Corporate Services	345	299
Assets and Infrastructure	2,196	3,609
Office of the General Manager	59	55
Community and Culture	79	13
<b>Total</b>	<b>3,443</b>	<b>4,459</b>

<b>Legal Costs by Category</b>	<b>YTD Expenditure (\$'000)</b>	<b>Current Full Year Budget (\$'000)</b>
<b>Legal Fees Recovery</b>	(381)	(530)
<b>Expenses</b>		
Legal - Class 1 Appeals - Consultants for Court Proceedings	376	475
Legal - Class 1 Appeals External Lawyers	287	436
Legal - Class 3 Appeals	-	25
Legal - Class 4 Appeals	65	90
Legal - Class 5 Appeals	10	40
Legal – Local Court Prosecutions / Enforcements	49	20
Legal - Code of Conduct	17	-
Legal - Advice	159	351
<b>Net Legal Costs (Surplus)/Deficit</b>	<b>582</b>	<b>906</b>

**Table 10: Quarterly Contracts Awarded (greater than \$50,000)**

Contract	Contractor	Commencement Date	Duration	Budgeted (Y/N)	Amount Incl. GST
Trial Removal of Street Sweeper Waste (SSROC T2019-07-2)	Downer EDI Services Pty Ltd	1 October 2023	3 months	Y	\$66,924
Q23/105 Kogarah Civic Centre - Mechanical Services Design	Intelle Pty Ltd	19 October 2023	3 months	Y	\$77,000
Q23/082 Legal Services	Polo CPI Pty Ltd	30 October 2023	6 months	Y	\$100,000
Q23/082 Legal Services	Kerry Gordon Planning Services Pty Ltd	30 October 2023	6 months	Y	\$100,000
Q23/082 Legal Services	Blair Jackson	30 October 2023	6 months	Y	\$100,000
Q23/082 Legal Services	Matthew Dean Harker	30 October 2023	6 months	Y	\$100,000
Q23/122 Specialist Asset Scenario Planning and Asset Management Plans	IINSIGHTS Pty Ltd	31 October 2023	6 months	Y	\$169,310
Q23/148 Kerb and Gutter Replacement – Package 3	KK Consultants Pty Ltd	9 November 2023	3 months	Y	\$186,718.51
Q23/148 Kerb and Gutter Replacement – Package 1	State Civil Pty Ltd	9 November 2023	3 months	Y	\$207,110.30
Q23/093 Footpath Grinding	The Australian Grinding Company Pty Ltd	3 November 2023	3 months	Y	\$150,000
Q23/119 Stormwater Asset Inventory	AGIS Trading Pty Ltd	7 November 2023	3 months	Y	\$64,350
Asphalt Maintenance and Restoration Program - October (T18/014)	State Civil Pty Ltd	6 November 2023	3 months	Y	\$78,622.72
Dragon Statue for Lunar Festival 2024	Gorilla Constructions Pty Ltd	13 November 2023	1 month	Y	\$66,000
Concrete Maintenance and Restoration Package – November (T23/003)	NSW Building and Civil Pty Ltd	16 November 2023	3 Months	Y	\$99,191.81
Q23/077 Water Sensitive Urban Design – Health Assessment and Operational Review	Stantec Australia Pty Ltd	16 November 2023	6 months	Y	\$86,264.75
SSROC Membership Fee 01/07/2023 to 30/08/2024	Southern Sydney Regional Organisation of Councils	1 July 2023	12 months	Y	\$87,966.28
Q23/078 Dairy Creek Embankment Restoration (LGP420)	Civil Works (NSW) Pty Ltd	16 November 2023	6 months	Y	\$550,363
Q23/126 Hurstville Precinct Playspace Development Design	Thompson Berrill Landscape Design Pty Ltd	23 November 2023	6 months	Y	\$212,975.95
Q23/136 Gannons Park – Canopy Increase Program	Waratah Group Services Pty Ltd	28 November 2023	6 months	Y	\$122,875.42

Q23/102 Lambert Reserve Peakhurst Heights	Jag Building & Bricklaying Services Pty Ltd	5 December 2023	3 months	Y	\$77,419.10
Q23/141 Lugarno Passive Watercraft Facility Design	Thompson Berrill Landscape Design Pty Ltd	19 December 2023	6 months	Y	\$110,837.65
Q23/107 Former Kogarah War Memorial Pool Demolition and Site Remediation	Ford Civil Pty Ltd	7 December 2023	12 months	Y	\$6,057,240

**Item:** **FIN005-24 Appointment of Independent Member to the Audit Risk and Improvement Committee**

**Author:** Chief Audit Executive

**Directorate:** Office of the General Manager

**Matter Type:** Committee Reports

FIN005-24

**RECOMMENDATION:**

- (a) That Council appoint Mr Hamish McNulty as an independent member to the Audit, Risk and Improvement Committee (ARIC) in accordance with the Audit, Risk and Improvement Committee Terms of Reference, for a four (4) year period from 22 March 2024 to 22 March 2028.
- (b) That Council thank Mr Michael Seery for his valuable contribution to good governance and his provision of independent advice to Georges River Council as an independent member of ARIC since joining in 2021.

**EXECUTIVE SUMMARY**

1. The NSW Local Government Internal Audit and Risk Management Framework guidelines mandated by the NSW government (OLG) requires councils to establish an Audit, Risk and Improvement Committee (ARIC) that comprises of a chairperson, at least 2 independent members and one Councillor (as a non-voting member).
2. A recruitment campaign was conducted during December 2023 to replace an outgoing independent member. This resulted in 9 applicants being received.
3. Given the high level of senior local government experience, the industry background, availability, feedback and references received, and the current ARIC composition, a preferred candidate was selected from the applications submitted.
4. This report is to recommend appointment of a new independent ARIC member, Mr Hamish McNulty, replacing the existing member, Mr Michael Seery. Mr Seery has been a member of ARIC since 2021.
5. The CV and application of the preferred applicant is contained in the Confidential Attachment.

**BACKGROUND**

6. The Audit, Risk and Improvement Committee (ARIC) of Georges River Council commenced in October 2016, replacing the former Audit and Risk Management Committee of the Hurstville Council.
7. Since 2023, the ARIC responsibilities, functions and operations have been governed by the Audit, Risk and Improvement Committee Terms of Reference (adopted by Council under CCL068-23) which replaced the existing ARIC Charter.
8. The ARIC currently has a composition of three independent members (voting) and one Councillor (non-voting member).
9. The following members were appointed by Council (CCL016-21) in March 2021:

- Mr Cliff Haynes (independent chair commencing 1 July 2022)
  - Mr Michael Seery (independent member)
10. Mr Barry Husking was appointed as an independent member by Council (CCL020-22) commencing 1 July 2022.
  11. Mr Seery's tenure expires on 22 March 2024.
  12. Council acknowledges the criteria to be met under Section 216E of the Amendment to the Local Government (General) Regulation 2012 for eligibility for appointment as an independent member, being:

*"A council must not appoint a person as an independent member of the councils Audit, Risk and Improvement Committee unless the council is reasonably satisfied the person—*

*(a) is able to read and understand financial statements, and*

*(b) is able to understand the ethical requirements of government, including conflicts of interest, and*

*(c) is able to form independent judgements, and*

*(d) is willing to constructively challenge and question management practices and information, and*

*(e) is professional and ethical in the exercise of the person's duties, and*

*(f) is able to devote the necessary time and effort to the person's functions as a member of the committee, and*

*(g) has knowledge in one or more of the following that is relevant to the person's role on the Audit, Risk and Improvement Committee—*

*(i) risk management,*

*(ii) performance management,*

*(iii) human resources management,*

*(iv) internal and external auditing,*

*(v) financial reporting,*

*(vi) accounting,*

*(vii) management control frameworks,*

*(viii) internal financial controls,*

*(ix) governance of organisations,*

*(x) business operations, and*

*(h) is independent of the council."*

## Recruitment Process

13. In December 2023, Expressions of Interest (EOI) were invited to replace the independent member ARIC position. These were sought from various sources including the Local Government Internal Auditors Network, LinkedIn and Council's website. The process was coordinated internally by People and Culture in conjunction with the Chief Audit Executive.
14. The EOI was placed in various advertisement channels from 1 December to 15 December 2023.
15. 9 applications were received for the position when the EOI closed on 15 December 2023.
16. The applicants were initially reviewed based on various criteria including experience, qualifications, ARIC requirements, references and areas of speciality.
17. Based on the current composition of the committee, preferred local government experience, industry background and qualities to enhance the diversity of the committee, Council Officers and the ARIC Chair recommend the appointment of Mr Hamish McNulty as the replacement independent ARIC member who meets the eligibility criteria.

#### Next Steps

18. With the term of Mr Michael Seery finishing on 22 March 2024, a new independent ARIC member needs to be appointed. The last committee meeting for Mr Seery's attendance will be 28 February 2024. The next meeting for the new member to attend will be 23 May 2024.
19. It is proposed that Council endorses the preferred candidate being Mr Hamish McNulty. The appointment should be from 22 March 2024 to 22 March 2028 (with the possibility of extension up to 4 years).
20. A letter of appointment will be sent to the preferred candidate acknowledging Council's decision and set out the details of the appointment.

#### **FINANCIAL IMPLICATIONS**

21. Within budget allocation. Each independent panel member (not the chair) is reimbursed a member fee of \$1,500 (excluding GST) per meeting for attendance with five meetings per year scheduled.
22. This includes all costs associated with meeting attendance including preparation time, travel time and costs, reviewing of items, etc.

#### **RISK IMPLICATIONS**

23. The ARIC ensures governance mechanisms are effective to ensure that Georges River Council is performing for their communities and are on track to deliver goals and objectives for the community.

#### **COMMUNITY ENGAGEMENT**

24. Community engagement was conducted during the Expression of Interest stage for the Community representatives between the 1 December 2023 until the closing date of 15 December 2023. This resulted in 9 applications being received by Council.

#### **FILE REFERENCE**

D24/23486

#### **ATTACHMENTS**

Attachment 1 CONFIDENTIAL Hamish McNulty ARIC Application December 2023

(Confidential)

FIN005-24

**Item:** FIN006-24 Quarterly Commercial Property Portfolio Report for Period Ending 31 December 2023

**Author:** Senior Property Officer

**Directorate:** Business and Corporate Services

**Matter Type:** Committee Reports

FIN006-24

**RECOMMENDATION:**

That Council receives and notes the contents of this report in relation to the Quarterly Commercial Property Portfolio for the period ending 31 December 2023.

**EXECUTIVE SUMMARY**

1. This report contains information about the properties within the Commercial Property Portfolio including commercial car parking.
2. The report responds to the ongoing audit of Council's commercial leases and licences and the execution of new leases and licences, having regard to the commercial-in-confidence nature of the various leases and licences.
3. The table below shows the performance of the portfolio up to 31 December 2023.

**BACKGROUND**

4. This report provides a summary of income performance against budget for Council's Commercial Property Portfolio.
5. There are currently six (6) vacancies across the portfolio which is a positive position given the current economic climate affecting commercial property.

Property Type	Number of Properties /Agreements	No. of Current Vacant Premises	YTD Net Result Actual	YTD Net Result Budget	Variance	Comments
Commercial Properties inc. retail	83	6	\$1,540,878	\$1,444,955	\$95,923 (Budget Surplus)	Net Result is outperforming budget; however, maintenance and leasing costs for Belgrave St are running over budget.
Commercial Car Parks	7	NA	\$296,848	\$141,936	\$154,912 (Budget Surplus)	Gross income is outperforming current budget, costs are slightly exceeding budget, however overall net result is favourable. Note: 58,663 free 1-hour tickets issued in Pay and Display car parks.
Footway Trading	100	NA	\$28,631	\$38,650	\$10,019 (Budget	Income continues to be behind budget as was the

					Deficit)	trend last financial year.
<b>Outdoor Furniture Advertising</b>	3	0	\$92,144	\$100,000	\$7,856 (Budget Deficit)	Income continues to be behind budget however, there is an improvement from last year's trends.
<b>Telecoms</b>	5	0	\$33,989	\$43,500	\$9,511 (Budget Deficit)	Income is behind budget, partly attributed to timing of rental increases.
<b>Totals</b>	<b>198</b>	<b>6</b>	<b>\$1,992,490</b>	<b>\$1,769,041</b>	<b>\$223,449 (Budget Surplus)</b>	

FIN006-24

## FINANCIAL IMPLICATIONS

- Budget variations are summarised in the table above. Overall, the portfolio is performing \$220,000 above the total budgeted surplus of \$1.77 million.
- For the period 1 October 2023 and 31 December 2023, Council issued 58,663 free 1-hour free tickets in the "Pay and Display" car parks of MacMahon Street, Treacy Street and Gloucester Road, Hurstville.

## RISK IMPLICATIONS

- Financial sustainability is Council's top strategic risk. The commercial property portfolio provides an additional revenue source to fund community services and infrastructure. By ensuring the commercial property portfolio grows in terms of revenue will continue to reduce the reliance on ratepayers to fund Council services.

## COMMUNITY ENGAGEMENT

- No community engagement is required for this report.

## FILE REFERENCE

D24/30218

## ATTACHMENTS

Nil

## **CONFIDENTIAL ITEMS (CLOSED MEETING)**

Council's Code of Meeting Practice allows members of the public present to indicate whether they wish to make representations to the meeting, before it is closed to the public, as to whether that part of the meeting dealing with any or all of the matters listed should or should not be considered in closed session.

## **RECOMMENDATION**

That in accordance with the provisions of Part 1 of Chapter 4 of the Local Government Act 1993, the following matters be considered in closed Meeting at which the press and public are excluded.

### **FIN001A-24    Property Matter - 6 Dora Street, Hurstville - Lease** (Report by Senior Property Officer)

*THAT in accordance with the provisions of Part 1 of Chapter 4 of the Local Government Act 1993, the matters dealt with in this report be considered in closed Council Meeting at which the press and public are excluded. In accordance with Section 10A(2) (c) it is considered the matter information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business.*

*THAT in accordance with Section 10D it is considered that if the matter were discussed in an open Council Meeting, it would on balance, be contrary to the public interest as it information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business.*

That in accordance with the provisions of Section 11(2) of the Act, the reports and correspondence relating to these matters be withheld from the press and public.