



AGENDA

for the

FINANCE AND AUDIT COMMITTEE MEETING

Commencing at 10:00am

on

21 FEBRUARY, 2018

in the

Reception Conference Room

Administration Offices

19 February 2018



NOTICE OF MEETING

AN FINANCE AND AUDIT COMMITTEE MEETING, OF THE CITY OF KALGOORLIE-BOULDER WILL BE HELD IN THE RECEPTION CONFERENCE ROOM AT THE ADMINISTRATION OFFICES ON WEDNESDAY 21 FEBRUARY 2018 COMMENCING AT 10:00AM

Regards

A handwritten signature in black ink, appearing to read "JOHN WALKER".

JOHN WALKER
Chief Executive Officer

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- 1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS**
- 2 RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE (PREVIOUSLY APPROVED)**

IN ATTENDANCE:

MEMBERS OF STAFF:

VISITORS:

APOLOGIES - ELECTED MEMBERS:

APOLOGIES - MEMBERS OF STAFF:

LEAVE OF ABSENCE:

- 3 PETITIONS/DEPUTATIONS/PRESENTATIONS**

- 4 DECLARATIONS OF MEMBERS' AND OFFICERS' INTEREST**

- 4.1 FINANCIAL INTEREST LOCAL GOVERNMENT ACT SECTION 5.60A**
- 4.2 PROXIMITY INTEREST LOCAL GOVERNMENT ACT SECTION 5.60B**
- 4.3 INTEREST AFFECTING IMPARTIALITY CITY OF KALGOORLIE-BOULDER CODE OF CONDUCT**

- 5 CONFIRMATION OF MINUTES**

[Minutes November 28 2017 Finance and Audit.docx](#)

That the minutes of the Finance And Audit Committee meeting held on 28 November 2017 be confirmed as a true record of that meeting.

6 REPORTS OF OFFICERS

6.1 CHIEF FINANCIAL OFFICER

6.1.1 ACDC REPORT

Responsible Officer: **Ivana Castle**
Chief Financial Officer

Author: **Freemond NG**
Financial Controller

Disclosure of Interest: **Nil**

VOTING REQUIREMENTS

Simple

OFFICER RECOMMENDATION

That Council receive an update of the status of the ACDC Project

EXECUTIVE SUMMARY

The Altus Collaborative Development Consortia (ACDC) Project is a joint initiative between the City's enterprise reporting program provider IT Vision, the City of Kalgoorlie-Boulder, City of Greater Geraldton and City of Kalamunda. The consortia aims to work together to build and replace IT Vision's legacy SynergySoft application with the new Altus platform.

COMMUNITY STRATEGIC PLAN LINKS

Nil

BUDGET IMPLICATIONS

Nil

REPORT

The City is actively participating in the Altus Collaborative Development Consortia ACDC project as one of the main key stakeholders to develop and migrate the SynergySoft module to Altus Platform.

There are currently three product developments underway as part of the ACDC project. These are:

- Altus Tender Management
- Altus Inspections
- Altus Core Financials

Altus Tender Management

The Altus Tender Management project aims to develop a fully compliant web based Tender Management Solution (TMS) using the Altus Platform. This will replace and build upon certain features of the incumbent SynergySoft solution (Tenders, Contracts, Agreements and Grants).

The build of this module has been completed. The City has sought a quote from IT Vision to implement the upgraded product for use by the Assets and Procurement team.

Altus Inspections

Altus Inspections is a mobile application and associated management interface for swimming pool, fire safety and health inspection activities.

City Officers involved in the project have installed the first alpha release of the application on mobile phones and tablets and are testing the software out in the field. This project on track to conclude in March 2018.

Altus Core Financials

Altus Core Financials is a core accounting engine providing accounting information and services to other Altus products, as well as SynergySoft products and third-party products as required. The build will offer an alternative to SynergySoft general ledger, creditors, debtors, bank reconciliations and works costing and work order modules.

This module has commenced development. It has an extended build time compared to other modules, estimated to run from November 2017 until October 2018.

STATUTORY IMPLICATIONS

There are no statutory implications resulting from the recommendations of this report.

POLICY IMPLICATIONS

There are no policy implications resulting from the recommendations of this report.

COMMUNITY ENGAGEMENT CONSULTATION

No community consultation was considered necessary in relation to the recommendations of the report.

6.1.2 CITY OF KALGOORLIE-BOULDER STRATEGIC AND OPERATIONAL RISK REGISTER FEBRUARY 2018

Responsible Officer: **John Walker**
Chief Executive Officer

Author: **Maureen Keegan**
Governance Coordinator

Disclosure of Interest: **Nil**

VOTING REQUIREMENTS

Simple

OFFICER RECOMMENDATION

That the Committee review the Strategic and Operational Risk Registers and recommend their adoption by Council

EXECUTIVE SUMMARY

The Council and Management are required to keep a Risk Register which identifies inherent risk ratings across a range of areas, makes a control assessment by reviewing current control practices, determines a residual risk rating and sets forward actions that will improve the management of the risk.

The register is divided in two parts. The first part, Strategic, is the risks that Councillors review on a quarterly basis at each Finance and Audit Committee meeting. The second is Operational, which is primarily management focussed and is reviewed annually.

The Operational Risk Register was last reviewed in February 2017.

COMMUNITY STRATEGIC PLAN LINKS

This report links to the Strategic Community Plan through the Community's Guiding Principles to demonstrate a transparent and inclusive local government.

BUDGET IMPLICATIONS

There are nil budget implications resulting from the recommendations in this report.

REPORT

In accordance with section 17 of the *Local Government (Audit) Regulations 1996*, the CEO is required to review the appropriateness and effectiveness of a Local Government systems and procedures in relations to, amongst other things, risk management and is to review these procedures at least once every 2 years and report the results of the review to the Audit Committee.

At the 27 February 2017 Finance and Audit Committee meeting the committee recommended to receive the Strategic Risk Register at each Finance and Audit meeting held quarterly and to review the Operational Risk annually.

The Operational Risk Register was last reviewed in February 2017 and as such is presented as part of this report. The Strategic Register is attached and will be presented to all Finance and Audit Committee meetings going forward.

The Register is a living document and requires constant review. The Strategic risks are primarily a responsibility of the elected Council whereas the Operational risks are primarily a responsibility of management but require sign off by Council and a monitoring of the specific risks.

The risk registers will form the basis of which the Internal Auditor will conduct the reviews.

STATUTORY IMPLICATIONS

There are no statutory implications resulting from the recommendations of this report.

POLICY IMPLICATIONS

There are no policy implications resulting from the recommendations of this report.

COMMUNITY ENGAGEMENT CONSULTATION

No community consultation was considered necessary in relation to the recommendations of the report.

ATTACHMENTS:

[Strategic Risk Register February 2018](#)

[Operational Risk Register February 2018](#)

6.1.3 KALGOORLIE-BOULDER COMPLIANCE AUDIT RETURN 2017

Responsible Officer:	Ivana Castle Chief Financial Officer
Author:	Maureen Keegan Governance Coordinator
Disclosure of Interest:	Nil

VOTING REQUIREMENTS

Simple

OFFICER RECOMMENDATION

That Council adopt the Compliance Audit Return for the period 1 January 2017 – 31 December 2017, and submit the Return to the Department of Local Government, Sport and Cultural Industries in accordance with the *Local Government (Audit) Regulations 1996*.

EXECUTIVE SUMMARY

Pursuant to Regulations 14 and 15 of the *Local Government (Audit) Regulations 1996*, local governments are required to complete and return the Compliance Audit Return to the Department of Local Government, Sport and Cultural Industries by 31 March 2018.

It is a requirement that the Compliance Audit Return is presented to the Finance and Audit Committee prior to submission.

The City of Kalgoorlie-Boulder Compliance Audit Return for 2017 is attached to this report. Whilst there were disruptions to governance staffing throughout the 2017 year, a review of the delegations and registers does not any reveal non-compliances.

COMMUNITY STRATEGIC PLAN LINKS

This report links to the Strategic Community Plan through the Community's Guiding Principles for a transparent and inclusive local government.

BUDGET IMPLICATIONS

There are nil budget implications in relation to this report.

REPORT

The Compliance Audit Return is seen as an internal control monitoring process and as such is a useful tool for the Chief Executive Officer to report to Council and the Department on the City's performance against statutory obligations.

The Chief Executive Officer and relevant City Officers have assessed their operations in respect of statutory obligations outlined in the Compliance Audit Return and believe that their responses given indicate an accurate perspective of the City's compliance to date.

Whilst there was some disruptions to staffing throughout 2017 with the Governance Officer and the Minutes Officer both leaving the City and numerous staff moves within other areas, a review of the registers does not reveal non-compliances for 2017.

STATUTORY IMPLICATIONS

Both the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996*, set out the statutory requirements for the Compliance Audit Return.

In particular section s7.13 (1) of the *Local Government Act 1995* states the regulations may make provision requiring local governments to carry out in the prescribed manner and in a form approved by the Minister, an audit of compliance with such statutory requirements are prescribed whether those requirements are:-

1. Financial in nature
2. Under this Act or another written law

Sections 14 and 15 of the *Local Government (Audit) Regulations 1996* require a report to be prepared for each calendar year period to be approved by Council. The Compliance Audit Return is required to be reviewed by the Finance and Audit Committee, approved by Council and duly endorsed by the Mayor and the Chief Executive Officer before being submitted to the Department of Local Government, Sport and Cultural Industries by 31 March 2018.

POLICY IMPLICATIONS

There are no policy implications resulting from the recommendations of this report.

COMMUNITY ENGAGEMENT CONSULTATION

No community consultation was considered necessary in relation to the recommendations of the report.

ATTACHMENTS:

[Compliance Audit Return 2017](#)

6.1.4 REVIEW OF LOANS

Responsible Officer:	Ivana Castle Chief Financial Officer
Author:	Ivana Castle Chief Financial Officer
Disclosure of Interest:	Nil

VOTING REQUIREMENTS

Simple

OFFICER RECOMMENDATION

That the Committee review the proposed analysis for the consolidation of all loans.

EXECUTIVE SUMMARY

A high level review of all loans held by the City was undertaken in January 2018, with a view to assess whether the cost of capital is at acceptable levels given the current economic climate.

The Reserve Bank of Australia has held the official cash rate at an historic low of 1.5 per cent (December 17 quarter). This represents its 13th consecutive hold since the RBA made its last move, a 25 basis point cut in August 2016. The low cash rate impacts directly on the interest rates available for lending.

Subsequently, there is opportunity for the City to consider its overall position and take advantage of re-financing options, should it fit within the City's strategic direction. The total proposed interest saving is \$1.586 million.

Please note that the rates provided in this analysis are subject to change.

COMMUNITY STRATEGIC PLAN LINKS

This report links to the Strategic Community Plan through the Community's Guiding Principles to ensure a financially stable local government.

BUDGET IMPLICATIONS

There are budget implications resulting from the recommendations of this report that would depend on the timing of re-financing. In the 2017-18 financial year the impact would be positive, as the budgeted cash required is \$1.443 million, and the proposed cash required is approximately \$140K lower.

REPORT

It is a responsibility of the City to take a pro-active role in understanding its financial position, it is a critical factor to the long term financial sustainability of the

organisation. In understanding the current position, it supports better decision making and ultimately better outcomes, and an alignment with the Community's expectations.

A high level review of all loans held by the City was undertaken in January 2018, with a view to assess whether the cost of capital is at acceptable levels given the current economic climate.



Source: RBA

The Reserve Bank of Australia has held the official cash rate at an historic low of 1.5 per cent (December 17 quarter). This represents its 13th consecutive hold since the RBA made its last move, a 25 basis point cut in August 2016. The low cash rate impacts directly on the interest rates available for lending.

Given that Economists are predicting continued slow growth with a change to the RBA's cash rate being predicted for either later in the year or in early 2019, a review of the City's loans was considered relevant in this context.

The current position is that the City has 13 loans, all with varying interest rates and terms. Interest rates range from 2.73% to 6.65%, with the total amount funded at \$13.867 million. The balance outstanding as at 31 December 2017 is \$10.269 million.

The City has paid \$1.888 million in interest so far on these funds, and will pay a total of \$5.329 million in interest for the term of these loans as per the attached Loan Balance Report as at 31st of December 2017.

The Western Australian Treasury Corporation (WATC) provided quotes over 10, 15 and 20 year terms, with payments scheduled either semi-annually or quarterly. The schedules are attached. As indicated in the below table, the 10 year term (quarterly) quote is the most attractive option available.

ASSESSMENT OF LOAN QUOTES

NEW LOAN AMOUNT 11,177,043

TERM	INTEREST RATE	SCHEDULE	NO. PAYMENTS	QUOTE SCHEDULE			CURRENT SCHEDULE				VIABLE
				TOTAL INTEREST PAYABLE	TOTAL REPAYMENTS	GUARANTEE FEE	INTEREST REMAINING	TOTAL REPAYMENTS	GUARANTEE FEE	PAYMENT SAVING	
20 YEARS	5.54%	SEMI ANNUAL	40	4,725,369	15,902,412	896,953	3,562,126	14,444,245	579,747	-1,775,373	NO
20 YEARS	4.55%	QUARTERLY	80	4,606,380	15,783,423	886,388	3,562,126	14,444,245	579,747	-1,645,819	NO
10 YEARS	4.62%	SEMI ANNUAL	80	1,894,657	13,071,700	430,796	3,562,126	14,444,245	579,747	1,521,495	YES
10 YEARS	3.83%	QUARTERLY	40	1,839,534	13,016,577	421,019	3,562,126	14,444,245	579,747	1,586,395	YES
15 YEARS	5.13%	SEMI ANNUAL	30	3,204,212	14,381,255	653,201	3,562,126	14,444,245	579,747	-10,465	NO
15 YEARS	4.25%	QUARTERLY	60	3,137,789	14,314,833	646,394	3,562,126	14,444,245	579,747	62,765	YES

PROPOSED LOAN ANALYSIS

Total Savings	1,585,915
Interest Foregone	-480
Estimated Savings	1,586,395
Interest And Guarantee Fee	1,722,592
	158,727

PROPOSED OPTION 11,177,043 1,839,534 13,016,577 421,019

Year	Capital Repayment	Interest Payment	Total Repayments	Loan Balance	Indicative Guarantee Fee
2018	239,910	85,504	325,414	10,937,133.09	37,540
2019	978,134	323,523	1,301,658	9,958,998.88	72,393
2020	1,008,410	293,247	1,301,658	8,950,589	65,608
2021	1,039,624	262,034	1,301,658	7,910,964.96	58,230
2022	1,071,803	229,855	1,301,658	6,839,162	50,800
2023	1,104,978	196,679	1,301,658	5,734,184	43,156
2024	1,139,181	162,477	1,301,658	4,595,002.78	35,369
2025	1,174,442	127,216	1,301,658	3,420,561.05	27,184
2026	1,210,794	90,864	1,301,658	2,209,766.91	18,809
2027	1,248,272	53,386	1,301,658	961495.15	10,151
2028	961,495	14,748	976,243	0	1,779

CURRENT SITUATION 10,882,119 3,562,126 14,444,245 579,747

Year	Capital Repayment	Interest Payment	Total Repayments	Loan Balance	Indicative Guarantee Fee
2018	995,196	448,482	1,443,678	10,067,750	73,184
2019	1,033,221	410,512	1,443,733	9,019,236	66,111
2020	901,472	372,402	1,273,874	8,101,542	59,633
2021	742,247	338,450	1,080,697	7,342,087	54,536
2022	707,896	308,408	1,016,305	6,615,938	49,792
2023	685,147	277,476	962,622	5,911,430	45,502
2024	551,191	250,384	801,575	5,339,702	42,437
2025	533,390	220,823	754,213	4,755,467	40,478
2026	587,855	200,158	788,013	4,144,504	43,754
2027	614,438	173,575	788,013	3,530,067	25,660
2028	625,354	145,758	771,113	2,904,712	21,292
2029	601,974	118,437	720,411	2,302,738	16,950
2030	494,319	93,396	587,714	1,808,420	13,433
2031	364,594	74,320	438,915	1,443,825	10,866
2032	389,942	57,972	438,915	1,062,883	8,181
2033	398,027	40,887	438,915	664,856	5,284
2034	415,882	23,032	438,915	248,973	2,119
2035	198,165	7,134	205,299	50,808	536
2036	50,808	517	51,325	0	

Additional Payments Over 10 Years	1,427,668
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Please note that there are timing issues with some of the provided reports, for example the WATC report balance is greater than the December 2017 balance shown above, this is due to payments received not yet registered in the WATC system. Also, the interest amount in the loan balance report is for the full year of 2017-18. As stated this is a high level review and is subject to change.

An impact analysis on the Long Term Financial Plan was performed and demonstrates lower cash levels and an improved operating surplus ratio, Own Source Revenue Coverage ratio and Debt Service Cover ratio. Given that cash is impacted, and lower interest expenses are expected, this is as would be expected.

This would mean that priorities would need to be altered slightly across the years 2021- 2027. As per attached Forecast Ratio Analysis Report. The benefit in consolidating loans is in the overall reduction of total interest paid of approximately \$1.5 million.

STATUTORY IMPLICATIONS

There are no statutory implications resulting from the recommendations of this report.

POLICY IMPLICATIONS

There are no policy implications resulting from the recommendations of this report.

FINANCIAL IMPLICATIONS

There are potential financial implications resulting from the recommendations of this report, which are dependent on the strategic decision making of Council.

COMMUNITY ENGAGEMENT CONSULTATION

No community consultation was considered necessary in relation to the recommendations of this report.

ATTACHMENTS:

- [Loan Balances as at 31st of December 2017](#)
- [10 Year Schedule Quarterly Repayments](#)
- [10 Year Schedule Semi Annual Repayments](#)
- [15 Year Schedule Quarterly Repayments](#)
- [15 Year Schedule Semi Annual Repayments](#)
- [20 Year Schedule Quarterly Repayments](#)
- [20 Year Schedule Semi Annual Repayments](#)
- [Cash Net Present Value Calculation](#)
- [Proposed Consolidation Ratio Analysis](#)
- [WATC Refinancing Payout Report](#)

7 CONFIDENTIAL ITEMS

8 CLOSURE