



Officer Presentation

Item C24/166 Update of Financial Policies

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Summary of Changes

- A two-year review cycle remains in place to ensure all Council policies remain current.

All changes are shown in the marked-up policies that form attachments to this report.

- CP-009 Investment of Funds Policy – update the maximum percentage allowable to any one banking institution to reflect requirements.
- ✓ CP-010 Self Supporting Loans Policy – no major changes required.
- ✓ CP-024 Borrowings and Asset Financing Policy – no major changes required.
- CP-025 Accounting Policy – changes to reflect changes to Section 6.4 of the *Local Government Act* and Reg 34 and 35 of the *Local Government (Financial Management) Regulations*
- ✓ CP-104 Related Party Disclosures Policy – no major changes required

Accounting Policy - Changes

- Financial Reporting
 - Monthly Reporting by Program and Nature. This is accompanied by a detailed report by Nature on variances more than \$100,000
 - Regulation 35 requires a statement of financial position added to the monthly financial statements.
 - Formerly a choice as to how the information was shown i.e.:
 - A. According to nature and type classification;
 - B. By program; or
 - C. By business unit i.e. Directorate/Service Area.
- Revaluation of Investment Land & Buildings & Other Asset Classes
 - A full revaluation of Investment Land and Buildings will be undertaken every year .
 - Investment land and buildings are valued at fair value.
 - Any gain or loss is immediately recognised in the Statement of Comprehensive Income in accordance with AASB140
 - All other assets classes are revalued at least once every five years - Previously it was once every three years.
- Employee Benefits
 - Long service leave adjustments can be varied from a standard table to the best estimate required to settle the obligation at the end of the reporting period

Investment Policy Changes

- Exposure to an individual counterparty/institution will be restricted by its credit rating so that single entity exposure is limited, as detailed in the report:
 - AAA Category: The request is to increase individual exposure from 40% to 50% (Practically COM does not have investments with AAA rated entities).
 - The major 4 banks are all rated AA-
 - AA Category (AA+ to AA-) The request is to allow an increase in individual exposure from 30% to 50%
 - City of Melville had ~58% of its investments in May & 54% in June with NAB and Westpac which are both AA-
 - The City does not have investments with CBA and ANZ who tend to offer less competitive rates on investments.
 - The City had ~27% of its investments in May, & 25% in June, in green and ethical investments with Bendigo & Adelaide Bank (BBB+) and Suncorp A+. Both institutions do not invest in fossil fuel industries.
 - Westpac and CBA have indicated that they are working on green investments . Changing the limits particularly with the major banks offers the opportunity to take advantage of future offerings in this space without running into the individual concentration ceiling.
- The change in limits will allow the City to have more flexibility in its investment strategies, bearing in mind the need to manage the timing of the maturity of investments.

Long Term Rating > 365 days (Standard & Poor's or equivalent ratings agency)	Direct Investments Maximum % With any one institution	Maximum % of Average Portfolio Balance
Government Guaranteed Deposits	100%	100%
AAA Category The obligator's capacity to meet its financial commitment on the obligation is extremely strong. Highest rating assigned by S&P.	40% 50%	100%
AA Category (AA+ to AA-) <u>The obligator's capacity to meet its financial commitment on the obligation is very strong.</u>	30% 50%	80%
A Category (A+ to A-) An obligation rated 'A' is somewhat susceptible to adverse changes in circumstances and economic conditions than obligations in higher-rated categories. However the obligator's capacity to meet its financial commitment on the obligation is still strong.	25% 30%	50%
BBB+ Category An obligation rated 'BBB+' exhibits adequate protection parameters. However adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligator to meet its financial commitment on the obligation.	15% 20%	25%