

MINUTES

OF THE

SPECIAL MEETING OF COUNCIL

HELD ON

31 AUGUST 2010

AT 5.30PM IN THE COUNCIL CHAMBERS

MELVILLE CIVIC CENTRE

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MINUTES OF THE SPECIAL MEETING OF THE COUNCIL HELD IN THE COUNCIL CHAMBERS, MELVILLE CIVIC CENTRE, 10 ALMONDBURY ROAD, BOORAGOON, COMMENCING AT 5.30PM ON TUESDAY, 31 AUGUST 2010.

1. OFFICIAL OPENING

The Presiding Member welcomed those in attendance to the meeting and declared the meeting open at 5:30pm. Mr J Clark the Governance and Compliance Program Manager read aloud the Disclaimer and then His Worship the Mayor, Russell Aubrey, read aloud the Affirmation of Civic Duty and Responsibility.

Affirmation of Civic Duty and Responsibility

I make this Affirmation in good faith on behalf of Elected Members and Officers of the City of Melville. We collectively declare that we will duly, faithfully, honestly, and with integrity fulfil the duties of our respective office and positions for all the people in the district according to the best of our judgement and ability. We will observe the City's Code of Conduct and Standing Orders to ensure the efficient, effective and orderly decision making within this forum.

2. PRESENT

His Worship the Mayor, Russell Aubrey

COUNCILLORS

Cr R Subramaniam (Deputy Mayor)
Cr N Pazolli (Until 5.47pm)
Cr P Reidy
Cr A Nicholson
Cr A Ceniviva (From 5.46pm)
Cr J Barton, Cr G Wieland
Cr C Halton
Cr N Foxtan, Cr M Reynolds

WARD

Bull Creek/Leeming
Applecross/Mount Pleasant
Applecross/Mount Pleasant
Clty
City
Bicton/Attadale
Palmyra/Melville/Willagee
University

3. IN ATTENDANCE

Dr S Silcox	Chief Executive Officer
Mr M Tieleman	Director Corporate Services
Mr S Cope	Director Urban Planning
Mr J Christie	Director Technical Services
Ms C Young	Director Community Development
Mr L Hitchcock	Executive Manager Legal Services
Ms K Johnson	Executive Manager Organisational Development
Mr J Clark	Governance & Compliance Program Manager
Ms D Beilby	Minute Secretary

At the commencement of the meeting there were no members of the public in the Public Gallery and no members of the press in the Press Gallery.

4. APOLOGIES AND APPROVED LEAVE OF ABSENCE**4.1 APOLOGIES**

Cr C Robartson	Bull Creek/Leeming Ward
Cr B Kinnell	Palmyra/Melville/Willagee

4.2 APPROVED LEAVE OF ABSENCE

Nil.

5. ANNOUNCEMENTS BY THE PRESIDING MEMBER (WITHOUT DISCUSSION) AND DECLARATIONS BY MEMBERS**5.1 DECLARATIONS BY MEMBERS WHO HAVE NOT READ AND GIVEN DUE CONSIDERATION TO ALL MATTERS CONTAINED IN THE BUSINESS PAPERS PRESENTED BEFORE THE MEETING.**

Nil.

5.2 DECLARATIONS BY MEMBERS WHO HAVE RECEIVED AND NOT READ THE ELECTED MEMBERS BULLETIN.

Nil.

6. QUESTION TIME

Nil.

7. DECLARATIONS OF INTEREST**7.1 FINANCIAL INTERESTS**

Nil.

7.2 DISCLOSURE OF INTEREST THAT MAY CAUSE A CONFLICT

Nil.

8. APPLICATIONS FOR NEW LEAVES OF ABSENCE

Nil.

9. IDENTIFICATION OF MATTERS FOR WHICH MEETING MAY BE CLOSED

Nil.

10. REPORTS OF THE CHIEF EXECUTIVE OFFICER

**C10/5134 - SUPPLY OF INVESTMENT VALUATION AND REPORTING SERVICES
(Q026/10) (REC) (CONFIDENTIAL ATTACHMENTS)**

Ward : All
 Category : Operational
 Subject Index : Tenders
 Customer Index : City of Melville
 Disclosure of any Interest : No Officer involved in the preparation of this report has a declarable interest in this matter.
 Previous Items : Not Applicable
 Works Programme : Not Applicable
 Funding : 2010/2011 Budget
 Responsible Officer : Khris Yeoh
 Senior Financial Accountant

AUTHORITY / DISCRETION

DEFINITION

<input type="checkbox"/>	Advocacy	<i>when Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.</i>
<input checked="" type="checkbox"/>	Executive	<i>the substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.</i>
<input type="checkbox"/>	Legislative	<i>includes adopting local laws, town planning schemes & policies.</i>
<input type="checkbox"/>	Review	<i>when Council review decisions made by Officers.</i>
<input type="checkbox"/>	Quasi-Judicial	<i>when Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</i>

**C10/5134 – SUPPLY OF INVESTMENT VALUATION AND REPORTING SERVICES
(Q026/10) (REC) (CONFIDENTIAL ATTACHMENTS)****KEY ISSUES / SUMMARY**

- To recommend acceptance of a quotation for the Supply of Investment Valuation and Reporting Services.

BACKGROUND

At the Financial Management, Audit, Risk & Compliance Committee (FMARC) meeting held on Monday 23 August 2010 the Committee resolved as follows:

- 1. That the 2009/10 Interim Audit Report 5126 Interim Audit 30 June 2010 be noted.***
- 2. That the Chief Executive Officer prepare a further report in relation to the suitability of an Investment Advisor.***

This report responds to that request and the matter has been brought to a Special Meeting of Council as there is an urgent need to appoint an advisor in order so that valuations of the City's investment portfolio as at 30 June 2010 be provided in order to complete the 2009/2010 Annual Financial Statements.

Quotations for the Supply of Investment Valuation and Reporting Services were invited in writing from three investment advisory firms in early July and closed 16 July 2010.

The quotation called for firms to provide investment valuation and reporting services in respect of City of Melville's investment portfolio in Collateralised Debt Obligation (CDO), Authorised Debt Institution (ADI) and Capital Guaranteed Note (CAP) investments for a one year period.

Price Schedule

The Price Schedule forms part of the Confidential Attachments to the Agenda, which was distributed to the Evaluation Committee on Tuesday, 20 July 2010 and distributed to Elected Members on Friday, 27 August 2010 under confidential cover.

Evaluation Process

All quotations were assessed against price, investment experience, resources and qualifications and reports of referees. The quoter who provided the best value for money was recommended.

The Evaluation Committee consisted of the Purchasing and Contracts Coordinator, the Senior Financial Accountant and the Director Corporate Services.

**C10/5134 – SUPPLY OF INVESTMENT VALUATION AND REPORTING SERVICES
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The criteria for this tender were based on the following specific attributes.

1. Relevant Experience
2. Technical Skills
3. Resources
4. References

DETAIL

Three sets of quotations were issued to independent advisory firms who were known to have the expertise to carry out the work and three submissions were received as follows:

Denison Financial Advisory
Oakvale Capital Limited
Structured Credit Research & Advisory Pty Ltd

Structured Credit Research & Advisory Pty Ltd's submission although concise provided the required responses and that the firm had demonstrated experience. The submission was considerably higher priced than the other two however, with no additional services being provided. As they are an eastern states based company they would also charge additional costs for in person attendance at the bi-annual presentations to Financial Management, Audit and Risk Committee (FMRAC).

Dennison Financial Advisory was established in March 2009 and key personnel do have relevant previous experience from other firms. The submission was the lowest price of the three and on clarification it was stated as including presentations to FMRAC, however due to the short term that the company had been in existence it was deemed as a higher risk to award the role to this company.

Oakvale Capital Limited's submission addressed the criteria and demonstrated considerable local government experience with over 25 medium to large sized local governments currently as clients. The head office is located in Perth which was identified as a desirable requirement by the panel. The submission was competitively priced. Reference checks were conducted on Oakvale and very positive reports were obtained.

Subsequent to the evaluation panel identifying Oakvale as the preferred supplier of these services but prior to the signing of contractual documentation, the matter of an out of court settlement between Ceramic Fuel Cells Ltd vs Oakvale Capital Limited was published. Correspondence was entered into between the City and Oakvale to seek clarification of this issue. The correspondence between the City and Oakvale Capital Limited forms part of the Confidential Attachments to the Agenda which was distributed to Elected Members on Friday, 27 August 2010. In further discussions held between the City and Oakvale Capital it was agreed by mutual consent to not proceed with the provision of services.

**C10/5134 – SUPPLY OF INVESTMENT VALUATION AND REPORTING SERVICES
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The two other firms who quoted were then reconsidered for the supply of services and Denison Financial Advisory is proposed as the recommended provider of the services. They offer the best value for money between the two remaining firms and it has been confirmed that the fee includes twice yearly presentations to the FMRAC. Whilst the firm was formed fairly recently, as discussed above, the key personnel do have previous experience in investment reporting and valuations. In particular one of the individuals when working for the City's former investment advisors, Grove Research and Advisory Services, was the author of a report requested by the City in January 2008, regarding the state of the investment portfolio inherited from Lehman Brothers. This report was comprehensive and demonstrated an in-depth knowledge of the CDO investments.

PUBLIC CONSULTATION/COMMUNICATION

Not applicable.

CONSULTATION WITH OTHER AGENCIES / CONSULTANTS

Not applicable.

STATUTORY AND LEGAL IMPLICATIONS

Section 3.57 of the Local Government Act states "A Local Government is required to invite tenders before it enters into a contract of a prescribed kind under which another person is to supply goods or services".

The requirement for a tender only exists when a proposed purchase exceeds the prescribed amount of \$100,000. The quotation is below the prescribed amount.

FINANCIAL IMPLICATIONS

The proposed expenditure for supply of investment valuation and reporting for a one year period will not exceed the budgeted amount available for these services.

STRATEGIC AND RISK MANAGEMENT IMPLICATIONS

The appointment of this firm does pose a risk in that they have only been established since March 2009, however all key personnel have relevant experience in previous investment positions and the supply of services is for a one year period only with no further Collateralised Debt Obligations being considered for purchasing.

POLICY IMPLICATIONS

Procurement of Goods and Services Through Direct Purchasing and Public Tendering Policy CP-023.

**C10/5134 – SUPPLY OF INVESTMENT VALUATION AND REPORTING SERVICES
(Q026/10) (REC) (CONFIDENTIAL ATTACHMENTS)****ALTERNATE OPTIONS AND THEIR IMPLICATIONS**

That no firm is accepted and the City goes out to quote again however this would not enable the City to meet the end of year audit time frame requirements.

CONCLUSION

The Council is requested to consider this quotation and the recommendation from the Evaluation Panel because of the high profile nature of the services being acquired.

Dennison Financial Advisory have qualified and experienced staff to provide the services and, whilst they are based in the Eastern States, they have confirmed that the services include presentations to the FMRAC in their submitted price.

**EVALUATION PANEL RECOMMENDATION & COUNCIL RESOLUTION (5134)
APPROVAL**

At 5.35pm Cr Subramaniam moved, seconded Cr Reynolds -

That the quotation submitted by Dennison Financial Advisory for the Supply of Investment Valuation and Reporting Services for the sum of \$2,916.67 per month exclusive of GST be accepted as the most advantageous.

At 5.50pm the Mayor submitted the motion, which was declared

CARRIED (10/0)

From 5.35pm to 5.50pm the Director Corporate Services addressed the meeting and answered questions from Elected Members.

At 5.46pm Cr Ceniviva entered the meeting

At 5.47pm Cr Pazolli left the meeting

11. CLOSURE

There being no further business to discuss His Worship the Mayor declared the meeting closed at 5.50pm.