



Minutes

Finance Committee

19 March 2018 at 5:00pm

Reconvened 20 March 2018 at 4:30pm

Name of Committee	
Item Number	Agenda
1	Welcome/present/ apologies
2	Confirmation of Minutes
3	Review of Meeting Scheduling
4	Draft 2018/19 Budget
5	February Performance Reporting to OLG
6	February 2018 MTD & YTD Financial Results & Budget Variances
7	February 2018 Investment Report
8	March Council Meeting – Review of Finance & Assets Reports
9	Audit Action List
10	General Business
11	Next meeting

MINUTES – FINANCE COMMITTEE – 19 MARCH 2018



ITEM: 1 PRESENT AND APOLOGIES

PRESENT: Cr Lesslie, Cr Ring, Cr Thompson

APOLOGIES: Cr W McAndrew

OFFICERS: Graeme Faulkner, Ross Gurney, Andrew Muir, Trinity Newton (minutes)

DECLARATION OF INTERESTS:

MOVED: Cr Lesslie

SECONDED: Cr Ring

ITEM: 2 CONFIRMATION OF MINUTES FROM THE PREVIOUS MEETING HELD 20 FEBRUARY 2018

The minutes were presented to the Council on 26 February 2018.

ACTION

THAT the Minutes of the meeting be taken as read and confirmed.

MOVED: Cr Ring

SECONDED: Cr Lesslie

ITEM: 3 REVIEW OF MEETING SCHEDULING

SUMMARY

The timing of the Finance Committee meetings were reviewed due to the conflict of timing with the Council Meeting agenda creation.

FINANCIAL IMPLICATIONS

- **Budget approved - Nil**
- **Cost centre - Nil**
- **Expended to date - Nil**
- **Future potential impact - Nil**

ACTION/RECOMMENDATION

THAT

1. the meetings of the finance meetings be held on the 2nd Monday of each month
2. The next meeting be held at the time convened by the General Manager.

MOVED: Cr Lesslie

SECONDED: Cr Ring

CARRIED

ITEM: 4 DRAFT 2018/19 BUDGET

SUMMARY

The Councillor Information Session Powerpoint for the Draft Budget 2018/19 was presented to the committee.

FINANCIAL IMPLICATIONS

- **Budget approved – N/A**
- **Cost centre – N/A**
- **Expended to date - N/A**
- **Future potential impact - N/A**

ACTION/RECOMMENDATION

THAT the Committee noted the presentation for the Draft Budget 2018/19 budget.

MOVED: Cr Lesslie **SECONDED:** Cr Ring

The Meeting was adjourned until Tuesday 20 March 2018 at 4:30pm.

The Meeting recommenced at Tuesday 20 March 2018 at 4:30pm.

ITEM: 5 FEBRUARY PERFORMANCE REPORTING TO OLG

SUMMARY

The February Performance Report to OLG was presented to the committee.

ACTION/RECOMMENDATION

THAT the Committee noted the February Performance Report to OLG.

MOVED: Cr Ring **SECONDED:** Cr Lesslie

ITEM: 6 FEBRUARY 2018 MTD & YTD FINANCIAL RESULTS & BUDGET VARIANCES

SUMMARY

The February 2018 financial results and budget variances were presented to the committee.

Most budget variances reflect inaccuracies in the 2017/18 budget.

FINANCIAL IMPLICATIONS

- **Budget approved – N/A**
- **Cost centre – N/A**
- **Expended to date - N/A**
- **Future potential impact - N/A**

ACTION/RECOMMENDATION

THAT the Committee noted the February 2018 financial results and budget variances.

MOVED: Cr Ring

SECONDED: Cr Lesslie

ITEM 7: FEBRUARY 2018 INVESTMENT REPORT

SUMMARY

The Committee reviewed the February 2018 Investment Report. The increase in the investments balance and interest income being over budget were noted.

FINANCIAL IMPLICATIONS

- **Budget approved - \$373,526**
- **Cost centre - 3259**
- **Expended to date - \$464,310**
- **Future potential impact - Nil**

ACTION/RECOMMENDATION

THAT the Committee endorse the February 2018 Investment Report recommendations:

THAT

1. Investments of \$29,800,000.00 and cash of \$2,162,721.72 for the period ending 28 February 2018 be noted.
2. The enclosed certificate of the Responsible Accounting Officer be noted.

MOVED: Cr Lesslie

SECONDED: Graeme Faulkner

ITEM 8: MARCH COUNCIL MEETING – REVIEW OF FINANCE & ASSETS REPORTS

SUMMARY

The following reports being presented to the Council meeting by Finance and Assets were discussed and recommended for approval at the Council meeting 26 March 2018.

Water and Wastewater Issues Report

Cr Ring asked for clarification regarding the “33% non-revenue water”. Management will respond.

The proposal to change the water pricing of business tiers was discussed. Tier 2 should be set at a level which will have minimal impact on small businesses. Point 3 of the report recommendation was amended for management to provide further information on current water usage to assist in determining tiers for 2018/19 business water usage pricing.

FINANCIAL IMPLICATIONS

- **Budget approved – N/A**
- **Cost centre – N/A**
- **Expended to date - N/A**
- **Future potential impact - N/A**

ACTION/RECOMMENDATION

THAT the Committee endorse the Water and Wastewater Issues report recommendations:

THAT

1. Council note the issues, actions and strategies related to water and wastewater management.
2. Council note that a complete review of the water and wastewater pricing structure will be completed during the preparation of the 2019/20 Operational Plan. A further report will be prepared at that time.
3. Management to provide further information on 2017/18 water usage by businesses to assist in determining tiers for 2018/19 business water usage pricing.

MOVED: Cr Lesslie

SECONDED: Graeme Faulkner

Water Usage Account Write-off – Prop64890

FINANCIAL IMPLICATIONS

- **Budget approved – Nil**
- **Cost centre – N/A**
- **Expended to date - N/A**
- **Future potential impact - Nil**

ACTION/RECOMMENDATION

THAT the Committee endorse the Water Usage Account Write-off – Prop64890 report recommendations:

THAT

1. \$7,502.86 be written-off for water usage charges on property 64890.
2. Advise the property owner in writing of Council's resolution.
3. Council note that a new Standard Work Procedure (SWP) for inaccessible water meters will be developed and implemented for the 2018/19 financial year.

MOVED: Cr Lesslie

SECONDED: Cr Ring

Confidential Report – Advocacy for Not-For-Profit Organisation Grant

FINANCIAL IMPLICATIONS

- **Budget approved – N/A**
- **Cost centre – N/A**
- **Expended to date - N/A**
- **Future potential impact - N/A**

THAT the Committee note the recommendations of the Advocacy for Not-For-Profit Organisation Grant report.

MOVED: Cr Lesslie

SECONDED: Cr Ring

ITEM 9: AUDIT ACTION LIST

SUMMARY

The Audit Action List was discussed. Upcoming actions due for completion and one overdue action were noted.

ACTION/RECOMMENDATION

THAT the committee noted progress towards completing the audit actions.

MOVED: Cr Lesslie

SECONDED: Cr Ring

ITEM 10: GENERAL BUSINESS

There was Nil General Business.

ITEM 11: NEXT MEETING:

Next Meeting: Tuesday 10 April at 5 p.m. in the Committee Room

There being no further business the meeting closed at 5:25 p.m.

ITEM FIN – 26/03/18 – WATER AND WASTEWATER ISSUES REPORT

REPORT BY: CHIEF FINANCIAL AND INFORMATION OFFICER

REFERENCE

A matter arising from Minute 18-06: Extraordinary Meeting of Council held on 22 January 2018

SUMMARY

The issue of reviewing the Council water pricing structure was discussed at the extraordinary meeting of Council held on 22 January 2018. This report outlines current issues relating to water and wastewater management, actions / strategies to address the issues and timeframes to complete actions.

It is a management priority to resolve the water and wastewater issues within the timeframes detailed below. Due to the complexity of the issues, it is proposed that a complete review of the water and wastewater pricing structure will be completed during the preparation of the 2019/20 Operational Plan.

COMMENTARY

Issue: Non-Revenue Water

Reference: National Performance Report 2015/16 Audit – “Council has no idea where 33% of its water is going due to an inadequate metering program and very aged fleet of meters.”

Action Taken: The installation of meters on Council properties is nearing completion. Meters will be installed at Glanmire Oval as soon as a backflow prevention device is delivered. Readings of Council meters are being taken in the current round of meter readings. The installation of metered standpipes will commence within six weeks (awaiting delivery).

Future Strategy: Once the impact of Council property metering and metered standpipes on non-revenue water has been identified, a cost / benefit analysis will be undertaken in the 2018/19 year regarding the metering of fire services.

Issue: Age of Meters & Verification of Meter Size

Reference: National Performance Report 2015/16 Audit.

Action Taken: Water and sewer meter sizes for business properties have been verified. The next step is to reconcile meters sizes with current billing for business access charges then update access charges for future billing. This action will be completed by 30 June 2018.

Issue: Replacement Strategy for Residential Meters

Reference: National Performance Report 2015/16. This is a recurrent program included in Council’s Operational Plan.

Strategy: The range of meters available will be investigated to identify the most efficient type of meter which is capable of being retrofitted.

Timeframe: A 10 year water meter replacement plan (800 meters p.a.) will be prepared for implementation from the 2018/19 financial year. Funding for the water meter replacement program will be included in the draft 2018/19 Operational Plan.

Issue: Water / Sewer Policies

Action Taken: The Backflow Prevention - Containment Policy has been placed on public exhibition and is recommended for endorsement at the March Council meeting. The Water and Sewer Connections Policy is being finalised. It is planned to seek endorsement at the April 2018 Council meeting to place the Water and Sewer Connections Policy on public exhibition.

Issue: Implementation of TechnologyOne Water Module

Action Taken: A Health Check is being organised to ensure that the Council is obtaining optimum benefits from the TechnologyOne Water Module. The Health Check will review any licensing updates which may add functionality to the Water Module, as well as identifying system features which could improve billing and reporting. A Purchase Order has been issued for the Health Check and Council staff are awaiting scheduling of the Health Check by TechnologyOne.

Timeframe: It is anticipated that the Health Check will be completed by 30 April 2018.

Issue: Water & Sewer Resourcing Needs

Action Taken: Any Water & Sewer resourcing needs will be identified as part of the Operations Review. The review will consider the need for additional resources to assist with project management; infrastructure / assets / development planning; sewage treatment plant operations; and plumbing inspections.

Timeframe: The Operations Review is due for completion in April 2018.

Issue: Water & Sewer Long-Term Planning

Action Taken: The Council is currently implementing the Asset Management Solution, which will assist with long-term planning for renewal / replacement of water and sewer assets. The Long-Term Financial Plan for Water and Wastewater will be reviewed in April 2018. The Water and Wastewater Strategic Business Plan will be updated by 31 December 2018.

Future Strategy: Strategic asset management of water and sewer assets to determine whole of life cycle asset costs and asset renewal plans. The timeframe for completion is in the 2019/20 financial year.

Issue: Recycled Water Strategy

Future Strategy: Due to the cost recycled water infrastructure, implementing water recycling will be considered as part of long-term strategic planning. A recycled water strategy is being considered for the Cullen Bullen sewerage project (currently in the planning stage). Discussion of a Recycled Water Management System will be included in the Integrated Water Cycle Management Strategy Issues Paper. It is planned to seek endorsement at the April Council meeting to place the Issues Paper on public exhibition. Grant funding would be sought to assist with preparing a future Recycled Water Strategy.

Issue: 2018/19 Pricing of Tiers for Business Water Usage

Action Taken: Financial modelling of the impact of changing the business water usage Tier 1 from >250kl to >500kl has been completed. The modelling suggests that there would be minimal financial impact as a result of changing the business water usage charges from 2018/19. If Tier 2 was changed to "over 500 KL p.a.", the business water usage charges from 1 July 2017 would be:

Water Usage Charges	
Kilolitres Used	Charge (\$)
0-500 Business	3.23
500+ Business	4.85

Future Strategy: A complete review of water and wastewater access and usage charges will be conducted as part of preparation of the 2019/20 Operational Plan. The pricing review will take into consideration the Water NSW Guidelines for Best Practice Management of Water Supply and Sewerage.

Issue: Automated network monitoring

Action Taken: The upgraded telemetry system has improved the data on system flows and movements. There is no plan at present for complete automated network monitoring.

Issue: Updated Development Servicing Plans (DSP) for Water Supply and Sewerage

Action Taken: The updated DSP has been returned from audit and is being considered by management. It is planned to seek endorsement of the DSP at the April Council meeting.

POLICY IMPLICATIONS

NIL

FINANCIAL IMPLICATIONS

Action to address water and wastewater issues is included in the 2017/18 and 2018/19 Operational Plans.

- Budget approved – N/A
- Cost centre – N/A
- Expended to date – N/A
- Future potential impact – N/A

LEGAL IMPLICATIONS

NIL

RECOMMENDATION

THAT

1. Council note the issues, actions and strategies related to water and wastewater management.
2. Council note that a complete review of the water and wastewater pricing structure will be completed during the preparation of the 2019/20 Operational Plan. A further report will be prepared at that time.
3. Management to provide further information on 2017/18 water usage by businesses to assist in determining tiers for 2018/19 business water usage charges.

ITEM FIN - 26/03/2018 - COUNCIL INVESTMENTS REPORTS FEBRUARY 2018

REPORT BY: CHIEF FINANCIAL & INFORMATION OFFICER

REFERENCE

Min No 18-31: Ordinary meeting of Council held on 26 February 2018

SUMMARY

To advise Council of investments held as at 28 February 2018 and to note the certification of the Responsible Accounting Officer that funds have been invested in accordance with legislation, regulations and Council policy.

COMMENTARY

Council's total investment portfolio, as at 28 February 2018 when compared to 31 January 2018, has increased by \$1,350,000 from \$28,450,000 to \$29,800,000. While cash in Council's bank account increased by \$1,698,465.13 from \$464,256.59 to \$2,162,721.72.

There is an overall increase in cash and investments of \$3,048,465.13 since 31 January 2018, this is due to income received for the 3rd rates instalment and the payment of the 3rd quarter Financial Assistance Grant.

If the movement in the bank account is negative, this is shown as a net redemption. If the movement in the bank account is positive this is shown as a net new investment.

The movement in Investments for the month of February 2018 were as follows:

Opening Balance of cash and investments as 01 February 2018	\$28,914,256.59
Plus New Investments – February 2018	\$7,048,465.13
Less Investments redeemed – February 2018	-\$4,000,000.00
Closing Balance of cash and investments as at 28 February 2018	\$31,962,721.72

A large proportion of Council's investments are held as restricted assets for specific purposes. Restricted assets may consist of externally restricted assets which must be spent for the purpose for which they have been received (e.g. Water, Wastewater, Stormwater, Domestic Waste, Parking) or internally restricted assets which have been set aside by Council resolution. Some internal restrictions are held to fund specific liabilities such as employee leave entitlements and bonds and deposits.

POLICY IMPLICATIONS

Investments are held in accordance with the Lithgow City Council's Investment Policy at the date of investing funds. On 14 August 2017, Council adopted a revised Investment Policy which includes the Minister's Investment Order of 12 January 2011

FINANCIAL IMPLICATIONS

- YTD Budget approved – \$373,526
- Cost centre - 3259
- YTD Income to date - \$464,310
- Future potential impact – Nil

Interest is paid on the maturity date of the investment. The budget for interest income is determined by the average level of funds held and the rate of return. Adjustments to the budget estimate are processed through Council's Quarterly Budget Review process. Interest Returns are determined by average funds invested and the rate of interest return.

The Council's interest income is currently over budget due to a combination of reserve balances being greater than forecast and improved investment returns.

LEGAL IMPLICATIONS

Investments are held in accordance with the Lithgow City Council's Investment Policy at the date of investing the funds. On 14 August 2017 Council adopted a revised Investment Policy and investments comply with this Policy.

CERTIFICATION OF THE RESPONSIBLE ACCOUNTING OFFICER

I hereby certify that the investments listed in the report have been made in accordance with Section 625 of the Local Government Act 1993, clause 212 of the Local Government (General) Regulation 2005 and Council's Investments Policy.

Chief Financial and Information Officer (Responsible Accounting Officer)

ATTACHMENTS

1. Investment Register 2017/18

RECOMMENDATION

THAT

1. Investments of \$29,800,000.00 and cash of \$2,162,721.72 for the period ending 28 February 2018 be noted.
2. The enclosed certificate of the Responsible Accounting Officer be noted.

ITEM FIN - 26/03/2018 - WATER USAGE ACCOUNT WRITE-OFF – PROP64890

REPORT BY: CHIEF FINANCIAL & INFORMATION OFFICER

SUMMARY

To report on the proposed write off of water usage charges on property 64890.

COMMENTARY

Council water meter readers had not been able to access the water meter of property 64890, in accordance with Local Government Act 1993 Section 191, for over two years and water usage estimates were being billed every quarter. Council finally gained access to the meter on the 8 February 2017 and water usage charges of \$10,231.25 were recorded, due to under estimating the water usage on the property. This resulted in a total water usage account of \$8,907.23 as the account was in credit \$1,324.02.

The water usage account progressed to debt collection due to insufficient payments on the account. At this stage, Council was advised by SRLaw (Council's debt collection agency) that Council's practices when water meters were inaccessible were not compliant with provisions of the NSW Local Government Act 1993. The property owner made an offer to pay \$2,889 which was accepted under advice from SRLaw due to Council's non-compliant water usage estimating for inaccessible water meters.

Council's Finance Department, in collaboration with SRLaw and Council's water meter readers, are developing a new Standard Work Procedure (SWP) for inaccessible water meters to be implemented for the 2018/19 financial year. The new SWP will be compliant with the provisions of the NSW Local Government Act 1993 and with a customer service focus. Section 191, NSW Local Government Act 1993, allows the Council to enter properties for the purpose of reading water meters.

Local Government Act 1993

Chapter 8 Part 2 Section 191

191 Power of entry

(1) For the purpose of enabling a council to exercise its functions, a council employee (or other person) authorised by a council may enter any premises.

(2) Entry may only be made at any reasonable hour in the daytime or at any hour during which business is in progress or is usually carried on at the premises.

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Write off of \$7,502.86 in water usage charges. An allowance for debt write-offs has not been included in the current budget.

- Budget approved - Nil
- Cost centre - N/A
- Expended to date - N/A
- Future potential impact - Nil

LEGAL IMPLICATIONS

Nil

RECOMMENDATION

THAT

1. \$7,502.86 be written-off for water usage charges on property 64890.
2. Advise the property owner in writing of Council's resolution.
3. Council note that a new Standard Work Procedure (SWP) for inaccessible water meters will be developed and implemented for the 2018/19 financial year.