



MINUTES

Finance Committee

held at

Council Administration Centre
Committee Room
180 Mort Street, Lithgow

on

Monday 14 September 2020

at 4:30 pm

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The Chairperson declared the meeting open at 4.26pm.

1. Present

Present: Clr Ray Thompson, Clr Steve Ring, Clr Wayne McAndrew

Officers: Ross Gurney, Craig Butler

2. Apologies

NIL apologies.

3. Declaration of Interest

NIL

4. Presentations

NIL

5. Staff Reports

5.1. 2019/20 Interim Audit Management Letter

The Committee discussed the Interim Audit Management letter – the Audit Office found 7 matters requiring attention (6 moderate risk, 1 low risk). 3 actions have been completed immediately and the remaining 4 have been allocated to officers and scheduled for completion.

The Audit committee had concerns regarding the number of journals which required review. There are currently a large number of payroll journals processed on a regular basis.

Clr Ring enquired regarding Docusign and alternate options (such as the signature function within Adobe) and the overall costs. The CFIO took this question on notice to provide the committee with cost estimates following the meeting.

Clr Ring also sought clarification on the journal issues - what did they specifically see as being the issue with the journals?

The CFIO advised that the Auditors observed that a large number of general journals were processed, which then need to be reviewed by the Financial Services Manager and if there are issues they would need to be manually reversed. One of the issues had been that accrual journals did not have an automatic reversal function. A reversal function is now in place. Additionally, there are a high number of payroll related journals due to system related which we are working through for a longer term solution.

Auditors were concerned with the volume of journals that needed to be reviewed, a moderate risk.

Clr McAndrew asked for clarification around the corporate governance issue - contract register. It is listed as a Moderate risk - what is the issue?

The CFIO advised that the issue was that documentation requested by the auditors was not provided in time for the interim audit. Vendor Panel contracts monitor is being implemented so that the info is recorded correctly and can easily be provided to the auditors.

ACTION / RECOMMENDATION

THAT the 2019/20 interim audit management letter be noted by the Committee.

MOVED: Councillor S Ring

SECONDED: Councillor W McAndrew

CARRIED: Unanimously

5.2. Confidential - Design and Construction of New Inventory Store

The CFIO reported that Council's insurers determined that the Store could be repaired following the December 2018 storm. Their assessment did not take into account existing issues with the Store building. The insurance company simply look at the damage caused by the storm. Following a meeting with internal stakeholders, it was decided that a new facility at a different location within the depot was the preferred option.

Council sought an ex gratia payment from the insurance company which they declined.

A funding proposal is included in the report as it is a large infrastructure construction project which Council could fund from a loan. There are some funds in reserves from last financial year which can be put towards the rebuild but Council would need to borrow up to \$1.4 million (including contingency).

CFIO indicated that \$264K had been received from the insurance company. In addition, there were unused funds in related projects from last financials year's capital works program.

The \$1.4 million does not cover the demolition of the existing store - that would have to be a separate project in a future capital works program. There is an alternate location to build on which has been assessed on the gas works site. The existing store can remain whilst the new one is being constructed and demolition can occur in the future. It is preferred that the old Store be demolished sooner rather than later. The existing building is stable and make safe works have been completed, the building is secure and is still being used for some storage.

Following a site visit by the GM and the issues previously identified, it is proposed to add the new Store construction project to this year's capital works program.

The overall budget for the construction and fitout of the new building is approximately \$1.6 million.

Cr Ring queried whether funds need to be borrowed externally or can we borrow from internal reserves?

CFIO advised that we are unable to borrow from the internal reserves as these have been impacted by the current cashflow issue and no reserve funds are available.

ACTION / RECOMMENDATION

THAT the Finance Committee endorse the following recommendation to the 28 September 2020 Council meeting:

1. Endorse the project funding proposal included in this report and add the construction of a new Store to the 2020/21 Capital Works Program. A budget variation will be included in a quarterly budget review once tenders have been assessed.

2. Approve the sourcing of a loan of up to \$1.4M for the Store rebuild project from a lending institution approved by the Office of Local Government.
3. In accordance with Clause 178(4) (a) of the *Local Government (General) Regulation 2005*, invite the following organisations to submit tenders for the Design and Construction of the Lithgow City Store Precinct: Ahrens Group; Adaptive Pty Ltd trading as DeSign; Renascent Regional; Structor Projects.

MOVED: Councillor S Ring

SECONDED: Councillor W McAndrew

CARRIED: Unanimously

5.3. Investment Report August 2020

CFIO advised that interest rates remain very low. The interest income budget will need to be adjusted at the Quarter One budget review.

ACTION / RECOMMENDATION

THAT:

1. Investments of \$24,870,000 and cash of \$393,944 for the period ending 31 August 2020 be noted.
2. The enclosed certificate of the Responsible Accounting Officer be noted.

MOVED: Councillor W McAndrew

SECONDED: Councillor S Ring

CARRIED: Unanimously

5.4. 2020-2030 Long Term Financial Plan

A Long Term Financial Plan (LTFP) update is an annual requirement.

The 2019-2029 LTFP projected that Council could meet all of the OLG performance measurements benchmarks for financial sustainability based on full approval of the 2019 SRV. The LTFP needed to be updated following the partial approval of the SRV. A comprehensive review of the LTFP will be undertaken early in the new Council term. The 2020 update focused on the shortfall of income to cover cost increases above CPI, including worker's comp and the emergency services levy, as well as asset renewal and maintenance.

The Committee members discussed the difficulties of preparing an accurate LTFP when we have bushfires, COVID, emergency levy increases etc. with rate pegging constraints.

CFIO indicated that the 2021/22 rate peg is 2% however the plan is based on 2.5% on average over 10 years.

The purpose of the 10 year plan is to provide guidance, particularly with capital renewal works, to set a direction and each year we update the assumptions. The OLG expect that we have a scenario in place to show we are able to meet all OLG performance measures.

Most councils use the Department of Planning population projections as they were used for the Fit for the Future submissions.

There may be an issue with increasing pension rebates due to the ageing population – Cllr Ring asked how that is quantified in the document? CFIO took this question on notice and will provide a response to the Committee following the meeting.

There is mention of a \$100,000 saving in staff recruitment costs. The organisational structure has changed over the past 3 years. There are additional positions in Infrastructure Services and Water & Wastewater. A number of business cases were put forward for this financial year for additional positions but Council was unable to fund new positions except for required roles in Water and Wastewater. Taking over the Lithgow SWF and potentially review of the cleaning contract may require additional positions. The committee were informed that the income from the Waste facility will offset additional costs for the Lithgow SWF positions.

There are a lot of contributing factors that will change the LTFP. The plan must align with Council's other strategic plans. The Community Strategic Plan will be reviewed in 2021/22, along with the workforce plan and other strategies, e.g. the asset management. The GM brought the committee's attention to the points on page 11:

1. \$100,000 employment cost savings;
2. Increasing plant hire rates;
3. Consideration of an SRV; and
4. Alternatives to an SRV will be considered.

There will be ongoing consultation with Councillors over the next 12 months and in preparation for the new Council.

The Committee discussed the current difficulties with public consultation and communicating with the community.

The LTFP will be presented at the Councillor information session prior to consideration at the Council meeting

ACTION / RECOMMENDATION

THAT the Finance Committee endorse the following recommendation to the 28 September 2020 Council meeting:

1. Endorse the 2020-2030 Long Term Financial Plan (LTFP) to be placed on public exhibition for 28 days. The LTFP will then be returned to Council for consideration of any submissions and for formal adoption as part of Council's Resourcing Strategy.
2. Note the proposed Loan Borrowings Policy statement included in the LTFP.

MOVED: Councillor W McAndrew

SECONDED: Councillor S Ring

CARRIED: Unanimously

5.5. Audit Action Lists

The Projects and Contracts management audit actions are close to completion. The payroll internal audit actions requiring ongoing action.

Quotations will be sought shortly for the first internal audit project for 2020/21.

ACTION / RECOMMENDATION

THAT progress towards completing internal and external audit actions be noted by the Committee.

MOVED: Councillor W McAndrew

SECONDED: Councillor S Ring

CARRIED: Unanimously

5.6. August Performance Reporting to the OLG

The General Manager has requested a discussion with the OLG regarding ongoing performance reporting.

ACTION / RECOMMENDATION

THAT the August 2020 performance report to the OLG be noted by the Committee

MOVED: Councillor W McAndrew

SECONDED: Councillor S Ring

CARRIED: Unanimously

6. General Business

Cashflow update

CFIO advised that, during early August, Council had sufficient cash inflows. This was as a result of payments for rates and water accounts. In addition, Council received a number of grant payments.

Finance staff will continue to closely monitor the cashflow situation.

Clr Thompson enquired as to the level of recent Workers Compensation claims and commented that we have improved in recent years.

The impacts of the delays in issuing water accounts was also discussed.

Tenders for Banking

CFIO advised that tenders have just been advertised for banking services.

Cleaning contract

The Committee requested a breakdown of what has been paid for the cleaning contract for the past 5 years, broken down into each year. Requested a comparison of costs in a report to Council - what would it cost for Council to operate cleaning services vs. contracting.

Water and sewer charges for a business customer was also discussed.

7. Meeting Close

Next Meeting: Monday 12 October 2020 at 4.30pm in the Committee room

There being no further business the Chairperson declared the meeting closed at 5.34p.m.