



MINUTES

Finance Committee

held at

Council Administration Centre
Committee Room
180 Mort Street, Lithgow

on

Monday 12 October 2020

at 4:30 pm

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The Chairperson declared the meeting open at 4.30pm.

1. Present

Present: Cllr Wayne McAndrew, Cllr Ray Thompson (Mayor).

Officers: Craig Butler, Ross Gurney

2. Apologies

An apology was received from and leave of absence granted to Councillor S Ring who is unable to attend.

Procedural Motion

THAT a leave of absence be granted to Councillor S Ring.

MOVED: Councillor W McAndrew

SECONDED: Councillor R Thompson

CARRIED: Unanimously

3. Declaration of Interest

NIL

4. Presentations

NIL

5. Staff Reports

5.1. **Audit Office Report - Credit Card Management in Local Government**

CFIO advised that he would be also reporting to the CTA ARIC Committee regarding the performance reports.

This originated from a reference from the OLG after media coverage over alleged credit card usage by a GM at a regional council. CFIO has been through the report. There isn't too much to take on board for LCC, we have a small number of credit cards and controls in place for these cards. We don't have any store cards which were mentioned in the report.

The controls we have in place are strong enough at present. The procedures that we have don't cover the fuel card usage but there are controls in place to restrict the use of fuel cards. Finance staff are documenting the processes for the use of fuel cards. Fuel cards are attached to a vehicle rather than a person.

Currently we have 9 Council credit cards. 1 each in directorate and a few of the EA's for general expenses and conference bookings etc. All credit card limits are in line with the staff member's financial delegations.

GM said we have to be vigilant with the use of credit cards however because we aren't high users at LCC and have controls in place he doesn't see any issues.

ACTION / RECOMMENDATION

THAT the report on the performance audit of credit card management in Local Government be noted by the Committee.

MOVED: Councillor W McAndrew

SECONDED: Councillor R Thompson

CARRIED: Unanimously

5.2. September 2020 Performance Reporting to the OLG

The key update is that we have received a response from the OLG to acknowledge that the monthly reporting is a burden to council and they have changed it to a six-month reporting timeframe.

The GM pursued this for some time and has not been fortunate enough to speak with the OLG instead they provided this letter. He is going to request again that we be relieved of this requirement all together.

ACTION / RECOMMENDATION

THAT the September 2020 Performance report to the OLG be noted by the Committee.

MOVED: Councillor W McAndrew

SECONDED: Councillor R Thompson

CARRIED: Unanimously

5.3. Audit Action Lists

CFIO provided the committee with an update on the progress.

We have completed all the items around project and contract management internal audit. There are two at the moment with action being the interim external audit.

We had 7 actions and have completed 5. The remaining 2 are on track for completion by the due date.

We had 3 outstanding to complete which are also on track for completion and these are in relation to completion of documentation around procedures relating to payroll.

Another Audit Management letter is expected next month so will see what comes of that depending on the outcome of the audit if there are any further issues found.

The audit is slightly behind schedule as a result of COVID. The auditors are conducting the audit remotely and haven't been on site so we have to provide the information electronically, this has caused a delay with the process. We had some delays with valuations also.

At this stage we have a CTA ARIC meeting on 4 November to review the Financial Statements and have until the end of November to lodge them but we still have to work in with our council reporting deadlines as well.

Originally we were planning to have everything finalized by the end of October, now aiming for early November.

ACTION / RECOMMENDATION

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

MOVED: Councillor W McAndrew

SECONDED: Councillor R Thompson

CARRIED: Unanimously

5.4. 2019/20 Financial Statements

CFIO provided the standard report to the committee which will be reported to the October council meeting noting that the Audit is being and completed and authorising the signing of the report.

A representative of the audit office will attend the November council meeting via webex or pre-recorded presentation as determined at a previous meeting of the committee.

The key purpose of this report is for the committee to endorse the signing of the finance statements.

We should have a clearer idea of what position we are in in relation to the statements by the council meeting.

CFIO clarified the process for the signing of the financial statements.

The detail of the statements will be provided in the November report to council.

GM advised he had not been alerted to any issues regarding any issues. CFIO advised that he wasn't aware of any issues. The main issue is the reserves at the end of June that we are addressing but this is unlikely to result in a qualified audit.

ACTION / RECOMMENDATION

THAT Council:

1. Note that that the audit of the 2019/20 financial statements has been completed.
2. Authorise the signing of the statement on the 2019/20 General Purpose Financial Reports.
3. Authorise the signing of the statement on the 2019/20 Special Purpose Financial Reports.
4. Invite a representative of the Audit Office of NSW, Council's Auditors, to present a report to Council on the 2019/20 Financial Statements at the Ordinary Council meeting scheduled for 23 November 2020 via virtual attendance.

MOVED: Councillor W McAndrew

SECONDED: Councillor R Thompson

CARRIED: Unanimously

5.5. Transition to Technology One Cloud

CFIO provided details to committee on what is involved. This is a good result for Council's IT department/processes. This is the next step to move council to the Cloud. Tech One made a really good offer so we have been able to completely offset the costs with savings. It made business sense for council to move now.

A number of other Councils are currently transitioning to the Technology One cloud solution..

There are a number of advantages outlined in the report. We will be able to combine the current annual support and maintenance agreement into a 5 year agreement to save costs which pushes it over the tender threshold so CFIO will prepare a report to the October Council meeting seeking an exemption from the requirement to go to tender under section 55(3i) of the Act. It wouldn't make sense to call for tenders for something that TechOne is providing sufficiently for us.

There are currently 6 staff in the IT section that all report to the CFIO. Additional support from Tech one will be provided and updates will be done by Tech One instead of in house like we are currently doing.

TechOne have offices and representatives throughout Australia but primarily based in QLD. Cloud means that information will stored via the internet and allow greater access and saves us buying equipment for servers etc.

Licences will be reviewed annually.

GM shared some concerns with succession planning within the IT team so believes that going in this direction will beneficial to the organisation. Other organisations that offer similar services have been investigated by CFIO and IT Manager.

Clr Thompson raised concerns with the rate of movement in technology and whether 5 years was too long. CFIO assessed this as part of the business case and determined that the savings are worthwhile to do a longer term agreement. We couldn't imagine in that time frame that considering the amount of work and upheaval caused by going with a different provider it wasn't worthwhile. 5 years will give us time to plan and look at other options.

Cost vs Savings - Tech one have offered saving on their initial offer.

ACTION / RECOMMENDATION

THAT the report on the plan to transition to the Technology One cloud solution be noted by the Committee.

MOVED: Councillor W McAndrew

SECONDED: Councillor R Thompson

CARRIED: Unanimously

5.6. Investment Report September 2020

The key points to note are the closing balance is \$27 million and we were expecting to have approximately \$29 million at the end of June in reserve. We are still behind where our reserve balances should be even though cash flow has improved.

Historically at LCC we don't keep a buffer in working capital between what is in reserves and what we need to meet council's weekly cash needs. we have a heavy reliance on reserves and hoping over time this will change.

The Committee pointed out that with the income from Rates and Water in November that cashflow will hopefully improve.

We continue to suffer from the low interest rates and this is unlikely to improve. We are now getting below 1% in term deposits and are restricted with what we can invest in.

ACTION / RECOMMENDATION

THAT:

1. Investments of \$22,750,000 and cash of \$4,599,864 for the period ending 30 September 2020 be noted.
2. The enclosed certificate of the Responsible Accounting Officer be noted.

MOVED: Councillor W McAndrew

SECONDED: Councillor R Thompson

CARRIED: Unanimously

5.7. Reserve Balances and Cashflow Update

CFIO will prepare a report to the October council meeting outlining the Reserve balances.

We had a short fall at the end of June and still have to keep a close watch on cash coming in compared to going out.

CFIO included remedial action to address it - we have been able to completely remove the gasworks remediation reserve provision and reduce the leave entitlements reserve and then we can treat the rest as an internal borrowing.

Director of Infrastructure services has considered a number of capital works projects that can be deferred from this year's program to enable the funds to be reallocated to help rebuild the reserves. There were three urban seal roads renewals, cemetery, kerb and gutter/storm water upgrades, minor athletic field upgrades and capital purchases for the Aquatic Centre and these would have minimal impact. This will take \$837K out of the capital works program and reduce the amount of cash going out as they were all going to be contracted. Staff we have are fully engaged with other projects so this doesn't impact staff allocation.

With regards to the 3.347 - that is a combination of the 1.937 water fund and what else?

CFIO advised we spent a lot in relation to the natural disaster we spent 202K which we had not budgeted for in tree removal - we tried to get that back but didn't receive any more funding for that. The committee discussed the allocation of the funding and advised that we had contacted Andrew Gee's office regarding future funding to try and recoup the costs however this hasn't been made available in any way that we can use.

Approx. \$500K all up on natural disaster and the remaining is COVID related. There are a number of things that have led to the 3.347 including additional employment costs.

GM commented that in this current tough financial situation we need to make significant adjustments – while it is a shame to defer the above projects it is critical. We are looking at opportunities and initiatives including:

- Looking at pursuing an offset to access license for the Fish River water supply – there is a clause in the contract which gives us prerogative to do this. We have previously made a request to Water NSW but this was denied. Given the drought and Oberon usage and breakages we have found clause in the contract as a result of a breakage.
- We are looking at Worker's compensation and the amount that we are paying,
- Raising in salaries and wages and overtime and looking at annual leave balances.
- CFIO pursuing long overdue rates
- Review of property portfolio - we have \$4million sitting in that reserve but not enough clarity on what purpose that is for and not working it as a commercial exercise. The future plan is to look at our property portfolio - how much do we need from reserve, what are the rules and parameters, how hard are we working our properties.
- We are also looking at how much we are spending on buildings and maintenance and utilisation of those buildings and whether we continue to fund under utilised buildings.

With regards to the sale of land for unpaid rates the CFIO noted that this process is for accounts where rates have been overdue for over 5 years (nothing related to COVID difficulties). The process will commence with a report to the November Council meeting. It is difficult to say how much we are able to nett from this process but there are approximately 40 properties.

ACTION / RECOMMENDATION

THAT the Finance Committee:

1. Note the information presented on reserve balances at 30 June 2020 and the update on cashflow.
2. Endorse the recommendation to the 26 October 2020 Council meeting to defer \$837,172 of 2020/21 capital works projects and to transfer the budget savings to rebuild internally restricted reserves.

MOVED: Councillor W McAndrew

SECONDED: Councillor R Thompson

CARRIED: Unanimously

6. General Business

Time line for a potential SRV

The CFIO provided a response to a question raised at the Councillor info session for the Long Term Financial Plan (LTFP) with regards to a timeline for a potential SRV.

CFIO advised that in the LTFP we had (subject to adoption by the new council) a SRV scheduled for 2023 so would need to start planning in early 2022. Its approximately a 12 month process and would need to commence early in the new term of council and would commence with a review of the community strategic plan.

We need to make sure that the community is aware of the potential funding strategy. If we do go ahead next time it will be easier to explain it to the community.

7. Meeting Close

Next Meeting: 9 November 2020 at 4.30pm in the Committee room.

There being no further business the Chairperson declared the meeting closed at 5.09pm.