



MINUTES

Finance Committee

held at

Council Administration Centre
Committee Room
180 Mort Street, Lithgow

on

Monday 9 November 2020

at 4:30 PM

ORDER OF BUSINESS

1. Present	3
2. Apologies	3
3. Declaration of Interest	3
4. Presentations	3
5. Staff Reports	3
5.1. Pros & Cons of a Local Suppliers Policy	4
5.2. Cashflow Update & Deferral of Capital Expenditure.....	4
5.3. 2020-2030 Long Term Financial Plan.....	5
5.4. Audit Action Lists	6
5.5. Investment Report October 2020	6
5.6. Financial Statements for the Year Ended 30 June 2020	7
6. General Business	7
7. Meeting Close	7

The Chairperson declared the meeting open at 4.32pm.

1. Present

Present: Mayor Ray Thompson (Chair), Deputy Mayor Wayne McAndrew, Cllr Steve Ring

Officers: Craig Butler (General Manager), Ross Gurney (CFIO)

2. Apologies

NIL

3. Declaration of Interest

NIL

4. Presentations

NIL

5. Staff Reports

Audit

CFIO provided an update on the audit of the 2019/20 financial statements.

Auditors have indicated that at this stage they are on track to meet the legislative deadline and lodge by 30 November. Unfortunately, they won't have the audit completed in time to present the financial statements to the Council meeting on 23 November. The auditors are planning to complete the audit in the week commencing 23 November. This means we will need to call an Extraordinary Council meeting for early December.

If the auditors needed to extend the completion date beyond the 30 November deadline, they will need to provide the request in writing and the deadline for extensions is 16 November.

There is an information session on the 7 December. The Extraordinary Meeting could be held before the information session - to consider the financial statements and for a virtual presentation from the auditors. Once confirmation of an audit completion date is received, the CFIO will liaise with the EA to Mayor and General Manager to arrange the Extraordinary Meeting.

CTA ARIC Meeting

CFIO provided an update on the CTA ARIC meeting from last week. The Committee members had a list of queries and clarifications on the draft financial statements, including technical questions and suggested corrections.

The Committee also had a planning session for the program for the year ahead and discussed the Committee's strategic direction. The discussion included the value of the joint committee with Oberon Council and the benefits achieved to date. CFIO advised that the guidelines on the new Risk Management and Internal Audit Framework are expected to be released in early 2021. It is expected that the guidelines will include a model charter and terms of reference. Some of the benefits of the joint Committee included sharing of costs. One joint internal audit project was completed with Oberon and there were some savings. Mayor Thompson queried the frequency of the meetings – are quarterly meetings required or would every 6 months be adequate? CFIO is developing a work plan to set the program for each meeting to the end of the Council term.

Clr Ring suggested that the committee can be used to identify areas that the auditors are not reviewing in significant detail.

The Committee agreed to review the Joint Committee arrangement early in the new term of Council, taking into account the compulsory changes coming into effect in March 2022. The goal at present is to have the Committee working on strategic issues.

5.1. Pros & Cons of a Local Suppliers Policy

There was a request at a recent council meeting to bring a report of the pros and cons of a local suppliers policy. A report was presented to Council in 2017 and this report was referenced in preparing the current report.

ICAC report states that "local preference policies present a moderate to high corruption risk in our opinion. This is because they can be anti-competitive in application, create circumstances for conflicts of interest to arise and may result in council being captured into using the same service provider". Clr Thompson commented that the ICAC statement applied no matter who was awarded a contract (local or non-local). We shouldn't always be utilising to the same contractors.

The GM needs to ensure that when we have suitable contracts coming up. We consider the availability of local suppliers and determine if they can be competitive. When we implemented the VendorPanel system we had public information sessions - we can initiate another round of sessions and encourage contractors to sub contract locally also. There are certain grants that promote the use of local employment so we use local contractors there.

Cr McAndrew queried whether other councils nearby have a Local Suppliers Policy, e.g. Dubbo may have a relevant policy. CFIO has considered other Council policies, best practice notes, ICAC guidelines etc. and is recommending that Council focus attention on encouraging local providers, e.g. ensuring that local contractors know to register on VendorPanel. CFIO will make arrangements to set up Information Sessions in early 2021. Clr Ring suggested that we could bring local contractors together and workshop the tender processes and perhaps how to work together to apply for government contracts, encourage businesses to think outside the box. LG Procurement could be brought in as well to offer them assistance.

Council will continue to purchase goods and services at the best price but strongly encourage local purchasing where possible.

ACTION / RECOMMENDATION

THAT the Finance Committee note the report in relation to a Local Supplier Preference Policy.

MOVED: Councillor W McAndrew

SECONDED: Councillor S Ring

CARRIED: Unanimously

5.2. Cashflow Update & Deferral of Capital Expenditure

The deferral of capital expenditure report will be considered by Council at the November meeting. The cashflow situation is still difficult and we will have a better idea of debts owing at the end of this month with water bills and rates instalment due.

Recommendation in the report is to defer the capital projects put forward by Infrastructure Services - there is also approximately \$180,000 of plant replacement purchases that can also be deferred.

Should the situation improve we will look to reinstate capital projects to the 2020/21 program. The final listing of projects which can be deferred is practical, projects which would have been completed by contractors, they don't impact internal staffing. Grant opportunities will also be sought to assist with restoring deferred projects to the capital works program.

The projects proposed to be deferred are funded from the general fund and all grant projects are still going ahead.

The 6 projects reported to the Committee totaling \$1,175,349 are in addition to previously deferred projects presented to Council totaling \$837,172.

ACTION / RECOMMENDATION

THAT the Finance Committee:

1. Note the update on the current and ongoing cashflow issue.
2. Endorse the recommendation to the 23 November 2020 Council meeting to defer a further \$1,175,349 of 2020/21 capital works projects pending any improvement in cash inflows.

MOVED: Councillor W McAndrew

SECONDED: Councillor S Ring

CARRIED: Unanimously

5.3. 2020-2030 Long Term Financial Plan

The Committee discussed the one submission received on the draft 2020-2030 Long Term Financial Plan. The points included in the submission are constructive and provide helpful input for the thorough review of the Long Term Financial Plan in late 2021 or early 2022.

Mayor Thompson queried the inclusion of information on the 3 scenarios in the Plan. The CFIO replied that the information is provided for context - Scenario 3 Sustainable Council is the scenario which would be implemented as it guides Council toward achieving long-term financial sustainability.

Recommendation

THAT the Finance Committee:

1. Note the receipt of a submission on the LTFP from a community member.
2. Endorse the recommendation to the 23 November 2020 Council meeting to adopt the 2020-2030 Long Term Financial Plan as part of Council's Resourcing Strategy.

MOVED: Councillor W McAndrew

SECONDED: Councillor S Ring

CARRIED: Unanimously

5.4. Audit Action Lists

The CFIO reported on progress towards completing the internal and external audit actions:

- Interim external audit actions: all 7 actions have been completed by the due dates.
- Payroll activities internal audit – 6 actions completed, 2 actions on track for completion by the due date (mid-November).

The final external audit management letter will be provided by the NSW Audit Office after the completion of the external audit. The final audit letter is now expected by early December 2020.

Quotations have been received for the Records Management internal audit project. A Water & Wastewater internal audit project is also being considered.

Recommendation

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

MOVED: Councillor W McAndrew

SECONDED: Councillor S Ring

CARRIED: Unanimously

5.5. Investment Report October 2020

The CFIO reported that the balance of cash and investments at 31 October 2020 was lower than at the end of the previous month. Cr McAndrew queried the balance required for externally restricted reserves. The CFIO replied that approximately \$20M was required to fund externally restricted reserves.

The CFIO stated that investment interest income is being heavily impacted by record low interest rates and lower reserve balances. A Quarter One budget variation had been prepared to reduce the 2020/21 interest income budget from \$600K to \$300K. This will also impact Council for future years.

Cr Ring queried whether a reserve could be built, once investment returns improve. The additional funds could be used for strategic projects rather than to fund recurrent operations. The CFIO advised that the proposal was possible and could be put to Council when returns improve.

Recommendation

THAT

1. Investments of \$26,120,000 and cash of \$303,490 for the period ending 31 October 2020 be noted.
2. The enclosed certificate of the Responsible Accounting Officer be noted.

MOVED: Councillor W McAndrew

SECONDED: Councillor S Ring

CARRIED: Unanimously

5.6. Financial Statements for the Year Ended 30 June 2020

The CFIO summarised the movements in revenue and expenses from the 2018/19 year to 2019/20 year. Council faces a challenge in containing costs within available revenue. Costs are increasing and Council is obtaining a much lower return on its investments.

Cr McAndrew queried the (\$689K) decrease in other expenses which is mainly due to cost saving initiatives.

The CFIO stated that Council had achieved four of six financial performance indicator benchmarks and two of three asset performance indicator benchmarks

Recommendation

THAT the Finance Committee note the report on the Annual Financial Statements for the year ended 30 June 2020.

MOVED: Councillor W McAndrew

SECONDED: Councillor Ring

CARRIED: Unanimously

6. General Business

Mayor Thompson queried progress with land acquisition for the Cullen Bullen sewer scheme. The General Manager provided an update.

Mayor Thompson asked whether Council reports on tenders would be moved to open Council. The General Manager stated that the administration was considering the issues involved with tender reports being considered in open Council, rather than in a confidential session. Matters being "commercial in confidence" are one consideration.

CFIO is aiming to have a report ready for the November Council meeting on the Banking Services Tender. Two responses were received. The Quarter One Budget Review will also be reported to the November meeting.

Next meeting of the Committee

Committee agreed to cancel the 14 December meeting. CFIO will put forward possible dates for a Committee meeting in late January.

7. Meeting Close

Next Meeting: TBA in January 2021

There being no further business the Chairperson declared the meeting closed at 5.50pm.