



MINUTES

Finance Committee

held at

Council Administration Centre
Committee Room
180 Mort Street, Lithgow

on

Monday 8 February 2021

at 4:30 PM

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1. Present

Present: Cllr Ray Thompson, Cllr Wayne McAndrew, Cllr Steve Ring, Cllr Stephen Lesslie

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

2. Apologies

No apologies were received. All Committee members were in attendance.

3. Declaration of Interest

NIL

4. Presentations

NIL

5. Staff Reports

5.1. Procurement Management in Local Government

The Committee discussed the Auditor General's report on Procurement Management which is part of the Auditor General's annual performance audits program. In the report, the Auditor General reviewed six Councils to see if their policies and practices were consistent with legislation. They found some compliance gaps. The report referred to a section of the report outlining opportunities to improve procurement management. The CFIO advised that he had reviewed the report and the improvement opportunities with Council's Procurement Coordinator to identify areas of improvement for Council.

Lithgow Council measured well in comparison to the report. We have implemented many improvements over the past 5 years. There are some findings where our practices can be further refined.

Discussions occurred in relation to the improvement opportunities for purchases on projects under \$150,000. It was assumed when doing the budget that there would be justification in budget requests from each department. The CFIO indicated that Council requires business cases for new projects or programs. Cllr Ring enquired as to the process for smaller items such as stationary, toilet paper, patch repairs and maintenance etc. CFIO informed the committee that budget parameters are put in place each year and in recent there has been minimal budget increase in areas such as printing, materials etc. Cllr Ring enquired as to whether staff have to justify what is being purchased?

There may be smaller value business cases that are prepared for a new project or program if it is capital or operational and ELT considers these cases. For lower level budgets, a department starts with their zero budget and determines their requirements for each year. ELT consider the department budgets as a whole. We have a Budget Management SWP in place that includes training on putting together a budget and management of budgets.

Management of community outcomes - are we looking to develop something for addressing or evaluating community expectations for what we spend and whether its good value for money? At the moment when we finish a project we are not seeking community feedback to see if they think the project has achieved the outcome or value for money (e.g. Adventure Playground). A survey can be added to the project management guidelines.

With regard to addressing any risk in relation to procurement, consider – training, skills, centralising, not making unilateral decisions, adhering to strategic plans and working to the adopted program.

ARIC are often raising the importance of periodically auditing the policies and practices we have in place. As part of the improvements from the contract and project management internal audit, a risk section was added to the revised business cases guidelines and included in the Pulse system. Risks are reviewed by ELT when considering each case.

ACTION / RECOMMENDATION

THAT the Auditor-General's report on procurement management and the suggested opportunities to improve procurement management at Lithgow Council be noted by the Committee.

MOVED: Councillor W McAndrew

SECONDED: Councillor S Ring

CARRIED: Unanimously

5.2. Audit Action Lists

CFIO advised that there is little to report for this month. There is one payroll internal audit action to complete.

We have just received the Draft Final Audit Management letter from the NSW Audit Office.

CFIO will include the management letter on the agenda for the next meeting once the management response is finalised.

There were 6 issues that were identified, 3 moderate and 3 low risk, no major concerns. Most of the issues have already been addressed or will be addressed immediately.

1. Incorrect basis for calculating annual leave - we had a July report for calculating employee benefits liability instead of the end of June. The later report had no material impact on the financial statements.
2. Revaluation not performed in a timely manner.
3. Council budget process improvement – related to external restrictions.
4. Excess annual leave - we have already been addressing this.
5. Audit readiness the engagement plan timeline was delayed due to the COVID-19 pandemic and the audit was conducted remotely.
6. Bank account signatory list not updated.

ACTION / 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

5.3. Cashflow Update - January 2021

This is a standing agenda item - CFIO provided an update for January 2021.

We had more money going out than coming in. There was nearly \$2 million more going out than coming in meant that Council was drawing upon investments.

In the month of February, rates are due and cash inflows should improve.

CFIO provided a comparison from the previous year for the water and rates debtors. We still have more rates outstanding at the end of January compared to the same time last year. While it has improved, we are limited in our collection action by the OLG until the end of March and we have only just been able to add interest from January 2021.

There have been a higher number of payment plans implemented with Council.

The recommendation to transfer funds from the Land Bank was discussed. If Council endorses transferring \$652K, there will be close to \$4 million available, however, current commitments will bring it down to about \$2million. Cllr Ring queried what the impact is if Council does not endorse the transfer. The CFIO advised that the shortfall for internally restricted reserves would need to be sourced from another fund.

The action that council has taken in deferring capital projects has helped to mitigate the lower cash inflows and slow the amount of cash going out. We still need to be continually monitoring the situation. CFIO is monitoring on a weekly basis.

There are still two quarters left to pay for the Emergency Services levy. Outstanding levy amounts incur interest.

ACTION / RECOMMENDATION

THAT the Finance Committee note:

1. The update on the ongoing cashflow issue.
2. The information on the shortfall in internally restricted reserves.
3. The actions, both taken and proposed, to address the impacts of these issues on Council's financial position.

MOVED: Councillor S Ring

SECONDED: Councillor W McAndrew

CARRIED: Unanimously

5.4. Investment Report January 2021

The report highlights the decrease in investment balances which should turn around in February 2021. Indications are that the investment balances should stabilise between now and 30 June, with steady cash inflows and outflows.

ACTION / RECOMMENDATION

THAT

1. Investments of \$27,290,000 and cash of \$177,973 for the period ending 31 January 2021 be noted.
2. The enclosed certificate of the Responsible Accounting Officer be noted.

MOVED: Councillor S Ring

SECONDED: Councillor W McAndrew

CARRIED: Unanimously

5.5. 2020/21 Quarter Two Budget Review

The Quarter Two Budget Review shows an improvement in the projected operating result. There are still underlying issues which need to be highlighted and addressed. We are looking at a surplus operating result (before capital) at the end of the financial year for the consolidated funds. The general fund has a small projected projected surplus so we need to continue to monitor income and expenditure

We are able to report to the OLG in March that the projected position is satisfactory. OLG had specifically asked for a copy of the budget review.

We have had a number of operating grants received which has made a big difference. Where possible, grants are being utilised for planned works rather than adding new projects.

We need to look at additional revenue raising opportunities, rebuilding reserves and developing a working capital fund.

The capital budget was reduced back to approximately \$20 million but only 32% of the budget had been spent to 31/12/20. There is much work to be completed in the second half of the year. Many projects are grant funded.

The Cullen Bullen sewerage upgrade project - the only funds to be spent are on the design and land acquisition this year. This project will continue into 2021/22. Once the design is finalised, tenders can be advertised.

ACTION / RECOMMENDATION

THAT the Committee endorse the recommendations which be considered by Council at the February 2021 meeting.

THAT Council:

1. Note the contents of the report and the revised consolidated operating result before capital grants of \$1.791M surplus for the 2020/21 Operational Plan as detailed in the Quarterly Budget Review Report for the period 1 October 2020 to 31 December 2020.
2. Adopt the income, expenditure and capital budget variations to the 2020/21 Council budget as outlined in the attached report.
3. Note the information provided on Council's cashflow issue and the impacts on internally restricted reserves.
4. Endorse the transfer of \$652K from the Land Bank reserve to restore internally restricted reserves to the internal loan balance of -\$2.51M.

MOVED: Councillor W McAndrew

SECONDED: Councillor S Ring

CARRIED: Unanimously

6. General Business

Councillor Expenses

Cr McAndrew queried the status of the Councillor expenses budget. CFIO indicated that expenditure is within budget and will send an updated report.

Proposed budget strategies for 2021/22

CFIO will provide copies of the draft Information Session confidential report to the committee members.

At the February Information Session, proposed 2021/22 budget strategies will be presented to provide over \$500K in additional revenue and cost savings to help to offset the loss of income from investments. We need information on the emergency services levy increase from the State government. It is the final year of the insurance premium savings and there are employment cost pressures.

Public consultation on the draft Operational Plan was queried. This will be considered as part of the communication strategy being developed. Committee briefly discussed the preferences for community consultation and the most effective ways of communicating.

7. Meeting Close

There being no further business the Chair closed the meeting at 5.12pm

Next meeting: Monday 8 March 2021