



MINUTES

Finance Committee

held at

Council Administration Centre
Committee Room
180 Mort Street, Lithgow

on

Monday 8 March 2021

at 4:30 PM

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The Chairperson declared the meeting open at 4.30pm.

1. Present

Present: Clr Ray Thompson, Clr Steve Ring

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

2. Apologies

Apologies: Clr Wayne McAndrew

3. Declaration of Interest

NIL

4. Presentations

NIL

5. Staff Reports

5.1. Sale of Land for Unpaid Rates

CFIO provided the Committee with the draft Council report on the Sale of Land for Unpaid Rates following the February Councillor Information session on the process. The Council report will be presented to the April Council meeting.

At present there are 45 properties and details of those are included in the report. The Mayor queried how many of the properties are land locked. The properties that are land locked are generally only of benefit to the landholders around them.

The Mayor raised concerns with properties in Lithgow where development will land lock properties. Negotiations will need to be had with the developer to ensure access via the road for the residents. GM will have the Development Manager investigate.

For properties are owned by pensioners - staff will take extra care and ensure that there is sensitivity in these cases.

Sale of the land locked properties with smaller amounts owing will assist to ensure that rates can be collected in the future.

The April report will be in open Council.

ACTION / RECOMMENDATION

THAT the Committee note the intention to bring a report forward recommending that Council:

1. Pursuant to Section 713 and other relevant sections of the Local Government Act 1993, implement sale proceedings to sell the properties listed in this report at a public auction at a time and place to be determined.
2. Appoint Outstanding Collections (Aust) Pty Ltd (OSC) to administer the sale on Council's behalf.

3. Authorise Council staff and OSC to proceed with the necessary arrangements pertaining to the sale of the properties listed in this report, as set out in the Local Government Act 1993 and Local Government (General) Regulation 2005.
4. Delegate authority to the General Manager to take the following actions pertaining to the properties specified in the report:
 - a. to withdraw from sale any property that, prior to the commencement of the auction, has had all rates and charges payable (including overdue rates and charges) paid in full.
 - b. to withdraw any property from sale for technical or legal reasons.
 - c. to set reserve prices for sale of the properties at auction.
 - d. to negotiate by private treaty and accept offers for sale of any property that fails to sell at auction.
 - e. to execute Sale and Purchase contracts, and property transfer documents, under Council's Common Seal.

MOVED: Councillor S Ring

SECONDED: Councillor R Thompson

5.2. Payment of Tax Equivalents - Sewer Fund

The Council report will go to the March meeting recommending that tax equivalents be paid from the Sewer fund to the General fund for the last financial year.

CFIO provided commentary, explanation and background for the committee to consider.

The payment of tax equivalents is quite common for NSW State Government Corporations and departments to be paid to the government.

It is different from a dividend, it is effectively the tax that would have been paid on the fund surplus had it been a commercial tax paying entity.

The proposal is to use the amount to start to build a working capital fund so the payment would not be spent on operations. It will help to rebuild Council's reserves.

CFIO indicated that the funds taken from the building fund to address the reserves shortfall is sufficient for now. The decision of Council to defer capital works and other projects this financial year has really helped to minimise the transfer from the land bank.

Clr Ring asked for clarification of what a working capital fund is. The General Manager advised that a report will come back to a future meeting but fundamentally, it is a float that you have for short term funding needs.

Council's strategy has been to hold minimal working funds and maximise funds invested in term deposits to generate interest income. To fund weekly payroll and accounts payable, the strategy required Council to have a term deposit maturing most weeks, particularly when cash inflows were low. It is planned to hold a working capital fund in overnight cash or a short term facility that can be used for weekly cash needs. As term deposits mature, there is a likelihood that they can be reinvested and the interest will go into income or into reserves. There will always be an amount in a working capital fund which can be topped up, as needed, from cash receipts. There will be rules that establish that if we draw down from it that we have a strategy to build it back up and retain it at a suitable level.

This is the first time that Council has had a formal strategy that we are developing to ensure a level of buffer to cover the week to week cash needs.

If tax equivalents were not paid, the funds would stay in the sewer fund. The Sewer fund is in the position to pay tax equivalents now. We can do this with other funds (i.e. Water fund), however, the water fund is not in a position to do this at this stage.

CFIO will provide a Working Capital strategy report to a future Committee meeting.

ACTION / RECOMMENDATION

THAT the Committee:

1. Note the intention for the payment of \$231,647 for tax equivalents from the Sewer Fund to the General Fund for the 2019/20 year.
2. Note that the tax equivalents payment will be held in a general fund unrestricted reserve to commence the building of a working capital fund.
3. Receive a future report from the CFIO on the Working Capital Strategy.

MOVED: Councillor S Ring

SECONDED: Councillor R Thompson

5.3. Emergency Services Levy

At this stage, a significant increase (which may be over \$300K additional cost) has not been factored into the draft 2021/22 budget.

Clr Thompson advised that discussions had taken place at the Country Mayor's Association recently. The representative from the amalgamated council of Cootamundra and Gundagai said they had to put in for a 50% Special Rate Variation.

The lack of affordability of the Emergency Services Levy (ESL) received unanimous support as Council's do not have the ability to pay. The Mayor's association suggested that the levy go onto Council rate notices as a government levy not a Council levy and that Council are the collectors.

Council will need to develop a scenario to budget for a significant ESL increase. We are continuing to advocate for the NSW Government for an affordable and fair solution to the ESL issue.

In the past two years, the state government have subsidised the ESL increases. Councils are usually advised by April of the ESL amount for the following year.

What happens if we have to put this amount in to the budget? CFIO replied that there would be impacts on services, Finance staff need to determine the cash available for 2021/22 to fund Council's operation and the capital program. Community Consultation will commence once the 2021/22 budget and Operational Plan are presented to the April Council meeting.

In the future, when interest rates go up, Council can consider placing investment returns into a reserve for specific projects.

ACTION / RECOMMENDATION

THAT the Finance Committee note the information provided on advocacy which is being undertaken to seek the NSW Government's assistance for an affordable, transparent and fair solution with regard to the Emergency Services Levy for the 2021/22 year.

MOVED: Councillor S Ring

SECONDED: Councillor R Thompson

5.4. Pros & Cons - Tendering Local Procurement Policy

This report is in response to a Council resolution from November last year.

The report has been carefully considered by ELT. Examples from other councils has been provided as well as some options should Council determine to consider a local procurement policy. The report includes suggestions for good value and practical purchasing practices should a policy be required.

Clr Ring suggested that if a policy was developed, then a local contractor would have to be an established business in Lithgow longer than 3 months.

Both the Director Infrastructure Services and Water and Wastewater have reviewed the report. The report considered ICAC's advice and value for money. Other Councils with policies are in isolated areas.

CFIO advised that any impacts from a policy would be monitored and reviewed over 12 months.

There is an issue when we budget for key projects and the figures are made available to the public and potential contractors.

ACTION / RECOMMENDATION

THAT :

1. The Committee note the information provided in the report on a Local Procurement Policy for purchasing and tendering.
2. Should the committee support the development of a Local Procurement Policy for purchasing and tendering, that the policy provisions suggested in this report be included in a report to Council.

MOVED: Councillor S Ring

SECONDED: Councillor R Thompson

5.5. On-Costs - Calculation Methodology

The report on the on-costs methodology is provided for the information of the Committee.

Effectively we budget in the salaries and wages for 45 weeks and the balance is in the on-costs budget.

Cr Rings queried superannuation at 13.6%? Is that due to longer-term old staff are still being on the old defined benefits scheme? The CFIO replied in the affirmative.

Annual leave and LSL could be separate calculations.

CFIO will provide a further report to a future meeting with supporting documentation and examples.

ACTION / RECOMMENDATION

THAT the Finance Committee note the information provided in this report on the methodology for calculating on-costs at 52% of salary costs for budgeting purposes.

MOVED: Councillor S Ring

SECONDED: Councillor R Thompson

5.6. Investment Report February 2021

The investment report shows the increase in cash and investments at the end of February which is consistent with it being a rates instalment month and receipt of the financial assistance grant instalment.

Interest income year to date is about \$20K under budget for YTD so we will need to the budget at the Quarter 3 review.

At the end of March, the review will consider cash and investments against the required reserve balances.

ACTION / RECOMMENDATION

THAT:

1. Investments of \$28,156,526 and cash of \$567,818 for the period ending 28 February 2021 be noted.
2. The enclosed certificate of the Responsible Accounting Officer be noted.

MOVED: Councillor S Ring

SECONDED: Councillor R Thompson

5.7. Review of Policy 8.7 Investment Policy

The annual review of the Investment policy has been undertaken.

There are no major changes to the policy but there are some proposed changes in relation to credit quality limits and the counterparty limits (the amount which can be held in specific rating ranges and institutions) which reflects the current term deposit environment.

The Policy does not require public exhibition as the changes are only minor.

ACTION / RECOMMENDATION

THAT the Committee note the revised policy 8.7 Investment Policy and after confirmation of the Minutes from this meeting by Council the policy be implemented immediately.

MOVED: Councillor S Ring

SECONDED: Councillor R Thompson

5.8. Cashflow Update - February 2021

As mentioned in the Investment Report we had higher cash inflows in February, however, we still have a lot of cash going out and we need to continue to monitor the cashflow situation.

CFIO will maintain a table of the monthly cash and investment balance.

With the water rates outstanding at the end of February, it is important to note that not all of that may be due or overdue. In future, Finance will provide a breakdown of what is late or outstanding.

We received a \$592K payment of the Financial Assistance grant in February. That is a quarterly installment. In recent years we have been receiving around half of the grant in advance which we put into Reserve and then receive the remainder in quarterly instalments.

ACTION / RECOMMENDATION

THAT the Finance Committee note the cashflow update.

MOVED: Councillor S Ring

SECONDED: Councillor R Thompson

6. General Business

NIL

7. Meeting Close

Next Meeting: Monday 12 April 2021

There being no further business the Chairperson declared the meeting closed at 5.26pm.