



MINUTES

Finance Committee

held at

Council Administration Centre
Committee Room
180 Mort Street, Lithgow

on

Wednesday 16 June 2021

at 3:30 PM

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1. Present

Ross Gurney, Neil Derwent, Ray Thompson, Steve Ring, Craig Butler, Rhiannan Whiteley
(Minutes)

2. Apologies

Clr Wayne McAndrew

3. Declaration of Interest

NIL

4. Presentations

NIL

5. Staff Reports

5.1. Draft Local Procurement Policy

CFIO presented the report to the committee that is going to the council meeting in June following the resolution in the March meeting.

Draft policy has been developed using the parameters set out in the Council report and the legal advice received on the matter. The Policy will now go to the Council for consideration to determine if they want to endorse the policy for public exhibition.

The Committee agreed that this is a reasonable outcome and that the 12 month timeframe is acceptable. It covers the resolution of Council but provides us with movement if it isn't successful.

This matter can still be dealt with the Council during the caretaker period as it is not considered a major decision. The new Council is welcome to review and rescind if they feel the need.

RECOMMENDATION

THAT the Finance Committee endorse the recommendation to the 28 June meeting for Council to determine whether the draft Local Procurement Policy be placed on public exhibition. Following the public exhibition period of 28 days, the policy would be returned to Council to consider any submissions received and to determine whether the policy be adopted.

MOVED: Councillor S Ring

SECONDED: Councillor R Thompson

5.2. Investment Report May 2021

Clr Ring asked for clarification in relation to the deferred amount.

Deferred amount from our own funding

Why are we in that position? was it only additional wage costs, Investment losses, water billing error?

CFIO advised that part of the explanation is with the general fund - the projected deficit in the general fund was over a million dollars. There are multiple factors as to why there is more cash going out, CFIO will provide a break down.

We deferred over 7 million in capital works but we have still utilised internal restrictions to fund the cash going out.

There was \$2 million dollars that was supposed to be spend this financial year that had to be moved back into External restrictions for the Resource recovery centre. That added to our external reserves. Both Water, Sewer and Waste have all increased their surplus so that effects our external reserves. Their surplus's continue to increase their reserves.

The increase in the external reserves was shown in the quarter three budget review.

The actual total cash and investments is higher at the end of March and May. We managed to maintain a similar total cash and investments but there needs to be more in the external restrictions.

Clr Thompson asked whether \$1million enough for the working capital fund? CFIO advised that we have an additional plan. We are continually working out how best to deal with this. A report will go to the July meeting once we have the 30 June cash and investment balances to allocate what is left of the internal restrictions at that stage, which by the forecast is about \$5.5million including financial assistance grant pre-payment. Part of the report CFIO will be recommending we take out a loan to more or less have an overdraft facility where we can draw on funds (a short term loan). Effectively taking out a \$4million loan giving us a \$5million buffer. The reason that is important going into next financial year is there is about \$15million of grant funded works in the capital works program and a lot of those we need to do at least part of the work before we can claim the grant. There is cash flow differences there so it is better to have a large buffer.

ELT participated in a workshop recently and it was identified that we have a massive grant program where a lot of that is paid in arrears, we spend the money and then have to claim it back. When we don't have significant working capital each month then cashflow becomes a concern. Taking out a minimal loan will ease that worry. We are also looking at a two year window of financial constraints, engaging with the new council as soon as it is brought in and starting to lay the groundwork for them to consider a long term strategy of five and ten year neutral and balanced budget and that will require either cuts to services or consideration of a SRV or a combination of the two.

Additional information is available in the Quarter three budget review.

As far as the Cash position at the moment we are on track for the estimated reserves balance at the end of the financial year.

RECOMMENDATION

THAT

1. Investments of \$28,230,585 and cash of \$612,501 for the period ending 31 May 2021 be noted.
2. The enclosed certificate of the Responsible Accounting Officer be noted.
3. The commentary on funding requirements for restricted reserves be noted.

MOVED: Councillor S Ring

SECONDED: Councillor R Thompson

5.3. Cash flow Update - May 2021

Financial Services Manager provided an updated.

We were \$2.4million cash positive for the month. We generated \$604K for AP, \$315K for Salaries. We had the 4th Instalment notices and the financial assistance grant coming in.

The actual rates outstanding has improved from the 31 May last year.

Within a week of 31 May however we spent over \$1million paying our bills and payroll. This week \$1.2 million to pay AP, so the cash flow balance is already under pressure.

Clr Ring made enquiries about the figure on page 10 of the report relating to Land purchase. CFIO clarified that there were funds transferred from the land bank as resolved by Council at the end of quarter two.

GM advised that ELT will continue to work on and will bring a more detailed report back to the committee with the steps that we are taking including our language, position descriptions, tools that we have, dashboard data, directors and budget managers owning their budget and being held personally accountable, better project management and contingencies, getting as much of our books and onto grants in the interim, completing our asset management processes etc. We need to keep that all going over the next few years and we will need to engage with the council as to whether we cut services or increase revenue otherwise we won't have a balanced budget into the future and management isn't prepared to recommend that we continue deficit budgets and would be imprudent of the council to accept that.

We need to get everything ready to engage with the council and community.

Next year's budget isn't looking too bad on balance with some of the adjustments that we have made particularly if we can smooth out the cash flow.

There will be no repeat of incidents like water bills going out late or projects running over.

We are expecting cash flow to remain tight and continue to be monitored and managed. We will also be looking at phasing of projects for quarter 1 to ensure we can match it with cash flow.

ACTION / RECOMMENDATION

THAT the Finance Committee note the cashflow update and the remedial actions being implemented to address expected ongoing cashflow issues in the months ahead.

MOVED: Councillor S Ring

SECONDED: Councillor R Thompson

5.4. Draft 2021/22 Budget Update

CFIO provided an update to the committee that will be presented to the Information session tomorrow to Councillors.

The session will also focus on the coal mine rating adjustment.

Bottom line is that the budget operating result has improved and is forecasting a surplus result before capital. The key parts of that though that are important is that we received an extra Local Roads and Community Infrastructure phase 3 Grant, that is a rare grant that we can use for both operational and capital projects so the income goes into operating and helps our result but there is no guarantee that will continue, it is potentially only for another year and we have the rates income adjustment added. These are not things we have every year.

The budget is certainly better than what we were initially looking at but there are still underlying issues that need to be addressed for Council's financial positions.

Variations became apparent after the draft budget was exhibited so there are adjustments being proposed to the council to acknowledge the \$1.6million.

Changes to the capital work program to operational projects - they were mainly related to additional grant projects and projects that were phased partly into next financial year. Our program is still large at over \$25million but \$15million is grant funded. That does include completing the Resource Recovery Centre.

When do we find out if we get the grant for Clarence Pipeline? June or July. Separate negotiations with the State Government and Water Waste Water are working with the government on this. Still a lot of work to be completed in terms of partnership. July we will hear about the grant application.

Clr Thompson made enquiries about the professional development allocation for Councillors. This has been factored into the Training Plan.

The General Manager discussed the rating adjustment with the committee and provided background. The Financial Services Manager will talk to it at the Information Session tomorrow evening and it was also discussed at the recent ARIC meeting. The Valuer General did and out of sequence revaluation of the mines (of which we were not involved) and brought it into this years rates. Centennial appealed the valuation and won so we weren't able to charge that amount in this years rates , had we not charged it it would have been displaced onto the other property owners, the legislation acknowledges this

circumstance so it allows the Council to recover the money in subsequent years. ARIC agreed that council should take up the discretion to recover the money. The rating pool have effectively had a holiday this year. If we do not recover it this coming year then it evaporates from our base and will never be able to recover that. We are hopeful that Council will agree that this wasn't of our doing and that it is only fair and reasonable that we recover the money and then we need to consider how we distribute it or consider cutting services.

Council needs to consider that residential rates are only likely to increase about \$18.

Council needs to consider that if we forgo that revenue then we can't really go down the path of asking for a SRV.

RECOMMENDATION

THAT the Finance Committee:

1. Note the changes made to the draft 2021/22 budget since the Operational Plan was presented to Council at the 26 April 2021 meeting. The changes have resulted in a net improvement to the consolidated Operating Result before Capital.
2. Recommends that council pursue the \$524K lost income in the next financial year rates.

MOVED: Councillor R Thompson

SECONDED: Councillor S Ring

6. General Business

Resource for region funding

We have \$2.9million. Director Economic Development & Environment Director Andrew Muir has been working across the organisation and consulting the community organisations about potential projects. Unfortunately not a lot of projects have been suggested but we are pleased with the list of projects that have been suggested.

Resources for Regions is money allocated to the Council and we take the decision, provided the projects comply with the guidelines, we determine the projects. There is an opportunity to use some of this grant money to do works we would do next year with our funding and three have become apparent. Two road projects including - Hassan's walls re-sheeting and Dunfield loop Road and the Lithgow Library Awning. Out of the \$2.9 we can potentially save \$1million and recommend that it be held for working capital to build the reserve. According to the criteria any projects that are not in our approved program can be completed under the grant.

It would be good if the Council can lock away these 3 projects across the line first and then allocate the \$1.9 million to the remaining projects. We think that the Lake Wallace amenities block would be a good project.

This will be worked through with the Councillors at the Information Session.

Clr Thompson enquired as to whether the lease at Lake Wallace has been finalised? We need to look at whether it has potential to increase our revenue.

Additional projects suggested were also Main Street or Blast Furnace. The Committee discussed and Main Street footpaths is an obvious risk. There were supposed to be samples done at the top end of Main Street.

Ideally we want to spin the grants around to either make money or defray us from spending our own money.

7. Meeting Close

The next meeting of the Committee is schedule for the 19 July - CFIO will only have a week after coming back from leave - the key focus on the agenda is more on strategies that we are looking at for the future.

There being no further business the Chairperson declared the meeting closed at 4.13pm