



# MINUTES

Finance Committee

held at

Council Administration Centre  
Committee Room  
180 Mort Street, Lithgow

on

Monday 19 July 2021

at 3:30 PM

# ORDER OF BUSINESS

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The Chairperson declared the meeting open at 3.33pm

## **1. Present**

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Clr Ray Thompson, Clr Wayne McAndrew, Clr Steve Ring, Neil Derwent, Ross Gurney, Craig Butler

Officers: Rhiannan Whiteley (Minutes)

## **2. Apologies**

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There were NIL apologies. All members of the Committee were present.

## **3. Declaration of Interest**

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NIL

## **4. Presentations**

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NIL

The Committee noted that the Minutes from the last meeting will be reported to the July meeting. There were no issues arising from the previous minutes.

## **MINUTES**

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### **ACTION**

**THAT** the Committee note the minutes of the 15 June 2021 Finance Meeting and note that the minutes will be reported to the July Council meeting.

**MOVED:** Clr Steve Ring

**SECONDED:** Clr Wayne McAndrew

## 5. Staff Reports

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### 5.1. Internal Reserve Balances - June 2021 / Working Capital

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CFIO referred to the updated report provided to the Committee which will be provided to the Council meeting. The report seeks a resolution from Council on the internal restricted reserve balances at the end of June and to seek approval to source a \$4million Working Capital Loan.

The report provides background on the cashflow issues and internally restricted reserves and information on the actions we have taken to address the decline in reserves. Part of the strategy is building the working capital fund.

At end of June there was \$29.256 million in cash and Investments of which we had to keep \$21.9million for external restriction leaving \$7.1million for internally restricted reserves plus the working capital fund.

CFIO has put a recommendation in the report on the reserve balances. The loan amount in the recommendation should state \$4 million.

Clr McAndrew asked whether we continue to spend more than is coming in as far as working capital is concerned. CFIO advised that the budget for 2021/22 is based on the expected available cash. The Capital Works program is focused on grant funded projects. Where possible, we are replacing revenue funded projects with grant funded projects. That gives us \$2.5million revenue funded capital program which is anticipated to provide a cash surplus this financial year.

CFIO is confident based on the strategies we have in place, the adopted budget and the Capital Works program that we can cease drawing on restrictions and start to replenish the reserves.

GM suggested that we are living within our means and we will only spend what we have available. Some months we have a surplus of income and other months we have a draw down on working capital. The loan ensures that we won't be drawing down on reserves.

The Mayor queried what the difference was from drawing from our reserves and paying them back as opposed to drawing from the loan and paying it back. The GM advised we have not been using the reserves for the original purpose that Council intended. Whilst we do have flexibility because they are internal reserves, the reserves are established for particular outcomes and those outcomes can't be delivered if we continue to use the reserves for working capital.

Interest rates are low and there for the cost over 4 years would be minimal approx. \$60K p.a.

CFIO made another point about using the internal restrictions for working capital - at the end of March 2021, we determined that internal reserves were at a critical point so we need to ensure we have a strong and effective strategy for working capital. We expect that cashflow issues will continue into this financial year due to the number of grant funded projects and the timing of grant receipts.

We are planning on building a cashflow model that will roll throughout the financial year based on the phasing of projects commencing and being completed and matching that with available funding and when we expect grant receipts to come in. The difference this financial year is that we really need a forwarded looking cashflow model.

Clr McAndrew asked whether the Election Costs of \$160K were likely to change given the current situation and potential for the election to be moved to postal or online? CFIO advised that the Electoral Commission asked the GM to sign the agreement again because the Election date

changed. They noted that there will be no increase to the fee of \$185K which is included in the 2021/22 budget.

## RECOMMENDATION

**THAT** the Finance Committee endorse the following recommendations to the 28 June Council meeting:

THAT Council:

1. Allocate the interim result of \$7.153M for internally restricted funds at 30 June 2021 to the following internal reserves:

Land & Buildings \$1,589,146;

Plant & Equipment \$200,872;

Bonds,

Deposits & Retentions \$588,877;

Works in Progress \$918,406;

Carry Over Works \$408,358;

Employee Leave Entitlements \$753,606;

Election \$160,000;

FAG Prepayment \$2,533,738;

and any adjustment required on finalising the 2020/21 accounts (positive or negative) to be allocated to the Land Bank reserve.

2. Approve the sourcing of a \$4M loan facility to strengthen Council's working capital position commencing from the 2021/22 year.

**MOVED:** Councillor W McAndrew

**SECONDED:** Councillor S Ring

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## 5.2. Investment Report June 2021

CFIO presented the Investment Report to the Committee as at 30 June 2021. The cash and investments balance is close to what was expected. We had a net increase in cash and investments and the main reason was the forward payment of the Financial Assistance Grants.

The YTD income from investments was \$224,000 which is much lower than in recent years and we are not expecting any improvement in the near future.

Clr Thompson asked what Council's borrowing capacity is at the moment? CFIO indicated that we have no issues with securing the \$4million Working Capital Loan. Council's borrowing capacity is determined by the loans included in the Long Term Financial Plan (LTFP). In the latter years of the plan we had some large borrowings scheduled for Water & Wastewater and they effectively will utilise Council's remaining borrowing capacity. There is significant much grant funding available at the moment so loans are not required.

We will look to free up some of the borrowing capacity by sourcing grants for some of the Water & Wastewater projects. When the Long Term Financial Plan was completed last year, it included the replacement of the Oakey Park Treatment Plant which is a large loan borrowing.

GM acknowledged the target in the report and advised that we are on track.

## RECOMMENDATION

### THAT:

1. Investments of \$28,700,585 and cash of \$555,521 for the period ending 30 June 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 R Thompson

**SECONDED:** Councillor S Ring

### 5.3. Cashflow Update - June 2021

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In June 2021 cash outflows exceed cash inflows by \$1.52M when the Financial Assistance Grant prepayment is excluded. There was substantial cash inflows relating to grants (\$1.4M).

Accounts Payable had payments of approx. \$3.2M with a number of significant payments for capital works projects being finalised and payroll approx. \$1.2M Usually the peak week of the year is the third week of July when we have the finalisation of the June invoices.

The Finance Manager indicated there are still a number of measures in place to manage cashflow. These include additional purchasing controls and the phasing of projects. The Finance Manager will be monitoring to ensure that project milestones match with cash availability to pay invoices.

CFIO advised that we are expecting improved management of cashflow into this financial year and will keep all additional controls in place and continue to have forward planning of projects.

Will continue to report to the Finance Committee with an update each month.

We had a \$2.5million shortfall in internally restricted reserves at 30 June 2020. For the purpose of the financial statements, Council resolved that the amount would be an internal borrowing. Effectively the value of the shortfall at the end of last financial year is our target for rebuilding the land bank reserve.

Rates/Water Debtor comparison is on track for council. We are back to a normal water billing cycle. Finance Manager indicated there is a high turnover in properties so we are seeing older outstanding debts being paid.

CFIO advised that there is a rates & debtors outstanding benchmark as part of the financial statements performance measures and Council has consistently achieved the benchmark. We do not have a need for any stronger actions at this stage in relation to water and rates debtors.

GM provided clarification in relation to the figures provided for Rates and Water. The water rates were affected by the late billing issue because of the water meter installations.

Information to be provided in future - what is our goal, what level do we want overdue rates and water at and how are we matching that.

**ACTION / RECOMMENDATION**

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

**MOVED:** Councillor S Ring

**SECONDED:** Councillor W McAndrew

**5.4. FIN - 26/07/2021 - Referral of Financial Reports for External Audit - Year Ended 30 June 2021**

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Report provides the key dates for the audit which are included in the Annual Engagement Plan.

We are currently on track for the audit in September.

All outstanding invoices from last Financial Year deadline is this week.

Unlike last year, there is not a comprehensive revaluation to work through so we are tracking well to meet all the deadlines and lodge the Financial Statements at the end of October.

This report will go to the July Council meeting seeking a resolution to refer the Statements for Audit in accordance with Section 413 of the Local Government Act.

The next report that will go to Council will be in October to approve the signing of the statements and then in November for the presentation to Council.

There are no issues in the audit process at this stage. The Committee agreed that what the ARIC achieved should cover us fairly well in terms of addressing risk.

The General Manager briefed the Committee on two issues that could be raised by the Auditors in relation to Store controls and IT security. He advised that both matters are being dealt with and that controls are being strengthened in relation to the Store issue. We need to periodically audit and ensure that the processes and policies that are in place are being followed correctly.

**ACTION / RECOMMENDATION**

**THAT** the Finance Committee note this report relating to the referral of the 2020/21 financial statements for audit (in accordance with S413 of the Local Government Act 1993) and the proposed process for the audit.

**MOVED:** Councillor S Ring

**SECONDED:** Councillor W McAndrew

## **6. General Business**

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### **1. Productivity - Working from Home**

Clr Thompson enquired with the General Manager regarding productivity with staff working from home. GM advised that there are a large number of projects lined up and we are tracking well on these.

### **2. Draft Interim Audit Management Letter.**

CFIO advised that he had received the draft interim audit management letter from the Audi Office. He will provide the letter to Committee members once finalised. There were no major issues identified by the Audit Committee (moderate to low risk findings).

### **3. Next Meeting - Finance Committee**

CFIO will work with the Finance Manager and GM to determine if we have items for the proposed meeting on 9th August. CFIO advised that everything is on track for Council to finalise any financial matters before going into Caretaker mode ahead of the elections.

## **7. Meeting Close**

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**Next Meeting:** TBA - proposed 9th August 2021

*There being no further business the Chairperson declared the meeting closed at 4.21pm*