

MINUTES OF THE FINANCE COMMITTEE OF UPPER HUNTER SHIRE COUNCIL HELD ON FRIDAY 15 MAY 2020 IN THE BARRY ROSE ROOM COMMENCING AT 8.30am

PRESENT:

Cr Wayne Bedggood (Mayor) and Cr Kiwa Fisher.

APOLOGIES:

RESOLVED that the apologies received from Cr Ron Campbell and Cr Josh Brown be accepted.

Moved: Cr W Bedggood

Seconded: Cr K Fisher

CARRIED UNANIMOUSLY

IN ATTENDANCE:

Mr Steve McDonald (General Manager), Mr Kristian Enevoldson (Director Corporate Services), Mr Mathew Pringle (Director Environmental & Community Services), Mr Nick Havyatt (Director Infrastructure Services), Mr Wayne Phelps (Manager Finance) and Karen Lee (Minutes).

RESOLVED that the Minutes of the Finance Committee held on 17 April 2020 be adopted.

Moved: Cr K Fisher

Seconded: Cr W Bedggood

CARRIED UNANIMOUSLY

DISCLOSURES OF INTEREST:

Cr Wayne Bedggood declared a Non Pecuniary/Non Significant Disclosure of Interest in relation to the Murrurundi Pipeline and that he is the Manager of a Property at Parkville that has applied for access to this project through the Rural Water Scheme.

FCR.05.1

FINANCIAL SUMMARY & INVESTMENT REPORT

RESPONSIBLE OFFICER: Kristian Enevoldson - Director Corporate Services

AUTHOR: Wayne Phelps - Manager Finance

RESOLVED

That the Committee:

- 1. note the Fund and Function Summary Report;**
- 2. note the Cash and Investment Report;**
- 3. note the Responsible Accounting Officer's Statement.**

Moved: Cr W Bedggood

Seconded: Cr K Fisher

CARRIED UNANIMOUSLY

FCR 05.1 FINANCIAL SUMMARY & INVESTMENT REPORT

Financial Summary Overview

Finance Manager provided an overview of the month ended April 2020 summary financial information.

Currently there is a positive variance to budget of \$1.406m compared to an \$855k positive variance in the previous month. The main movements in each of the revenue and expenditure categories are as follows:

1. Council's operating revenue is overall relatively consistent to budget however there is a number of business areas that are both higher and lower than budget to date. These include:

Lower actual revenue to budget

- a. Childcare revenue lower than expected due to a vacancy for an Early Childcare Teacher which has limited the facility to 39 children (Feb/Mar 2020) and then the effects of the COVID-19 pandemic which reduced the attendances to single digits during April.
- b. Landfill revenue lower than budget due to reduced patronage at the Waste Depots facilities to date which has been further magnified due to the COVID-19 pandemic.
- c. Saleyards revenue reduced due to lower cattle through-put at the yards due to drought re-stocking and COVID-19 restrictions on attendances.
- d. Investment interest lower than budget due to the rate of return on investments dropping dramatically over the last 18 months.
- e. White Park revenues are lower than expected due to lack of events caused by livestock availability and additional infrastructure facilities required thorough to February 2020 and then cancellation of events caused by COVID-19 restrictions.

Higher actual revenue to budget

- f. Real Estate revenue was higher than budget from the settlement of the recently sub-divided Coles carpark.
- g. RMS State Roads revenues were higher than expected due an increase in RMAP maintenance works and some additional individual price work orders to date.
- h. Water Supply revenue was higher than budget with capital grant funding for the pipeline received earlier than expected.

Apart from these highlighted areas all other revenue items were relatively consistent or predominantly lower than budget with cumulative negative variance effect with no dominant contributing factor.

2. Non-Operating Revenue and Expenditure were lower than budget by \$348k which was due to the following:
 - a. Internal fleet hire charges have been lower than expected however increased focus on maintenance and capital works over the next two (2) months should improve the level of revenue.
 - b. Quarry revenue have been lower than expected due to a reduction in material removed from Council's pits to date. Expected increase over the next two (2) months with road maintenance and capital works intensifying.
3. Council's operating expenditure lower than budget by \$145k which was primarily due to the following factors which include both higher and lower actual costs to budget:

Higher actual costs to budget

- a. Gummun Place Hostel costs continue to be higher than budget due to costs associated with attaining new Department compliance standards and engagement of Provider Assist to review resident's person care subsidy entitlements.
- b. Waste Operation costs higher than budget due to the associated costs for kerbside disposal to Muswellbrook Waste facility and transport of waste from Merriwa/Cassilis and Murrurundi waste facilities are considerably higher than expected. It was noted that a number of adjustment will occur in the waste service area as Management are reviewing options available before moving forward.

Director Environment and Community Services further advised that a number of measures have been put in place with disposal of the kerbside waste collection for Merriwa and Murrurundi now reverting back to Scone and transfer of waste from those towns landfill sites now occurring every two weeks (approved by EPA) which should minimise the additional costs.

- a. Scone Golf course actual operational costs higher than budget due to extended operations have been partly funded through increased revenue streams with further savings to be applied as and when they are identified.

- b. Water supply operating costs was higher than budget due to additional maintenance required for pumping stations and emergency cartage form

Mayor Bedggood enquired whether there was a sunset clause on the funding provided by the State Government for cartage of water to Murrurundi.

Response: Director Infrastructure Services advised that there isn't an end date on the funding as it will continue while ever we are required to cart water to Murrurundi. We have effectively ceased cartage on the 9th April and have since been drawing water from our Boyd St well. When the pipeline is complete and operational Council will submit their final claim which will be approx. 30% of the cartage costs with Council requiring to finance the balance.

Lower actual costs to budget

- c. Roads & bridges actual maintenance and re-sheeting works are constantly being monitored by the Infrastructure Department however with the recent rain events and maintenance requests received these costs are expected to increase over the next two (2) months.

Apart from these highlighted areas all other actual costs have been relatively consistent or predominantly lower than budget with cumulative positive variance effect with no dominant contributing factor.

4. Council's Capital Works expenditure was lower than budget by \$1.6m which is due to the following factors which includes both higher and lower expenditure to budget.

Higher actual expenditure to budget

- a. Village reticulation project costs were higher than budget due to the commencement of the initial concept design works earlier than expected. These works will continue through to June and into next financial year.

Lower actual expenditure to budget

- a. Saleyards redevelopment projects lower than budget with final remaining works on selling ring and auctioneers box completed awaiting final invoices.
- b. MR105 Road repair works lower with works continuing on two repair work projects along Hunter Road extending from Kelleys Gully to Waverley Road.
- c. Re-sealing program lower than budget to date with the program completed late March with some invoice costs still be received.
- d. Re-sheeting project at Flaggs & Wollar Roads slightly behind schedule with works expected to be completed in April/May.
- e. Cassilis Sewer System project currently behind schedule with concept design works continuing.
- f. Merriwa Sewer Pump Station renewal project currently behind budget with completion expected by June.
- g. Scone Airpark pump station relocation was lower than budget with some slight delays however is expected to be completed by June.
- h. Scone to Murrurundi pipeline's major contracted works continuing on schedule with testing and pre-commissioning expected to be completed in May.

It was highlighted by the Finance Manager that Council's overall revised budget remains a relatively balanced budget to date, however as highlighted at the previous finance meetings Council's budget will endure considerable pressure from full year operation of some business entities, investment revenues and rectification works required on capital works projects.

In addition, the Finance Manager also advised that a complete final review of the capital works program will be undertaken in May to determine the expected deliverables for the remaining works in progress. It was further highlighted that those projects that were considered unlikely to be completed will be deferred and carried over into the 2020/21 Operational Plan.

It was further noted by the Finance Manager that the financial effects of the COVID-19 pandemic have started to become evident to Council's operations due to the closure of facilities and/or limiting of services. A report on the estimated financial effects of the pandemic to June 2020 has been included in the finance agenda.

Budget Position Summary

Finance Manager also highlighted the summary of the revised overall budget position as at end of April which indicates the net variations approved to date and the proposed net variation for the current report. Following the variations noted the overall revised budget position was a negative \$18,087.

Non-Financial Information

Finance Manager provided an overview of the Summary of Non-Financial KPI's which indicates that 15.115% of the indicators are currently off track which has remained consistent to the previous month with a summary of those indicators that are currently off-track are shown in the papers. It is noted however that a number of KPI's have become amber in April with those expected to revert to red in May due to the effects of the COVID-19 pandemic through closures of Council facilities and/or limiting of services provided.

Funds on Hand

Finance Manager advised that the level of funds held at the period ended of April has reduced slightly from the previous month. This balance should improve in May with the receipt of the 4th instalment of land rates and the final instalment of the 2019/20 Financial Assistance Grant.

Restricted Assets

Finance Manager provided an overview of the current movements in the restricted assets highlighting the movements in:

- Waste facilities due to reassessment of options available moving forward and deferral of projects with grant funding received, better waste and recycle program and the loan borrowing proposed to complete infrastructure works that have been deferred to 2020/21.
- Airport development due to delay in awarding tenders.
- Murrurundi Pipeline unspent loan funds movement between capital grant funding and loan fund unspent which is rolled over to 2020/21.
- Commercial property disposal net proceeds for Coles carpark settlement.
- Progress on 133 Kelly St breeze-way and amenities project delayed due to ongoing discussions with Transport NSW regarding Kelly Street transfer.
- Land development sales reversed due non-sale of Aberdeen lots. General Manager advised that strategies around the sale of these lots are currently being reviewed.

Cr Fisher enquired whether we have considered reducing the asking price for these lots.

Response: General manager advised that this did include the possibility of reduced the asking price and having delayed settlement terms.

Cr Fisher further raised concerns that having a de-facto "bike track" next to the land development may not be helping with any prospective sales and whether Management have addressed this issue.

Response: Director Environment and Community Services advised that Council has spoken to the Police in respect to this matter and they will be doing additional patrols of the area. Also Council has noted that a number of fences have been damaged allowing access to the property, currently there are a number of signs which appear to have been ignored. Council is currently writing to Crown Lands regarding the issue as they are the land manager, so therefore action may-be taken by them against the trespassing and/or they may reinstate the damage fencing.

Cr Fisher enquired about our own Rangers addressing the issue.

Response: Director Environment and Community Service advised that the Compliance officers have been liaising with the Police for this matter as it is a legal matter of trespassing for which the Council officers don't have any powers to enforce penalties. Council will also be doing a letterbox drop of adjoining streets requesting residents to contact the Police if any unlawful action occurs on the land.

Mayor Bedggood summarised the discussion highlighting that this issue has been occurring for far too long and that it need to be resolved and suggested a meeting with the General Manager and Director with an invitation to Cr Fisher to discuss and resolve an outcome for the issue as this does have a financial impact on Council with regards to the sale of the land lots. The facts around the issue may be that possibly the adolescent who use the land don't understand that they are in fact trespassing and breaking the law and believe that it is available to use when they want and therefore it may be that further education of them may be required regarding the land.

Mayor Bedggood requested that a meeting be arranged to discuss the issue.

FCR.05.2 **OPERATIONAL REPORT**

RESPONSIBLE OFFICER: Kristian Enevoldson - Director Corporate Services

AUTHOR: Wayne Phelps - Manager Finance

RECOMMENDATION

That the Committee:

- 1. note the comments on the budget review by the managers/budget holders;**
- 2. adopt the requested variations as detailed in the budget review;**
- 3. note the Capital Budget Review by the managers/budget holders;**
- 4. note the comments on the Capital Budget Review by the managers/budget holders.**

FCR 05.2 OPERATIONAL REPORT

Communications

Cr Fisher enquired why there has been no improvement in the response to correspondence percentage.

Cr Bedggood added to this by advising Cr Fisher that this is being addressed internally and that the staff are working hard to improve the process.

Response: The General Manager advised that since the COVID-19 Pandemic, Council are receiving double the amount of correspondence via phone, email and by mail.

Response: The Director Environment & Community advised they are currently undertaking an audit about the problems staff are having and what processes they need to put in place.

Gummun Place

Cr Fisher enquired if Council have had any issues at Gummun Place since the restrictions were put in place?

Response: Director Environment & Community Services advised that there have been no issues to date, operations are running smoothly and they will be reviewing restrictions.

Childrens Services - ELC

General Manager advised that from discussions with the Children's Services Coordinator that an increase in children has started to occur at the facility during the first couple of weeks in May.

Economic Promotion

Cr Fisher enquired whether the Economic, Development & Tourism Committee should be having a meeting in these uncertain economic times?

Cr Bedggood advised that he would talk to the General Manager about a few meetings that need to happen, with the Land Committee also being an important one that needs to occur.

Taken on Notice to arrange Economic, Development & Tourism Committee meeting.

Weeds Authority

Cr Bedggood enquired as to what information we actually receive, other than an annual report, for the contribution that we pay to the Weeds Authority?

Response: The General Manager advised that the three Councils all receive the annual report and have access to any other information on request.

Taken on Notice to supply latest Weeds Authority report.

Storm Water

Cr Bedggood enquired if the stormwater cleaning program has been undertaken?

Response: Director Infrastructure Services advised that the program was undertaken which prompted the cleaning and evaluation of several storm water drains and that is why the drains on the corner of Aberdeen and Liverpool Streets are currently being replaced due to their capacity, not so much as cleanliness. After numerous complaints about this particular drain it was assessed to be replaced.

Cr Bedggood sought clarification on the nature of complaints and whether they were more predominately in relation to the capacity and not the cleanliness of the stormwater issues?

Response: Director Infrastructure Services advised that is correct. They have implemented a program whereby a VAC truck to clean silt out of the drains and doing it on a more frequent basis.

Fire Service Levy and Fire Protection

Director Infrastructure Services raised an issue highlighted by the Manager Special Projects regarding Gummun Rural Fire shed relocation. Currently the fire shed is located on a private residence and will need relocating. This requires Council to purchase a parcel of land for approx. \$12,500 to construct a new fire shed which will be funded by the Rural Fire Service.

Cr Fisher enquired if Council currently have any vacant or underutilised land for this purpose?

Response: Director Infrastructure Services advised that the Manager Special Projects has reviewed the possibility of Council land however unfortunately Council does not have any accessible land within the area required.

Manager Finance further advised that there will be a report to Council before any acquisition of land will take place.

Library Services

Director Environment & Community Services gave an overview of the status of the Libraries. These remain closed at this stage with the implementation of Click and Collect starting in the coming week

and the possibility of a book delivery service. The library staff are also looking at options of streaming movies to library members.

Scone Golf Course

The General Manager advised that they are currently in discussions with the Scone RSL about the revenue for the Scone Golf Course. They are also looking at other options for possible cost savings.

White Park

Cr Fisher enquired if we could in the future have a separate budget area for the White Park similar to that of the Saleyards. He further reiterated that White Park needs to be run more professionally and with the separation of the operation to its own budget area this will help the process. The White Park Management Committee have also been discussing the idea of White park having a Manager to oversee it's operations.

Response: The Finance Manager advised that he will review and facilitate a separate service budget in the 2020/21 Operational Plan.

Bridges

Cr Fisher advised that when he went over the Allan Bridge the other day he said that it requires some repairs as some of the bolts are coming loose.

Response: Director Infrastructure Services advised that he will have the maintenance issue addressed.

Local Roads

Director Infrastructure Services updated the committee on the maintenance grading schedule as the 2019/20 budget is currently underspent. It is understood that there is a lot of work to be done in this area and that Council currently has 6 operational graders and 1 contracted grader operating at the moment on Maintenance and re-sheeting work.

Capital Expenditure Summary

Manager Finance provided an overview of the capital works summary highlighting that we have revised the overall budget down by approx. \$2 million to \$38.2 million. Based on this revised budget Council will need to spend a further \$8.6 million in the next two (2) months to meet this target. Therefore, as highlighted in the Finance Summary further review of the remaining capital works program will be undertaken at the end of May in order to defer those projects currently in progress but not expected to be completed to the 2020/21 Operational Plan.

Cr Bedggood enquired if the Director Infrastructure Services is confident of spending \$7 million dollars on Capital projects before the end of the financial year?

Response: Director Infrastructure Services advised that he is not confident.

COUNCILLOR QUESTIONS

Cr Bedggood enquired if Councillors could have a list on parcels of land and contaminated land?

Response: Taken on notice

Cr Bedggood enquired if the next Land Committee Meeting can be scheduled as a matter of urgency.

Response: Taken on notice

Cr Bedggood advised that the Emergency Services Levy has and will have a huge impact on Council's budget moving forward and needs to be raised with both the State and Federal Government members and potentially the Minister and Treasury.

Cr Bedggood also requested a report on overdue policies to be brought to the next Finance Meeting.

Response: Taken on notice.

FCR.05.6 HIGH LEVEL OVERVIEW OF POTENTIAL FINANCIAL EFFECTS OF THE COVID-19 PANDEMIC

RESPONSIBLE OFFICER: Kristian Enevoldson - Director Corporate Services

AUTHOR: Wayne Phelps - Manager Finance

RESOLVED

That Council note the report.

Moved: Cr W Bedggood Seconded: Cr K Fisher CARRIED UNANIMOUSLY

FCR 05.6 HIGH LEVEL OVERVIEW OF POTENTIAL FINANCIAL EFFECTS OF THE COVID-19 PANDEMIC

Cr Bedggood thanked the Manager Finance for this report and stressed that it would have been a considerable task to pull this information together. He further added that it provides a great overview of the financial impacts from COVID-19 pandemic on Councils current budget and it would give a greater perspective of where Council's future budget could sit if a longer period of current restrictions was required.

Cr Fisher also thanked staff on their contribution to this report and that it will be good for all Councillors to read.

THERE BEING NO FURTHER BUSINESS THE MEETING CLOSED AT 10.53AM