

MINUTES OF THE FINANCE COMMITTEE OF UPPER HUNTER SHIRE COUNCIL HELD ON FRIDAY 17 APRIL 2020 IN THE BARRY ROSE ROOM AND VIA ZOOM COMMENCING AT 8.30am

PRESENT:

Cr Wayne Bedggood (Mayor), Cr Josh Brown and Cr Kiwa Fisher.

APOLOGIES:

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

Moved: Cr J Brown

Seconded: Cr K Fisher

CARRIED UNANIMOUSLY

IN ATTENDANCE:

Mr Steve McDonald (General Manager), Mr Kristian Enevoldson (Director Corporate Services) and Mr Wayne Phelps (Manager Finance).

RESOLVED that the Minutes of the Finance Committee held on 2 April 2020 be adopted.

Moved: Cr J Brown

Seconded: Cr K Fisher

CARRIED

DISCLOSURES OF INTEREST:

Cr Josh Brown declared a Non-pecuniary/Significant Interest as he is a Director of the Murravale Retirement Home Limited which is an aged care facility. Cr Josh Brown will not participate and will leave the meeting if/or when discussions are entered into regarding the Gummun Place Hostel. This Declaration of interest will be a standing item whilst he remains as a Director of the Murravale Retirement Home Ltd.

FCR.04.1

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

FCR.4.1 Financial Summary & Investment Report

Financial Summary Overview

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

Currently there is a positive variance to budget of \$855k which has resulted from the following primary areas:

1. Council's operating revenue is lower by \$592k which included:
 - a. Childcare revenue lower than expected due to a vacancy for an Early Childcare Teacher which has limited the facility to 39 children. Also the initial effects of the COVID-19 pandemic have commenced with a further decrease in numbers by the end of March.
 - 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. Investment interest lower than budget due to the rate of return on investments dropping dramatically over the last 18 months.
 - d. White Park revenue lower than expected due to lack of events caused by livestock availability and additional infrastructure facilities required. Further pressure on revenues will be experienced to June due to the COVID-19 closure of the facility.
 - e. RMS State Roads revenues have been lower than expected due to reduced requests for individual price works to date. Requests may be limited to June due to possible State Government budget pressures caused by the COVID-19 pandemic.
 - f. Emergency water carting has reduced due to the recent rain with the final claim to be lodged when carting ceases.
 - g. All other revenue items were consistently lower to budget across services areas with cumulative negative variance effect with no dominant contributing factor.

2. Non-Operating Revenue and Expenditure were lower than budget by \$172k 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 three (3) 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 three (3) months to June with road maintenance and capital works intensifying.

3. Council's operating expenditure lower than budget by \$288k 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 higher than budget which is due to costs associated with attaining new compliance standard requirements plus staff shortages have pushed costs higher than expected.
 - b. Waste Operation costs higher than budget which is associated to the costs for kerbside disposal to Muswellbrook Waste facility and transport of waste from Merriwa/Cassilis and Murrurundi waste facilities are considerably higher than expected.
 - c. 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.

Cr Abbott enquired if the golf course is currently open or are we thinking of reopening it?

Response: Director Corporate Services advised that the Golf Course is planning to be open tomorrow 18 April and have taken strict measures to adhere to the health warnings and has conveyed that to the local police.

Lower actual costs to budget

- d. Roads & bridges actual maintenance and re-sheeting works constantly being monitored by the Infrastructure Department however with the recent rain events, these costs are expected to rise.
- e. All other actual costs are consistently lower to budget across services areas with cumulative positive variance effect with no dominant contributing factor.

4. Council's Capital Works Expenditure lower than budget by \$1.33m which is due to the following factors which include both higher and lower costs to budget.

Higher actual costs to budget

- a. Village reticulation project higher than budget due to the initial concept design works commenced earlier than expected.

Lower actual costs 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 costs to be received in April.
- 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 to Murrurundi pipeline's major contracted works continuing on schedule with testing and pre-commissioning expected in April.

Cr Brown enquired whether the pipeline will be operational asap and not waiting on a ribbon cutting exercise?

Response: The General Manager advised that as soon as the pipeline is commissioned, it will be operational for the town of Murrurundi to use and we won't be waiting on for the ribbon cutting as it is currently costing Council money for water carting.

Cr Brown also reiterated that Murrurundi have waited long enough for this and that they should not be waiting on a pair of gold scissors for it to become operational.

Response: The General Manager advised that the ribbon cutting will be after it becomes operational and Murrurundi are connected.

Cr Bedgood enquired when will we see the scope of works for the reticulation?

Response: Taken on notice

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.

With the COVID-19 pandemic, the Finance Manager provided a high level overview of the potential effects on Council's revenue streams, potential costs imposts and possible cost savings. Overall based on current information available Council's position has remained relatively neutral.

Further investigation is required in the real estate and children services areas as changes in concessions and requirements due COVID-19 pandemic are still in a fluid state. The position at present is:

- At present the Director Corporate Services has commenced contacting the tenants to gauge their current position which may result in an overall loss in revenue \$50-70,000.
- Funding for the Children's services area is unknown at present with both the Federal and State Governments providing assistance. Numbers have reduced substantially however the Federal Government has announced free childcare to be provided which may assist in the

centres numbers. Staff have been undertaking training whilst there hasn't been a full complement of children in the Centre.

The Splinter award introduced by the Union will make additional leave entitlements to those employees who may have been stood down during this time and would allow additional leave.

Cr Brown enquired if Council has opted into the Splinter Award?

Response: The General Manager advised that Council has opted into the Splinter Award with us being one of 105 Council's being a part of this.

Cr Abbott – What are the provisions of the Splinter Award?

Response: The General Manager advised that the Splinter award consists of the following provisions:

- *Staff are entitled to 4 weeks' special leave*
- *If we are forced to close, staff are entitled to 3 months of a basic wage which can be topped up by annual or Long Service Leave (LSL) and LSL can be accessed earlier if before their 5-year anniversary. The splinter award is only applicable to Permanent Part Time or Fulltime employees.*

Budget Position Summary

Finance Manager also highlighted the summary of the revised overall budget position as at end of March 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 was a decline on the previous month with a summary of those indicators that are currently off-track are shown in the papers. During the month of April, these KPI's will possibly revert to red due to the effects of the COVID-19 pandemic which have resulted in some closures of Council facilities.

Cr Abbott enquired is not achieving the same as off track in regards to the Non-Financial Information KPI's.

Response: The Finance Manager advised that is correct.

Response: The General Manager advised the Policies area of the KPI's are currently being worked on and should see an improvement in this figure next month and towards the end of the financial year.

Cr Abbott – In relation to Customer Service and response times due to correspondence, why are we not on track with that?

Response: Director Environment & Community Services advised we are playing catch up and finding that staff are responding, but not completing them in the system. They are being responded to, just not finishing the process properly. There has been additional training in this area and staff are now aware of this process.

Cr Abbott - It is crucial that we do respond on time especially in these uncertain times, there are some constraints at the moment, but this is when communication is key.

Response: The General Manager has advised we have received an additional 25-50% increase in correspondence since the building is closed to the public.

Funds on Hand

Finance Manager further highlighted the level of funds held at the end of March has remained constant to that of the previous month.

Restricted Assets

Finance Manager provided an overview of the current movements in the restricted assets highlighting the movements in the trade waste project at Merriwa, excess Campbells Corner funds for next year's renovations and commencement of the White Park vet shed construction.

FCR.04.2 OPERATIONAL REPORT

RESPONSIBLE OFFICER: Kristian Enevoldson - Director Corporate Services

AUTHOR: Wayne Phelps - Manager Finance

RESOLVED 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.**

Moved: Cr W Bedggood

Seconded: Cr K Fisher

CARRIED

FCR 04.2 Operational Report

Finance Manager provided a detailed overview of Council's service activities with questions raised throughout by the Committee.

Sustainability

Cr Sue Abbott enquired when will the Manager of Sustainability position be filled or will we still seek to employ someone in this position? Cr Abbott was also very pleased that staff have already started the greenhouse gas emissions inventory.

Response: The Director Environment and Community Services advised that they are currently reviewing all positions in that area.

Cr Sue Abbott enquired further into these comments and stressed that she hopes that we won't be making any cuts in this area.

Gummun Place

Cr Josh Brown asked why we are taking money out for maintenance and is now the right time to be doing this work, I don't understand why we wouldn't be doing this work?

Response: Finance Manager advised that it's not going to get done, it's that we are trying to keep the residents safe and allowing contractors to come on site will make them more vulnerable.

Social Protection

Cr Sue Abbott enquired why can't the committee meet before the end of the financial year considering we now have this zoom platform?

Response: Director Environment and Community Services advised that there is a review of that committee and no one will be meeting until a review of the committee is completed.

Cr Sue Abbott enquired about what Council is doing in regards to domestic violence given that COVID-19 makes people more vulnerable during these times?

Response: Taken on notice

General Manager left the meeting at 9.45am

Tourism & Promotion

Mayor Wayne Bedggood enquired what is happening to the events like the Festival of the Fleeces where Council has committed money?

Response: The Finance Manager advised that those that have already been paid the money will retain it and this won't be a cost to Council next year. For those that did not receive any money yet, it will be rolled over into next year's budget.

Cr Sue Abbott enquired if the organisation that we have given money to winds up due to the COVID-19, how will Council get their money back?

Response: Taken on notice

Cr Josh Brown left the meeting at 10.00am

Parks & Gardens

Cr Sue Abbott enquired when the tree planting will commence?

Response: The Finance Manager advised that the trees have been ordered and should arrive and be planted within a month.

Public Libraries

Cr Sue Abbott sought clarity about the red KPI for technology users at the library, considering the Library is online now, wouldn't the number of technology users increase?

Response: The Finance Manager advised that this was in relation to the Virtual Reality (VR) device that they have in the library and since it is now closed, the number of users will drop.

Swimming Pools

Cr Sue Abbott enquired about the cost of the repairs to the Scone pool?

Response: The Finance Manager advised he would seek clarification from the Director Infrastructure Services.

Taken on Notice

Aerodrome

Cr Sue Abbott enquired about the variance in costs for the warbirds show already spent?

Response: Director Corporate Services advised that these are sunken costs which include advertising, design of brochure etc. Some of these costs will be saved when the times comes again as the design of promotion material has already been completed. The final cost for this was approx. \$12,000.

Cr Kiwa Fisher enquired about the CASA report and if this report will be going to the next Airport committee meeting?

Response: The Director Corporate Services advised that the report will be made available to Councillors next Wednesday when the workshop is scheduled.

Taken on Notice to provide CASA report.

Footpaths & Cycleways

Cr Abbott enquired if we are underspent on footpath maintenance, can we do it now as it is a good time to be doing this work.

Response: Taken on Notice

FCR.04.3 CONTRACTORS & EXPENSES REPORT

RESPONSIBLE OFFICER: Kristian Enevoldson - Director Corporate Services

AUTHOR: Wayne Phelps - Manager Finance

RESOLVED

That the Committee:

- 1. Note the Contractors Listing for the period;**
- 2. Note the Consultancy and Legal Expenses report for the period.**

Moved: Cr W Bedggood

Seconded: Cr K Fisher

CARRIED

FCR 04.3 Contractors & Expenses

Cr Sue Abbott enquired what was included in the "other legal costs"?

Response: Finance Manger advised that it was advice on legal binding contracts like the Warbirds over Scone, widening of roads and miscellaneous legal advice.

*Director of Corporate Services further advised that as a general rule, anything in an "other category" cannot be any more than 10% of the total expenses and that Council will create a subcategory to explain these expenses further.
expenses and that Council will create a subcategory to explain these expenses further.*

FCR.04.4 RESPONSES TO PREVIOUS QUESTIONS

RESPONSIBLE OFFICER: Kristian Enevoldson - Director Corporate Services

AUTHOR: Wayne Phelps - Manager Finance

RESOLVED

For notation only.

Moved: Cr W Bedggood

Seconded: Cr K Fisher

CARRIED

COUNCILLOR QUESTIONS

Cr Sue Abbott enquired if the Councillors could keep receiving the COVID-19 briefings sent to staff as the last one received was 27 March?

Response: Taken on notice

The Finance Manger further advised in relation to the Councillors not having sufficient time to review and suggest changes to the DPOP that they do have the opportunity to make a submission during the public exhibition.

Cr Sue Abbott enquired that now the Scone Advocate and the Hunter Valley News are no longer operating, how will we inform the public of Council meetings?

Response: Taken on notice

Cr Abbott enquired about when Council will be looking at implementing a public dashboard for Financial Information? The website is user unfriendly and during these times, access to this information is key.

Response: The Finance Manager advised that Upper Hunter Shire Council is a relatively smaller Council than those that currently have this dashboard facility and also have the funds to be able to spend on it. He also advised that they have not forgotten the project and will be considered in future budgets.

Cr Abbott enquired with the information coming out of the Office of Local Government (OLG) regarding the refurbishment of power stations and using these facilities for COVID-19 Quarantine and isolation areas, would Council financially contribute to this?

Response: Taken on notice

THERE BEING NO FURTHER BUSINESS THE MEETING CLOSED AT 10.49AM