

MINUTES OF THE FINANCE COMMITTEE OF UPPER HUNTER SHIRE COUNCIL HELD ON FRIDAY 19 JUNE 2020 IN THE BARRY ROSE ROOM COMMENCING AT 8.30am

PRESENT:

Cr Ron Campbell and Cr Kiwa Fisher.

RESOLVED that Cr Kiwa Fisher be elected as interim chair until one is elected at the 29 June Council meeting.

Moved: Cr R Campbell

Seconded: Cr K Fisher

CARRIED UNANIMOUSLY

APOLOGIES:

RESOLVED that the apologies received from Cr Josh Brown, Cr Maurice Collison and Cr Sue Abbott be accepted.

Moved: Cr R Campbell

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) and Mr Wayne Phelps (Manager Finance).

RESOLVED that the Minutes of the Finance Committee held on 15 May 2020 be adopted.

Moved: Cr K Fisher

Seconded: Cr R Campbell

CARRIED

DISCLOSURES OF INTEREST:

Nil

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 R Campbell

Seconded: Cr K Fisher

CARRIED

Financial Summary Overview

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

Currently there is a positive variance to budget of \$3.479m compared to an \$1.406m 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 significantly higher than budget (\$2.717m) for the period ended May 2020. This major variation is primarily due to the receipt of 50% of Council's 2020/21 Financial Assistance Grant in advance, which has now occurred now over the last five years. Apart from this variation, the overall remaining variation is relatively consistent to budget however there is a number of business areas that are either higher and lower than budget to date. These include:

Lower actual revenue to budget

- a. Childcare revenue is 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. However, Council has recently received the State Government COVID-19 assistance package which should bring the revenue streams back in line with budget expectations.
- b. Commercial real estate rental is lower than budget due to the provision of rental relief extended to Council's commercial tenants due to economic effects of the COVID-19 pandemic.
- c. Saleyard revenue is lower than expected due to reduced throughput numbers caused by drought re-stocking and also the availability of physical selling at the yards due to the COVID-19 restrictions.
- d. Landfill revenue is lower than budget due to reduced commercial waste disposal received at the Scone landfill site.
- e. Investment interest is lower than budget due to the rate of return on investments dropping dramatically over the last 18 months plus a reduction in investment funds available due to a significant amount outstanding in government grant funding.
- f. Parks & Gardens grant funding is lower than budget due to timing of the final instalment of the 2018/19 Drought Communities Program which was received in June 2020.
- g. White Park revenue is lower than expected due to lack of events caused by livestock availability and additional infrastructure facilities required through to February 2020 and then cancellation of events caused by COVID-19 restrictions.

Cr Campbell enquired if there is the potential for events to resume at White Park now that restrictions are being relaxed. An what is the expectations of generating the required revenue in the future.

Response: Finance Manager advised that the facility will hopefully begin to return to normality after the COVID-19 restrictions are lifted however until Council improves the infrastructure at the facility which will commence with the new campdraft arena in 2020/21.

Cr Fisher added that with the lack of some essential facilities at the site for the horse related events that the attraction of major events to the complex may be quite limited until these further facilities are built. It is expected that once these facilities are in place Council should see an up tick in the events and revenue generate.

Cr Campbell enquired if the costing of the new campdraft and warm up arena has been scoped and included in the budget for 2020/21?

Response: Finance Manager advised that the project has been taken on notice to provide further details.

Higher actual revenue to budget

- h. General purpose grant funding revenue is higher than budget due to receipt of 50% of Council 2020/21 Financial Assistance Grant funding allocation in advance. This has now occurred for approx. the last 5 years continuously.
- i. Real Estate property disposal revenue is higher than budget following settlement of two (2) residential properties situated at Merriwa and Murrurundi.

Cr Campbell enquired about the recent sale of the Merriwa residential property and how much Council sold it for?

Response: Director Corporate Services advised that the sale price was \$260,000 less selling expenses.

- j. RMS State Roads revenue is higher than expected due an increase in RMAP maintenance works and some additional individual price work orders to date.
- k. Local Roads grant funding revenue is higher than budget due to the receipt of the 50% roads portion of the 2020/21 Financial Assistance grant funding in advance plus also receipt of additional Roads to Recovery (R2R) funding during the month.
- l. Water Supply revenue is higher than expected due to an increase in the consumption usage of Scone residential supply.

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 \$304k which was due to the following:
 - a. Internal fleet hire charges have been lower than expected however an increase in the utilisation of Council's fleet should occur during June.
 - b. Quarry revenue have been lower than expected due to a reduction in material removed from Council's pits to date. It was expected that gravel would have been required to be extracted for the MR62 Bunnan Road for which the progression of the project has been delayed.
- 3. Council's operating expenditure lower than budget by \$397k 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 are 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 which will improve the operations moving forward.
- c. Scone Golf course operational costs are higher than budget due to the extended operations from August 2019 to June 2020. These increases have partly been off-set by increased revenue streams.

Cr Fisher enquired whether a report will be going to Council regarding the future operations and options for the Scone Golf Course.

Response: Director Corporate Services advised that a report will be tabled possibly at the July Council meeting providing this information.

Finance Manager further advised that the bigger picture is for Council to lease out the Golf Course and step back from the operations.

Cr Fisher enquired how does this stack up from a tender EOI process given the current history of the operations since the Course reopened.

Response: Taken on notice

d. Water supply operating costs are higher than budget due to additional costs associated with maintenance of pumping stations, treatment activities and the emergency cartage of water to Murrurundi before the pipeline was operational.

Cr Campbell enquired what the cost to Council was for the water carting to Murrurundi.

Response: Finance Manager advised that the cost of carting was partly subsidised by the State Government which meant the net cost to Council was approximately \$250k.

Lower actual costs to budget

e. Roads & bridges maintenance and re-sheeting works are constantly being monitored by the Infrastructure Department with costs continuing to be managed effectively during the year however with the recent storm damage, rain events and maintenance requests received over the last two months these costs have increased. It is noted that some additional funding for the Storm damage events has also been secured for costs incurred already.

Cr Fisher enquired whether Council had undertaken or organised the bridge inspections to be completed this year.

Response: Taken on Notice.

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 \$1.463m which is due to the following factors which includes both higher and lower expenditure to budget.

Higher actual capital expenditure to budget

a. MR358 Willow Tree Road project costs are higher than budget due to some initial rectification works on road failures. Further additional costs are expected with geo-tech investigations in progress.

Cr Campbell enquired how much the cost of the Geo-tech report will be for MR358 Coulson's Creek Road?

Response: Finance Manager advised that the report is currently being finalised with the costs to be advised.

b. Nandowra Road drainage project is progressing ahead of schedule.

Lower actual capital expenditure to budget

- c. Saleyards redevelopment project is lower than budget with final remaining works listed with Special Projects team to complete as soon as possible.
- d. Murulla Street causeway project has been delayed due to project scope reviews and heritage implications for re-worked design.
- e. Re-sealing program has been completed with overall costs lower than expected.
- f. Re-sheeting project at Flaggs Road slightly behind schedule with works expected to be completed in June.
- g. Merriwa Sewer Pump Station renewal project has been delayed and is currently lower than budget with completion of the project now expected in 2020/21 year.
- h. Scone Airpark pump station relocation project has been delayed and is currently lower than budget with completion of the project now expected in 2020/21 year.
- i. Scone to Murrurundi pipeline major contracted works have finished with the pipeline commissioned and operational in May. Further progression on the village reticulation systems will continue into the 2020/21 year.

It was highlighted by the Finance Manager that Council's actual operations to budget has endure considerable pressure with the full year operations of some business entities, investment revenues and rectification works required on capital works projects struggling. These pressures have been further magnified by the financial effects on the operations by the COVID-19 pandemic.

Continued assessment of the budgetary pressures and discretionary expenditure will be conducted over the month of June with a view mitigate potential losses from operations by year end through appropriate cost saving measures. A full year assessment of the draft operating result for Council will be tabled at the July 2020 finance meeting which with the current pressures will more than likely be an actual deficit to budget by year end.

The Finance Manager further highlighted that a continued review of the capital works program will be completed during the month of June in order to identify the realistic delivery outlook of the revised capital works program with a view to carry over projects that are not expected to be completed into the 2020/21 Operational Plan.

Cr Fisher commented that in preparing the annual report that Council needs to be brutally honest and not hide behind such things as COVID-19, even though it will have a major effect on operations as will other factors like the drought, however Council need to provide a picture of where we actual are from a financial aspect.

Response: Finance Manager advised that this assessment will be made especially as the annual report is externally audited.

Budget Position Summary

Finance Manager also highlighted the summary of the revised overall budget position as at end of May 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 remained at a negative \$18,087. The potential effects of losses from the COVID-19 pandemic have not been taken into account due to the unknown factor of the fluid situation being experienced. These potential losses will crystalise at year end.

Non-Financial Information

Finance Manager provided an overview of the Summary of Non-Financial KPI's which indicates that 18.71% of the indicators are currently off track which has increased since April. These increases have primarily resulted from the effects of the COVID-19 pandemic health measures which has required closures of Council facilities and/or limiting of services provided. It is further expected that a number of KPI's that are requiring monitoring (amber) will revert to off-track (red) by the end of June.

Funds on Hand

Finance Manager advised that the level of funds held at the period ended of May has increased since the April with the receipt of the 4th instalment of land rates and the 50% payment in advance of Council's 2020/21 Financial Assistance Grant allocation.

Restricted Assets

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

- Scone/Aberdeen water and sewerage funds have increased due to deferment of a number of capital works projects to the 2020/21 year.
- Fleet Management reserve has increased due to delay in delivery of replacement of machinery currently on order.
- Net proceeds from the sale of the Merriwa residential property quarantined.
- Recognition of the payment in advance of 50% Financial Assistance Grant funding.

Cr Fisher enquired about the mayoral Hybrid electric car and whether it was cost competitive with other vehicle types.

Response: Finance Manager advised that the car is cost competitive as the running costs aren't as high as a normal petrol or diesel car. There are plans for the installation of charging station at the back of Campbell's Corner and plans are being drawn up for a charging station to be installed at the Administration Centre Carpark in Scone.

Cr Fisher further enquired if Council will be keeping a close eye on the operating costs of this vehicle.

Response: Director Corporate Services advised that Council is reviewing an option to install a charging station outlet in their Scone Administration carpark to facilitate the charging of the Hybrid Electric vehicle and will continue to review replacement of other vehicles with Hybrid Electric vehicles if practicable.

Finance Manager further commented that Council currently have one other vehicle within the fleet that is Hybrid type vehicle, however at the moment Council has predominantly a fleet of diesel vehicles, but where there is an option for a Hybrid type vehicle for replacements this option will be preferred.

FCR.06.2

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.

Moved: Cr R Campbell

Seconded: Cr K Fisher

CARRIED

Asset Management

Cr Campbell enquired about the Road Safety Officer funding and how long will it be available for?

Response: Finance Manager advised that this funding is for 3 years is run in conjunction with Muswellbrook and Singleton Shire Councils.

Financial Services

Cr Fisher enquired whether the solar panels installed had reduced the cost of Council's electricity, given that Council's administration centre costs for utilities have increased.

Response: Finance Manager advised that the usage consumption has decreased for the Scone administration buildings however the electricity tariffs have increased which has left the costs slightly higher than budget. The utilities costs also include the land rates, water rates and insurance with the cost of water usage being higher than expected.

Cr Campbell commented that the Workers Compensation has come down which is pleasing.

Response: Finance Manager advised that a claims over the 3 years average have reduced which is providing the reduction in the premium.

Information Services

Cr Fisher enquired about the meaning of network continuity?

Response: Finance Manager advised that it is the consistent operation of the network system, so that staff have trouble free computer connections across the operations and the reliability of internet connectivity

Cr Fisher enquired why the new key system implementation has not being completed and why the funds keep being pushed back to other years?

Response: Finance Manager advised that the implementation has been progressing forward, with a lot of work being completed Water and Sewer.

Stores & Purchasing

Cr Campbell enquired if there is a Storeman in the Merriwa Depot?

Response: The Finance Manager advised that the Storeman from Scone goes to Merriwa once a week.

Gummun Place Hostel

Cr Campbell enquired how Council will sustain the loss of \$220,000 at the Gummun Place Hostel.

Response: Finance Manager advised that an independent assessment by Provider Assist on the residents dependencies revealed that Council are severely unfunded in personal care subsidies which has now been corrected with additional funding expected over the next 12 months and beyond. This additional resident dependency does come with the supply of additional services for residents that will be a cost to the facility, however the revenue greatly outweighs the cost so a significant turnaround should be evident.

Cr Campbell enquired if the committee could have some notes that explains the funding process and the opportunities available from the both the Federal and State Governments.

Reponse: Taken on notice to supply details of funding availability.

Cr Fisher enquired about the waiting list time for the residents wanting to come into the facility?

Response: Director Environment & Community Services advised that there are a few people on the waiting list but they are not quite ready for admission at present.

Independent Living Units

Cr Fisher enquired on the progress of the question that Councillor Brown asked at the April ordinary Council meeting about the replacement of the Independent Living Units that burnt down in Murrurundi have been replaced or in the process of being replaced?

Response: Director Environment & Community Services advised that the DA application is currently being processed with Plans currently being drawn up. The building was completely removed and a new building will replace it.

Youth Services

Cr Ron Campbell enquired if there is a new staff member in Merriwa?

Response: Director Environment & Community Services advised that there is a new staff member at Merriwa.

Private Works

Cr Campbell enquired how are the charge out rates for Council's private works determined and do we compare our costs against those of other contractors, for example the cost of a Council's grader and roller done as a comparison with a contractor grader and roller?

Response: Finance Manager advised that there are separate private works fees and charges rates that are charged by Council with these rates normally higher than many contractors so as not to take any business from these local contractors.

Cr Campbell further enquired as to why the cost of Council Private Works are so much higher than that of private contractors.

Response: Finance Manager advised that these costs are priced higher so that Council does not compete directly with other contractor business and they are given the opportunity to be used before Council undertake any work. Council would prefer to be used as the last option available or for works that no other contractor is capable of doing.

Property Services

Cr Campbell enquired about the progress of the land sales in Aberdeen that are currently on the market?

Response: Director Corporate Services advised there has been no movement on the sale of these land lots to date. There will be a report tabled at the up coming Land Committee which will discuss future options for marketing and sale of these land lots.

Cr Campbell enquired if the proceeds from the sale of the residential property in Merriwa will stay in Merriwa?

Response: Finance Manager advised that the funds from the sale will be quarantined as a Merriwa restricted asset.

Saleyards

Cr Campbell enquired about the repayment of the loan for the Saleyards and how will Council manage this with cattle sales low? It is noted that the Saleyards are supposed to be self-funding operation, but the cattle industry and numbers won't recover for at least 5 years!

Response: Director of Corporate Services advised that this means it will take longer for the saleyards to become self-funded.

Finance Manager advised that the losses will be quarantined for 4 years within a Council internal restricted asset and once the saleyards begins to make surpluses again, those losses will be repaid. Whilst the losses are in quarantine, Council will be charging interest on those funds until they are repaid.

Waste Facilities

Cr Campbell enquired if the waste charges are well over what was budgeted and how will we address that. With the waste Transfer Stations how will that be funded, will Council need to contribute to the funding?

Response: Director Environment & Community Services advised that there is some grant funding to build the waste transfer stations, the design of the transfer stations will allow more efficiencies which will in turn be cost saving. There is also lower revenue due to drop in commercial waster, costs for transfer stations have increased and the landfill fees from the Muswellbrook Waste Facility has increased by 10% and the bulky waste collection was well over budget due to the change in the type of waste that was collected.

Cr Campbell enquired about the Green waste that is it collected at Merriwa and does it cost council to dispose of that waste? Are there any charges to the customer?

Response: Director Environment & Community Services advised that there is a contractor that collects the green waste and through the levy Council receives a refund for this waste collection. There is a charge to the Customer, but Council does recover the cost of processing this waste through the levy.

Cr Fisher enquired about the vacant position for the Manager of Waste and Sustainability where is that up to?

Response: Director Environment & Community Services advised that there are interviews next week for this position.

Low Income Housing

Cr Campbell enquired that if there is a need for more low income housing, where do the funds come from for this, is that a grant or does Council supply the funds?

Response: Director Corporate Services advised there is the facility for a low interest loan for providing funds for this service.

Director Environment & Community Services further advised there is a lot of work that is done in this space.

Director Environment & Community Services advised that a report to council needs to advise on the services that our Community Services section provides to the community.

Street Lights

Cr Campbell enquired about the request for the street light over vennacher street was not submitted to Ausgrid. How do we get this light?

Response: Taken on notice

Emergency Services

Cr Campbell enquired if Council maintains the vehicles for the Rural Fire Brigade? Is the insurance for these for all Rural Fire Brigade assets in the Upper Hunter Shire?

Response: Finance Manager advised that Council is provided with a budget for the maintenance of vehicles and buildings with the insurance covers all assets that we control.

Community Halls and Centres

Cr Campbell advised that there is a lot of work to be done at the Cassilis Hall and stressed the importance of it. He also asked where the money comes from for the repairs to the toilets in the hall? This was included in a DPOP submission from the members of the community.

Response: Taken on notice

Cr Campbell enquired who run the museums in the Upper Hunter Shire? If there was to be a piece of historic equipment placed in the museum, how would they coordinate that?

Response: Finance Manager advised that volunteers run the museums . A question would need to directed to the relevant committee about how they will organise that.

Libraries

Cr Campbell enquired about the funding that the libraries receive for the local priorities?

Response: Finance Manager advised the funding for the Local Priorities project is for equipment only.

Cr Campbell further enquired about what staff would be doing whilst the library has not many people in there. The State Library funding would be a waste if staff have no visitors into the library.

Response: Finance Manager advised the funds from the State Libraries is only a small portion of what it costs to run the library.

Sporting Grounds

Cr Campbell enquired about funding received for Bill Rose Cricket Nets and where does this leave the future White Park Development as there is \$200,000 required from Council for the White Park Campdraft Arena?

Response: Finance Manager advised the campdraft funding is in the next year's budget, the funds in this year are for initial concept design work of the development of the next stages for the White Park complex.

Cr Campbell enquired how we progress to get the White Park Development moving so that the facility is more usable to all types of user groups. It has been discussed that we need the facilities, so we need to progress this. Where is the funding for this project up to?

Cr Fisher further enquired will this work be completed within the funding agreement timeframe?

Response: Finance Manager advised that like the other projects, this will be required to be finished within a certain timeframe that the funding body sets. Works will be prioritise to meet these timeframes.

FCR.06.3

CONTRACTORS & EXPENSES REPORT

RESPONSIBLE OFFICER: Kristian Enevoldson - Director Corporate Services

AUTHOR: Wayne Phelps - Manager Finance

1RESOLVED

That the Committee:

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

Moved: Cr R Campbell

Seconded: Cr K Fisher

CARRIED

FCR.06.4

RESPONSES TO PREVIOUS QUESTIONS

RESPONSIBLE OFFICER: Kristian Enevoldson - Director Corporate Services

AUTHOR: Wayne Phelps - Manager Finance

RESOLVED

For notation only.

Moved: Cr K Fisher

Seconded: Cr R Campbell

CARRIED

FCR.06.5

POLICIES TO BE REVIEWED

RESPONSIBLE OFFICER: Steve McDonald - General Manager

AUTHOR: Kristian Enevoldson - Director Corporate Services

RESOLVED

That Council note the report on overdue policies.

Moved: Cr R Campbell

Seconded: Cr K Fisher

CARRIED

THERE BEING NO FURTHER BUSINESS THE MEETING CLOSED AT 10.33AM