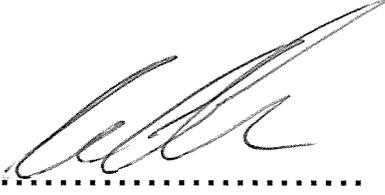


The minutes of the ordinary Finance Committee meeting of Upper Hunter Shire Council held on 17 July 2020 were adopted at the ordinary meeting held on 27 July 2020.

  
.....  
MAYOR

  
.....  
ACTING  
GENERAL MANAGER

**SUMMARY MINUTES OF THE FINANCE COMMITTEE OF UPPER HUNTER SHIRE COUNCIL  
HELD ON FRIDAY 17 JULY 2020 IN THE BARRY ROSE ROOM COMMENCING AT 8.30am**

**PRESENT:**

Cr Josh Brown (Chair), Cr Ron Campbell and Cr Kiwa Fisher.

**APOLOGIES:**

**RESOLVED that the apologies received from Cr James Burns and Cr Sue Abbott be accepted.**

Moved: Cr R Campbell

Seconded: Cr K Fisher

CARRIED UNANIMOUSLY

**IN ATTENDANCE:**

Mr Mathew Pringle (Director Environmental & Community Services), Mr Phil Hood (Acting Director Infrastructure Services), Mr Wayne Phelps (Manager Finance) and Mrs Karen Lee (Minutes).

**RESOLVED that the Minutes of the Finance Committee held on 19 June 2020 be adopted.**

Moved: Cr R Campbell

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.

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**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 K Fisher

Seconded: Cr R Campbell

CARRIED

**Financial Summary Overview**

Finance Manager provided an overview of the financial information summary of the interim 2019/20 full year result which indicated that currently there is a positive variance to budget of \$8.53m compared to an \$3.48m positive variance in the previous month.

Finance Manager highlighted that there were two (2) primary reasons for this significant variance to budget which related to the drawdown of loan funding of \$5m for road infrastructure works which had not previously budgeted for and the capital works program that has not been fully spent or completed during the current year of \$4.2m.

It was further advised by the Finance Manager that interim result is based on the Council's month end reporting cut-off date which was held open for an extended period to incorporate the majority of Council's revenue and expenditure for the 2019/20 year in order to provide a snapshot of the full year draft result. However, Council will continue to write-back both revenue and expenditure and undertake its year end procedures and transactions in order to prepare the year-end financial statements.

The main movements in the interim year-end result in each of the revenue and expenditure categories are as follows:

1. Council's operating revenue was lower than budget (\$934km) for the year ended June 2020. This variation has mainly been driven by lower revenue streams from grant funded capital works programs and effects of the COVID-19 pandemic and restrictions place against Council's facilities and operations. It is noted that majority Council's revenue streams have been lower than expected with the exception of the funding for the Scone CBD revitalisation. An overview of these main contributing factors are as follows:

*Lower actual revenue to budget*

- a. 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.
- b. 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.
- c. Other Waste revenue is lower due to reduced scrap metal sales during the year and no funding received for the Better Waste program in 2019/20.

Cr Campbell enquired whether Council would be eligible for the funding announced by the NSW State Government for Waste Management.

*Response: Director Environment and Community Services advised that he thinks that this funding is for setting up new waste strategies and industries. Taken on notice for further clarification.*

- d. Stormwater contributions is lower than expected with funding from Transport NSW to be received for works undertaken in Aberdeen and Liverpool Sts post By-pass completion
- e. Investment interest is lower than budget due to the rate of return on investments dropping dramatically over the last 18 months.
- f. Town Planning revenue is lower due to delay in grant funded projects for the Aberdeen and Scone Floodplain warning systems.
- g. White Park revenues are lower for the year due to lack of events caused by livestock availability and additional infrastructure facilities required through to February 2020 and then the cancellation of major events from March to June caused by COVID-19 restrictions.
- h. Sporting Grounds grant funding revenue is lower due to delay in progression of the Stronger Country Community Fund infrastructure program.

Cr Brown enquired about the delay in delivering the Stronger Country Community Fund projects and when they are likely to be completed.

*Response: Manager Finance advised that the works were delayed due to the volume of projects in the schedule and the limited amount of staff to deliver these projects.*

Cr Fisher also added that the Community are frustrated that these projects are being delayed and want to know when they will be completed.

Cr Campbell and Cr Brown echoed those comments raised by Cr Fisher.

*Response: Manager Finance advised that a project works schedule for completion of these deferred projects will be tabled at the next finance meeting.*

- i. Bridges grant funding revenue is lower due to delay in funding claims for the Murulla Street Causeway project which requires approval from the funding body for change in project scope.
- j. Regional Roads grant funding revenue is lower due to a delay in the progression of the MR62 Bunnan Road project.
- k. Local Roads grant funding is lower due to the assessment and approval of storm damage funding for immediate works and also delay in progression of the permanent storm damage restoration works.

Cr Campbell enquired as to the amount of funding expected to be claimed for the storm damage works from the rain events experienced during January/February this year.

*Response: Manager Finance advised that there was approximately \$250,000 for the initial cleanup and damage control of the storm damage with approximately another \$500,000 for permanent restoration works.*

- l. Water supply grant funding is lower than expected with claim for village reticulation works to be submitted

*Higher actual revenue to budget*

- m. Transport ancillaries grant revenue is higher than budget due to the Scone CBD project slightly in front of schedule and the initial 1<sup>st</sup> Milestone payment received for the additional \$7m funding for the precinct on signing of the funding deed.

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:

*Lower actual revenue to budget*

- 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.

*Higher actual revenue to budget*

- c. Additional Council approved loan funding proceeds, that were not included in the initial 2019/20 DPOP budget, were received at the end of June for the road infrastructure works being undertaken along MR62 Bunnan Road and MR358 Willow Tree Road.

Cr Campbell enquired as to how the road infrastructure borrowings had been allocated between MR62 Bunnan Road and MR358 Willow Tree Road.

*Response: Manager Finance advised that there is \$2,000,000 allocated to MR 62 Bunnan Road and \$3,000,000 allocated to MR358 Willow Tree Road. However, these amounts can vary based on requirements for each project.*

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.

Cr Campbell enquired about the growing costs for Gummun Place Hostel which are significantly higher than budget.

Response: Manager Finance advised that additional costs have been required for personal care staffing, consultants and resources in order to meet compliance requirements of the Department. Also, we have engaged a consultant to review our government funded personal care subsidies which has resulted in a potential increase in annual revenue of approximately \$400,000. This increase in revenue does however incur additional costs for services made available to the residents.

Cr Campbell further enquired what the financial impacts of the additional costs for services would be.

Response: Manager Finance advised that a full assessment of the costs for the additional services and changes to the staffing roster are currently being reviewed and should be known over the next month.

- 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.
- c. Scone Golf course actual operational costs higher than budget due to extended operations through to the end of June 2020, which have been partly been funded through the increase in revenue streams.

*Lower actual costs to budget*

- d. Town Planning costs were lower than budget due to the delay in the Aberdeen and Scone Floodplain warning system projects.
- e. Roads & bridges actual maintenance and re-sheeting works are constantly being monitored by the Infrastructure Department with costs being effectively managed during the year. Additional works were undertaken with the recent storm event road damage however lower bridge maintenance was a dominant factor in the underspend. Inspections of Council's timber bridge network were completed late June with a schedule of maintenance requirement expected to be listed in the report.
- f. Liverpool Plains Shire Council (LPSC) MR358 funding reimbursement was lower than budget to June 2020 with a reconciliation of funding being undertaken before the funding reimbursement for the project is finalised. Council has advised LPSC that the current delay in receiving of the funding from the Government Agencies due to Upper Hunter's road failures will not hinder the full reimbursement of the funding.

Cr Campbell enquired about the remaining project funding remaining for Liverpool Plains Shire Council (LPSC) for MR358 and if this funding will be released to them even though the road is not open on our side. He felt that Council should not be withholding funds from LPSC since the road is not open due to the road failures on the Upper Hunter Shire Council side.

*Response: Manager Finance advised that a reconciliation of the funding is currently being finalised with the funding to be released when signed off by both Council's.*

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.

Cr Brown made a general comment in regards to Council's overall operational expenditure and workforce management, did Council have in place a plan for employee's to take leave due to the prospect of an increase in the level of employee leave entitlement due to the COVID-19 restrictions.

*Response: Manager Finance advised that the Senior Management Group receive an excessive leave report each month which will entail having discussions with Managers and Supervisors about instigating plans for employees with excess leave to take or having a portion of this leave paid out in accordance with the updated State Government legislation for leave entitlements.*

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.

*Lower actual capital expenditure to budget*

- a. Saleyards redevelopment project is lower than budget with final remaining minor works listed with Special Projects team to complete as soon as possible.
- b. Sporting Grounds capital projects are lower than budget due to the delay in completion of the Stronger Country Communities Fund and Bill Rose play equipment relocation projects.
- c. MR105 Kelley's Gully to Waverley road is lower than budget due to delay in the progression of the project.
- d. MR62 Bunnan Road is lower than budget due to delay in the progression of the project.
- e. ARRB Road condition assessment process is lower than budget as engagement of contractor was delayed due to their availability.
- f. Re-sealing program has been completed with overall costs lower than expected.

Cr Campbell enquired whether all the planned resealing works had been completed given the underspend.

*Response: Manager Finance advised that it was his understanding that the planned works had been completed. If works have not been completed as planned in their entirety, then these unspent funds would be carried over to increase the next year's program. Taken on notice for further clarification.*

Cr Campbell further enquired if there was remaining funds available could these funds go towards an additional resealing program and whether the resealing program was actually grant funded and required spending.

*Response: Manager Finance advised that the funds are not bound by grant funding and if there was remaining funds still available for additional resealing to be completed these funds could be applied to a restricted assets and rolled over into the new financial year.*

- g. Gundy Road K&G project is lower than budget due to delay in progression of the project.
- h. Re-sheeting project at Middle Creek is lower than budget due to delay in the commencement of the project
- i. Scone to Murrurundi pipeline major contracted works have been finalised with the pipeline commissioned and operational in May. The contractors final claim for these works are still to be received.

As highlighted by the Finance Manager in previous finance meetings, Council's actuals to budget has endure considerable pressure from full year operation of some business entities, investment revenues and rectification works required on capital works projects. These pressures have been further magnified by the effects on operations by the COVID-19 pandemic.

### Budget Position Summary

Finance Manager also highlighted the summary of the revised overall budget position as at end of June 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 however with Council progressing to its year-end functions and preparation of the financial statements the effects of the losses from the COVID-19 pandemic and the financial pressures place on a number of Council business entities will now crystallise into the profit and loss result for the year–end 30 June 2020.

### Non-Financial Information

Finance Manager provided an overview of the Summary of Non-Financial KPI's which indicates that 27.39% of the indicators are currently off track which has increased since May.

It is noted that Council's overall measure of achieving 90% threshold of on-track KPI targets appears to be extremely comprised given the detrimental effects of the COVID-19 pandemic health measures which has required closures of Council facilities and/or limiting of services provided.

An indication of the detrimental effects on Council's services can be seen in the snapshot summary of the off-track (Red) indicators listed in the schedule.

Finance Manager also advised that a further review of the KPI's will be undertaken in order to provide a list of those off-track indicators that are considered to have been significantly compromised by the restrictions during the year. This review will provide to the Committee a better understand the performance of Council outside the COVID-19 pandemic limitations and restrictions that have been endured.

### Funds on Hand

Finance Manager advised that the level of funds held at the end of the financial year had spiked significantly due to the receipt of both budgeted and non-budgeted loan funding proceeds on 29 June 2020.

### Restricted Assets

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

- Unexpended grant funding for Stronger Country Community Fund and Bill Rose Playground relocations plus Council's contribution to these projects has been returned to the restricted assets for continuation of the deferred projects into the 2020/21 year.
- Unexpended grant funding for the 1<sup>st</sup> Milestone payment of the \$7m funding towards the Scone CBD Revitalisation project which was received upon signing of the funding deed.
- Loan funding proceeds for the Road Infrastructure works to be completed on MR62 Bunnan Road and MR358 Willow Tree Road during the 2020/21 financial year.
- Transfer of Council funds earmarked for uncompleted road projects including ARRB Road condition assessments and Middle Creek Re-sheeting.

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

Moved: Cr R Campbell

Seconded: Cr K Fisher

CARRIED

## Customer Service

Cr Fisher commented that the improvement in response times for the actioning of correspondence within the required timeframes and reiterated it was a good improvement.

## Corporate Services

Cr Fisher enquired which department was responsible for the monitoring, reviewing and updating of Council's policies?

*Response: Manager Finance advised that this comes under the Corporate Services department.*

## Human Resources

Cr Campbell enquired why the Workforce Management Plan hasn't been updated.

*Response: Manager Finance advised that the Workforce Management Plan is completed as part of the IP&R requirements for the Community Strategic Plan (CSP) and due to the COVID-19 extensions of Council's term by 12 months will not be required until the end of the 30 June 2021 financial year.*

## Revenue Services

Cr Campbell enquired if the hold on debt recovery action for collections will be ongoing?

*Response: Manager Finance advised that these restrictions are valid during the COVID-19 pandemic and will revert to normal functions in the future. However, Council is still monitoring the level of indebtedness outstanding of its receivables and making informal business contact with its clients regarding expected payment dates, terms and possible payment arrangements etc.*

Cr Brown further enquired, with the outstanding amounts, how many of those are government agencies?

*Response: Manager Finance advised that the level of monies outstanding from government agencies isn't significant with the majority of this amount relating to a neighbouring council.*

## Stores and Purchasing

Cr Campbell enquired what the suspense account is?

*Response: Manager Finance advised that these suspense accounts represent Council's gravel stock piles which will be cleared during year-end processes.*

## **Aged Care - Gummun Place**

Finance Manager advised that the occupancy of the facility is below target due to one room at the facility being vacant. It was decided that during the COVID-19 pandemic that actively pursuing a replacement resident was not recommended with the vacant room used as a visiting room for residents and their immediate family and/or close friends.

Cr Brown enquired about the target percentage of vacancies at the Hostel being 98% given that we have 16 rooms and one vacancy would mean a drop in occupancy to 93% which seems in contradiction to the 98%?

*Response: Manager Finance advised that the occupancy is worked out averages with a variance of 2% allowed for rooms that are vacant during changeover of residents that depart and enter the facility.*

## **Aged Care – ILUs**

Cr Brown enquired about what the delay in the progress of rebuilding of the burnt out units at Liverpool Lodge. It is disgraceful that it has taken this long for the rebuilding to progress and needs to be started as soon as possible. He further acknowledged the great work done already by Manager Special Projects in pushing the project along however we need to progress this to completion.

## **Social Protection**

Cr Brown enquired about the underspent funds on a number of projects, especially the local domestic violence project within the social protection area, and raised concerns about the increased level of documented domestic violence issues being experienced during the COVID-19 pandemic lockdowns. He further questioned whether it would have been better to have spent funds that had been allocated to this project.

*Response: Taken on Notice to seek further clarification of what social protection programs are being undertaken.*

## **Low Income Housing**

Cr Campbell enquired whether the rental received from the Low Income Housing was covering its running costs?

*Response: Manager Finance advised that it is covering the costs.*

## **Town Planning**

Cr Fisher enquired whether the increase in heritage costs was due to the additional works completed on the Wilson Memorial Hospital heritage advice?

*Response: Manager Finance advised that additional cost of \$5,000 was incurred for this heritage advice to be provided.*

Cr Campbell enquired whether the buildings that currently reside at the Merriwa Racecourse are included in Council's insurance policies or are they the responsibility of the Race Club?

*Response: Manager Finance advised these buildings are not currently included in Council's insurance policies as Council is awaiting valuations and descriptions of the buildings from the Merriwa Race Club. Once received these building will be included in Council's insurance policies as the building reside on crown land which Council manages.*

Cr Campbell further enquired about who would be responsible for maintenance on the buildings?

*Response: Manager Finance advised that ultimately the Merriwa Race club is responsible for the maintenance of the buildings and it is suggested that Council will need to formalise the arrangement with the Merriwa Race Club by implementing a lease agreement.*

*This arrangement is Taken on Notice for further discussion with respective parties.*

### **Sporting Grounds and Venues**

Cr Campbell enquired about the funds being surrendered in this section and suggested that this terminology for deferred projects should be transferred and not surrendered.

*Response: Manager Finance noted the suggestion.*

### **Swimming Pools**

Cr Campbell enquired as to the progress of disabled steps for the Scone and Merriwa swimming pools?

*Response: Manager Finance advised that the disabled steps have been included in the 2020/21 Operational Plan for both Scone and Merriwa swimming pools.*

### **Aerodrome**

Cr Fisher enquired about the reduced user fees for the aerodrome and queried whether this was for firefighting planes that aren't charged the user fees?

*Response: Manager finance advised that the firefighting aircraft are charged a user fee and the lower revenue appears to be a delay in end of year invoicing. However, based on the level of landings in the KPI there seems to be an anomaly with the level of revenue which will be investigated.*

### **Footpaths**

Cr Campbell enquired as to why there has been no money allocated or spent on Merriwa footpaths. It was further requested that a report be tabled at the next Infrastructure Services meeting regarding the proposed priority schedule new and renewal works for the shires footpath network?

*Response: Taken on notice.*

### **Regional Roads**

Cr Campbell enquired if a breakdown of additional funds required to be spent on MR358 Willow Tree Road following it's expected completion date. In addition, what is the expected cost of additional works proposed?

*Response: Taken on notice*

### **Transport & Ancillaries**

Cr Brown enquired about the Murrurundi town revitalisation progress and why the pergola for the main street was still not completed?

*Response: Taken on notice*

### **Murrurundi Water Supply**

Cr Brown enquired whether Council has any data on the level of water consumption for residents and businesses in Murrurundi since the pipeline become operational and the restrictions were lifted?

*Response: Acting Director Infrastructure Services advised that it is too soon to tell and because it's winter the level of water consumption is normally down anyway. He did however advise that there appeared to have been an improvement in the water quality supplied, but no information has been provided on the consumption levels.*

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**FCR.07.3**

***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 K Fisher

Seconded: Cr R Campbell

CARRIED

Cr Campbell enquired about the consultant's fee of \$609,000 and how much of that is in regards to MR358?

*Response: Taken on notice*

Cr Fisher also enquired Professional contractor fees under General Management, where is that shown on the report?

*Response: The Manager Finance advised that they are contractor fees.*

Cr Campbell enquired about the detailed legal costs for Cassilis Sewerage, is this the result of Cardino not doing their job again?

*Response: Manager Finance advised that a majority of those fees are due to land acquisition.*

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**FCR.07.4**

***RESPONSES TO PREVIOUS QUESTIONS***

**RESPONSIBLE OFFICER:** Kristian Enevoldson - Director Corporate Services

**AUTHOR:** Wayne Phelps - Manager Finance

**For notation only.**

Moved: Cr R Campbell

Seconded: Cr K Fisher

CARRIED

THERE BEING NO FURTHER BUSINESS THE MEETING CLOSED AT 10.15am