

Infrastructure Services

FINANCE REPORTS

F.06.4 LATE REPORT *INTERNAL LOAN FROM WATER AND SEWERAGE FUNDS*

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PURPOSE

Due to a cash flow issue identified in Council unrestricted cash balances caused by the delay in recovery of capital grant funding from both the State & Federal Governments an internal loan will be required from the Water and Sewerage Funds.

RECOMMENDATION

That Council:

1. adopt the following internal loans due to delay in recovery of both State & Federal Government Capital grant funds outstanding:
 - Up to \$5 million from Water Fund;
 - Up to \$5 million from Sewerage Fund;
2. the internal loans are to be replenished by 30 June 2025; and
3. make a formal application for the loan approval to the Office of Local Government.

BACKGROUND

Over the last 4 years Council has undertaken an extremely large capital works program which has been predominantly funded by both the State and Federal Governments.

These projects have been funded through a myriad of funding models from progress claims after works completed to milestone payments at certain stages of the projects.

Currently the projects have progressed to the stage of intense construction activities to finalisation of the project and the requirement for funding body acquittals to be lodged and approved.

REPORT/PROPOSAL

This request is due to a cash flow issue identified which has been caused by the delay in recovery of capital grant funding from both State & Federal Governments.

It is projected to have outstanding at 30 June 2024, \$11 million in General Fund capital grant receivables as a result of significant major infrastructure projects. All projects are fully funded with funding deeds signed and the present shortfall is fully associated with late grant payments. The outstanding funds are due primarily from the following capital projects:

- Scone Regional Airport – Minor project finalization and close-out acquittal reports
- Original Coulsons Creek Road (MR358) Project – Close-out acquittal report
- Scone CBD Revitalisation – Federal Government milestone claims post expenditure
- Moonan Brook Road – Final milestone on completion of close-out acquittal report
- Local Roads & Community Infrastructure Projects - Phase 1 & 2 close-out acquittal report.
- NSW Resilience Flood Damage – State Government approval process for claims

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Council has critically reviewed its projections to 30 June and anticipate a shortfall in unrestricted cash of \$9,771,033.

This shortfall does not include the possibility of funds received from any advances for the 2024/2025 financial assistance grants which have occurred in the prior years.

It is requested to utilise up to \$10 million through an internal loan from the residual balances of the Water and Sewer Funds as at 30 June 2024 to be replenished by 30 June 2025 through recovery of significant government capital grant receivables as at 30 June 2024.

The internal loan will be based on:

- up to \$5 million from the Water Fund; and
- up to \$5 million from the Sewerage Fund.

Council has reviewed the level of funds remaining in the residual balance of the Water and Sewer Funds, which excludes funds held for section 64 developer contributions and these Funds have sufficient available cash for their continued operations and projected capital works program for 2024/25. As Council receives the outstanding General Fund capital grant receivables these funds will be replenished.

The approval for the use of the internal loan from Water and Sewerage Funds is only an administrative process due to timing of government funding which have been approved in signed funding deeds.

A letter requesting approval has been forwarded to the Office of Local Government to utilise the funds under section 410 (3) of the Local Government Act 1993.

OPTIONS

1. Approve the use of Water and Sewerage Funds to facilitate an internal loan to the general fund due to delay in recovery of government capital grants.
2. Not approve the use of Water and Sewerage Funds to facilitate an internal loan to the general fund due to delay in recovery of government capital grants.

CONSULTATION

- Delegates from the Office of Local Government
- General Manager
- Manager Finance

STRATEGIC LINKS

a. Community Strategic Plan 2032

This report links to the Community Strategic Plan 2032 as follows:

Responsible Governance

Providing efficient and responsible governance in order to effectively serve the community.

5.3 Effective financial and asset management to ensure Council's long-term sustainability.

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b. Delivery Program

- Reporting systems to ensure "Fit for the Future" benchmarks and any improvement program instigated are maintained for Council's financial sustainability

c. Other Plans

NIL

IMPLICATIONS

a. Policy and Procedural Implications

NIL

b. Financial Implications

If approval is not received from the Office of Local Government, Council will be in breach of Section 410 of the Local Government Act 1993 which may be detrimental to the Independent Audit Opinion of the NSW Audit Office in the conduct of Council 2023/2024 external audit.

c. Legislative Implications

Council will be in breach of Section 410 of the Local Government Act 1993 without approval from the Office of Local Government.

d. Risk Implications

Council will be in breach of legislation for the use of restricted funds if approval isn't granted.

e. Sustainability Implications

NIL

f. Other Implications

NIL

CONCLUSION

Due to the delay in recovery of significant State and Federal Capital Grant funds, Council will have a shortfall in unrestricted cash.

Without the approval of Council and the Office of Local Government for an internal loan from the Water and Sewerage Funds, Council will be in breach of Section 410 of the Local Government Act 1993 which may be detrimental to the Independent Audit Opinion of the NSW Audit Office in the conduct of Council 2023/2024 external audit.

ATTACHMENTS

There are no enclosures for this report