



Agenda

Finance Committee

8 October 2018

4:30 p.m.

Name of Committee	
Item Number	Agenda
1	Welcome/present/ apologies
2	Confirmation of Minutes – August Meeting
3	2017/18 Preliminary Financial Results
4	Audit Plan – Key Dates & Progress of Audit
5	Cr Ring Queries
6	Restricted / Unrestricted Cash at 30/6/18
7	September Performance Reporting to OLG
8	September 2018 Investment Report
9	October Council Meeting – Review of Finance & Assets Reports
10	Audit Action List
11	General Business
12	Next meeting – 12 November 2018

ITEM: 1 PRESENT AND APOLOGIES

PRESENT: Mayor - Cr R Thompson, Cr S Ring

APOLOGIES: Cr W McAndrew

MOVED: Cr Thompson

SECONDED: Cr Ring

OFFICERS: General Manager, Chief Financial and Information Officer (CFIO),
Minutes Taker.

DECLARATION OF INTERESTS: Nil

ITEM: 2 CONFIRMATION OF MINUTES FROM THE PREVIOUS MEETING

The minutes of the Finance Committee Meeting held on 13 August 2018 were endorsed by Council on 27 August 2018 - Minute No. 18-231.

ACTION

THAT the Minutes of the meeting of 13 August 2018 be taken as read and confirmed.

MOVED: Cr Thompson

SECONDED: Cr Ring

ITEM: 3 2017/18 PRELIMINARY FINANCIAL RESULTS

SUMMARY

The preliminary Income Statement for 2017/18 was tabled. There has been minimal change to the preliminary Income Statement since the results were provided to Councillors on 7 September 2018. The preliminary net operating result for 2017/18 is \$2.574M surplus. The preliminary net operating result before capital grants for 2017/18 is (\$1.79M) deficit. The result is impacted by an extraordinary expense of \$918K for net losses from the disposal of assets (book entry).

The operating result before capital is expressed in the OLG's key performance measure, the operating performance ratio. The benchmark is at least a balanced operating performance ratio (expenses no greater than revenue). The preliminary operating performance ratio for 2017/18 is -1.98%. Council needs to continue to work towards achieving a balanced operating performance ratio.

For the other OLG performance measures, the preliminary ratios are above the benchmark – for the own source operating revenue ratio (74%), the unrestricted current ratio (1.81x), the debt service cover ratio (4.49x), the rates & annual charges outstanding ratio (5.92%) and the cash expense cover ratio (12.95 months).

ACTION/RECOMMENDATION

THAT the Council and the Committee note the preliminary 2017/18 financial results.

MOVED: Cr Ring

SECONDED: Graeme Faulkner

ITEM: 4 AUDIT PLAN – KEY DATES & PROGRESS OF AUDIT

SUMMARY

The CFIO presented the key dates from the external Audit Client Service Plan. It was noted that the external auditors had not met the deadline for the Audit Clearance meeting.

The Audit Clearance meeting will now be held in conjunction with the release of the Client Service Report on 16 October 2018. The external auditors have provided an assurance that the audit process is on track for Council to lodge its financial reports on time (due date 31 October 2018).

ACTION/RECOMMENDATION

THAT the Committee note the information provided in relation to the Audit Plan.

MOVED: Graeme Faulkner

SECONDED: Cr Ring

ITEM: 5 CR RING QUERIES

SUMMARY

Cr Ring provided a list of finance related queries to which the CFIO provided a response to each query. The queries and responses were discussed by the Committee.

ACTION/RECOMMENDATION

THAT the Committee note the information provided in response to the queries raised by Cr Ring.

MOVED: Cr Ring

SECONDED: Cr Thompson

ITEM: 6 RESTRICTED / UNRESTRICTED CASH AT 30/6/18

SUMMARY

In response to a query from Cr Ring, the CFIO tabled the preliminary 2017/18 Financial Statements Note 6(c) restricted cash balances.

The preliminary cash and investments balance at 30 June 2018 was \$33.97M. Of this balance, \$33.63M is either externally or internally restricted for specific uses or purposes. Unrestricted cash was \$342K.

The Committee discussed the implications of the information provided in the report supplied.

Details of the restricted fund balances will be included in each Quarterly Budget Review Council report.

ACTION/RECOMMENDATION

THAT Council and the Committee note the information on restricted and unrestricted cash balances as at 30 June 2018.

MOVED: Cr Ring

SECONDED: Cr Thompson

ITEM: 7 SEPTEMBER PERFORMANCE REPORTING TO OLG

SUMMARY

For the information of the Committee, the CFIO presented the September Performance Report to the Office of Local Government.

ACTION/RECOMMENDATION

THAT Council and the Committee note the information included in the September 2018 Office of Local Government Performance Report.

MOVED: Cr Ring

SECONDED: Graeme Faulkner

ITEM: 8 SEPTEMBER 2018 INVESTMENT REPORT

SUMMARY

The Committee reviewed the September 2018 Investment Report. The decrease in the investments balance due to September cash outflows and interest income being over budget were discussed.

ACTION/RECOMMENDATION

THAT Council and the Committee note the information included in the investment Report for September 2018.

MOVED: Graeme Faulkner

SECONDED: Cr Ring

**ITEM: 9 OCTOBER COUNCIL MEETING – REVIEW OF FINANCE &
ASSETS REPORTS**

SUMMARY

The following reports being presented to the Council meeting by Finance and Assets were discussed and endorsed for approval at the Council meeting on 29 October 2018.

2017/18 Financial Statements

THAT Council:

1. Note that that the audit of the 2017/18 financial statements has been completed.
2. Authorise the signing of the statement on the 2017/18 General Purpose Financial Reports.
3. Authorise the signing of the statement on the 2017/18 Special Purpose Financial Reports.
4. Invite Dominika Ryan of the Audit Office of NSW, Council's Auditors, to present a report to Council on the 2017/18 Financial Statements at the Ordinary Council meeting scheduled for 26 November 2018.

Cessation of Water Saving Incentive Schemes

THAT Council cease offering the water saving schemes with immediate effect, with any rebate applications on hand at 29 October 2018 to be processed in accordance with the scheme guidelines.

External Grant Funding Policy

THAT Council:

1. Endorse draft Policy 8.9 External Grant Funding for public exhibition and comment for 28 days.
2. Following the exhibition period that Policy 8.9 External Grant Funding be returned to Council for adoption.

ACTION/RECOMMENDATION

THAT the Committee endorse the above reports for the consideration of Council at the October Ordinary Meeting of Council.

MOVED: Graeme Faulkner

SECONDED: Cr Ring

ITEM: 10 AUDIT ACTION LIST

The Audit Action Lists were discussed. The 2017/18 audit actions have been completed but some improvement actions are ongoing for 2018/19. The four remaining 2018/19 interim audit management letter actions remain on track for completion by the due dates.

ACTION/RECOMMENDATION

THAT Council and the committee note the updates contained within the Audit Action Lists for September 2018.

MOVED: Cr Ring

SECONDED: Graeme Faulkner

ITEM 11: GENERAL BUSINESS

Nil

ITEM 12: NEXT MEETING:

Next Meeting: Monday 12 November at 4:30 pm in the Committee Room.

There being no further business the meeting closed at 5:37pm.

ITEM FIN - 29/10/18 - 2017/18 FINANCIAL STATEMENTS

REPORT BY: CHIEF FINANCIAL AND INFORMATION OFFICER

REFERENCE

Min No 18-231: Ordinary meeting of Council held on 27 August 2018.

SUMMARY

The purpose of this report is to notify Council that the audit of the 2017/18 financial statements has been completed. The report also recommends that Council authorise the signing of the Statements by Councillors and Management, as required by Section 413(2)(c) of the Local Government Act 1993.

COMMENTARY

The Council's Financial Statements for the year ended 30 June 2018 were completed by Council staff and have now been reviewed and returned by the Audit Office of NSW, in accordance with legislative requirements as detailed below.

Details of the 2017/18 financial results will be presented by Dominika Ryan of the Audit Office at the 26 November 2018 Ordinary Meeting. The auditor will:

- deliver a brief presentation to the Council on the end of year result;
- review the Council's key financial indicators contained within the Financial Statements; and
- answer any associated questions posed by the Council.

A summary of the financial statements is provided in the attachment: Public Notice – Presentation of Financial Statements.

Annual Financial Statements Reporting Process

The Council's Annual Financial Statements are required to be audited by the Audit Office of NSW, and copies of the financial reports and the Auditor's report submitted to the Office of Local Government by the 31 October 2018. Both of these requirements will be met within the prescribed timeframes.

The Local Government Act 1993 has detailed provisions for the completion of the financial statements. The basic process under the Act is as follows:

- (a) Council staff prepare the financial statements;
- (b) The Council issues a statement that the accounts are in order;
- (c) The Council refers the statements to its external auditor (Min No. 18-231, Ordinary Meeting on 27 August 2018);
- (d) The Audit Office complete their work and return the statements with an audit opinion attached;
- (e) Present the financial reports and Auditor's reports to a meeting of the Council of which public notice has been given. The public notice must be given at least one week before the meeting and the meeting must be held not more than one month after the receipt of the Auditor's reports. The auditor may attend the meeting and must do so if requested in writing by the Council. (scheduled for the Ordinary Meeting on 26 November 2018);
- (f) The public notice must specify that the financial reports and Auditor's reports will be considered at the meeting and must indicate the right of any person to lodge submissions within 7 days after the meeting. The notice must include a summary of the financial reports;
- (g) Have available for public inspection copies of the financial reports and the Auditor's reports; and
- (h) Consider submissions at a subsequent meeting of the Council and advise the Office of Local Government of any matter which requires amendment to the financial reports. Submissions are required to be lodged

with the Council in writing by 4:00pm on Monday 3 December 2018. If any submissions are received, a further report on the submissions, together with Council officer comment, will be presented to the Council.

POLICY IMPLICATIONS

Nil.

FINANCIAL IMPLICATIONS

The completion of the 2017/18 financial statements is a legislative requirement and provides assurance that Council's finances are managed prudently and in accordance with accounting standards. The adoption of the recommendation of this report has no direct financial impact upon the Council's adopted budgets or forward estimates.

- Budget approved – N/A
- Cost centre - N/A
- Expended to date - N/A
- Future potential impact - N/A

LEGAL AND RISK MANAGEMENT IMPLICATIONS

There are no obvious legal or risk management issues associated with the adoption of the recommendation. The completion of the financial statements supports the Council in ensuring care and compliance is exercised in financial reporting.

ATTACHMENTS

1. Statement by Councillors and Management – 2017/18 General Purpose Financial Statements
2. Statement by Councillors and Management – 2017/18 Special Purpose Financial Statements
3. Public Notice – Presentation of Financial Statements

RECOMMENDATION

THAT Council:

1. Note that that the audit of the 2017/18 financial statements has been completed.
2. Authorise the signing of the statement on the 2017/18 General Purpose Financial Reports.
3. Authorise the signing of the statement on the 2017/18 Special Purpose Financial Reports.
4. Invite Dominika Ryan of the Audit Office of NSW, Council's Auditors, to present a report to Council on the 2017/18 Financial Statements at the Ordinary Council meeting scheduled for 26 November 2018.

ITEM FIN - 29/10/18 -COUNCIL INVESTMENT REPORT - SEPTEMBER 2018

REPORT BY: CHIEF FINANCIAL & INFORMATION OFFICER

REFERENCE

Min No 18-259: Ordinary Meeting of Council held on 24 September 2018.

SUMMARY

To advise Council of investments held as at 30 September 2018 and to note the certification of the Responsible Accounting Officer that funds have been invested in accordance with legislation, regulations and Council policy.

COMMENTARY

Council's total investment portfolio, as at 30 September 2018 when compared to 31 August 2018, has increased by \$30,000 from \$34,240,000 to \$34,270,000. Cash in Council's bank account has decreased by \$632,289.28 from \$674,256.92 to \$41,967.64.

There is an overall decrease in cash and investments of \$602,289.28 since 31 August 2018. As planned, cash outflows (e.g. payment of creditors) exceeded cash inflows as there is lower rates income received in the month of September.

If the movement in the bank account is negative, this is shown as a net redemption. If the movement in the bank account is positive this is shown as a net new investment.

The movement in Investments for the month of September 2018 were as follows:

Opening Balance of cash and investments as 01 September 2018	\$34,914,256.92
Plus New Investments – September 2018	\$8,500,000.00
Less Investments redeemed – September 2018	-\$9,102,289.28
Closing Balance of cash and investments as at 30 June 2018	\$34,311,967.64

A large proportion of Council's investments are held as restricted assets for specific purposes. Restricted assets may consist of externally restricted assets which must be spent for the purpose for which they have been received (e.g. Water, Wastewater, Stormwater, Domestic Waste, Parking) or internally restricted assets which have been set aside by Council resolution. Some internal restrictions are held to fund specific liabilities such as employee leave entitlements and bonds and deposits.

POLICY IMPLICATIONS

Investments are held in accordance with the Lithgow City Council's Investment Policy at the date of investing funds. On 14 August 2017, Council adopted a revised Investment Policy which includes the Minister's Investment Order of 12 January 2011

FINANCIAL IMPLICATIONS

- YTD Budget approved – \$182,000.00
- Cost centre - 3259
- YTD Income to date - \$209,501.30
- Future potential impact – Nil

The Council's interest income for YTD is \$27K is over budget due to a combination of reserve balances being greater than forecast and improved investment returns. Should interest income remain over budget, a budget variation request will be prepared for Council's consideration at the Quarter 2 budget review.

Interest is paid on the maturity date of the investment. The budget for interest income is determined by the average level of funds held and the rate of return. Adjustments to the budget estimate are processed through Council's Quarterly Budget Review process. Interest Returns are determined by average funds invested and the rate of interest return.

LEGAL AND RISK MANAGEMENT IMPLICATIONS

Investments are held in accordance with the Lithgow City Council's Investment Policy at the date of investing the funds. On 14 August 2017 Council adopted a revised Investment Policy and investments comply with this Policy.

Risk is managed by taking a conservative approach to managing Council's investments and only investing in term deposits.

CERTIFICATION OF THE RESPONSIBLE ACCOUNTING OFFICER

I hereby certify that the investments listed in the report have been made in accordance with Section 625 of the Local Government Act 1993, clause 212 of the Local Government (General) Regulation 2005 and Council's Investments Policy.

Ross Gurney
Chief Financial and Information Officer (Responsible Accounting Officer)

ATTACHMENTS

1. Investment Register 2018/19

RECOMMENDATION

THAT

1. Investments of \$34,270,000 and cash of \$41,967.64 for the period ending 30 September 2018 be noted.
2. The enclosed certificate of the Responsible Accounting Officer be noted.