



# Agenda

## Finance Committee

### 12 November 2018

### 4:37 p.m.

Finance Committee	
Item Number	Agenda
1	Welcome/present/ apologies
2	Confirmation of Minutes – October Meeting
3	2017/18 Financial Statements – Auditor Presentation (via teleconference)
4	Audit Plan – Final Key Dates
5	2018/19 Quarter 1 Budget Review
6	Cr Ring Queries
7	October Performance Reporting to OLG
8	October 2018 Investment Report
9	November Council Meeting – Review of Finance & Assets Reports
10	Audit Action Lists
11	General Business
12	Next meeting – 10 December 2018

**ITEM: 1 PRESENT AND APOLOGIES**

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**PRESENT:** Mayor - Cr R Thompson, Cr S Ring, Cr W McAndrew

**APOLOGIES:** Cr Goodsell

**MOVED:** Cr Thompson

**SECONDED:** Cr McAndrew

**OFFICERS:** General Manager, Chief Financial and Information Officer (CFIO), Director Economic Development & Environment (DEDE), Financial Services Manager, Minutes Taker.

**DECLARATION OF INTERESTS:** Nil

**ITEM: 2 CONFIRMATION OF MINUTES FROM THE PREVIOUS MEETING**

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The minutes of the Finance Committee Meeting held on 8 October 2018 were endorsed by Council on 29 October 2018 - Minute No. 18-307.

**ACTION**

**THAT** the Minutes of the meeting of 8 October 2018 be taken as read and confirmed.

**MOVED:** Graeme Faulkner

**SECONDED:** Cr McAndrew

**ITEM: 3 2017/18 FINANCIAL STATEMENTS – AUDITOR PRESENTATION**

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**SUMMARY**

Ms Dominika Ryan of the NSW Audit Office presented on the 2017/18 financial results and audit (via teleconference). Ms Ryan thanked the Finance team and other staff for their co-operation and efforts in completing the financial statements on time.

Ms Ryan mentioned three general focus areas for the 2018/19 local government audit – procurement / contract management, valuation of assets and Information Systems. For Lithgow Council specifically, the auditors reviewed the classification of costs as operating vs capital, Crown Land assets and RFS assets.

Ms Ryan also discussed recent and upcoming local government performance audits. The 2019 Auditor-General's report to Parliament will comment on asset management, governance / internal controls and Information Systems issues in local government.

In response to a question from Mr Faulkner, Ms Ryan stated that the draft Audit Management Letter should be completed and sent in the week commencing 19 November 2018.

Cr Thompson queried whether cost shifting was an issue examined by the NSW Audit Office. Ms Ryan replied in the negative. The CFIO will forward information to Ms Ryan with regard to the Local Government NSW cost shifting survey.

#### **ACTION/RECOMMENDATION**

**THAT** the Council and the Committee accept the NSW Audit Office presentation on the 2017/18 financial results.

**MOVED:** Cr McAndrew

**SECONDED:** Cr Thompson

#### **ITEM: 4      AUDIT PLAN – FINAL KEY DATES**

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##### **SUMMARY**

The CFIO presented the final key dates from the external Audit Client Service Plan. The remaining outstanding document is the Final Management Letter. Ms Dominika Ryan of the NSW Audit Office advised during her presentation to the Committee that the letter should be completed and sent in the week commencing 19 November 2018.

#### **ACTION/RECOMMENDATION**

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

**MOVED:** Graeme Faulkner

**SECONDED:** Cr McAndrew

#### **ITEM: 5      2018/19 QUARTER 1 BUDGET REVIEW**

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##### **SUMMARY**

The CFIO presented the 2018/19 Quarter 1 Budget Review report.

The CFIO will report that Council's projected position at 30 June 2019 will be unsatisfactory at year end due to the addition of operational carryovers to Council's original expenditure budget. Net \$240K of budget savings were identified in Quarter One 2018/19 which have brought the projected year end deficit (after carryovers) to only (\$63K) higher than the original budget deficit of (\$301K). An operating efficiencies and cost savings program will continue for the remainder of the 2018/19 year.

The CFIO also presented the key 2018/19 Quarter 1 budget variations, details of the capital budget review and details of the cash and investments review.

Particular attention will need to be given to managing the large capital works program (\$43.3M including carryovers) with only \$2.4M spent to 30/9/18. Contractors will be used as appropriate and any projects which cannot proceed in 2018/19 will be removed from the program for consideration in 2019/20.

## **ACTION/RECOMMENDATION**

**THAT** the Committee note the information provided in the 2018/19 Quarter 1 Budget Review report.

**MOVED:** Cr McAndrew

**SECONDED:** Cr Ring

## **ITEM: 6 CR RING QUERIES**

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### **SUMMARY**

Cr Ring provided queries relating to sewer and garbage levies for undeveloped blocks, business rates and footpath dining. The CFIO provided a response to each query. The queries and responses were discussed by the Committee.

It was agreed that the responses to Cr Ring's queries be forwarded to all Councillors.

## **ACTION/RECOMMENDATION**

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

**MOVED:** Cr Ring

**SECONDED:** Cr McAndrew

## **ITEM: 7 OCTOBER PERFORMANCE REPORTING TO OLG**

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### **SUMMARY**

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

## **ACTION/RECOMMENDATION**

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

**MOVED:** Cr Ring

**SECONDED:** Cr McAndrew

## **ITEM: 8 OCTOBER 2018 INVESTMENT REPORT**

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### **SUMMARY**

The Committee reviewed the October 2018 Investment Report. The decrease in the investments balance due to 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 October 2018.

**MOVED:** Cr McAndrew

**SECONDED:** Cr Ring

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

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#### **SUMMARY**

The following reports being presented to the Council meeting by Finance and Assets were discussed and endorsed for consideration at the Council meeting on 26 November 2018.

#### **Audit Committee Meeting Minutes 19 October 2018**

**THAT** Council endorses the CTA Audit Committee October meeting minutes.

#### **Banking Services to Council**

**THAT** Council:

1. Note the response to the Council resolution (Minute No. 18-314) on banking services.
2. Endorse the proposal to call for Expressions of Interest (EOI) for transactional banking services in the 2019/20 year with the EOI criteria to be determined by the administration as is usual practice.

#### **Financial Statements for the Year Ended 30 June 2018**

**THAT** Council:

1. Receives the audited Annual Financial Statements for the year ended 30 June 2018 pursuant to Section 419 of the Local Government Act 1993.
2. Pursuant to Section 420 of the Local Government Act 1993, endorses the Financial Statements to be made available to the public to make submissions for a period of seven days.
3. Invites Dominika Ryan of the Audit Office of New South Wales, the Council's external auditor, to address the Council at the 26 November 2018 Ordinary Meeting in respect to the Audited Financial Statements.

#### **Parking Special Rate**

**THAT** Council take the following action from the 2019/20 financial year:

1. Utilise the parking special rate for Lithgow CBD capital works and maintenance.
2. Determine a specific program of works which will be funded from the parking special rate for inclusion in each year's Operational Plan.
3. Any parking special rate funds not utilised in a financial year be placed in an internally restricted reserve for future Lithgow CBD capital works and maintenance.

## **Write Off Section 94A**

**THAT** Council write off \$54,705.30 of Section 94 debtor invoices which should not have been included in Council's contributions income from 2013 to 2016.

## **Drought Assistance Measures**

**THAT** Council note:

1. The minimal uptake of Council's drought assistance measures to date.
2. That a report will be prepared for the February 2019 meeting to further review the Council's drought assistance measures.

## **ACTION/RECOMMENDATION**

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

**MOVED:** Cr McAndrew

**SECONDED:** Cr Ring

## **ITEM: 10      AUDIT ACTION LIST**

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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 November 2018.

**MOVED:** Graeme Faulkner

**SECONDED:** Cr Thompson

## **ITEM 11:              GENERAL BUSINESS**

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Cr McAndrew enquired of the rates paid by the Mt Piper and Wallerawang Power Stations. The Financial Services Manager took the question on notice and will provide a response to the Committee.

## **ITEM 12:      NEXT MEETING:**

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**Next Meeting:** Monday 10 December at 4:30 pm in the Committee Room.

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**There being no further business the meeting closed at 6:07pm.**

# ITEM FIN - 26/11/18 - COUNCIL INVESTMENT REPORT - OCTOBER 2018

REPORT BY: CHIEF FINANCIAL AND INFORMATION OFFICER

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## REFERENCE

Min No 18-307: Ordinary meeting of Council held on 29 October 2018.

## SUMMARY

To advise Council of investments held as at 31 October 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 31 October 2018 when compared to 30 September 2018, has decreased by \$1,850,000 from \$34,270,000 to \$32,420,000. Cash in Council's bank account increased by \$170,336.18 from \$41,967.64 to \$212,303.82.

There is an overall decrease in cash and investments of \$1,679,663.82 since 30 September 2018. The decrease is mainly due to operational costs and the capital program, as well as no significant rating revenue being received in October 2018.

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 October 2018 were as follows:

Opening Balance of cash and investments as 01 October 2018	\$34,311,967.64
Plus New Investments – October 2018	\$4,820,336.00
Less Investments redeemed – October 2018	-\$6,500,000.00
Closing Balance of cash and investments as at 31 October 2018	\$32,632,303.82

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 – \$242,666.66
- Cost centre - 3259
- YTD Income to date - \$278,960.22
- Future potential impact – Nil

The Council's interest income for YTD is \$36K 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 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 \$32,420,000 and cash of \$212,303.82 for the period ending 31 October 2018 be noted.
2. The enclosed certificate of the Responsible Accounting Officer be noted.



Issuer	Market Value	% Total Value
AMP Bank Ltd	5,029,457.55	14.74%
Auswide Bank Limited	7,038,895.90	20.63%
Bank of Queensland Ltd	8,036,236.99	23.56%
Commonwealth Bank of Australia Ltd	2,420,000.00	7.09%
Members Equity Bank Ltd	3,015,171.23	8.84%
MyState Bank Ltd	6,065,320.55	17.78%
National Australia Bank Ltd	2,507,175.35	7.35%
Portfolio Total	34,112,257.56	100.00%

### Market Value by Issuer

