



ORDINARY MEETING OF COUNCIL SUPPLEMENTARY ITEMS

To be held at 5pm on

Tuesday 16 August 2022

Council Chambers

11 Manning Street, KIAMA NSW 2533

Members

Mayor

Councillor N Reilly

Deputy Mayor

Councillor I Draisma

Councillor M Brown

Councillor M Croxford

Councillor J Keast

Councillor S Larkins

Councillor K Renkema-Lang

Councillor K Rice

Councillor W Steel

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16 ADDENDUM TO REPORTS

16.2 Councillor Finance Workshop

Attachments

Nil

Enclosures

Nil

RECOMMENDED

That Council:

1. Undertake by the 31 August 2022, an in-house Financial Workshop to better understand and determine how Council might safeguard its future financial sustainability and demonstrate that it is a going concern able to meet its financial obligations as and when they fall due.
2. Give delegated authority to the Chief Executive Officer to work with a suitably qualified specialist firm to review and present our Property Divestment Portfolio with associated recommendations for divestment and potential dates for realisation of return which can be used to inform cash flow analysis. The Chief Executive Officer shall be responsible for the conduct of all preliminary negotiations for land divestments.
3. All negotiations undertaken by the CEO must be conducted on the basis that any potential divestment is subject to consideration and resolution by Council at a future meeting.

REPORT

Following a briefing on the current business papers, including Council's finances, Councillors discussed organising a Councillor Finance Workshop to plan a way forward.

From the Audit Office to TCorp, to the Office of Local Government, to our own community, there is real concern about Kiama Municipal Council's cash flow situation. This has been made more difficult by issues that have previously been reported in the State of the Organisation, and Strategic Improvement Plan which have escalated including:

- unauthorised transfers between restricted and unrestricted reserves
- insufficient reserves and management over historical leave entitlements, asset management and other core reserves issues
- loan repayments falling due
- escalating operational costs

Supplementary Reports

16.2 Councillor Finance Workshop (cont)

- difficult operating conditions due to pandemics and
- changing legislative / funding regimes for aged care services.

It is agreed that Councillors need a closer understanding of how policy can be put into practice, solutions found and how we can undertake our fiduciary responsibilities.

Item 16.2

16.3 Minutes: Finance Advisory Committee - 10 August 2022Responsible Director: Office of the Chief Executive Officer

Attachments

- 1 Minutes: Finance Advisory Committee - 10/08/2022 [↓](#)

Enclosures

Nil

RECOMMENDED

That the Minutes of the Finance Advisory Committee Meeting held on 10 August 2022 be received and the recommendations therein accepted, being:

22/029FAC that the Finance Advisory Committee receive the information relating to the Statement of Investments and notes the following movements in the External and Internal Reserves:

Externally restricted fund movements

- Developer contributions – increased by \$132k with a carrying amount of \$10,256,422.

Internal restricted fund movements

- Carry over works reduced to a nil balance with spend on projects during the month.
- Council Elections invoice paid during June with a carrying balance of \$49,776.
- Waste and Sustainability Reserve decreased by \$9,715 with a carrying amount of \$558,180.

22/030FAC that the Finance Advisory Committee receive and note the information relating to the Monthly Financial Report for May 2022 and note the discussion regarding developer contributions.

22/031FAC that the Finance Advisory Committee meetings are rescheduled to allow the monthly financial report to be received in a timely manner.

22/032FAC that the Finance Advisory Committee note the KPMG scope or works.

22/033FAC that the Finance Advisory Committee receive the verbal update from the Chief executive Officer.

22/034FAC that the Finance Advisory Committee notes the information provided in the update from the Chief Operating Officer on the Blue Haven business case and the financial performance.



MINUTES OF THE MEETING OF THE FINANCE ADVISORY COMMITTEE

commencing at 3.05pm on

WEDNESDAY 10 AUGUST 2022

Council Chambers
11 Manning Street, KIAMA NSW 2533

MINUTES OF THE FINANCE ADVISORY COMMITTEE

10 AUGUST 2022

**MINUTES OF THE
FINANCE ADVISORY COMMITTEE MEETING
HELD IN THE COUNCIL CHAMBERS, KIAMA,
ON WEDNESDAY 10 AUGUST 2022 AT 3.05PM**

PRESENT: Graeme Gherashe (Chair), Anna-Leena Risku, Elizabeth Kelly, Jim Thomson, Mark Greaves, and Councillors Neil Reilly and Jodi Keast

IN ATTENDANCE: Chief Executive Officer, Chief Operating Officer Blue Haven, Director Engineering and Works (by Teams) and Warwick Shanks (Partner | KPMG)

OBSERVERS: Councillor Renkema-Lang (by Teams)

1 APOLOGIES

Chief Financial Officer

2 ACKNOWLEDGEMENT OF TRADITIONAL OWNERS

The Chair declared the meeting open and acknowledged the traditional owners.

The Chair reflected on the past 12 months of the Finance Advisory Committee and the role as an expert advisory group

3 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

3.1 Finance Advisory Committee Meeting on 7 July 2022

22/028FAC

Resolved that the Minutes of the Finance Advisory Committee Meeting held on 7 July 2022 be received and accepted.

(Kelly and Reilly)

Note:

- The working group established to investigate term deposit interest rate options has met with the relevant officer who provided information on Council investments which is being reviewed by the group.

MINUTES OF THE FINANCE ADVISORY COMMITTEE

10 AUGUST 2022

4 DECLARATIONS OF INTEREST

Mark Greaves is a shareholder in TechnologyOne.

5 STANDARD REPORTS

5.1 Statement of Investments - June 2022

22/029FAC

Resolved that the Finance Advisory Committee receive the information relating to the Statement of Investments and notes the following movements in the External and Internal Reserves:

Externally restricted fund movements

- Developer contributions – increased by \$132k with a carrying amount of \$10,256,422.

Internal restricted fund movements

- Carry over works reduced to a nil balance with spend on projects during the month.
- Council Elections invoice paid during June with a carrying balance of \$49,776.
- Waste and Sustainability Reserve decreased by \$9,715 with a carrying amount of \$558,180.

(Greaves and Kelly)

Noted:

- The Working Group is developing a strategy for term deposits and improving returns.
- **Action:** Working group to discuss recommendations on investments with the CEO for consideration and decision.
- Cr Reilly noted there are no AAA S&P rated deposits. This is less of a concern when dealing with term deposits rather than bonds.
- Floating rate notes will be attractive moving forward.
- Council engages an investment advisor but advice tends to be reactive rather than proactive however the Working Group has found the information provided is useful and worthwhile.

5.2 Monthly Financial Report - May 2022

22/030FAC

Resolved that the Finance Advisory Committee receive and note the information relating to the Monthly Financial Report for May 2022, and note the discussion regarding developer contributions.

(Risku and Thomson)

MINUTES OF THE FINANCE ADVISORY COMMITTEE

10 AUGUST 2022

Note:

- Council's Strategic Planner has been reviewing developer contributions and plans. Development applications lodged since 1986 have used a particular rate calculation which greatly undervalues secondary dwellings and dual occupancies. Staff have been instructed to fully charge the contribution rate which will result in a significant increase for developers
- There is a substantial lag in the monthly reports that FAC is receiving which makes it difficult to provide any advice. Monthly reports go to a Council meeting prior to coming to the FAC.

Motion

22/031FAC

Resolved that the Finance Advisory Committee meetings are rescheduled to allow the monthly financial report to be received in a timely manner.

(Gherashe and Risku)

6 REPORTS FOR INFORMATION

The Committee reviewed the action tracker and updated the following:

- The Working Group will meet with the Chief Executive Officer to discuss recommendations on term deposit options.
- Councillors are holding a briefing to discuss the Finance Advisory Committee recommendations reported to the Council on 19 July and will come back to the Committee for additional information.
- All items from 3 February 2022 have been completed and can be closed.

7 CONFIDENTIAL REPORTS

7.1 KPMG scope - cash flow projections

22/032FAC

Resolved that the Finance Advisory Committee note the KPMG scope or works.

(Kelly and Risku)

Note:

- KPMG have completed the draft joint statement and the going concern memo. The month by month cash projections will be finished by 19 August 2022 (date to be confirmed by KPMG).

MINUTES OF THE FINANCE ADVISORY COMMITTEE

10 AUGUST 2022

7.2 CEO verbal update

22/033FAC

Resolved that the Finance Advisory Committee receive the verbal update from the Chief executive Officer.

(Risku and Thomson)

Note:

- Requirement for 2 years' month by month cash flow projections result from a specific instruction from the Audit Office and are being developed by KPMG
- Draft financial statements tracked through ARIC and were with Council for endorsement however further advice from the Audit Office on 19 July 2022 resulted in Council noting the financial statements and requiring a joint statement be developed.
- CEO has been advised that the Audit Office are preparing a letter to the Minister relating to ICAC reporting, statutory breaches, books/records issues and going concern/liquidity concerns
- Akuna Street contracts have not been exchanged / executed due to a range of legal proceedings
- TCorp have instructed Council to engage a corporate debt advisor. Council has received 2 quotes and require a third. Progress is hampered by the delay in the 2021 financial statements audit.
- Organisational restructure work is being reported to the August Council meeting following Councillors considering a range of options. General consensus is that a third director is required.
- **Action:** CEO to add an update report as a standing item on future agendas, under standard reports.

LATE ITEM

S1 Blue Haven business case update

22/034FAC

Resolved that the Finance Advisory Committee notes the information provided in the update from the Chief Operating Officer on the Blue Haven business case and the financial performance.

(Kelly and Greaves)

Noted:

- COO met with Deloitte on aged care standards and reserves on 10 August 2022
- Annual disclosure of RADs sent to aged care residents, showing movement of deposits
- Valuer has been appointed to value Blue Haven for the purpose of determining a sale price and the correct value on the books
- Financial statistics need to align with Stewart Brown benchmarking so we can see where we are falling behind and identify areas that can be improved quickly but not at the expense of care
- Councillors must understand that break even for RACF operations is not achievable
- **Action:** COO to provide a timeline for developing a business case for Blue Haven at the next FAC meeting
- COO outlined the current residential aged care results correlate to a loss at July 2022 of \$119 per operating bed day (pobd) compared to the industry benchmark survey (Stewart Brown Financial Benchmarking YTD March 2022) for the average of the bottom 25% of the survey

MINUTES OF THE FINANCE ADVISORY COMMITTEE

10 AUGUST 2022

showing a loss of \$24 pobd. The Blue Haven residential aged care Budget 2023 result projects a loss of \$75 pobd. This is a significant reduction from \$110 as at today. This improvement is largely due to increased funding from the new ANACC Funding Model to be introduced in October 2022 as part of the Federal Government's upcoming 5 year reform agenda. Further analysis is required to identify where the main differences exist ie income, ratio of wages to income, catering, cleaning etc.

GENERAL BUSINESS

Hold harmless letter – Audit Office

- Following a request from Council to the Audit Office for the 2021 working papers the Audit Office have issued a hold harmless letter, seeking indemnification and third party referral.
- This does not prevent Forsyths providing an executive summary once the working papers are received and a new report developed and submitted to all parties for review and finalisation.

Power Purchase Agreement

- Council is investigating participation in a shared tendering around energy purchasing (10 year proposal) – a significant investment is involved and it is a volatile market.
- **Action:** Finance Advisory Committee to provide advice on the tender assessment panel report and the series of options prior to the next meeting.

8 CLOSURE

There being no further business the meeting closed at 5.00pm

These Minutes were confirmed at the Ordinary Meeting of Council held on
20 September 2022

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Chair