



BUSINESS PAPER

ORDINARY MEETING OF COUNCIL

To be held on

Wednesday, 24 April 2019
4pm

at

Armidale Council Chambers

Members

Councillor Simon Murray (Mayor)
Councillor Dorothy Robinson (Deputy Mayor)
Councillor Peter Bailey
Councillor Jon Galletly
Councillor Diane Gray
Councillor Libby Martin
Councillor Andrew Murat
Councillor Debra O'Brien
Councillor Margaret O'Connor
Councillor Ian Tiley
Councillor Bradley Widders

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19.2	FOR DECISION: Tenders for design and installation of electrical switchboard Guyra Raw Water Pumping <i>As this report deals with commercial information of a confidential nature that would, if disclosed, reveal a trade secret (Section 10A(2)(d)(iii) of the Local Government Act 1993). Council closes part of this meeting, in accordance with Council's Code of Meeting Practice, as consideration of this matter in open Council would be contrary to the public interest.</i>	
19.3	FOR DECISION: Chief Executive Officer Six Month Performance Review <i>As this report deals with personnel matters concerning particular individuals (Section 10A(2)(a) of the Local Government Act 1993). Council closes the meeting, in accordance with Council's Code of Meeting Practice, as consideration of this matter in open Council would be contrary to the public interest.</i>	
19.4	FOR DECISION: Organisational Structure <i>As this report deals with personnel matters concerning particular individuals (Section 10A(2)(a) of the Local Government Act 1993). Council closes the meeting, in accordance with Council's Code of Meeting Practice, as consideration of this matter in open Council would be contrary to the public interest.</i>	
20	Close of Ordinary Meeting	

Item:	8.1	Ref: AINT/2019/07203
Title:	FOR DECISION: Cattle and lucerne farms	Container: ARC16/0025
Author:	Jon Galletly, Councillor	
Attachments:	Nil	

MOTION

That the CEO is asked to prepare a report to Council which outlines the potential options for the future of Council's cattle and lucerne farms on Council-owned land at the airport and Waterfall Way.

Item:	8.2	Ref: AINT/2019/08427
Title:	FOR DECISION: Tackling Poverty	Container: ARC16/0025
Author:	Deb O'Brien, Councillor	
Attachments:	Nil	

MOTION

Trades Hall notes that the low rate of Newstart is exacerbating poverty and homelessness, therefore Council will publicly advocate in writing to the relevant federal government ministers that the Newstart Allowance be increased to the level of the Henderson Poverty Line. Further, that copies of the letter be sent to all NSW federal MHRs and Senators.

Background:

The Australian Local Government Association (ALGA) carried a motion for an immediate increase to Newstart at their national conference on Tuesday 19 June 2018.

“In light of the burden placed on local governments across Australia to respond to the needs and challenges of people living in poverty and homeless, that the National General Assembly calls on Federal Government to raise the Newstart Allowance to the level of the Henderson Poverty Line to increase the wellbeing and life chances of many in our community.”

At the time of writing 19 councils have added their voices to the chorus of business, union and welfare groups which have called for Newstart to be increased.

Newstart at \$269 per week, is \$177 per week below the poverty-line. It is less than 41 percent of the minimum wage, less than 18 percent of the average wage, and has not been raised in real terms for 24 years.

Even the Business Council of Australia has advocated to the government that the low rate of Newstart presents a barrier to employment and risks entrenching poverty.

Increasing Newstart would benefit local economies, by increasing the spending power of those on low incomes, whose extra funds would circulate through local businesses. It would also reduce the strain on Council community services assisting the growing number of people experiencing hardship.

Item: 8.3 **Ref:** AINT/2019/08483
Title: FOR DECISION: Councillor Workshops and Briefings **Container:**
ARC16/0025
Author: Dorothy Robinson, Councillor
Attachments: Nil

MOTION

That when Councillors are briefed about information that is available prior to the briefing meeting, links to the readily-available information are provided to Councillors so that they have the opportunity to review it beforehand.

Report:

This motion complements council resolution 6/19 "that background material for the workshops be provided to councillors no less than five (5) working days prior to the date of the workshop". Having the opportunity to review material beforehand results in more efficient use of time compared to being presented with information that has to be absorbed and understood before relevant implications can be considered.

Management Comment: Pre briefing material was provided ahead of the Councillor briefing on 10 April 2019. This was uploaded to the BigTinCan App.

Item:	8.4	Ref: AINT/2019/08484
Title:	FOR DECISION: Depreciation Workshop	Container: ARC16/0025
Author:	Dorothy Robinson, Councillor	
Attachments:	Nil	

MOTION

That the CEO prepares a workshop on depreciation and its impacts on Council's bottom line, its capital works and renewal program and the state of ARC's infrastructure backlog with a view to enabling Council to formally lobby the State and Federal Governments to re-instate a fairer funding and/exemption scheme to enable ARC (and the NSW local government sector) to address its task of asset management with a funding allocation that is fair and reasonable.

Management Comment: This workshop can be scheduled to occur prior to 30 June and is appropriately held at the same time as the workshop on the 2019/20 Operating Plan and Budget.

Item: 8.5 **Ref:** AINT/2019/08486
Title: FOR DECISION: Changes to Operational Plan **Container:** ARC16/0025
Author: Dorothy Robinson, Councillor
Attachments: Nil

MOTION

That when changes to the Operational Plan are considered (e.g. when applications for partial funding to enhance a previously-approved project are not successful), the impact on the Delivery Plan should also be considered, especially for goals with estimated benefits several times greater than the cost to council.

Management Comment: The Delivery Program and the Operational Plan are currently in the process of being revised and will be presented to Council at the May Extraordinary Council Meeting. The documents will be placed on public exhibition.

Item: 8.6 **Ref:** AINT/2019/08487
Title: FOR DECISION: Airport Competitive Dialogue **Container:** ARC16/0025
Author: Margaret O'Connor, Councillor
Attachments: Nil

MOTION

That the CEO provide on an urgent basis, a report to Councillors at a special workshop, on the progress to date of the EOI seeking a competitive dialogue for sale of the airport and industrial land which includes an explanation as to the legal implications of the EOI in general and in relation to legal and other commercial obligations now owed by Council to the tenderers at this stage.

Management Comment: There are no legal or commercial obligations as the document states the following: *“Council is not bound to accept the highest or any EOI, or proceed to the next stage. An EOI is not accepted until written notice of acceptance has been delivered to or posted to the applicant at the address nominated in the EOI.”* A workshop will be held with Councillors on the options and analysis, therefore at the conclusion of the dialogue and before formal consideration by Council.

Item:	9.1	Ref: AINT/2019/07832
Title:	FOR DECISION: Reduction of Water Consumption Charges Due to Undetectable Leakage Policy	
		Container: ARC16/0350
Author:	Nathalie Heaton, Service Leader Governance, Risk and Corporate Planning	
Attachments:	1. Draft Policy: Reduction of Water Consumption Charges Due to Undetectable Leakage	

RECOMMENDATION:

That the draft policy on the *Reduction of Water Consumption Charges Due to Undetectable Leakage* be placed on public exhibition for 28 days, and if no significant submissions received, that the policy be adopted.

Background:

The purpose of the policy is to clarify the process for adjusting irregular water accounts caused by water leaks. The objective of the policy is to provide financial relief (maximum \$3,000) to owners in exceptional circumstances where significant excess water consumption is recorded without fault or negligence on the owner's behalf and the owner has acted quickly to rectify the problem.

Key Issues and Risks

The policy details the process undertaken when an application for excess water consumption due to undetectable leakage has been submitted.

Integrated Planning and Reporting Framework

Community Strategic Plan 2017-2027: Leadership for the Region

L3 – Council demonstrates sound organisational health and has a culture which promotes action, accountability and transparency.

Delivery Program 2018-2021

L3.4 – Ensure the organisation is well led and managed through implementation of the Good Governance Framework.

Operational Plan 2018-2019

L3.4.1 – Provide governance services to the organisation to ensure we are meeting our legislative requirements.

Stakeholder Engagement

The policy will be placed on public exhibition for comment for a period of 28 days.

Financial Implications

The policy limits the amount of write off to \$3,000 per event in order to assist with minimising Council's financial risk associated with excessive water leaks.

Next Steps

The policy will be placed on public exhibition.

Item: 11.1 **Ref:** AINT/2019/07698
Title: FOR DECISION: Pricing for the supply of water to Elm Street Guyra, tomato farm **Container:** ARC18/2750
Author: Luke Finnegan, Program Leader Water and Waste Water
Attachments: Nil

RECOMMENDATION:

- (a) Council note the report on pricing for supply of water to Elm Street tomato farm.
- (b) Council complete a heads of agreement with the Costa Group for reduced water pricing in line with the Fees and Charges to apply to treated water supply from 1 July 2018 to 30 June 2020.
- (c) That Council authorise the CEO to sign the Heads of Agreement on behalf of Council.

The 2018/19 fees and charges included a reduced water usage charge for large employers in the horticultural sector subject to a heads of agreement. A draft heads of agreement has been developed between Council and the Costa Group which envisages the Elm Street tomato farm will switch from treated water from Guyra's supply to untreated water taken from Malpas Dam once the Malpas-Guyra pipeline is complete. The proposal is to provide treated water at the discounted rate for a period of two years backdated from 1 July 2018 to allow time for the tomato farm to investigate and develop their water treatment facilities.

Background:

In 2018/19 the Water Access Charge for Guyra customers was reduced \$100 to bring it in line with the charge in Armidale. This was offset by a \$0.40 per kilolitre increase in water usage charges. For the average Guyra household using 230 kilolitres per year the net effect was a slight decrease in annual water charge.

CENTRE	Guyra			Armidale		
	16/17	17/18	18/19	16/17	17/18	18/19
Quarterly water usage charge per kilolitre						
0 to 100kL	\$1.55	\$1.65	\$2.05	\$2.41	\$2.47	\$2.50
101 to 250kL	\$1.85	\$1.97	\$2.40	\$3.28	\$3.28	\$3.35
251kL and above	\$1.95	\$2.08	\$2.60	\$3.73	\$3.73	\$3.80
Annual water access charge	\$310.00	\$320.00	\$220.00	\$215.00	\$220.00	\$220.00

However for customers using large volumes of water such as the Elm Street tomato farm the increase in charges translates to an increase of more than \$100,000 per year since most of their consumption is charged at the higher tariff levels (\$2.08/kL in the 17/18 fees, \$2.60/kL in the 18/19 fees).

The 2018/19 Fees and Charges included a special water usage charge "*Guyra Intensive Horticulture Water Tariff - Available to horticulture operations with employment >100 FTE in accordance with heads of agreement. Flat rate of \$2.13 per kilolitre.*" Effectively this rate is a CPI increase on the \$2.08 per kilolitre that the tomato farm paid for most of the water it used in 17/18. Discounted prices for bulk water users have been adopted by a number of Councils (eg. Tamworth, Bathurst, Kempsey).

In the absence of a 'heads of agreement' the tomato farm has been paying the normal commercial rate for water use (\$2.60 per kilolitre). A draft 'heads of agreement' has now been developed and discussed with the Costa Group. The proposal is that the flat rate price shall apply to treated water supplied to the tomato farm (annual use ≈250,000 kL) for a period of two years, backdated to 1 July 2018 and contingent on the Elm Street tomato farm switching to untreated water from the Malpas Dam pipeline.

The reason Council is encouraging use of untreated water by the tomato farm is to take pressure off the Guyra town water facilities. For instance the Guyra Water Treatment Plant is approaching its capacity limit, the pumps that transfer treated water to Guyra are undersized and the town's two reservoirs on Prisk Street are also too small to meet peak day requirements. As the tomato farm uses 40-50% of the water produced by Guyra WTP there is a considerable benefit in delaying infrastructure upgrades if the tomato farm can use untreated water from Malpas Dam instead of treated water from Guyra's system.

For the tomato farm to switch to untreated water the farm's operators would need to invest in treatment systems of their own. Council has supplied water quality data to the Costa Group for initial assessment of what treatment would be required. The Costa Group will need to assess the costs associated with treating water from Malpas Dam. Once these costs are known then a suitable price for supply of untreated water from Malpas Dam can be negotiated. Providing the tomato farm with a two year grace period during which treated water will be supplied at the reduced 'horticultural' rate will enable the tomato farm to assess the economics of switching to an untreated water source.

Water supply to the new tomato farm north of Guyra on the New England Highway would not be subject of this agreement since that facility is self sufficient and DA conditions limit this facility to 8000 kL per year for drinking water and sanitation.

Key Issues and Risks

The proposed 'horticultural' rate has been advertised in the Fees and Charges. Terms of the draft heads of agreement needs to be finalised.

Switching the tomato farm to untreated water from Malpas Dam rather than use of treated water from Guyra would reduce demands on water supply infrastructure in Guyra and save money by delaying expensive upgrades to meet capacity limits.

The matter of water licencing in respect of supply to the tomato farms needs to be resolved. Council's town water supply licences were under the Water Act 1912 until 1 July 2016 when licencing transferred to the Water Management Act 2000 (WMA). When the first tomato farm was developed in 2004 the NSW water licencing regulator advised that supply of water to the tomato enterprise was permissible under the existing licence. The regulator also noted that when the WMA came into force that Council's licences would need to be adjusted to cater for supply to customers not covered by a 'town water' licence, including horticultural activities, and that such adjustment would only cover existing enterprises. Council officers are in talks with the Natural Resources Access Regulator (NRAR) to clarify the conditions on Council licences in relation to supply to horticultural activities.

Integrated Planning and Reporting Framework

Special pricing aligns strongly with adopted Council direction under the IPR framework, specifically:

Community Outcome 4 in the CSP *“Economic development is supported through new initiatives, innovation and additional resources to assist growth of business and industry.”* Provision of certainty in regard to water pricing assists with economic activity.

The draft Armidale Region Economic Development Strategy 2017-2025 discusses growth in the controlled-environment horticultural sector (i.e. glass houses) and notes *“The climatic conditions of the Armidale Region are ideal for glasshouse-based horticulture and there is scope for expansion and for other crops such as berries....To grow and prosper, the horticultural sector requires improved water security as droughts experienced in the region over the past ten years have at times, created significant pressure on water allocations. The planned construction of the Guyra to Malpas Dam Pipeline will secure the industry’s future and support the growth of the region’s other agricultural enterprises”* (p13).

Stakeholder Engagement

Council officers and representatives of the Costa Group have met on several occasions to consider details of the proposed agreement.

Further discussions are underway with the Natural Resources Access Regulator to clarify terms of Council water licences.

Financial Implications

Costa Group was previously paying \$2.08 per kilolitre for nearly all water supplied to the Elm Street tomato farm. The proposed price of \$2.13 per kilolitre is a CPI increase on this price.

Next Steps

That Council staff continue to work with Costa to finalise the matter.

Item: 13.1 **Ref:** AINT/2019/07409
Title: FOR INFORMATION: Cash & Investment Report for March 2019
Container: ARC16/0001-3
Author: Deborah Walls, Accountant
Attachments: 1. Cash and Investments Dashboard - March 2019

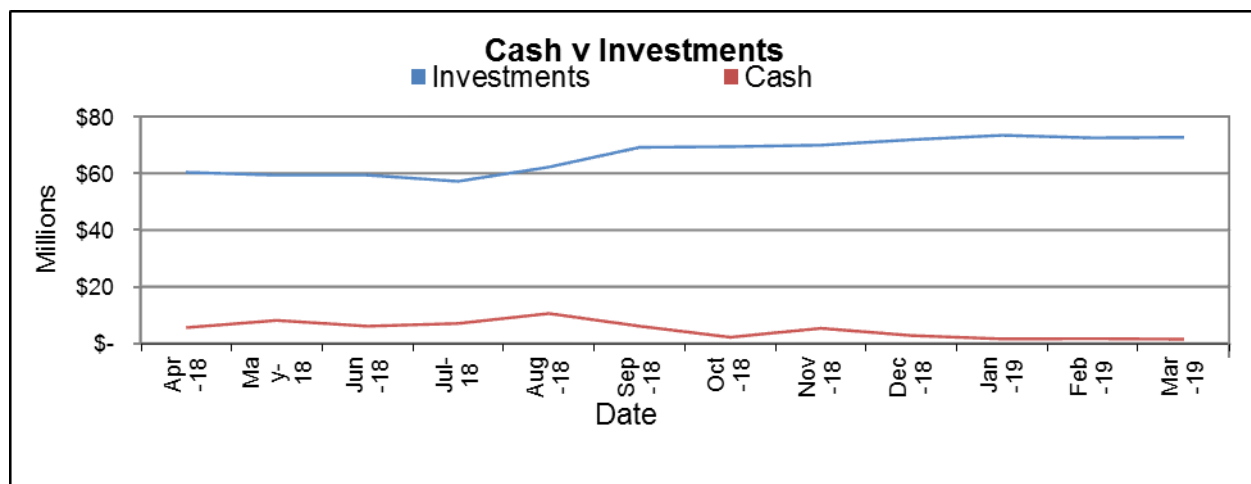
RECOMMENDATION:

The Council note the Cash and Investment Report, as at 31 March 2019, reporting investments held of **\$72,652,069** and a consolidated Bank Account of **\$16,216.77**, excluding the Trust Fund.

Background

Cash and Investments for the month of March 2019.

Cash and Investments particulars for the period 1 March 2019 to 31 March 2019. At the end of the March period, Council held \$72,652,069 in investments and a consolidated account balance of \$16,216.77, excluding the Trust Fund. It should be noted that from 31 January a daily sweep occurs to clear the balance of the General bank account to a \$nil balance, with all excess funds to be deposited into a High Interest Earning account. This account is included in the calculations for the total of the Investments. The amount of \$16,216.77 relates to the Preschool bank account prior to the manual sweep occurring. As the last day of the month was on a Sunday, the manual sweep did not occur until the 1st April 2019. Going forward, an automatic sweep will also be set up to ensure the sweep occurs in the correct period.



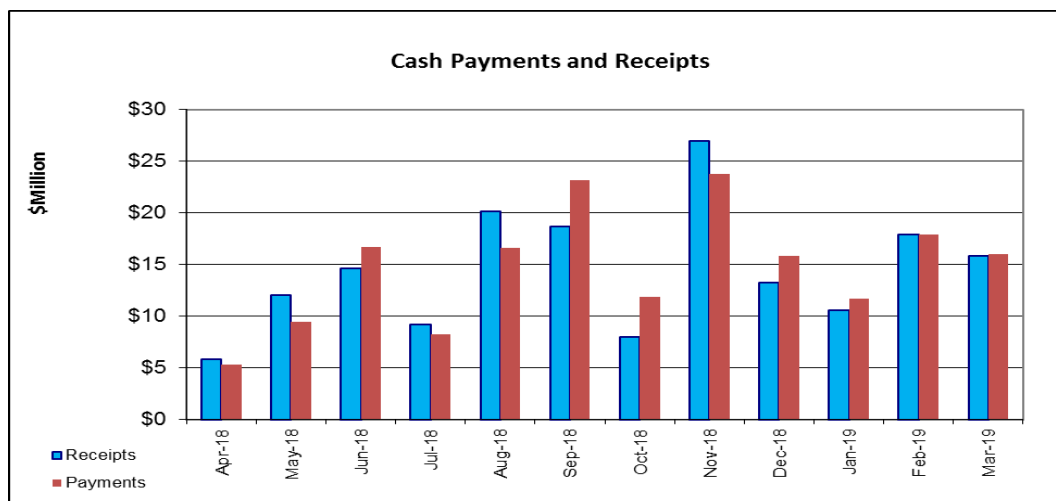
Cash

Council's bank account balance as per bank statements at the end of the period 28 February 2019 are as follows:

Bank Account	March 2019	February 2019 comparative	Movement
General Fund	\$16,216.77	\$7.93	\$16,208.84
Trust Fund	\$1,514,570.52	\$1,696,777.60	(\$182,207.08)
Total Cash	\$1,530,787.29	\$1,696,785.53	(\$165,998.24)
High Interest Account	\$5,443,924.50	\$6,252,683.52	(\$808,759.02)
Total	\$6,974,711.79	\$7,949,469.05	(\$974,757.26)

During the month the following cash flows occurred.

	March 2019	February 2019 Comparative
Receipts	\$15,832,782.18	\$17,950,669.88
Payments	\$16,001,061.47	\$17,871,431.95
Net	(\$165,998.24)	\$79,237.93



The daily sweep for the general account commenced from 31 January 2019. This allows all excess funds to be redirected to a higher earning interest account, whilst still allowing immediate access to the cash if/when required. This also eliminates the need for manually transferring funds between these accounts and reduces the risk of the accounts being in deficient and occurring additional bank fees.

Investments

At the end of March 2019 Council held **\$72,652,069** in investments. This is an increase of \$202,181.05 from the end of March 2019. This increase was a result of rate payments falling due and no unexpected large invoices to be paid, allowing us to easily manage cashflow.

Opening Balance 01.02.2019	\$ 72,449,888.08
Redemptions of Investments	\$(5,000,000.00)
Reinvestments of funds	\$ 6,000,000.00
Net transfer from High Interest Account	\$ (818,109.85)
Increased principle due to maturities	\$ 20,290.90
Closing Balance	\$72,652,069.13

As per the below investment register, the investments are diversified across a range of institutions, with no one institution exceeding 45% of average annual funds invested to ensure the portfolio is in line with the investment policy (adopted 27 July 2016). It should be noted that the proposed new investment policy has now passed public exhibition and has been adopted by Council. Over the next 12 months as the investments mature, the investments will be brought into line with the new policy.

Investment Register

Institution	Rating	Market Value	% of Portfolio	Average Interest Rate
Term Deposits – fixed				
AMP	A1	\$7,000,000.00	9.63%	2.78%
Bendigo Bank	BBB+	\$2,000,000.00	2.75%	2.60%
Beyond Bank	A2	\$6,000,000.00	8.26%	2.76%
BOQ	BBB+	\$7,000,000.00	9.63%	2.70%
CUA	A2	\$7,000,000.00	9.63%	2.72%
ING	A1	\$0,000,000.00	0.00	0.00
ME Bank	A2	\$8,000,000.00	11.01%	2.68%
MyState	A2	\$6,000,000.00	8.26%	2.77%
NAB	A1+	\$13,000,000.00	17.89%	2.70%
Regional Aust	Unrated	\$1,000,000.00	1.38%	2.65%
Rural Bank	BBB+	\$1,000,000.00	1.38%	2.60%
Westpac	A1+	\$4,000,000.00	5.51%	2.60%
Total Term Deposits		\$62,000,000.00	85.34%	2.69%
High Interest Savings Accounts - variable				
T-Corp Hour Glass Account		\$5,208,144.63	7.17%	2.52%
NAB High Interest Savings Account		\$5,443,924.50	7.49%	1.90%
Total High Interest Accounts		\$10,652,069.13	14.66%	2.21%
Total Investment Portfolio		\$72,652,069.13	100%	2.45%

Institution Rating Split

Rating	Amount	% of Portfolio	Inside Investment Policy Range
A1+	\$17,000,000.00	27.41%	Yes
A1	\$7,000,000.00	11.29%	Yes
A2/BBB+	\$10,000,000.00	16.13%	Yes
A2/BBB/BBB-	\$27,000,000.00	43.55%	*No
Unrated	\$1,000,000.00	1.62%	Yes
Total	\$62,000,000.00	100%	

*It should be noted that the proposed new investment policy has now passed public exhibition and has been adopted by Council. Over the next 12 months as the investments mature, the investments will be brought into line with the new policy.

Investment Yield

The Council has invested in Term Deposits which have rates of return higher than the 30 Day BBSW Index. By investing in High Interest Savings Accounts this reduces the average yield across the entire portfolio to be more in line with the 30 day BBSW index.

30 Day BBSW Index	1.75%
Average Interest Rate on Term Deposits	2.69%
Average Interest Rate across Portfolio	2.45%

Interest rates remained steady during March. With the RBA leaving rates on hold again. There is now some talk that rates will be lowered by the end of the year.

Key Issues and Risks

As per the attached dashboard, Council has approximately \$70.7million in restricted funds. 44% of this is restricted for Water Fund usage. This restriction has decreased due to another major payment for the Malpas Pipeline project. The unrestricted funds have increased slightly to be over \$3 million. Currently the Total Investment Portfolio is sufficient to cover the Restricted Funds.

The new Investment Policy has now been adopted. The current Institution Rating split will require additional attention as the investments fall due. This is due to, the amount invested with any one Institution, based on their S&P rating, has been reduced to restrict single exposure. This will impact the return on investments, as typically the lower credit rating investments have a higher return. It should also be noted that some high term credit rating investments (such as AMP) have set limits on how much we can invest with them. This adds an additional hurdle when investing.

Integrated Planning and Reporting Framework

Community Strategic Plan – Leadership for the Region

L2 – Council exceeds community expectations when managing its budget and operations.

L2.1 – Financial sustainability is maintained through effective short and long term financial management

L2.1.3 – Develop effective financial management systems

Stakeholder Engagement

The monthly report provides the community with a snapshot of Council's cash and investment particulars for the period 1 March 2019 – 31 March 2019

All of Council's investments for the period ending 31 March 2019 are in accordance with:

- Council Investment Policy
- Local Government Act 1993 – Section 625.
- Local Government Act 1993 – Order of the Minister dated 12 January 2011.
- The Local Government (General) Regulation 2005 – Reg 212.

Financial Implications

The investment of surplus funds must remain in line with Council's Investment Policy (adopted 28 Feb 2019). This will ensure sufficient working capital is retained and restrictions are supported by Cash. Cash management complies with the NSW Local Government (General) Regulation 2005.

Next Steps

Continue to monitor the financial position of Armidale Regional Council cash and investments and ensure sufficient working capital is retained and restrictions are supported by cash.

Item: 13.2 **Ref:** AINT/2019/08411
Title: FOR INFORMATION: Monthly Financial Report March 2019 **Container:**
ARC16/0488
Author: Kelly Stidworthy, Service Leader - Finance
Attachments: 1. Monthly Financial Report March 2019

RECOMMENDATION:

That Council note the Monthly Financial Report for March 2019.

Background:

Council has requested the provision of a monthly financial report so that regular review can occur of actual expenditure to budget.

The monthly financial report has been revised based on Councillor feedback and an "Income Statement" report is provided for the following funds:

- General Fund
- Water Supply Fund
- Sewer Supply Fund
- Consolidated

More detailed operating and capital budget reports are also provided.

General Fund

The General Fund is forecast to make an operating deficit of \$874k at 30 June 2019. The revised forecast is an improvement to the original budget, which had forecast an operating deficit of \$3.5m. As at 31 March 2019, Council had an operating surplus of \$5.6m but this is due to rates and annual charges revenue being raised and recognised in July for the full year. As regular expenditure will occur for the remainder of the year, the operating surplus will reduce and eventually revert to a position closer to the forecast operating deficit.

The net budget position represents the forecast cash impact of Council's operating and capital results for the year. Council's revised budget contains a forecast for a positive cash impact in 2018/19 to assist with reducing cashflow risk and improving the level of unrestricted cash, which was at a minimal level at 30 June 2018. The forecast net budget position will only be achieved provided that expenditure remains within budget and forecast revenues are achieved. It is important that Council remains within budget parameters in 2018/19 as this provides the opening position for the 2019/20 budget, which is being developed now.

Water Supply Fund

The Water Supply Fund is forecast to make an operating surplus of \$400k at 30 June 2019. This forecast is an improvement to the original budget, which had forecast an operating deficit of \$208k. As at 31 March 2019, Council had an operating surplus of \$2.9m but this is due to annual charges being raised and recognised in July for the full year. As regular expenditure will occur for the remainder of the year, the operating surplus will reduce and eventually revert to a position closer to the forecast operating surplus.

Council has budgeted for a negative cash impact in 2018-19 of \$2.2m due to the requirement to undertake capital works. These works will be funded from the water supply reserve fund.

Sewer Supply Fund

The Sewer Supply Fund is forecast to make an operating deficit of \$8k at 30 June 2019. This forecast is an improvement to the original budget, which had forecast an operating deficit of \$162k. As at 31 March 2019, Council had an operating surplus of \$2.0m but this is due to annual charges being raised and recognised in July for the full year. As regular expenditure will occur for the remainder of the year, the operating surplus will reduce and eventually revert to a position closer to the forecast operating deficit.

Council has budgeted for a negative cash impact in 2018-19 of \$1.7m due to the requirement to undertake capital works. These works will be funded from the sewer supply reserve fund.

Consolidated

The Consolidated forecast is to make an operating deficit of \$482k at 30 June 2019. This forecast is a significant improvement to the original budget, which had forecast an operating deficit of \$3.8m. As at 31 March 2019, Council had an operating surplus of \$9.4m but this is due to rates and annual charges being raised and recognised in July for the full year. As regular expenditure will occur for the remainder of the year, the operating surplus will reduce and eventually revert to a position closer to the forecast operating deficit.

Council's revised budget is for a negative cash impact of \$314k in 2018/19. This is a significant improvement to the original budget, which had forecast a negative cash impact of \$7.3m.

Key Issues and Risks

Monitoring of YTD actual performance to budget is important to ensure that expenditure remains within available financial resources.

Integrated Planning and Reporting Framework

Community Strategic Plan – Leadership for the Region

L2 – Council exceeds community expectations when managing its budget and operations.

L2.1 – Financial sustainability is maintained through effective short and long term financial management

L2.1.3 – Develop effective financial management systems

Stakeholder Engagement

The monthly financial report provides information on Council's actual to budget performance.

Financial Implications

The adopted budget does not have provision for overspends or for initiatives not included in the original budget and, as a result, must be closely monitored to ensure that actual expenditure remains within available financial resources. Introduction of any new initiatives requiring expenditure or overspends will require us to make adjustments to either the quantum or quality of projects and services to accommodate. Any overspends or new initiatives identified outside of the original budget must have an accompanying funding source.

Next Steps

Continue to monitor the financial position of Armidale Regional Council and ensure that sound financial management practices are employed to ensure expenditure remains within available financial resources.

Item: 13.3 **Ref:** AINT/2019/08481
Title: FOR INFORMATION: Summary of Resolutions of Council October 2018 -
March 2019 **Container:** ARC17/1962
Author: Jessica Bower, Executive Officer
Attachments: 1. Resolutions of Armidale Regional Council - October 2018 to March
2019

RECOMMENDATION:

That the report outlining resolutions of Council from October 2018 to March 2019 and actions carried out be noted.

Background:

The attached document is a progress report on the implementation of resolutions of Council.

Key Issues and Risks

The key issues and risks of each of the resolutions are varied and were outlined in the original reports to Council.

Integrated Planning and Reporting Framework

Community Strategic Plan – Leadership for the Region; Environment and Infrastructure; Growth, Prosperity and Economic Development; Our People and Community

Stakeholder Engagement

The resolutions outlined in the attachment have been previously adopted by Council.

Financial Implications

The financial implications of each of the resolutions are varied.

Next Steps

This report will be provided on a monthly basis for the previous six months.

Item: 13.4 **Ref:** AINT/2019/08586
Title: FOR INFORMATION: NSW Audit Office 'Report on Local Government 2018' and audit findings for Armidale Regional Council **Container:** ARC16/0488
Author: Brad Munns, Financial Accountant
Attachments: 1. NSW Audit Office, Report on Local Government 2018

RECOMMENDATION:

That Council note the Report on Local Government 2018, as issued by the Audit Office of NSW, and the information as requested by Council as relating to the audit findings for Armidale Regional Council.

Background:

Council has requested some commentary in relation to the Report on Local Government 2018, as issued by the Audit Office of NSW, along with information as relating to the audit findings for Armidale Regional Council (ARC).

The NSW Audit Office 'Report on Local Government 2018' analyses the results of the financial statement audits of NSW councils in 2017-18. Unqualified audit opinions were issued for 135 out of 138 council's 2017-18 financial statements, with three audits still in progress.

Sections reported upon by the NSW Audit Office and a summary of observations are outlined in the table below, along with audit findings as received by ARC.

Feedback and recommendations received by ARC are being actioned, are in progress and have an action date noted in the table below.

The NSW Audit Office 'Report on Local Government 2018' has been considered by the Audit and Risk Committee at their last meeting of 3 April 2019, and comments documented in the minutes of that meeting.

Report Item	Overall observations for all councils	Specific feedback on Armidale Regional Council (ARC)
1. Financial Reporting – Quality and Timeliness	The overall quality of financial statements were noted as requiring improvement, while the timeliness of financial reporting improved over the prior year.	ARC received no recommendations in relation to the quality or timeliness of its financial reporting. ARC's unqualified audit opinions were signed by the NSW Audit Office on 30 October 2018.
2. Governance and internal controls	In relation to Internal Controls, the overall recommendation is councils should reduce risk by addressing high-risk findings as a priority. An improvement in Governance is noted with an increase in the number of councils with an audit, risk and improvement committee, along with the number of councils	Observation 1: The Council does not maintain a centralised single legislative compliance register. Responsibility for compliance with legislative and regulatory requirements are decentralised to various divisions of the Council.

	<p>with an internal audit function.</p> <p>Councils can strengthen policies and practices for procurement, contract management, risk management and legislative compliance. Councils can improve internal controls over revenue, purchasing, payroll, Treasury, manual journals and reconciliations.</p>	<p>Recommendation 1: Management should implement a centralised legislative compliance register to ensure:</p> <ul style="list-style-type: none"> • completeness of legislative requirements • appropriate accountability is assigned to key officers • independent exception reporting to the Council and the Audit and Risk Committee. <p>The register should, preferably, be maintained in electronic format and reviewed for changes in legislation.</p> <p>Management Response 1: There is a current limit in resourcing capacity to do this in the short term, however Council is researching some cost effective options to fulfil this recommendation by December 2019. In Progress.</p> <p>Observation 2: Council does not have a documented Contract Management Policy that sets out processes for handling variations, contract performance review, and reporting. Contract management officers are not aware of effective and efficient contract management principles.</p> <p>Recommendation 2: Management should develop a comprehensive Contract Management Policy that provides guidance on contract lifecycle management and covers:</p> <ul style="list-style-type: none"> • variation processes (timeframe, budget, scope) • contract performance monitoring and reporting • succession planning • evaluation and debrief at conclusion of contract. <p>Management Response 2: Agree. Contract Management policy to be developed. In Progress.</p> <p>A file note form has been added to the intranet in lieu of creating a contract management procedure. This form is to record variations, conversation, contract</p>
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		<p>closed and regular meetings. Variation procedures are within the capital passport process also. Action Date by 31 December 2019.</p> <p>Observation 3: The Council did not have a documented methodology to allocate direct labour, direct materials and overheads to capital projects.</p> <p>Recommendation 3: Management should develop a project costing methodology that determines how direct labour, direct materials and overheads are allocated to capital projects, including separate classification for operating expenditure and capital expenditure.</p> <p>Management Response 3: Agree. Capital project costing methodology to be developed. In progress. Action date by 30 September 2019.</p>
<p>3. Information technology – Governance, IT general controls, Managing service providers</p>	<p>Notable observations are:</p> <ul style="list-style-type: none"> • All policies which manage key information technology (IT) processes have not been formalised; • Where policies are formalised, the policies are not being reviewed to ensure they are up to date. • IT risks are not being registered and IT risks are not regularly reported to management and those charged with governance. • User access management to IT systems needs to be improved • Privileged access is not adequately restricted and monitored • Control weaknesses over changes to IT systems. • Where outsourced IT service providers are used: <ul style="list-style-type: none"> • a complete and accurate inventory of IT service providers engaged, along with corresponding services provided is not maintained. • an adequate risk assessment before engaging the IT service provider was not performed. 	<p>Observations:</p> <ul style="list-style-type: none"> • The Council did not have an Information Technology (IT) change management policy. • There was no evidence of documented processes for reporting IT risks to senior management, those charged with governance, and the Audit and Risk Committee. <p>Recommendations: Management should, as a priority, develop and implement:</p> <ul style="list-style-type: none"> • an IT change management policy • processes for reporting IT risks to those charged with governance. <p>Management Response: Agree. IT Change Management policy to be developed, along with a process of reporting IT risks to those charged with governance. In Progress. Action Date by 31 December 2019.</p>

	<ul style="list-style-type: none"> clearly defined key performance indicators (KPI) are not specified in the Service Level Agreements (SLA) with the IT service provider. the performance of the IT service provider is not periodically assessed. 	
<p>4. Asset management - planning, valuation process, systems</p>	<p>Notable observations are:</p> <ul style="list-style-type: none"> The quality of critical planning documents (asset management strategy, policy and plan) could be improved to comply with the Local Government Act 1993 and the Integrated Planning and Reporting Guidelines issued by the Office of Local Government. Deficiencies in the asset valuation processes were noted, resulting in significant errors to the financial statements. The remaining useful lives of infrastructure assets were not formally re-assessed. Useful lives of similar assets varied across councils Residual values for road assets were recorded, which did not comply with the requirements of Australian Accounting Standards. The accuracy and completeness of councils' asset register data can improve. Discrepancies were found between councils' Crown land asset records and the Crown Land Information Database (CLID) managed by the Department of Industry. 	<p>Observation: The Council did not analyse the completeness of Crown land reserves it controlled at 30 June 2018 for recognition in its financial statements.</p> <p>Recommendation: Management should document its planned process for identifying, analysing and assessing the fair values of reportable Crown land assets/liabilities at 30 June 2019.</p> <p>In addition, it is required to identify and recognise assets, liabilities, income and expense of former Crown Reserve Trusts, if any, assigned to Council as required by the Crown Land Management Act 2016 (CLM Act).</p> <p>A senior Officer should review and sign off the accuracy and completeness of the land assets.</p> <p>Management Response: Agree. Process and valuation of Crown Land to be documented. Action Date by 30 September 2019.</p>
<p>5. Financial performance and sustainability – review of performance measures</p>	<p>Notable observations are:</p> <ul style="list-style-type: none"> Operating expenses exceeded operating revenue for several councils. several councils did not meet OLG's target of 60 per cent for own source operating revenue. Most councils met the liquidity and working capital performance measures over the last two years. 	<p>While no recommendations were provided by the NSW Audit Office, ARC's Operating Performance ratio was not met. The 2018 operating deficit was in line with budget and well below benchmark. The results in 2017 were the result of grants received for merger. The budgeting process for 2018/19 and 2019/20 forecast a significantly lower deficit.</p> <p>All other ratios for financial performance and sustainability are noted as sound.</p>

Key Issues and Risks

The Report on Local Government 2018 highlights the overall issues, risks and observations identified during NSW Audit Office's 2017-18 audits of all NSW Councils. Some of the observations are relevant to ARC and are being addressed as part of planning for the 2019 audit.

Integrated Planning and Reporting Framework

Community Strategic Plan – Leadership for the Region

L2 – Council exceeds community expectations when managing its budget and operations.

L2.1 – Financial sustainability is maintained through effective short and long term financial management

L2.1.2 – Financial Management and Accounting Services

Stakeholder Engagement

Finance

Financial Implications

Funds are budgeted in the annual Operational Plan to cover audit costs.

Next Steps

Implementation of the audit recommendations provided to ARC as part of planning for the 2019 Audit, along with completion of tasks by action dates.

Item: 16.1 **Ref:** AINT/2019/07091
Title: FOR DECISION: Minutes of the Environmental Sustainability Advisory Committee Meeting held on 1 April 2019
Container: ARC16/0864
Author: Sally Thorsteinsson, Sustainability Officer
Attachments: 1. Minutes - Environmental Sustainability Advisory Committee - 01 April 2019

RECOMMENDATION:

That the Minutes of the Environmental Sustainable Advisory Committee meeting held on 1 April 2019 be noted and;

- a) **That Council writes to the minister requesting a more equitable scheme for regional areas where consumers can claim the rebate themselves provided that proper installer's appliances and equipment used.**
- b) **That thanks be extended to members of the Woodsmoke Advisory Group for volunteering their time and participating.**
- c) **That Council liaise with Tomra to expedite the installation of additional functional return and earn units close to the population centre as a matter of priority.**

That the following recommendation of the Environmental Sustainable Advisory Committee meeting held on 1 April 2019 be noted.

- d) **That the funding of \$60,000 be reallocated to the Environment Sustainability budget towards the recommendations of the Woodsmoke Advisory Group.**

Management Comment: The amount of \$60,000 allocated in the original 2018-19 budget was removed during the second quarter budget review as the smart city grant application was unsuccessful. As Council current 2028-19 has a projected deficit for year end this money is not available with the current budget to reallocate.

Item: 16.2 **Ref:** AINT/2019/07822
Title: FOR DECISION: Minutes - Traffic Advisory Committee Meeting - 2 April 2019 **Container:** ARC16/0168
Author: Belinda Ackling, Personal Assistant
Attachments: 1. Minutes - Traffic Advisory Committee - 02 April 2019

RECOMMENDATION:

- a) **That the Minutes of the Traffic Advisory Committee meeting held on 2nd April 2019 be noted and endorsed.**
- i. **That approval be granted for Special Event Transport Management Plan for the Tingha Anzac Day march, 25 April 2019 and associated temporary road closure of Ruby Street between Topaz Street and Kempton Road, in accordance with the traffic control plan.**
 - ii. **That approval be granted for Special Event Transport Management Plan for the Armidale Anzac Day March and Commemoration Service, 25 April 2019 and associated temporary road closure for Faulkner Street from Dumaresq Street to Beardy Street and the connecting intersections with East Mall and Rusden Street, in accordance with the traffic control plan.**
 - iii. **That approval be granted for Special Event Transport Management Plan for the Guyra Anzac Day march, 25 April 2019 and associated temporary road closure for Ollera and Bradley Streets, in accordance with the traffic control plan.**
 - iv. **That the application for the 2019 Armidale Athletic Club's Wednesday Winter Social Cross-Country be approved, as per the Special Event Transport Management Plan.**
 - v. **That the 2 x ¼ hour parking spaces in Faulkner Street adjacent to the Folk Museum be changed to 1 Hour parking.**
 - vi. **That 'No Stopping' signs be extended from the existing sign on the corner of Peter Monley Drive and Saumarez Road to the entry of the AVIS lease.**
 - vii. **That temporary bus zone be installed on Dumaresq Street for the Armidale Secondary College Sports Carnival from 8am until 4pm 8th May 2019.**

Item: 16.3 **Ref:** AINT/2019/08142
Title: FOR INFORMATION: Minutes of the Arts, Cultural & Heritage Advisory
Committee meeting held on 28 February 2019 **Container:** ARC16/0217
Author: Hayley Ward, Interim Museum Team Leader
Attachments: 1. Minutes - Arts, Cultural and Heritage Advisory Committee - 28
February 2019

RECOMMENDATION:

That the Minutes of the Arts, Cultural and Heritage Committee meeting held on 28 February be noted.

Item: 16.4 **Ref:** AINT/2019/07502
Title: FOR INFORMATION: Minutes of the Audit and Risk Committee
Meetings held on 26 February 2019 and 3 April 2019
Container: ARC16/0522-2
Author: Nathalie Heaton, Service Leader Governance, Risk and Corporate
Planning
Attachments:
1. Minutes - Audit and Risk Committee - 26 February 2019
2. Minutes - Audit and Risk Committee - 03 April 2019

RECOMMENDATION:

That the Minutes of the Audit and Risk Committee meetings held on 26 February 2019 and 3 April 2019 be noted.

Item: 16.5 **Ref:** AINT/2019/08009
Title: FOR INFORMATION: Minutes- Business Advisory Committee - 2 April
2019 **Container:** ARC16/0169
Author: Belinda Ackling, Personal Assistant
Attachments: 1. Minutes - Business Advisory Committee - 02 April 2019

RECOMMENDATION:

That the Minutes of the Business Advisory Committee meeting held on 2nd April 2019 be noted.

Item:	18.1	Ref: AINT/2019/08500
Title:	Questions on Notice - Cr Robinson and Cr O'Connor ARC16/0025	Container:
Author:	Dorothy Robinson, Councillor	
Attachments:	Nil	

Question on Notice 1. (Cr Robinson and Cr O'Connor)

In view of the severe financial pressures council is said to be facing (and consequent cuts to funding for important community and council committee projects), can the CEO please report the total cost of paying for

- a) the facilitator for the councillors workshop on 6 February 2019
- b) the consultant to review council committees
- c) the cost of having legal representation at the 27 March council meeting to advise on the code of meeting practice
- d) the cost of hiring a consultant to advise the Transformation project on the Armidale Memorial library.

Question on Notice 2. (Cr Robinson and Cr O'Connor)

Please advise the expected financial impact of the following recent announcements:

- a) Hon Adam Marshall MP, 6 March 2019 announced imminent funding of \$4.6M to the White Bluff section of the Kempsey Road,
- b) Adam Marshall (weekly report 8 March and Armidale Express March 6, 2019) announced future funding of other sections of the Kempsey Road to total of \$16M (including funding in a) over next four years
- c) Adam Marshall (weekly Report 8 March 2019) announcement of future reclassification of Kempsey Rd making the NSW Government rather than ARC responsible for its future maintenance and improvement costs.

Question on Notice 3. (Cr Robinson and Cr O'Connor)

The NSW Government promised an additional \$1 billion to fix country roads. Assuming ARC gets its fair share of this funding, by how much will this improve

- a) the 19/20 and subsequent budget bottom lines
- b) ARC's infrastructure backlog
- c) capital works and renewals programs going forward ?

Question on Notice 4. (Cr Robinson)

Why did Council claim on the agenda for the 27 March 2019 Ordinary Council Meeting that the Notice of Motion submitted for that meeting which stated "that council keeps up the good work of providing attachments to council meetings that allow councillors to search for and copy text, and that the same benefits are made available to the public" was unlawful on the grounds that "council had already implemented the action" in circumstances where this was not the case as at 27 March 2019?

Background. Downloading the Agenda and attachments available to the public on 24 March and attempting to search for 'pecuniary' demonstrated that the same benefits were not made available to the public on that date.

Question on Notice 1

Answer:

- a) \$8,000
- b) \$12,000
- c) \$2,745
- d) No invoice has been received.

Question on Notice 2

Answer:

- a) Council will recognise this funding as a capital grant and there will be associated capital expenditure in the amount of the grant. There will be no impact on Council's budgeted operating result.
- b) No funding has been formally advised. Until this occurs we do not know how it can be applied to the program of works.
- c) The reclassification of Kempsey Road from a Local Road to a Regional Road has yet to occur. As Kempsey Road will remain Council's asset whatever its classification, no change to asset values and associated depreciation is expected as a result of the reclassification. Once Kempsey Road is reclassified, Council may be able to access funding which if received, will reduce the contribution required by Council to maintain the road. The extent to which this may assist Council's operating result will depend on the level of funding received.

Question on Notice 3

Answer:

- a) and b) We have had no notification of when, whether or how much Armidale Regional Council will receive of this announced funding. Until such time as this occurs, it is not known what financial impact, if any, this will have on Armidale Regional Council.
- c) The impact this funding will have on capital works and renewal programs is impossible to determine without any knowledge of the timing and parameters of the promised funding.

Question on Notice 4

Answer:

A searchable version of the agenda and attachments was available to the public on 25 March 2019.