



**SNOWY MONARO**  
REGIONAL COUNCIL

# **LATE BUSINESS PAPER**

**PUBLIC EXHIBITION COPY**

**Ordinary Council Meeting**  
**16 September 2021**

**ORDINARY COUNCIL MEETING  
TO BE HELD IN COUNCIL CHAMBERS, 81 COMMISSIONER STREET, COOMA NSW  
2630**

**ON THURSDAY 16 SEPTEMBER 2021  
COMMENCING AT 5:00PM**

**LATE BUSINESS PAPER**

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13.4	Jindabyne Community Library & Innovation Hub	
	<i>Item 13.4 is confidential in accordance with s10(A)(2)(c) of the Local Government Act because it contains information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business and discussion of the matter in an open meeting would be, on balance, contrary to the public interest.</i>	



#### 9.4.11 DRAFT FINANCIAL STATEMENTS FOR PERIOD ENDING 30 JUNE 2021

Record No: I21/169

Responsible Officer:	Chief Executive Officer
Author:	Management Accountant
Key Theme:	4. Leadership Outcomes
CSP Community Strategy:	11.2 Council utilises sound fiscal management practices, pursues and attracts other sources of income
Delivery Program Objectives:	11.2.2 Provision of statutory reporting enables our leaders to make decisions on Council's financial sustainability
Attachments:	1. DRAFT Primary Financial Statements 2021
Cost Centre	Financial Services
Project	Annual Financial Statements 2021
Further Operational Plan Actions:	

#### EXECUTIVE SUMMARY

This is the provision of the main financial statements referred to report 9.4.6 – 2021 Financial Statements to be referred to External Audit. The DRAFT *primary* financial statements (and statements by fund) are presented to Council.

It is anticipated that in the period between now and the audit and the period following the audit there will be some changes to some of the line items, in particular the revaluations of some certain classes of assets (Other Structure and Community Land) are yet to be finalised – this will impact on the income statement and the statement of financial position.

The following officer's recommendation is submitted for Council's consideration.

#### OFFICER'S RECOMMENDATION

For additional information only.

#### BACKGROUND

Overall the financial results have deteriorated against the original budget and previous year's results. Primarily the issues are driven by changes in revenue.

The \$4million drop in revenue compared to the previous year is significant, as is revenue being \$6million less than originally forecast. Overall the variation from original budget to the financial statements was in the level of capital revenue, indicating that overall the revenue generally reflects the worsening financial situation initially anticipated.

The primary changes are as follows:

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Area	Change on last year	Change on original budget
	(\$,000)	
Rates and Annual Charges	-\$1,223	-\$2,098
User Charges and Fees	\$912	-\$66
Other Revenue	-\$635	\$798
Operating Grants	-\$990	\$3,429
Capital Grants	-\$1,055	-\$7,627
Interest	-\$492	-\$202
Other	-\$35	\$445
Gain on Disposal	-\$460	-\$664

Operating expenditure has been reasonably contained overall, increasing less than the effect of inflation.

The primary drivers of this outcome are as follows:

Income:

**Rates and Annual Charges:** The reduction in the rates and annual charges compared to the budget position relates primarily to water & sewer annual charges. The impact of this was to reduce income within this area by \$1.7million compared to the previous year. This has occurred due to reallocation of Sewer revenue to user charges (\$1.1m) and the reversal/write-off of water charges relating to bushfire affected properties and other adjustments or corrections of errors in billing (some relating to prior years) to (\$600,000).

**User Charges:** The main positive change from last year driving an increase in this revenue area relates to \$1.1m of sewer charges reallocated from annual charges (noted above). This is offset by a decrease in revenue from RMS Road works (700,000)

**Other Revenue:** Dropped from the previous year due to the funding in the previous year of the costs incurred by Council in the Black Summer fires.

**Operating Grants:** Additional grants were received over budget (\$3.4m), but these are also reflected in increased expenditure, so do not improve the overall financial position of the Council. Our untied operating grants, which we rely on to fund the increased costs of providing services, reduced slightly.

**Capital Grants:** This is an area where the amount of revenue is significantly lower than the budget allowed for. This is due to the delays in a number of projects that were expected to progress further in that period. Overall the grants are lower than last year due to more of the Stronger Communities projects being undertaken in the previous year, the level of funding under that program was not going to continue.

**Interest and Investments:** The extremely low interest environment has had a significant financial impact, both against budget and the previous year. This income source dropped around \$500,000 compared to the previous year.

**Gain on Disposal:** The changes here are driven by the delays caused by Covid on acquiring plant and equipment, such as replacement garbage trucks.

**Expenditure:**

**Other Expenditure:** The increase of \$400,000 in the contribution required to be made to the NSW Rural Fire Service has led to the increase in this area. Fortunately this was offset by once off operating grants for the reporting year, so did not contribute to the over increasing deficit.

On the balance sheet the main notable change is the level of current receivables. The increase here of \$1.4m relates to a combination of amounts due for grants that had not met the milestone for payment at 30 June and rates and charges receivable. As has previously been identified, Council is not progressing with debt recovery, but higher levels of outstanding debt should be expected in the current economic climate.

There is a large increase in current assets, but this only reflects the change in investments from term deposits to at-call investments, so only reflects an accounting reclassification of assets.

A further significant change is the three column comparatives to show the impact of a correction to a prior period error. This relates to asset data cleansing completed as part of the system implementation during the year. A number of assets were identified as duplicates or not council owned and were 'written-off' in the current year. Rather than disclosing this as a loss on disposal this has gets reported as a prior period error.

These factors have all impacted on the cash position of the Council. The result is that the Council will again need to show less funds held as internal restrictions as at 30 June. This was anticipated in the 2020/21 budget, but will be worse as a result of the impact of the increased receivables. Recovery of the receivables will in turn lead to an improved cash position.

## **QUADRUPLE BOTTOM LINE REPORTING**

### **1. Social**

The audit of the Council's general and special purpose financial statements and accounting policies will provide assurance of Council's financial management.

### **2. Environmental**

No direct environmental impacts.

### **3. Economic**

The preparation, compilation and audit of Council's financial statements has been provided for in Council's annual budget.

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#### **4. Civic Leadership**

The audit of Council's general purpose financial statements and special purpose financial statements and accounting policies supports the accountability of decision makers and compliance with regulations.

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## Snowy Monaro Regional Council

### Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
<b>Income from continuing operations</b>				
33,318		B2-1	<b>31,220</b>	32,443
15,418		B2-2	<b>15,352</b>	14,440
555		B2-3	<b>1,353</b>	1,988
21,010		B2-4	<b>24,438</b>	25,428
17,949		B2-4	<b>10,322</b>	11,377
1,385		B2-5	<b>1,183</b>	1,675
412		B2-6	<b>857</b>	892
1,002		B4-1	<b>338</b>	798
91,049			<b>85,063</b>	89,041
<b>Expenses from continuing operations</b>				
32,616		B3-1	<b>33,437</b>	33,637
25,970		B3-2	<b>27,277</b>	26,552
167		B3-3	<b>482</b>	79
19,123		B3-4	<b>20,367</b>	20,486
1,609		B3-5	<b>2,828</b>	1,648
79,485			<b>84,391</b>	82,402
11,564			<b>672</b>	6,639
11,564			<b>672</b>	6,639
<b>Net operating result for the year attributable to Council</b>				
(6,385) <b>Net operating result for the year before grants and contributions provided for capital purposes</b>			<b>(9,650)</b>	(4,738)

The above Income Statement should be read in conjunction with the accompanying notes.



## Snowy Monaro Regional Council

### Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	Restated 2020	Restated 1 July 2019 <sup>1</sup>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	C1-1	208	6,546	11,113
Investments	C1-2	54,801	20,000	19,000
Receivables	C1-4	14,927	13,533	13,700
Inventories	C1-5	2,397	1,656	1,695
Other		560	423	299
<b>Total current assets</b>		<b>72,893</b>	<b>42,158</b>	<b>45,807</b>
<b>Non-current assets</b>				
Investments	C1-2	21,000	52,000	58,219
Receivables	C1-4	36	62	105
Infrastructure, property, plant and equipment	C1-8	1,199,808	1,198,963	1,134,113
Intangible Assets	C1-10	3,745	350	350
Right of use assets	C2-1	103	62	–
<b>Total non-current assets</b>		<b>1,224,692</b>	<b>1,251,437</b>	<b>1,192,787</b>
<b>Total assets</b>		<b>1,297,585</b>	<b>1,293,595</b>	<b>1,238,594</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	C3-1	9,567	8,990	10,254
Contract liabilities	C3-2	14,271	11,435	–
Lease liabilities	C2-1	76	49	–
Borrowings	C3-3	297	520	490
Employee benefit provisions	C3-4	6,855	6,918	6,688
<b>Total current liabilities</b>		<b>31,066</b>	<b>27,912</b>	<b>17,432</b>
<b>Non-current liabilities</b>				
Lease liabilities	C2-1	38	16	–
Borrowings	C3-3	58	356	875
Provisions	C3-5	19,985	19,545	5,052
<b>Total non-current liabilities</b>		<b>20,081</b>	<b>19,917</b>	<b>5,927</b>
<b>Total liabilities</b>		<b>51,147</b>	<b>47,829</b>	<b>23,359</b>
<b>Net assets</b>		<b>1,246,438</b>	<b>1,245,766</b>	<b>1,215,235</b>
<b>EQUITY</b>				
Accumulated surplus	C4-1	1,174,901	1,174,229	1,189,296
IPPE revaluation reserve	C4-1	71,537	71,537	25,720
Other reserves	C4-1	–	–	219
<b>Council equity interest</b>		<b>1,246,438</b>	<b>1,245,766</b>	<b>1,215,235</b>
<b>Total equity</b>		<b>1,246,438</b>	<b>1,245,766</b>	<b>1,215,235</b>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

## D Council structure

### D1 Results by fund

General fund refers to all Council activities other than water and sewer. All amounts disclosed in this note are gross i.e. inclusive of internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

#### D1-1 Income Statement by fund

\$ '000	General 2021	Water 2021	Sewer 2021
<b>Income from continuing operations</b>			
Rates and annual charges	21,666	2,725	6,829
User charges and fees	7,930	5,881	1,541
Interest and investment revenue	559	315	309
Other revenues	983	11	359
Grants and contributions provided for operating purposes	24,344	92	2
Grants and contributions provided for capital purposes	4,374	774	5,174
Net gains from disposal of assets	328	10	–
Other income	857	–	–
<b>Total income from continuing operations</b>	<b>61,041</b>	<b>9,808</b>	<b>14,214</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	28,571	2,581	2,285
Materials and services	19,785	3,202	4,290
Borrowing costs	473	9	–
Depreciation, amortisation and impairment of non-financial assets	16,573	2,252	1,542
Other expenses	2,626	169	33
Net losses from the disposal of assets	(4)	–	4
<b>Total expenses from continuing operations</b>	<b>68,024</b>	<b>8,213</b>	<b>8,154</b>
<b>Operating result from continuing operations</b>	<b>(6,983)</b>	<b>1,595</b>	<b>6,060</b>
<b>Net operating result for the year</b>	<b>(6,983)</b>	<b>1,595</b>	<b>6,060</b>
<b>Net operating result attributable to each council fund</b>	<b>(6,983)</b>	<b>1,595</b>	<b>6,060</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(11,357)</b>	<b>821</b>	<b>886</b>

D1-2 Statement of Financial Position by fund

\$ '000	General 2021	Water 2021	Sewer 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	208	-	-
Investments	23,709	18,538	12,554
Receivables	7,182	3,608	4,137
Inventories	2,397	-	-
Other	560	-	-
<b>Total current assets</b>	<b>34,056</b>	<b>22,146</b>	<b>16,691</b>
<b>Non-current assets</b>			
Investments	9,085	7,104	4,811
Receivables	-	-	36
Infrastructure, property, plant and equipment	1,019,800	93,582	86,426
Intangible assets	3,745	-	-
Right of use assets	103	-	-
<b>Total non-current assets</b>	<b>1,032,733</b>	<b>100,686</b>	<b>91,273</b>
<b>TOTAL ASSETS</b>	<b>1,066,789</b>	<b>122,832</b>	<b>107,964</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	9,224	340	3
Contract liabilities	14,271	-	-
Lease liabilities	76	-	-
Borrowings	220	77	-
Employee benefit provision	6,855	-	-
<b>Total current liabilities</b>	<b>30,646</b>	<b>417</b>	<b>3</b>
<b>Non-current liabilities</b>			
Lease liabilities	38	-	-
Borrowings	58	-	-
Provisions	19,985	-	-
<b>Total non-current liabilities</b>	<b>20,081</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>50,727</b>	<b>417</b>	<b>3</b>
<b>Net assets</b>	<b>1,016,062</b>	<b>122,415</b>	<b>107,961</b>
<b>EQUITY</b>			
Accumulated surplus	967,793	102,174	104,934
Revaluation reserves	48,271	20,240	3,026
<b>Council equity interest</b>	<b>1,016,064</b>	<b>122,414</b>	<b>107,960</b>
<b>Total equity</b>	<b>1,016,064</b>	<b>122,414</b>	<b>107,960</b>

### 10.3 REVIEW OF INSURANCE COVERAGE

Record No: I21/167

Responsible Officer: Chief Executive Officer  
Author: Councillor Anne Maslin  
Attachments: Nil

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Councillor Anne Maslin has given notice that at the Ordinary Meeting of Council on 16 September 2021, she will move the following motion.

#### **MOTION**

That Council appoint an expert Insurance consultant agency to deliver an urgent audit of SMRC insurance coverage, particularly of critical SMRC infrastructure, in order to provide assurance that there are no gaps in insurance coverage for SMRC. The audit should be completed no later than end of November 2021.

#### **BACKGROUND**

Gaps in insurance coverage have cost Snowy Monaro Regional Council large amounts in redressing damage caused to council assets and to third parties. It is good governance to ensure that any existing gaps in insurance coverage are identified and covered immediately.

#### **CHIEF EXECUTIVE OFFICER'S RESPONSE**

Council participated in a joint tender process with 5 councils in 2019-20 resulting in the Council moving from one mutual to another. This process utilised the services of Local Government Procurement to develop the specifications and run the tender process to gain insurance required to balance the level of coverage against the risk of property loss. Following the awarding of the tender Council worked through the available data with Council's insurance brokers to identify what assets needed coverage and the valuations on the properties in question. A full due diligence process was undertaken to seek to ensure that the mutual was satisfied that Council has provided sufficient and reasonable quality information to allow the risks to be managed effectively by the mutual.

Much of Council's critical infrastructure, such as roads, bridges and pipelines is not insured, as the premiums are considered unaffordable due to the value of assets to be insured. As a result Councils rely heavily on natural disaster funding to replace such infrastructure when it fails or that the cost of replacing assets is, over the longer term, lower than the cost of insuring such assets.

The current known risk is the fact that the previous councils had very poor asset management systems in place. Some assets, including buildings and structures have not been recorded properly in the past. There is an ongoing process in place working through the available information and identify where assets exist that are not currently recorded as well as where there are duplicate assets in the Council's records. This process has already resulted in a significant change to the level and value of assets included in Council's insurance register. This process will not be complete by November 2021, but would need to be undertaken to achieve the outcome of the recommended action.

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10.3 REVIEW OF INSURANCE COVERAGE

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Running the tender for insurance cost \$75,000, of which Snowy Monaro Shire Council paid 20% or \$15,000 and as part of the process of moving to the new mutual had to contribute \$15,000 (a subsidised amount) towards undertaking the due diligence process to assure the Mutual that Council was managing its risks effectively. It is anticipated that the cost of having an insurance review undertaken will be in the range of \$20,000 to \$90,000 as there will be significant work involved in identifying whether all assets are identified on the insurance schedules and whether the values are appropriate. The company doing this work also takes on considerable risk exposure and that will impact on the pricing expected. Council will need to identify the budget cuts to provide the allocation towards this project before it can proceed.

It is unlikely that this would be able to be completed by November 2021. Council will need to develop a specification, advertise this and evaluate the responses. Only at that stage, would we be able to schedule the process, which is estimated to take three months. Overall the process would be expected to take between five to six months.

### 13. CONFIDENTIAL MATTERS

In accordance with Section 10A(2) of the Local Government Act 1993, Council can exclude members of the public from the meeting and go into Closed Session to consider confidential matters, if those matters involve:

- (a) personnel matters concerning particular individuals; or
- (b) the personal hardship of any resident or ratepayer; or
- (c) information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business; or
- (d) commercial information of a confidential nature that would, if disclosed;
  - (i) prejudice the commercial position of the person who supplied it, or
  - (ii) confer a commercial advantage on a competitor of the council, or
  - (iii) reveal a trade secret,
- (e) information that would, if disclosed, prejudice the maintenance of law; or
- (f) matters affecting the security of the council, councillors, council staff or council property; or
- (g) advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the ground of legal professional privilege or information concerning the nature and location of a place; or
- (h) an item of Aboriginal significance on community land.

and Council considers that the closure of that part of the meeting for the receipt or discussion of the nominated items or information relating thereto is necessary to preserve the relevant confidentiality, privilege or security of such information, and discussion of the material in open session would be contrary to the public interest.

In accordance with Section 10A(4) of the Local Government Act 1993 the Chairperson will invite members of the public to make verbal representations to the Council on whether the meeting should be closed to consider confidential matters.

#### RECOMMENDATION

1. THAT pursuant to Section 10A subsections 2 & 3 and Section 10B of the Local Government Act, 1993 (as amended) the following items on the agenda for the Ordinary Council meeting be dealt with in Closed Session for the reasons specified below:

#### **13.4 Jindabyne Community Library & Innovation Hub**

Item 13.4 is confidential in accordance with s10(A)(2)(c) of the Local Government Act because it contains information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business and discussion of the matter in an open meeting would be, on balance, contrary to the public interest.

2. The press and public be excluded from the proceedings of the Council in Closed Session on the basis that these items are considered to be of a confidential nature.
3. That the Minutes and Business Papers including any reports, correspondence, documentation or information relating to such matter be treated as confidential and be withheld from access by the press and public, until such time as the Council resolves that the reason for confidentiality has passed or become irrelevant.
4. That the resolutions made by the Council in Closed Session be recorded in the Minutes of the Council Meeting.
5. That upon this recommendation being moved and seconded, the Chairperson invite representations from the public as to whether this part of the meeting should be closed to consider the nominated item.