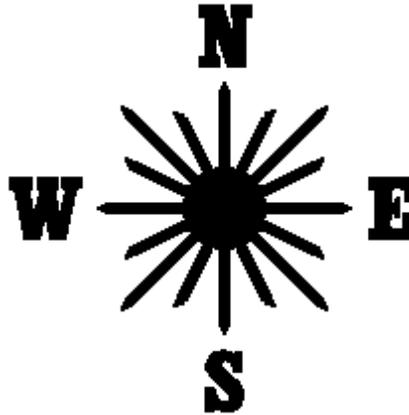


Mission Statement

To promote the Central Darling Shire area by encouraging development through effective leadership, community involvement and facilitation of services

CENTRAL DARLING



SHIRE COUNCIL

Agenda

For an Extraordinary Meeting

Tuesday 10th December 2013 10:00am

at

Wilcannia

Council dedicated to serving its Communities

Any public discussion of Council or Committee reports and recommendations is on the basis that such reports or recommendations do not have effect until adopted by a full meeting of Council.

The above-mentioned Meeting of Council will be held in the Council Chambers, Wilcannia Tuesday 10th December 2013 commencing at 10:00am.

ORDER OF BUSINESS

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SECTION 1. RECEIPT OF APOLOGIES

RECOMMENDATION

That the apologies be received and noted

SECTION 2. GRANTING OF LEAVE OF ABSENCE

RECOMMENDATION

That leave of absence be granted.

SECTION 3.

3.1 REPORT ON MINISTERIAL MEETING 5TH DECEMBER 2013

Summary

In response to a number of briefings and discussions with Council regarding Council's financial position and in particular a serious liquidity crisis, a meeting was held with the Minister for Local Government and staff from the Division of Local Government, Department of Premier & Cabinet (DLG) the President and staff from Local Government NSW and the Mayor and Acting Manager Corporate and Community Services representing Council (Council).

As a result of the meeting a number of courses of action have been identified for Council's assessment and are presented in this report.

The report also contains recommendations for Council's consideration.

Background

In November 2012 discussions took place with Council in relation to its then financial situation. Following this meeting, in January 2013 the local member for Murray Darling, John Williams, was approached to arrange an appointment with the Minister for Local Government to provide an opportunity for a delegation from Council to update the Minister on Council's deteriorating financial position and what at that time, was a looming liquidity issue.

The outcome of the meeting was an offer from the DLG to provide an external resource to review the situation and provide guidance as to how the situation might best be managed. Council accepted the offer and the external advisor, Mr Geoff Wise duly carried out his review and offered a number of suggestions to Council as to where some costs might be reduced and income increased.

Mr Wise addressed Council at the May 2013 meeting to comment on his review and also the related issue of the need for Council to make a submission to the review being undertaken by the Independent Local Government Review Panel.

It is understood Mr Wise provided a report to the DLG but Council has not been made aware of the details of this report nor has there been any subsequent comments from the DLG.

During April and May 2013 in conjunction with the preparation of the draft budget for the 2013/14 financial year, Council was updated on its financial position and informed that significant cuts would have to be made and projects deferred from the budget to achieve an acceptable financial result.

Prior to the adoption of the budget, discussions were held with officers from the Division of Local Government who confirmed and reinforced management's view that adoption of a deficit budget in Council's current financial circumstances was not an acceptable option.

Council discussed a list of proposed expenditure cuts and at the June meeting, adopted a balanced budget.

In September/October 2013 with the benefit of having drafted Council's financial statements for the June 2013 financial year, an updated cash flow projection through to June 2014 was produced which reflected the effect of creditors and works carried over from the previous financial year, none of which had been factored into the adopted budget for 2013/14.

The updated cash flow projected a serious liquidity issue and showed Council would be wholly dependent on overdraft funding for the remainder of the current financial year and even after receiving a prepayment of the first six months of the 2014/15 FAG, would still have an overdraft in excess of \$1.0m as at 30 June 2014.

Council's bankers were made aware of the liquidity issue and requested to provide an increase in the amount of Council's authorised overdraft limit. Following discussions with the bank, a temporary increase to \$2.0m has been provided subject to Council continuing its discussions to seek a solution with State Government.

Once again the local member of State Parliament was requested to make representations on Council's behalf to the State Treasurer which we are led to believe resulted in a meeting between him and the Minister for Local Government.

Summary of Discussions at the Meeting

At the meeting the Minister was updated on the current and forecast position and discussion took place on possible cost reductions as an immediate measure to relieve the situation.

It was clearly stated by the Minister and representatives from the DLG that whilst they might have some sympathy with the position Council has found itself in, the problem is one that can only be resolved by Council.

Apart from a suggestion that consideration could be given to shared services arrangements with neighbouring councils such as Broken Hill or reducing full time staff numbers by 50%, the recent increase in Council's FAG OF \$400,000 was the limit of financial support that could reasonably be expected from the NSW State Government.

It was advised that were the Government to accede to Council's request for financial support, a precedent would be set for other councils and indeed would lead to a situation where the State Government's liability to provide additional funding to Local Government, would have serious impacts on the State Governments own financial position.

Outcomes of the Meeting

In the absence of any financial assistance being available from the NSW Government, a plan was proposed that encompasses the following elements:

1. An extraordinary meeting of Council be convened as a matter of urgency to consider a report on the discussions with the Minister.
2. That at that meeting Council be presented with a list of possible cost reductions to be formally considered by Council.
3. In the event of cost reductions not being implemented by Council or not being considered sufficient to resolve the current liquidity crisis or provide a sustainable solution, Council request assistance through the Minister to exercise his powers of Early Intervention under the Local Government Act 1993 and appoint an Administrator for a minimum of three to a maximum of six months. Their duty would involve assuming all the decision making responsibilities of Council and preparing a report for the Minister as to what steps could be implemented to resolve the situation.
4. Should Council be unwilling or unable to take the suggested actions, the Minister would have no alternative other than exercising one or more of the powers available under the Local Government Act.

Current and forecast liquidity position

Based on the reconciled bank balance as at the close of business on Sunday 8 December 2013, Council is overdrawn \$1,447,096 which is \$552,904 under the bank approved limit of \$2,000,000.

Taking into account expected cash inflows and outflows between now and the end of December 2013, the estimated overdrawn balance as at 31 December 2013 will be \$1,079,668.

Without taken into account any savings from proposed expenditure cuts but allowing for leasing instead of purchasing new community buses and deferring payment for a major government creditor and assuming projected cash inflows continue, it is forecast the overdraft balance will remain within the \$2.0m limit until 31 March 2014. However from this point on the balance will exceed the approved limit until 30 June 2014 where, after peaking at \$3.3m in May, it will reduce to \$1.1m overdrawn.

Of the areas available to Council in which to reduce cash outlays, the most feasible is to reduce expenditure on contractors. If the fortnightly outlay was reduced by \$100,000, the effect of this over the balance of this financial year would be to reduce the projected overdraft balance as at 30 June 2014 to approximately \$100,000.

Possible cost reductions

In response to a request from the Mayor, a list of possible cost reductions has been prepared as an attachment to this report.

Whilst many of the suggestions are undesirable, they have been included for discussion. Any decision to implement the identified reductions must be accompanied by detailed consideration of issues including, but not limited to:

- The likely impact in the immediate, short and medium term;
- The level of difficulty in implementing the saving;
- Any offsetting one off or capital costs associated with achieving the reduction;
- Potential reductions in grants, contributions or subsidies;
- Likely service impacts;
- Potential risk implications; and
- Possible contractual or regulatory breaches.

Cash management strategies

Another alternative or a complementary process to contain Council's cash outflows within the \$2.0m limit granted by our bankers is to look at rescheduling payment frequencies for large payments such as to Government organisations and examining the feasibility using lease finance for capital purchases. It is estimated the effect of this strategy would be to reduce immediate outlays by \$973,000 enabling the overdraft balance to be contained within the limit and reduce overdraft interest costs. This would also provide time for the assessment and implementation of proposed cost reduction proposals.

Conclusion

As stated on previous occasions, the liquidity crisis facing Council is the direct result of a chronic and indeed endemic under funding over a period of years. Council has not been frivolous or extravagant with the limited cash resources it has had at its disposal. Council has always sought to meet its obligations under the *Local Government Act 1993 NSW* and provide a basic level of service to the community.

The concerns expressed by Council's bankers as to our ability to repay the overdraft facility, are a further reflection of the observations expressed by TCorpNSW in its review of Council's financial viability and sustainability.

Although there are expenditures that can undoubtedly be reduced, it is highly unlikely that the amount of potential, realistic and sustainable savings, will make any material difference to the solvency let alone sustainability of Council.

If the sustainability of Council is to be resolved, it can only happen when the partnership that is supposed to exist between Federal, State and Local Governments is put into practice. Council will have to find more efficient and cost effective ways of operating and providing services but without a substantial increase in funding by both the Federal and State governments, any changes or savings by Council will be ineffective.

RECOMMENDATIONS

- 1. That advice from the Division of Local Government, NSW Department of Premier and Cabinet as provided in this report be noted.***
- 2. The Council identify actions that it may take to address issues arising from Item 1 above, including opportunities for increasing income, decreasing expenditure and reviewing the organisational structure and operational plan.***
- 3. That Council endorses and supports the actions of the Mayor in progressing this issue to date.***
- 4. That Council under the signature of the Mayor, advises the Minister for Local Government of this report and recommendations adopted.***