

NARRABRI SHIRE COUNCIL



**FINANCE &
GOVERNANCE
COMMITTEE**

FINANCE & GOVERNANCE COMMITTEE
MEETING OF COUNCIL HELD ON TUESDAY,
1ST MAY, 2007.

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FINANCE & GOVERNANCE COMMITTEE

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NARRABRI SHIRE COUNCIL



**ITEMS FOR
COMMITTEE TO
RESOLVE**

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1. CAPITAL EXPENDITURE REPORT (KS:KS) [CORP]**C20/32001****Purpose**

The purpose of this report is to provide the Finance & Governance Committee with an updated Capital Expenditure Report.

Current Position

The status of capital works within the Corporate Services area is shown in [Attachment 1](#).

RECOMMENDATION: That the Finance & Governance Committee receive and note the information in relation the Capital Expenditure Report.

2. DEBTORS REPORT (KS:KS) [CORP]**F10/01002****Purpose**

To report to Councillors the rates, water and sundry debtors position of Council.

Background

Council categorises its debtors into rates, water and sundry reflecting the three systems that are used to generate debtors.

Rates are levied at the start of each financial year resulting in a high level of debtors carried initially reducing throughout the year as instalments are collected quarterly.

Water is billed quarterly resulting in outstanding debtor 'spikes' when bills are issued. Water is also affected by seasonal demand. Only excess water sales are billed under 'water' with un-metered water sales reflected in the outstanding rates as annual charges.

Sundry debtors are raised monthly for services rendered such as trade waste and on an 'as needs' basis for services such as saleyard fees and private works.

Current Position

The current position can be obtained from the reports in [Attachment 2](#).

Financial Implications

The financial implications of not constantly monitoring outstanding debts are reduced cash flow and loss of interest income as a result, a higher risk of bad debts and the risk of being known as a submissive creditor who will not enforce payment.

As at 31 March 2007, Council was carrying the following outstanding debts:

	Rates	Water	Sundry Debtors	Total	%
Arrears	\$438,174	\$58,011	\$32,529	\$528,714	15%
Current	\$2,982,282	\$12,324	\$112,784	\$3,107,390	85%
Total	\$3,420,456	\$70,335	\$145,313	\$3,636,104	100%

Commentary**Rates**

Rates outstanding to levy stood at 26.63% at 31st March, 2007. This is an improvement over previous years. Arrears stood at 12.8% of the total rates outstanding. The impact of the upcoming sale of land for unpaid rates and charges has had a positive impact on arrears with some long term outstanding ratepayers bringing rates up to date.

Water

The level of water usage charges outstanding stood at \$70,334 as at 31st March, 2007. This is a significant improvement over previous years. The latest accounts were due 28th February, 2007. The level of water outstanding was \$67,108 on 13 April 2007. It is on this balance that debt collection efforts will be concentrated as this amount is now in arrears. Interest on overdue water usage accounts was introduced on 1 March 2007. The next round of usage accounts will be issued at the end of April.

Sundry Debtors

The level of sundry debtors outstanding stood at \$145,312 as at 31st March, 2007. Arrears stood at 22.4% of total sundry debtors outstanding. This is an improvement over the last quarter but arrears is set to return to high levels due to the raising of asbestos cleanup charges of approximately \$41,000 that are viewed as uncollectible, at least in the short term.

Conclusion

Overall, Council's outstanding debtor position as at 31st March, 2007 is considered satisfactory.

Debt collection efforts will now concentrate on obtaining payment for arrears and the sale of land for unpaid rates and charges. A replacement was recently found for Council's Debt Collection Officer and this will enable more focus to be placed on this area.

<p><u>RECOMMENDATION:</u> That the Finance & Governance Committee adopt the Debtors Report as presented.</p>
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**ITEMS FOR
COMMITTEE TO
RECOMMEND TO
COUNCIL**

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3. RENEWAL OF LOAN 133 (KES:KES) [CORP]**F10/18004****Purpose**

The purpose of this report is to obtain Council approval to renew loan 133 and seek approval to utilise Grange Securities to conduct a competitive loan quotation service for the loan.

Background

Loan 133 was initially borrowed in June, 2003 to help fund construction of the Cultural Centre. The loan amount was \$800,000 fixed for 4 years and amortised over 20 years.

Current Position

\$103,000 in capital has been repaid leaving a balance of \$697,000 to be renewed or paid out. While paying out the loan would be possible, the uncertainty surrounding the current farmland rating issue means it would be prudent to renew the loan rather than paying out the balance in case funds are required next year.

Policy Implications

Nil.

Financial Implications

The fee for the competitive loan service is \$2,500 excluding GST.

Legal Implications

Nil.

Commentary

The main benefit of using a loan quotation service is that the cost of borrowing can be reduced by obtaining the best possible interest rate on offer on the day. Council utilised this service for the loans obtained of \$710,000 and \$1,580,000 and was able to achieve very competitive interest rates when compared to the base rate.

In order to undertake a loan quotation service or any borrowing, Council will be required to supply the following information:

Term to Maturity

The original loan was amortised over a 20 year term so the renewal loan will be amortised over a 16 year term.

Type of Loan

Council currently takes out principle and interest loans with repayments occurring four times per year and it is proposed to undertake this loan the same way.

Interest Rate

Council has traditionally taken out 4 year fixed rate loans with a re-pricing date set after 4 years. It is proposed to undertake these loans the same way.

The competitive quotation service offered by Grange Securities generally takes three weeks to complete from the date all required documentation is received.

On the quotation day itself all participants quotes are to be submitted by 1.30pm and Grange will advise Council shortly after of the results and provide advice as to which is the best value loan on offer. A decision and signature on behalf of Council is required by 3pm on the day of the loan quotations and Grange will then liaise with the successful participant for settlement.

Conclusion

The competitive quotation service offered by Grange Securities covers the entire quotation process from advertising through to advice on selection of the best quotation meaning that Council is faced with one known fee for the entire process. As Grange has already conducted many of these quotation processes they are well-placed to reach all the main competitors in the lending market to ensure Council receives the best interest rate on the day.

RECOMMENDATION 1: That Council approve the renewal borrowing of \$697,000 for the Cultural Centre amortised over a 16 year period with repayments due four times per year at a fixed interest rate for four years and further that Council authorise the signing and sealing of any necessary documentation.

RECOMMENDATION 2: That Council approve the use of Grange Securities to conduct the competitive quotation service for:

\$697,000 principle and interest loan amortised over a 16 year term with a fixed interest rate for four years and repayments due four times per year

And further that Council authorise the signing and sealing of any necessary documentation.

4. GST CERTIFICATE 1/05/2006 – 30/04/2007 (KES:KES) [CORP]**F10/02003****Purpose**

The purpose of this report is to advise Council that the Goods and Services Tax Certificate for the period 1st May, 2006 to 30th April, 2007 is required to be approved and signed ([see Attachment 3](#) to this report).

Background

The Department of Local Government introduced a requirement that Council submit a Goods and Services Tax Certificate declaring that voluntary GST was paid from 2004/05. There is no audit requirement for this certificate.

Current Position

N/A

Policy Implications

N/A

Financial Implications

N/A

Legal Implications

N/A

Commentary

The certificate is to be signed by the Mayor, one other Councillor, the General Manager and the Responsible Accounting Officer (if the Responsible Accounting Officer is not the General Manager). The certificate is to be signed in accordance with a resolution of Council.

Conclusion

The Council Officers that must sign are the Mayor (George Sevil), one other Councillor, the General Manager (Max Kershaw) and the Responsible Accounting Officer (Glen Warren).

RECOMMENDATION: That Council adopt the Goods and Services Tax Certificate covering the period 1 st May, 2006 to 30 th April, 2007 it be duly signed.

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ATTACHMENTS

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ATTACHMENTS

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