

2018-2019 quarterly report

July - September 2018



Lithgow
CITY COUNCIL

Executive Summary

The Quarterly Performance Report provides a budget review statement with a revised estimate of income and expenditure for the year. This is a requirement of the Local Government Act 1993 and Local Government (General) Regulation 2005. This Quarterly Performance Report for the period of 1 July 2018 to 30 September 2018 achieves these requirements.

From the General Manager,
Graeme Faulkner

Report by Responsible Accounting Officer

The following statement is made in accordance with Clause 203(2) of the Local Government (General) Regulations 2005:

30 September 2018

It is my opinion that the Quarterly Budget review Statement for Lithgow City Council for the quarter ended 30/9/18 indicates that Council's projected position at 30 June 2019 will be unsatisfactory at year end, having regard to the projected estimates of income and expenditure and the original budgeted income and expenditure.

My opinion above, that Council's projected financial position at 30 June 2019 will be unsatisfactory has been based on the following factors:

1. Necessary operational carryovers of \$302K have added to Council's original expenditure budget.

Recommended remedial action to deal with the unsatisfactory position includes:

- a. Identification of net \$240K of budget savings in Quarter One 2018/19 which have brought the projected year end deficit to only (\$63K) higher than the original budget deficit of (\$301K).
- b. An operating efficiencies and cost savings program will continue for the remainder of the 2018/19 year.

Ross Gurney

Responsible Accounting Officer

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Summary of Financial Position

This report provides the Quarterly Performance Report on the 2018-2019 Operational Plan for the period of 1 July to 30 September 2018 with a recommendation that variations to income and expenditure estimates are voted.

2018/19 Quarterly Budget Comparison			
Budget	Income \$'000	Expenditure \$'000	Result \$'000
Original	50,384	43,337	7,048
September Quarter	49,967	43,678	6,019

2018/19 Quarterly Budget Comparison Fund – Proposed September Review			
Budget	Income \$'000	Expenditure \$'000	Result \$'000
General	31,411	28,733	2,678
Water	7,779	7,517	262
Wastewater	10,506	7,427	3,078

Please note the above tables will not balance due to rounding within income and expense types.

Consolidated - Income and Expense Budget Review Statement

2018/19 September Quarterly Budget Review Statement											
Projected Income and Expenditure Statement	Original Budget	Carry Forwards	Other than by QBRs	Sept Review	Dec Review	Mar Review	Revised Budget	Variations for this Sept Quarter	Notes	Projected Year End Result	Actual YTD Figures
Rates and Annual Charges	25,913	-					25,913	-		25,913	26,126
User Fees and Charges	7,477	-					7,477	-		7,477	1,040
Interest and Investment Revenue	898	-					898	-		898	219
Other Revenue	1,290	-					1,290	-		1,290	332
Operating Grants and Contributions	7,122	-					7,122	279	1	7,401	1,873
Capital Grants and Contributions	7,349	-					7,349	(966)	2	6,383	882
Gain Sale of Assets	335	-					335	-		335	-
Total Revenue	50,384	-					50,384	(687)		49,697	30,472
Employee Costs	14,657	-					14,657	-		14,657	4,115
Borrowing Costs	1,076	-					1,076	-		1,076	160
Material and Contracts	10,266	302					10,568	214	3	10,783	1,855
Depreciation Expense	11,834	-					11,834	-		11,834	3,067
Other Expenses	5,503	-					5,503	(175)	4	5,328	1,215
Loss on Sale of Assets	-	-					-	-		-	
Total Expenses	43,337	302					43,639	39		43,678	10,412
Operating Result Surplus/(Deficit)	7,048	(302)					6,745	(726)		6,019	20,060

2018/19 September Quarterly Budget Review Statement

Projected Income and Expenditure Statement	Original Budget	Carry Forwards	Other than by QBRs	Sept Review	Dec Review	Mar Review	Revised Budget	Variations for this Sept Quarter	Notes	Projected Year End Result	Actual YTD Figures
Operating Result before Capital Grants	(301)	(302)					(604)	240		(364)	19,178

Income and Expense Budget Variation Notes

Notes	Details
1	<ul style="list-style-type: none">• Increase in estimated 2018/19 Financial Assistance Grant
2	<ul style="list-style-type: none">• Lithgow Resource Recovery grant no longer expected \$1,000,000• Receipt of Blackspot grant, partially accrued.
3	<ul style="list-style-type: none">• Farmers creek operational plan unexpended specific purpose grant funded from reserve \$125,000• De-sludge Lagoons funded from water reserve \$65,744• Due Diligence investigation and other potential land acquisitions funded from Strategic planning reserve \$15,000• Rural Lands Project completion, funded from strategic planning reserve \$9,159
4	<ul style="list-style-type: none">• Savings on insurance expense \$189,000• Marrangaroo grant application process funded from the land bank reserve \$14,000

Please note where there is a variation in the review table but no corresponding note, the variation is due to rounding within the asset class.

General Fund - Income and Expenditure Review Statement

2018/19 September Quarterly Budget Review Statement							
Income and Expenditure Review Statement							
Projected Income and Expenditure Statement	Original Budget	Carry Forwards	Proposed Sept Review	Dec Review	March Review	Proposed Sept Revised Budget	Actual YTD Figures
Rates and Annual Charges	16,679					16,679	17,374
User Fees and Charges	1,560					1,560	442
Interest and Investment Revenue	838					838	211
Other Revenue	1,290					1,290	324
Operating Grants and Contributions	6,931		279			7,210	1,565
Capital Grants and Contributions	4,465		(966)			3,499	834
Gain Sale of Assets	335					335	-
Total Revenue	32,099		(687)			31,411	20,750
Employee Costs	11,286					11,286	3,176
Borrowing Costs	194					194	39
Material and Contracts	4,112	253	149			4,513	837
Depreciation Expense	8,364					8,364	2,194
Other Expenses	4,551		(175)			4,376	1,100
Loss on Sale of Assets	-					-	
Total Expenses	28,507	253	(26)			28,733	7,346
Operating Result (Surplus)/Deficit	3,592	(253)	(713)			2,678	13,404
Operating Result before Capital Grants	(874)	(253)	253			(821)	12,570

Water Fund - Income and Expenditure Review Statement

2018/19 September Quarterly Budget Review Statement							
Income and Expenditure Review Statement							
Projected Income and Expenditure Statement	Original Budget	Carry Forwards	Proposed Sept Review	Dec Review	March Review	Proposed Sept Revised Budget	Actual YTD Figures
Rates and Annual Charges	1,741					1,741	1,770
User Fees and Charges	5,759					5,759	573
Interest and Investment Revenue	60					60	8
Other Revenue	-					-	2
Operating Grants and Contributions	98					98	159
Capital Grants and Contributions	120					120	21
Gain Sale of Assets	-					-	-
Total Revenue	7,779					7,779	2,533
Employee Costs	1,670					1,670	467
Borrowing Costs	121					121	6
Material and Contracts	3,745	50	66			3,861	638
Depreciation Expense	1,598					1,598	397
Other Expenses	267					267	40
Loss on Sale of Assets	-					-	
Total Expenses	7,402	50	66			7,517	1,548
Operating Result Surplus/(Deficit)	377	(50)	(66)			262	985
Operating Result before Capital Grants	257	(50)	(66)			142	964

Sewer Fund - Income and Expenditure Review Statement

2018/19 September Quarterly Budget Review Statement							
Income and Expenditure Review Statement							
Projected Income and Expenditure Statement	Original Budget	Carry Forwards	Proposed Sept Review	Dec Review	March Review	Proposed Sept Revised Budget	Actual YTD Figures
Rates and Annual Charges	7,492					7,492	6,983
User Fees and Charges	157					157	25
Interest and Investment Revenue	-					-	-
Other Revenue	-					-	2
Operating Grants and Contributions	93					93	150
Capital Grants and Contributions	2,764					2,764	27
Gain Sale of Assets	-					-	-
Total Revenue	10,506					10,506	7,187
Employee Costs	1,700					1,700	472
Borrowing Costs	761					761	114
Material and Contracts	2,409					2,409	380
Depreciation Expense	1,872					1,872	477
Other Expenses	685					685	75
Loss on Sale of Assets	-					-	
Total Expenses	7,427					7,427	1,518
Operating Result (Surplus)/Deficit	3,079					3,079	5,669
Operating Result before Capital Grants	315					315	5,642

Capital Budget Review Statement

2018/19 September Quarterly Budget Review Statement								
Capital Funding Review Statement								
	Original Budget	Carry Forwards	Approved Changes				Variations for this Sept Qtr	Projected Year End Result
			Sept Review	Dec Review	Mar Review	Revised Budget		
Rates & other untied funding	25,219	-					-	25,219
Capital Grants & Contributions	7,349	-					(966)	6,383
Internal Restrictions	838	1,590					264	2,692
External Restrictions	371	8,060					645	9,077
Other Capital Funding Sources e.g.	-	-					-	-
• Loans								
Income from sale of assets	335	-					-	335
Total Capital Funding	34,112	9,560					(57)	43,706

2018/19 September Quarterly Budget Review Statement

Capital Expenditure Review Statement

	Original Budget	Carry Forwards	Approved Changes			Revised Budget	Variations for this Sept Qtr.	Projected Year End Result	Notes	Actual YTD Figures
			Sept Review	Dec Review	Mar Review					
• Plant & Equipment	1,200	-				1,200	-	1,200		4
• Land & Buildings	2,271	219				2,490	(243)	2,247	1	40
• Water Network	2,568	2,965				5,533	55	5,588	2	588
• Sewer Network	13,578	4,266				17,844	-	17,844		216
• Office Equipment	442	78				520	100	620	3	46
• Furniture & Fittings	9	-				9	-	9		4
• Other Structures	3,150	808				3,958	749	4,707	4	601
• Swimming Pools	48	112				160	31	191	5	29
• Stormwater Drainage	452	-				452	(21)	431	6	62
• Tip Assets	1,780	166				1,946	(750)	1,196	7	3
• Roads, Bridges & Footpaths	6,794	1,036				7,830	22	7,852	8	502
Loan Repayments (principal)	1,820	-				1,820	-	1,820		272
Total Capital Expenditure	34,112	9,650				43,357	(57)	43,705		2,367

Capital Budget Review Statement -Budget Variation Notes

Notes	Details
1	<ul style="list-style-type: none"> Lithgow Basketball Stadium \$254,698 budget moved from Land and Buildings project to Community project to reflect the department overseeing this project. Urgent and unforeseen building maintenance of \$2,300 required at the store; funded through land and building reserve. Council's tenanted property requires new carpet \$9000; funded through land and building reserve.
2	<ul style="list-style-type: none"> Increase expenditure for Water Loss project to cover standpipe commitment. Funded from water reserve
3	<ul style="list-style-type: none"> Various software upgrade projects implemented to improve system efficiency, funded through efficiency reserve.
4	<ul style="list-style-type: none"> Lithgow Basketball Stadium \$254,698 budget moved from Land and Buildings project to Community project to reflect the department overseeing this project. Transfer of operating salaries to capital project \$308,521
5	<ul style="list-style-type: none"> Implementation of the Centaman System and new Kiosk PC, funded from Unexpended Aquatic Centre Loan.
6	<ul style="list-style-type: none"> Funds transferred to Roads, Bridges & Footpaths to complete required work for Timber Bridge Improvements 18/19.
7	<ul style="list-style-type: none"> Lithgow Resource Recovery grant of \$1,000,000 no longer expected. \$250,000 shortfall funded from waste reserve
8	<ul style="list-style-type: none"> Funds transferred from Roads, Bridges & Footpaths to complete required work for Timber Bridge Improvements 18/19.

Please note where there is a variation in the review table but no corresponding note, the variation is due to rounding within the asset class.

Cash and Investment Budget Review Statement

2018/19 September Quarterly Budget Review Statement			
Income and Expenditure Review Statement			
Externally Restricted	30 June 2018 Position	30 June 2019 Forecast	YTD Actuals to 30 September 2018
Developer Contributions	2,007	1,780	2,060
Special Purpose Grants	3,666	2,654	1,418
RMS Grants	-	-	34
Water Supplies	3,756	4,032	5,834
Sewerage Services	4,839	4,959	4,273
Domestic Waste	2,872	3,209	4,150
Unexpended Loans	3,912	3,163	3,842
Total External Restriction	21,052	19,799	21,610
Internally Restricted			
Land & Buildings	7,731	7,231	7,700
Plant & Equipment	680	680	680
Bonds, Deposits & Retentions	808	809	807
Works in Progress	1,546	1,106	1,320
Carry Over Works	1,372	-	1,332
ELE	747	747	747
Election	35	70	35
Total External Restriction	12,919	10,643	12,621
Unrestricted	-	-	14
Total Cash & Investments	33,971	30,442	34,245

Cash and Investment Review Statement

Investments

Investments have been made in accordance with Council's Investment Policy.

Cash

The cash at Bank figure included in the Cash & Investment Statement totals \$41,620.64.

The Cash at Bank amount has been reconciled to Council's physical Bank Statements.

The date of completion of this bank reconciliation was 3/10/18.

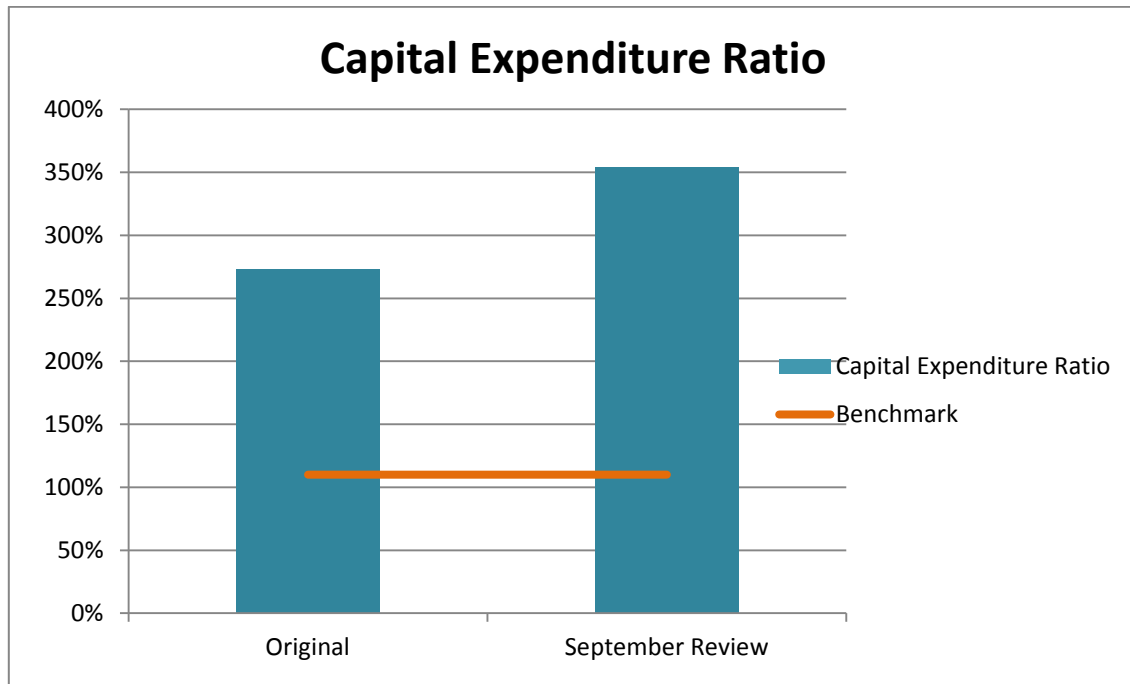
Reconciliation Status

The YTS Cash and Investment figures reconciles to the actual balances held as follows:

	\$'000's
Cash at Bank	42
Investments on Hand	34,270
Less: Unpresented Cheques	(11)
Add: Undeposited Funds	-
Less: Identified Deposits	(27)
Add: Identified Outflows	-
Less: Unidentified Deposits	(25)
Add: Unidentified Outflows	-
Reconciled Cash at Bank & Investments	34,245*
Balance as per Review Statement	34,245
Difference	-

*Total does not balance to above figures due to rounding in each line item.

Key Performance Indicators



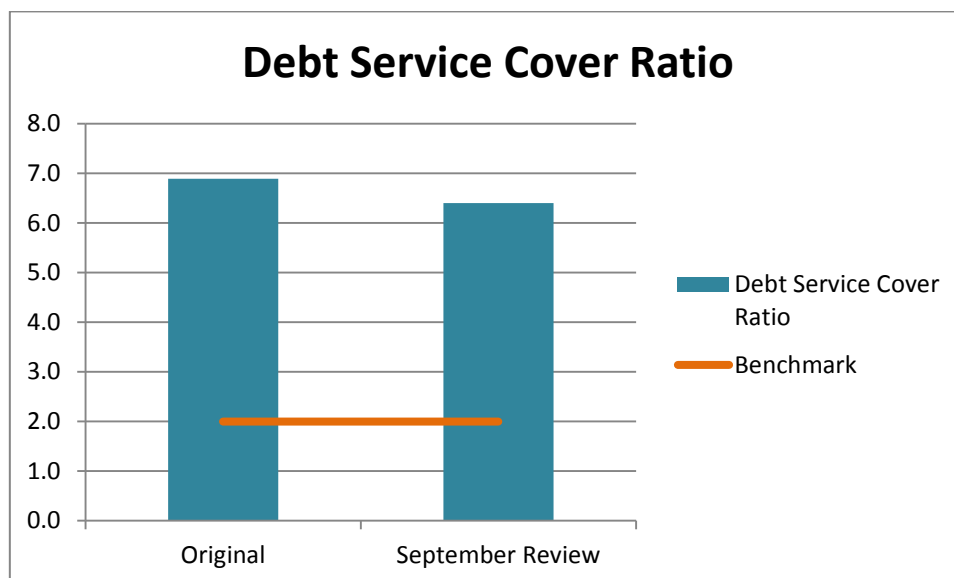
Purpose of Capital Expenditure Ratio

To assess the extent to which Council is expanding its asset base through capital expenditure

Commentary on 2018/19 Result

September 2018/19 Ratio 354%

A capital expenditure ratio of 3.54 times suggests that Council has a solid and expansive capital works program.



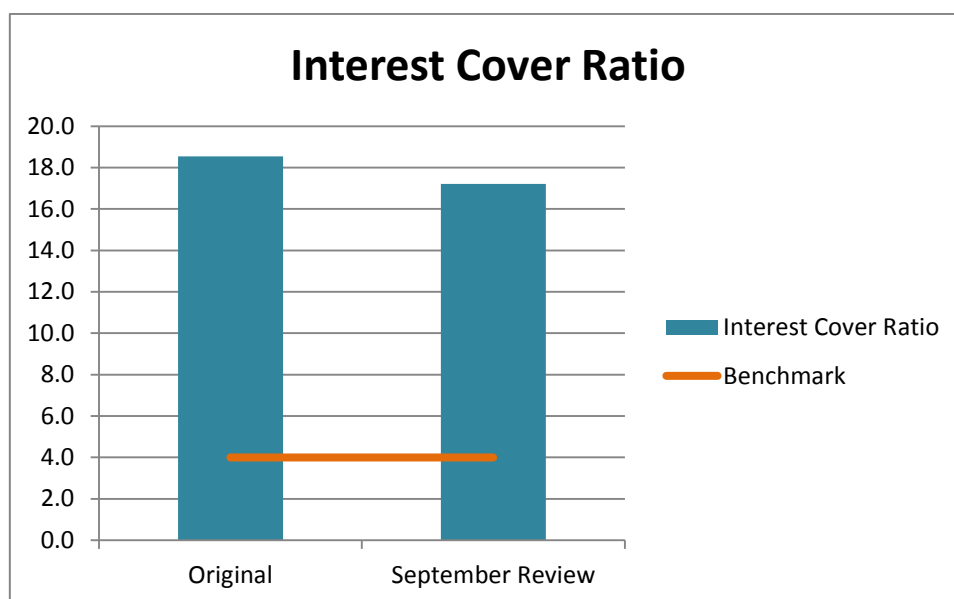
Purpose of Debt Service Cover Ratio

This ratio measures the availability of operating cash to service debt including principal, interest and lease payments

Commentary on 2018/19 Result

September 2018/19 Ratio 6.4x

A debt service ratio of 6.4 times means Council has capacity to borrow more funds if required.



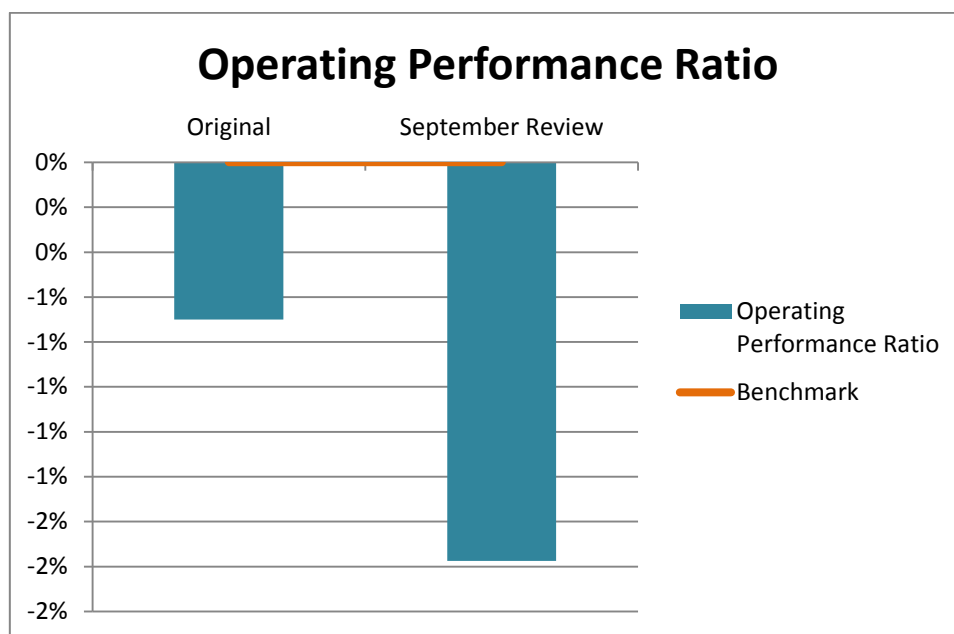
Purpose of Interest Cover Ratio

This ratio measures the availability of operating cash to service interest payments.

Commentary on 2018/19 Result

September 2018/19 Ratio 17.2x

An Interest Cover ratio of 17 times means Council has more than adequate cash to cover interest repayments on its debt. This suggests Council has the capacity to borrow more funds if required.



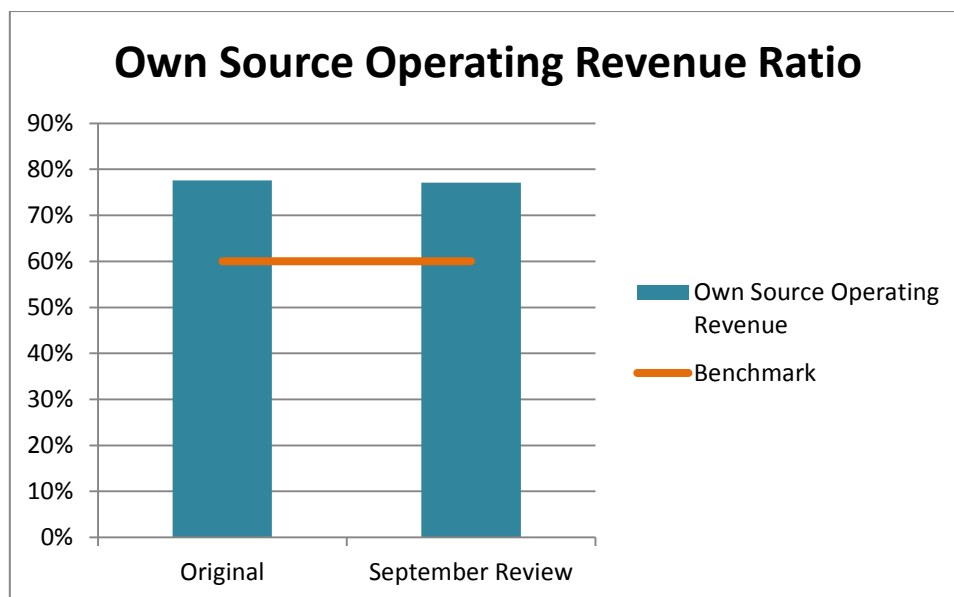
Purpose of Operating Performance Ratio

This ratio measures Councils achievement in containing operating expenses within operating revenue.

Commentary on 2018/19 Result

September 2018/19 Ratio -1.8%

Council's current consolidated budget will meet the benchmark.



Purpose of Own Source Revenue Ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as grants and contributions.

Commentary on 2018/19 Result

September 2018/19 Ratio 77%

This ratio shows that Council means the benchmark and is not overly reliant on external grant funding.

Part A: Contracts Review Statement

2018/19 September Quarterly Budget Review Statement

Contracts Review Statement

For the period 01 July 2018 to 30 September 2019

Contractor	Contract Detail and Purpose	Contract Value (GST Inc.)	Date	Minute No.	Length of Contract	Budgeted (Y/N)
Note: Contracts listed are those entered into during the quarter, under review and have not been fully performed or completed of \$50,000 or greater. Contracts for employment are not required to be included.						
Tobco Pty Ltd	Watermains Replacement Tender – Bridge Street	\$256,470.50	23/07/2018	18-211	6 Months	Y
All Pavements Solution Pty Ltd	Bitumen Sealing Services – Councils approved operation plan 18/19	\$118,183.76	24/09/18	18-273	7 Months	Y
Sewer Vent Supplies & Repairs Pty Ltd	Sewer Vent Replacement	\$61,528.50	26/07/2018	N/A	1 Year Annual	Y

Part B: Consultancy and Legal Expenses

Review Statement

2017/18 September Quarterly Budget Review Statement		
Contracts Review Statement		
Actual expenditure 1 July 2018 to 30 September 2018		
Expense	Year to Date	Legal Budget Allocation (Y/N)
Consultancies	118,553	Y
Legal Fees	47,050	Y

Note: A consultant is a person or organisation engaged under contract on a temporary basis to provide recommendations or high level specialist or professional advice to assist decision making by management. Generally it is the advisory nature of the work that differentiates a consultant from other contractors.