2017/18 Quarterly Report

Lithgow CITY COUNCIL

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July – September Quarterly Report

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 2017 to 30 September 2017 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 2017

It is my opinion that the Quarterly Budget review Statement for Lithgow City Council for the quarter ended 30/9/17 indicates that Council's projected position at 30 June 2018 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 2018 will be unsatisfactory has been based on the following factors:

1. 2017/18 FAGS Grant 50% prepayment into 2016/17 financial year, Potential $2.0m revenue impact if a prepayment of 2018/19 FAGS Grant is not made in the 2017/18 financial year.
2. Increased depreciation expense resulting from asset revaluations.
3. Increase in the electricity supply contract commencing January 2018, 2017/18 impact $343,000.

Recommended remedial action to deal with the unsatisfactory position includes:

a. Ongoing operating efficiencies and cost savings program.
b. Implementing the Performance Improvement Plan from Morrison Low.
c. Revising and refining the Fit for the Future program to include a Special Rate Variation for 2019/20.

Neil Derwent

Responsible Accounting Officer

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Summary of Financial Position

This report provides the Quarterly Performance Report on the 2017-2018 Operational Plan for the period of 1 July to 30 September 2017 with a recommendation that variations to income and expenditure estimates are voted.

2017/18 Quarterly Budget Comparison			
Budget	**Income $'000**	**Expenditure $'000**	**Result $'000**
Original	45,864	41,856	4,008
September Quarter	48,907	43,329	5,578

2017/18 Quarterly Budget Comparison Fund – Proposed September Review			
Budget	**Income $'000**	**Expenditure $'000**	**Result $'000**
General	30,276	29,120	1,156
Water	7,604	7,405	199
Wastewater	11,025	6,803	4,222

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

Consolidated - Income and Expense Budget Review Statement

2017/18 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	25,474		(192)				25,282	2		25,284	25,967
User Fees and Charges	7,251		263				7,514	75	**1**	7,589	947
Interest and Investment Revenue	809						809	1		810	201
Other Revenue	811		4				815	219	**2**	1,034	253
Operating Grants and Contributions	7,864		(75)				7,789	12	**3**	7,801	998
Capital Grants and Contributions	3,655	2,545					6,200	189	**4**	6,389	311
Gain Sale of Assets	-										-
Total Revenue	**45,864**	**2,545**	**-**				**48,409**	**498**		**48,907**	**28,677**
Employee Costs	14,866	23					14,889	345	**5**	15,235	3,808
Borrowing Costs	931						931			931	136
Material and Contracts	10,166	572	(13)				10,725	462	**6**	11,187	1,679
Depreciation Expense	10,479						10,479	686	**7**	11,165	2,949
Other Expenses	5,414		13				5,427	(616)	**8**	4,811	1,594
Loss on Sale of Assets	-										-
Total Expenses	**41,856**	**595**	**-**				**42,451**	**876**		**43,329**	**10,166**
Operating Result (Surplus)/Deficit	**4,008**	**1,950**					**5,958**	**(378)**		**5,578**	**18,511**
Operating Result before Capital Grants	**353**	**(595)**					**(242)**	**(567)**		**(811)**	**18,200**

Income and Expense Budget Variation Notes

Notes	Details
1	Greater than expected development fee income received for the 1st quarter and additional septic tank fees levied and inspected for the quarter.
2	Unbudgeted worker's compensation income claims received. Revised budget is total estimate of claim income for full financial year based off of current employees on worker's compensation.
3	Additional operating grant funding expected to be received this financial year. Funding is for various small projects such as Lithgow Ability Awards and Telstra Tech Savvy Seniors.
4	Capital grant funding expected to be received this financial year. Projects include the completion of RMS Blackspot works, Marjorie Jackson Oval lighting upgrade and Emora Park recreation upgrade.
5	Variations are due to salaries being increased in line with current award of 2.35% (see Council Minute 17-222). In addition a return from maternity leave position was added which was unbudgeted in original budget as well as additional worker's compensation salary and wage expenses.
6	Variation due to over recovery of internal corporate overheads within original budget.
7	Variation due to change in estimate for sewerage infrastructure depreciation based on final revaluation data for 2016/17 financial year revaluation. (See Council Minute 17-222)
8	Decrease in expenditure due to LED street lighting upgrade being removed from Morrison Low improvement plan. (See Council Minute 17-222)

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.

Please note as a part of budget review we have increased our internal plant charges due to the charge out rates being too high from previous years indexing of charges. This is an internal transaction and has no effect on Council's financial result for the year. Please note we have also reallocated stationary and postage budgets out to the various Cost Centre managers to allow these people to more effectively manage their budgets.

An additional $10,000 is being requested to be transferred from the Strategic Planning cash reserve to fund variations to the Marrangaroo Masterplan project. Additional project funds required to undertake a more detailed water and wastewater infrastructure servicing report to inform the planning and feasibility of future development of the release area.

General Fund - Income and Expenditure Review Statement

2017/18 September Quarterly Budget Review Statement Income and Expenditure Review Statement						
Projected Income and Expenditure Statement	**Original Budget**	**September Review**	**December Review**	**March Review**	**Proposed Sept Revised Budget**	**Actual YTD Figures**
Rates and Annual Charges	16,656				16,658	17,131
User Fees and Charges	1,534				1,610	451
Interest and Investment Revenue	670				670	193
Other Revenue	815				1,034	253
Operating Grants and Contributions	7,597				7,610	998
Capital Grants and Contributions	2,505				2,694	110
Gain Sale of Assets	-					
Total Revenue	**29,778**				**30,276**	**19,136**
Employee Costs	11,874				12,231	2,934
Borrowing Costs	235				235	44
Material and Contracts	3,525				4,278	540
Depreciation Expense	8,252				8,252	2,141
Other Expenses	4,740				4,124	1,473
Loss on Sale of Assets	-					-
Total Expenses	**28,626**				**29,120**	**7,132**
Operating Result (Surplus)/Deficit	**1,152**				**1,156**	**12,004**
Operating Result before Capital Grants	**(1,353)**				**(1,538)**	**11,894**

Water Fund - Income and Expenditure Review Statement

2017/18 September Quarterly Budget Review Statement Income and Expenditure Review Statement						
Projected Income and Expenditure Statement	**Original Budget**	**September Review**	**December Review**	**March Review**	**Proposed Sept Revised Budget**	**Actual YTD Figures**
Rates and Annual Charges	1,478				1,478	1,875
User Fees and Charges	5,790				5,790	499
Interest and Investment Revenue	86				86	8
Other Revenue	-				-	-
Operating Grants and Contributions	100				100	-
Capital Grants and Contributions	150				150	71
Gain Sale of Assets	-					-
Total Revenue	**7,605**				**7,604**	**2,453**
Employee Costs	1456				1,464	474
Borrowing Costs	130				130	6
Material and Contracts	4260				4,444	657
Depreciation Expense	1186				1,186	386
Other Expenses	181				181	29
Loss on Sale of Assets	-					-
Total Expenses	**7,215**				**7,405**	**1,552**
Operating Result (Surplus)/Deficit	**390**				**199**	**901**
Operating Result before Capital Grants	**240**				**49**	**830**

Sewer Fund - Income and Expenditure Review Statement

2017/18 September Quarterly Budget Review Statement Income and Expenditure Review Statement						
Projected Income and Expenditure Statement	**Original Budget**	**September Review**	**December Review**	**March Review**	**Proposed Sept Revised Budget**	**Actual YTD Figures**
Rates and Annual Charges	7,146				7,146	6,961
User Fees and Charges	189				189	(4)
Interest and Investment Revenue	53				53	-
Other Revenue	-				-	
Operating Grants and Contributions	92				92	-
Capital Grants and Contributions	1,000				3,545	130
Gain Sale of Assets	-					-
Total Revenue	**8,481**				**11,025**	**7,087**
Employee Costs	1,534				1,539	400
Borrowing Costs	566				566	85
Material and Contracts	2,368				2,465	482
Depreciation Expense	1,041				1,727	422
Other Expenses	506				506	92
Loss on Sale of Assets	-				-	-
Total Expenses	**6,015**				**6,803**	**1,481**
Operating Result (Surplus)/Deficit	**2,466**				**4,222**	**5,606**
Operating Result before Capital Grants	**1,466**				**677**	**5,476**

Capital Budget Review Statement

2017/18 September Quarterly Budget Review Statement Capital Funding Review Statement								
			Approved Changes					
	Original Budget	Carry Forwards	Sept Review	Dec Review	Mar Review	Revised Budget	Variations for this Sept Qtr	Projected Year End Result
Rates & other untied funding	12,838					12,838		12,838
Capital Grants & Contributions	3,655	2,545				6,200	189	6,389
Internal Restrictions	300	622				922		922
External Restrictions		6,586				6,586		6,586
Other Capital Funding Sources e.g.								
• Loans								
Income from sale of assets								
• Plant & equipment								
Total Capital Funding	**16,793**	**9,753**				**26,546**	**189**	**26,735**

2017/18 September Quarterly Budget Review Statement

Capital Expenditure Review Statement

	Original Budget	Carry Forwards	Approved Changes: Sept Review	Approved Changes: Dec Review	Approved Changes: Mar Review	Revised Budget	Variations for this Sept Qtr.	Projected Year End Result	Notes	Actual YTD Figures
• Plant & Equipment	900					900	100	1,000	1	273
• Land & Buildings	597	248				845		845		34
• Water Network	1,570	2,719				4,289		4289		41
• Sewer Network	1,560	9,356				10,917		10,917		110
• Office Equipment	112					112	8	120	2	2
• Furniture & Fittings	14					14		14		2
• Other Structures	2,105	712				2,817	189	3,006	3	177
• Stormwater Drainage	62					62		62		10
• Library Books	70					70	(70)	-	4	-
• Tip Assets	1,400	266				1,666		1,666		9
• Roads, Bridges & Footpaths	6,482	1,365				7,847	(52)	7,795	5	1,345
Loan Repayments (principal)	1,921					1,921		1,921		344
Total Capital Expenditure	**16,793**	**14,666**				**31,460**	**176**	**31,635**		**2,347**

Capital Budget Review Statement
Budget Variation Notes

Notes	Details
1	Request for an additional $100,000 to come from plant replacement reserve to fund all plant purchases identified for this financial year.
2	Increase Server replacement funded from PC replacement – previously there was one budget for both of these items but has now been split into two. Original split of 50/50 was not accurate to actual spend.
3	Variations are due to Emora Park upgrade, ongoing Blackspot program works and Marjorie Jackson Oval lighting upgrades. All of these projects are fully grant funded.
4	Library books are now a part of Council's operating budget. The books as individual items do not have significant value and will not be capitalised in the future.
5	CBD Revitalisation project adjusted down due to budget forecast for 2017/18 relying on total spend for 2016/17 which wasn't available at time of adoption. The additional works completed to 30/6/17 had to be taken out of 2017/18 budget to match the total value of the project as approved.

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.

Capital Budget Review Statement
Budget Variation Notes

Budget variations being recommended include the following material items:

Project	Original Budget	Proposed Sept Budget	Proposed Variation
Wolgan Valley Causeway – Request for additional funds to come from unspent ILP's monies to complete approaches to Bridge. Works approved to $100,000 in previous financial year, additional $27,880 required to complete to scope above not previously approved by Council.	-	100,880	100,880
Plant replacement program – Two major plant items have gone to tender to be purchased.	900,000	1,000,000	100,000
Water SCADA System – Transfer $366,299 into telemetry upgrade due to both projects being reliant on each other and are effectively the same project once completed. Both projects are funded from carry forwards.	-	-	(366,299)
Water Telemetry System – Transfer of funds from SDACA system as per above.	50,000	416,299	366,299

Please note due to uncertainties and contract variations Portland STP Upgrade may change significantly in the December or March quarterly budget review. The current funding deficit may also change depending on the level of loan funding required for the project.

Cash and Investment Budget Review Statement

2017/18 September Quarterly Budget Review Statement Income and Expenditure Review Statement		
Externally Restricted	**30 June 2017 Position**	**Actual YTD Figures**
Developer Contributions	1,778	1,855
Special Purpose Grants	1,709	887
Water Supplies	2,882	3,363
Sewerage Services	3,333	5,323
Domestic Waste	1,968	3,096
Unexpended Loans	2,089	2,056
Total External Restriction	**13,759**	**16,580**
Internally Restricted		
Land & Buildings	7,672	7,643
Plant & Equipment	1,500	1,227
Bonds, Deposits & Retentions	695	787
Works in Progress	5,102	4,021
ELE	1,056	1,056
Election	82	82
Total External Restriction	**16,107**	**14,816**
Unrestricted	**-**	**63**
Total Cash & Investments	**29,867**	**31,460**

Due to current Council processes we do not budget based on internal and external restrictions and therefore can only provide quarterly year to date figures for these restrictions.

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 $202,401.

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

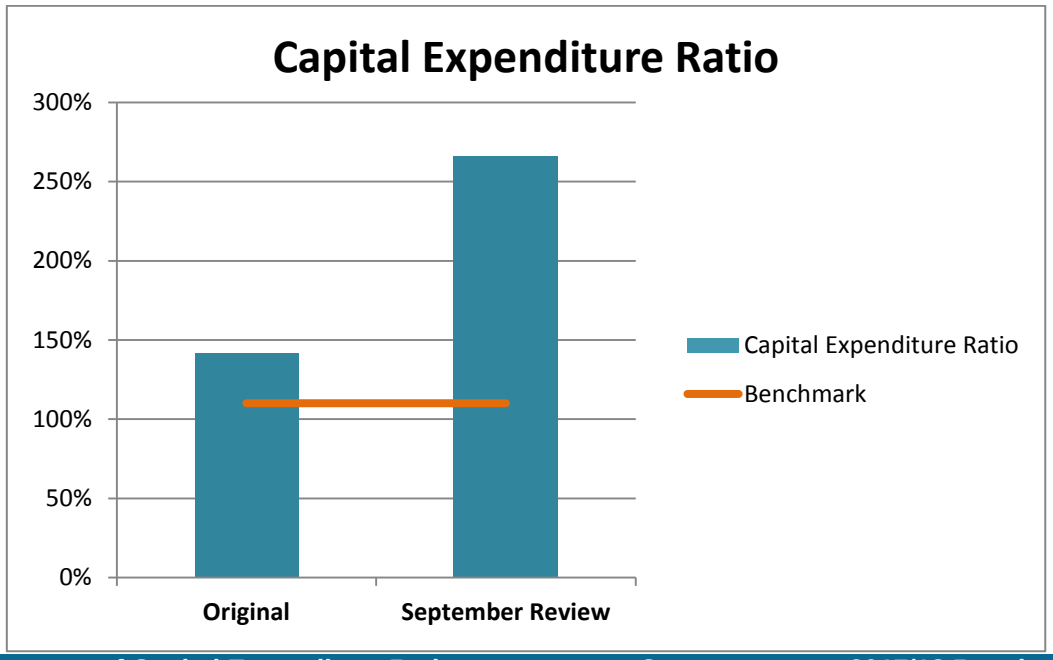
The date of completion of this bank reconciliation was 4/10/17.

Reconciliation Status

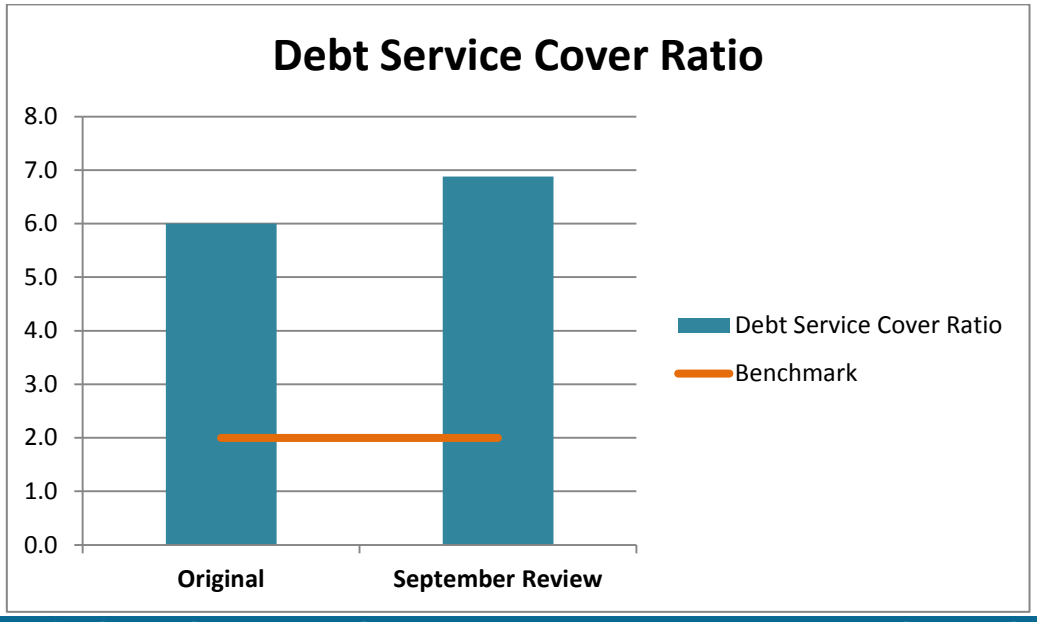
The YTS Cash and Investment figures reconciles to the actual balances held as follows:

	$'000's
Cash at Bank	202
Investments on Hand	31,350
Less: Unpresented Cheques	(10)
Add: Undeposited Funds	-
Less: Identified Deposits	(27)
Add: Identified Outflows	-
Less: Unidentified Deposits	(55)
Ad: Unidentified Outflows	-
Reconciled Cash at Bank & Investments	**31,460**
Balance as per Review Statement	**31,460**
Difference	-

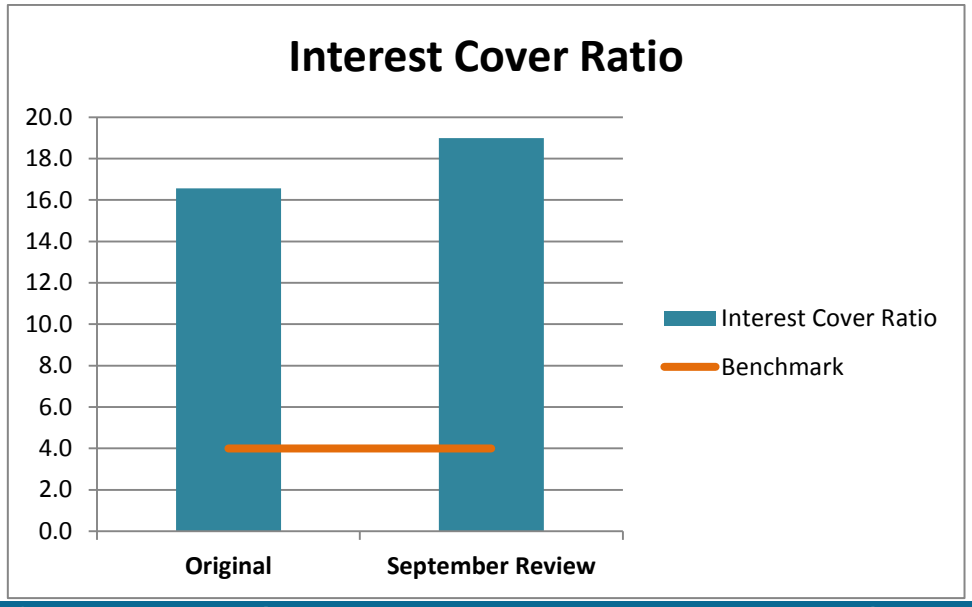
Key Performance Indicators



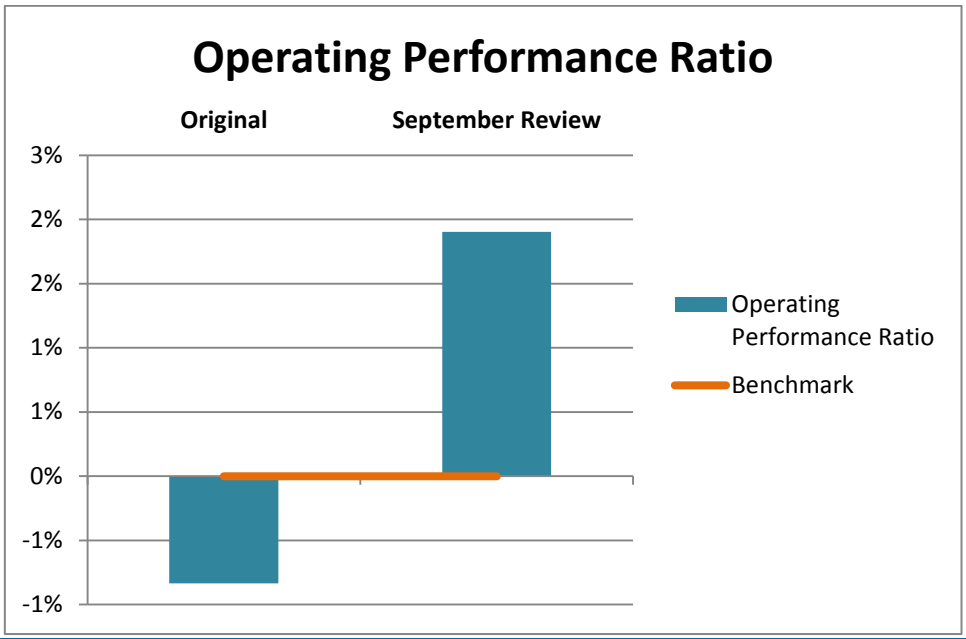
Purpose of Capital Expenditure Ratio	Commentary on 2017/18 Result
	September 2017/18 Ratio 266%
To assess the extent to which Council is expanding its asset base through capital expenditure	A capital expenditure ratio of 2.66 times suggests that Council has a solid and expansive capital works program.



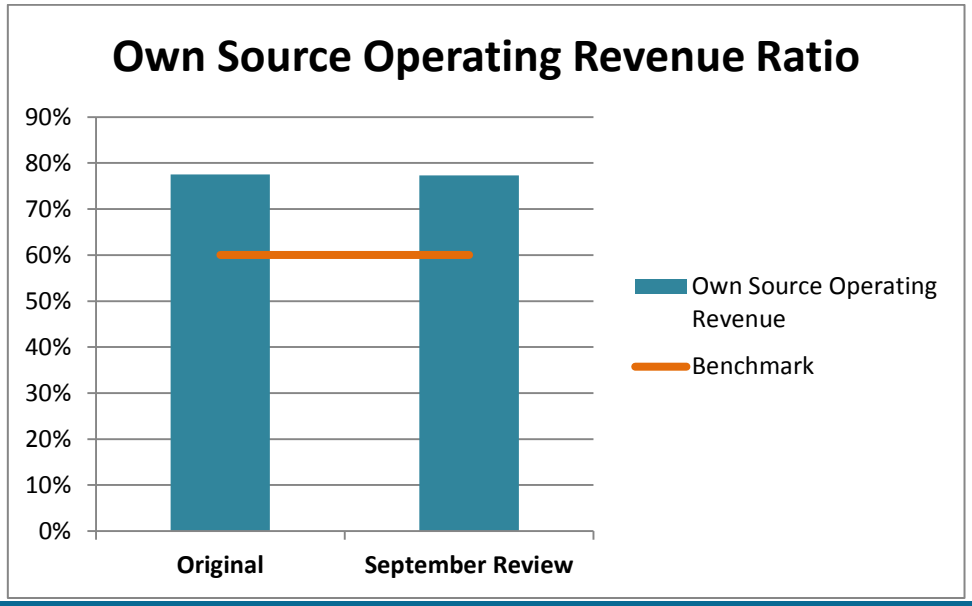
Purpose of Debt Service Cover Ratio	Commentary on 2017/18 Result
	September 2017/18 Ratio 6.9x
This ratio measures the availability of operating cash to service debt including principal, interest and lease payments	A debt service ratio of 6.9 times means Council has capacity to borrow more funds if required.



Purpose of Interest Cover Ratio	Commentary on 2017/18 Result
	September 2017/18 Ratio 19.0x
This ratio measures the availability of operating cash to service interest payments.	An Interest Cover ratio of 19 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	Commentary on 2017/18 Result
	September 2017/18 Ratio 1.9%
This ratio measures Councils achievement if containing operating expenses within operating revenue.	Council continues to work towards the benchmark as a part of Fit for the Future. It has improved slightly to the end of September.



Purpose of Own Source Revenue Ratio	Commentary on 2017/18 Result
	September 2017/18 Ratio 77%
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as grants and contributions.	This ratio shows that Council means the benchmark and is not overly reliant on external grant funding.

Part A: Contracts Review Statement

2017/18 September Quarterly Budget Review Statement

Contracts Review Statement

For the period 01July 2017 to 30 September 2017

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.						
J & E Asphalt & Civil Pty Ltd	Asphalt contract for capital works 17/18	$504,153.25	25/09/17	17-292	3 Months	Y
State Asphalt Services Pty Ltd	Bitumen contracts for Capital works 17/18	$241,350.34	25/09/17	17-293	3 Months	Y

Part B: Consultancy and Legal Expenses Review Statement

2017/18 September Quarterly Budget Review Statement Contracts Review Statement		
	Actual expenditure 1 July 2017 to 30 September 2017	
Expense	**Year to Date**	**Legal Budget Allocation (Y/N)**
Consultancies	91,425.71	Y
Legal Fees	20,069.72	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.