

OUR PLACE OUR FUTURE

2022/23 Quarterly Report
December 2022



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 to 31 December 2022 achieves these requirements.

From the General Manager,
Craig Butler

Report by Responsible Accounting Officer

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

31 December 2022

It is my opinion that the Quarterly Budget Review Statement for Lithgow City Council for the quarter ended 31/12/2022 indicates that Council's projected position at 30 June 2023 will be **satisfactory** 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 2023 will be satisfactory, has been based on the following factors:

1. The reasons for the significant change in Council's projected operating result (before capital) from original budget \$3.6M surplus to \$6.9M surplus, substantively relates to the extraordinary extent of road repairs following multiple natural disasters. Most of the change in the projected operating result occurred in Quarter One, although there was a \$2.26M increase in natural disaster expenditure budgets partly offset by a \$1.97M increase in income budgets in Quarter Two.
2. Council is on target to achieve its 2022/23 total employment cost savings target of \$960.5K with \$600K of savings taken in the Quarter Two review together with net \$131K in the Quarter One review.
3. Council's projected operating result (before capital) has been impacted by the addition of \$717K depreciation expense for RFS Red Fleet assets which were recognised in the 2021/22 financial statements.

Council will continue to implement its budget improvement plan through the remainder of the 2022/23 year with identified budget savings / additional revenue of \$3.2M planned for the full year.

The projected year end operating result before capital is **\$6.9M** surplus (before capital) at 31 December 2022.

Ross Gurney
Responsible Accounting Officer

Table of Contents

Contents

Executive Summary.....	1
Report by Responsible Accounting Officer	1
Table of Contents.....	2
Summary of Financial Position.....	3
Income and Expenses Budget Review Statement - Consolidated	4
Income and Expenses Budget Variation Notes.....	5
Income and Expenses Budget Review Statement – General Fund	6
Income and Expenses Budget Review Statement – Water Fund.....	7
Income and Expenses Budget Review Statement – Sewer Fund.....	8
Capital Budget Review Statement	9
Capital Budget Review Statement Variation Notes	10
Cash and Investments Statement.....	11
Key Performance Indicators.....	13
Contracts Budget Review Statement.....	16
Consultancy and Legal Expenses Review Statement	17

Summary of Financial Position

This report provides the Quarterly Performance Report on the 2022-2023 Operational Plan for the period of 1 July 2022 to 31 December 2022 with a recommendation that variations to income and expenditure estimates be voted.

2022/2023 Quarterly Budget Comparison			
Budget	Income	Expenditure	Result
	\$'000	\$'000	\$'000
Original Budget	68,336	52,608	15,728
September Review	78,145	56,703	21,441
December Review	81,627	58,803	22,824
March Review			

2022/2023 Quarterly Budget Comparison - By Fund			
Budget	Income	Expenditure	Result
	\$'000	\$'000	\$'000
General	61,398	44,291	17,107
Water	8,080	7,211	869
Wastewater	12,148	7,300	4,848

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

Income and Expenses Budget Review Statement - Consolidated

Income and Expenses Budget Review Statement (\$'000)											
	Original Budget	Carry Forwards	Other than by QBRS	Sep QBRS	Dec QBRS	Mar QBRS	Revised Budget	Variations for Dec QBRS	Notes	Projected Year End Result	Actual YTD Figures
Income											
Rates and Annual Charges	30,159						30,159			30,159	30,330
User Fees and Charges	7,138						7,138	11	1	7,149	4,162
Interest and Investment Revenue	579						579	190	2	769	464
Other Revenue	1,464						1,464			1,464	680
Operating Grants and Contributions	16,761	86		6,785			23,632	2,363	3	25,995	5,163
Capital Grants and Contributions	12,082	1,938		999			15,019	918	4	15,937	10,500
Gain on Sale of Assets	155						155			155	
Total Revenue	68,336	2,024		7,784			78,145	3,482		81,627	51,300
Expenses											
Employee Costs	19,132			1,669			20,801	(1,800)	5	19,002	9,824
Borrowing Costs	342						342			342	218
Materials and Contracts	14,305	80		1,719			16,105	2,962	6	19,066	8,277
Depreciation Expense	13,282			0			13,282	717	7	13,999	7,119
Other Expenses	5,547			626			6,173	220	8	6,394	3,616
Loss on Sale of Assets											
Total Expenses	52,608	80		4,015			56,703	2,099		58,803	29,054
Operating Result	15,728	1,944		3,769			21,441	1,383		22,824	22,246
Operating Result before Capital	3,647	6		2,770			6,422	465		6,887	11,746

Income and Expenses Budget Variation Notes

Notes	Details
1	<ul style="list-style-type: none"> • \$18K adjustment for 2022/23 Caravan Muster fee arrangement income.
2	<ul style="list-style-type: none"> • \$55K increase in interest income due to increased interest rates. • \$135K dividend from the sewer fund to the general fund approved by Department of Planning & Environment.
3	<ul style="list-style-type: none"> • \$1.97M increase in Natural Disaster Recovery Grant funding. • \$315K Pothole Repair Grant. • (\$270k) correction to Emergency Services Levy increase grant (paid in June 2022). • \$187K cost recovery for gas outage works. • \$120k for Disaster Risk Reduction grant. • \$43K Community Resilience Officer grant.
4	<ul style="list-style-type: none"> • \$409K for Fixing Country Bridges Program. • \$250K correction to the grant income allocation for Main St Footpaths. • \$122K Grant from Stronger Country Communities for improvements to Union Theatre. • \$71K Insurance claim income for Hockey Clubhouse. • \$66K Grant funding adjustment for LINC Building Rectifications.
5	<ul style="list-style-type: none"> • (\$970K) Correction to Natural Disaster salaries (moved to materials & contracts). • (\$480K) Road and Transport salary savings (including on-costs). • (\$152K) Financial Management Salary Savings (including on-costs). • (\$152K) Water Management Salary Savings (including on-costs). • (\$152K) Sewer Management Salary Savings (including on-costs).
6	<ul style="list-style-type: none"> • Net \$3.23M adjustments to Natural Disaster contractor costs budgets. • \$315K Pothole Repair Grant. • \$160K – Gas Outage – materials costs.
7	<ul style="list-style-type: none"> • \$717K recognition of RFS Red Fleet assets depreciation.
8	<ul style="list-style-type: none"> • \$135K Transfer sewer dividend to General Fund unrestricted working capital reserve. • (\$37K) Correction to Youth Scholarship Program allocation. • (\$13K) Transfer from Lithgow Halloween marketing budget to cover related salary costs.

Income and Expenses Budget Review Statement – General Fund

Income and Expenses Budget Review Statement (\$'000)										
	Original Budget	Carry Forwards	Other than by QBRs	Sep QBRs	Dec QBRs	Mar QBRs	Revised Budget	Variations for Dec QBRs	Projected Year End Result	Actual YTD Figures
Income										
Rates and Annual Charges	19,738						19,738		19,738	19,721
User Fees and Charges	2,735						2,735	11	2,746	1,750
Interest and Investment Revenue	549						549	190	739	438
Other Revenue	1,464						1,464		1,464	678
Operating Grants and Contributions	16,761	(39)		6,785			23,507	2,363	25,870	5,163
Capital Grants and Contributions	7,620	1,476		674			9,770	918	10,688	6,774
Gain on Sale of Assets	155						155		155	
Total Revenue	49,021	1,437		7,459			57,917	3,482	61,398	34,525
Expenses										
Employee Costs	15,266			1,669			16,936	(1,496)	15,440	7,950
Borrowing Costs	66						66		66	92
Materials and Contracts	8,339	(55)		1,569			9,854	2,962	12,816	5,443
Depreciation Expense	9,577						9,577	717	10,294	5,076
Other Expenses	4,963			626			5,590	86	5,675	3,344
Loss on Sale of Assets										
Total Expenses	38,212	(55)		3,865			42,023	2,269	44,291	21,906
Operating Result	10,809	1,491		3,594			15,894	1,213	17,107	12,619
Operating Result before Capital	3,188	16		2,920			6,124	295	6,419	5,844

Income and Expenses Budget Review Statement – Water Fund

Income and Expenses Budget Review Statement (\$'000)										
	Original Budget	Carry Forwards	Other than by QBRs	Sep QBRs	Dec QBRs	Mar QBRs	Revised Budget	Variations for Dec QBRs	Projected Year End Result	Actual YTD Figures
Income										
Rates and Annual Charges	3,029						3,029		3,029	3,188
User Fees and Charges	4,271						4,271		4,271	2,310
Interest and Investment Revenue	30						30		30	16
Other Revenue										2
Operating Grants and Contributions		125					125		125	
Capital Grants and Contributions	300			325			625		625	1075
Gain on Sale of Assets										
Total Revenue	7,630	125		325			8,080		8,080	6,592
Expenses										
Employee Costs	1,787						1,787	(152)	1,635	853
Borrowing Costs	8						8		8	12
Materials and Contracts	3,393	135		150			3,678		3,678	1,677
Depreciation Expense	1,714						1,714		1,714	907
Other Expenses	176						176		176	66
Loss on Sale of Assets										
Total Expenses	7,078	135		150			7,363	(152)	7,211	3,516
Operating Result	552	(10)		175			717	152	869	3,077
Operating Result before Capital	252	(10)		(150)			92	152	244	2,002

Income and Expenses Budget Review Statement – Sewer Fund

Income and Expenses Budget Review Statement (\$'000)										
	Original Budget	Carry Forwards	Other than by QBRS	Sep QBRS	Dec QBRS	Mar QBRS	Revised Budget	Variations for Dec QBRS	Projected Year End Result	Actual YTD Figures
Income										
Rates and Annual Charges	7,392						7,392		7,392	7,421
User Fees and Charges	132						132		132	102
Interest and Investment Revenue										9
Other Revenue										
Operating Grants and Contributions										
Capital Grants and Contributions	4,161	463					4,624		4,624	2,651
Gain on Sale of Assets										
Total Revenue	11,685	463					12,148		12,148	10,183
Expenses										
Employee Costs	2,078						2,078	(152)	1,926	1,021
Borrowing Costs	268						268		268	114
Materials and Contracts	2,573						2,573		2,573	1,157
Depreciation Expense	1,991						1,991		1,991	1,135
Other Expenses	408						408	135	542	206
Loss on Sale of Assets										
Total Expenses	7,318	0					7,318	(17)	7,300	3,633
Operating Result	4,368	463					4,830	17	4,848	6,550
Operating Result before Capital	206	0					206	17	224	3,900

Capital Budget Review Statement

Capital Budget Review Statement (\$'000)											
	Original Budget	Carry Forwards	Other than by QBRs	Sep QBRs	Dec QBRs	Mar QBRs	Revised Budget	Variations for Dec QBRs	Notes	Projected Year End Result	Actual YTD Figures
Capital Expenditure											
Plant and Equipment	1,082						1,082	(49)	1	1,033	529
Land and Buildings	2,717	91		182			2,990	(34)	2	2,956	986
Other Structures	391	230		29			651	21	3	673	259
Roads, Bridges and Footpaths	15,064	1,450		4,646			21,160	(888)	4	20,272	11,356
Stormwater	158						158			158	1
Swimming Pools											
Water Infrastructure	929	841		482			2,252	18	5	2,270	1,223
Sewer Infrastructure	7,279	663		214			8,156	(979)	6	7,177	2,449
Furniture and Fittings	77						77			77	
Office Equipment	479	59		16			554	(13)	7	541	154
Tip Assets	1,128	844		25			1,996	(50)	8	1,946	216
Loan Repayments	1,364						1,364	59	9	1,423	700
Total Capital Expenditure	30,668	4,178		5,595			40,441	(1,915)		38,526	17,873
Capital Funding											
Rates and Other Untied Funding	12,378	1,938		999			15,315	918		16,233	
Capital Grants and Contributions	13,398			3,905			17,307	(3,015)		14,292	9,991
Reserves:											
External Restriction/Reserve	4,534	1,930		548			7,012	182		7,194	
Internal Restriction/Reserve	358	310		140			807	-		807	
New Loans											
Receipts from Asset Sales											
Total Capital Funding	30,668	4,178		5,595			40,441	(1,915)		38,526	9,991
Net Capital Funding	-	-		-			-				(7,882)

Capital Budget Review Statement Variation

Notes

Notes	Details
1	<ul style="list-style-type: none"> • (\$130K) deferral of Conran / Watsford Oval upgrade due to resources being redirected to natural disaster works. • 81K Hockey Clubhouse insurance claim works.
2	<ul style="list-style-type: none"> • (\$63K) Deferral of Eskbank House capital works – funding to be held as a co-contribution for a 2023/24 grant funded project. • (\$38k) Adjust expenditure to match grant for Union Theatre improvement works. • \$36K Adjustment for final works on the LINC Building rectification. • \$19K Community Recycling Program grant funded works.
3	<ul style="list-style-type: none"> • \$20K CCTV security camera works funded from a deferred IT project.
4	<ul style="list-style-type: none"> • (\$715K) Reduction in Natural Disaster expenditure (budget moved to operational works). • \$770K Fixing Local Bridges grant funded projects. • (\$950K) Deferral of Road and Transport Projects due to resources being redirected to natural disaster works.
5	<ul style="list-style-type: none"> • \$18K correction to carryover budget for Vickers St WPS Electrical Upgrade.
6	<ul style="list-style-type: none"> • (\$834K) Cullen Bullen Sewer Scheme correction to carryover allocation to match total project budget. • (\$149K) Tweed Mills SPS High Voltage Upgrade – project deferred to 2023/24.
7	<ul style="list-style-type: none"> • \$21K Budget adjustment for HR Module software. • (\$20K) Deferral of new phone system. • (\$10K) Adjustment to Payroll Module budget to fund HR Module.
8	<ul style="list-style-type: none"> • (50K) Budget adjustment for Commercial Waste Strategy.
9	<ul style="list-style-type: none"> • \$59K Adjustment to working capital loan for Natural Disasters.

Cash and Investments 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 \$35,300,173.54.

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

The date of completion of this bank reconciliation was 16/01/2023.

Reconciliation Status

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

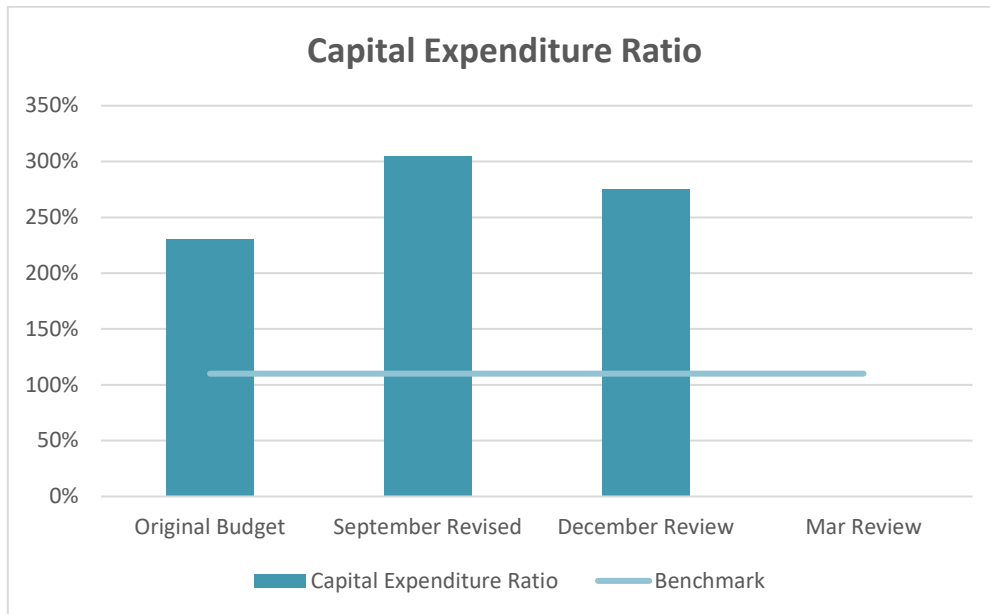
	\$'000's
Cash at Bank	318
Investments on Hand	34,982
Less: Unpresented Cheques	-
Add: Undeposited Funds	-
Less: Identified Deposits	-
Add: Identified Outflows	-
Less: Unidentified Deposits	-
Ad: Unidentified Outflows	-
Reconciled Cash at Bank & Investments	35,300
Balance as per Review Statement	35,300
Difference	

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

Cash and Investments Statement (\$'000)

	30 June 2022 Position	30 September 2022 Position	31 December 2022 Position	31 March 2023 Position
Externally Restricted				
Developer Contributions	1,945	1,764	1,755	
Special Purpose Grants	3,968	3,757	5,710	
FAGS	4,099	0	0	
Water Supplies	930	2,179	3,207	
Sewerage Services	8,310	9,991	8,714	
Domestic Waste	6,183	7,133	7,782	
Unexpended Loans	4,921	1,421	3,853	
	30,356	26,244	31,021	
Internally Restricted				
Land & Buildings	2,220	2,189	2,047	
Plant & Equipment	105	105	224	
Bonds, Deposits & Retentions	319	349	336	
Works in Progress	653	653	653	
Carry Over Works	327	212	56	
ELE	754	754	754	
Election	50	62	75	
Total Internally Restricted	4,428	4,324	4,145	
Unrestricted (working capital)	-	80	134	
Total Cash and Investments	34,784	30,648	35,300	

Key Performance Indicators

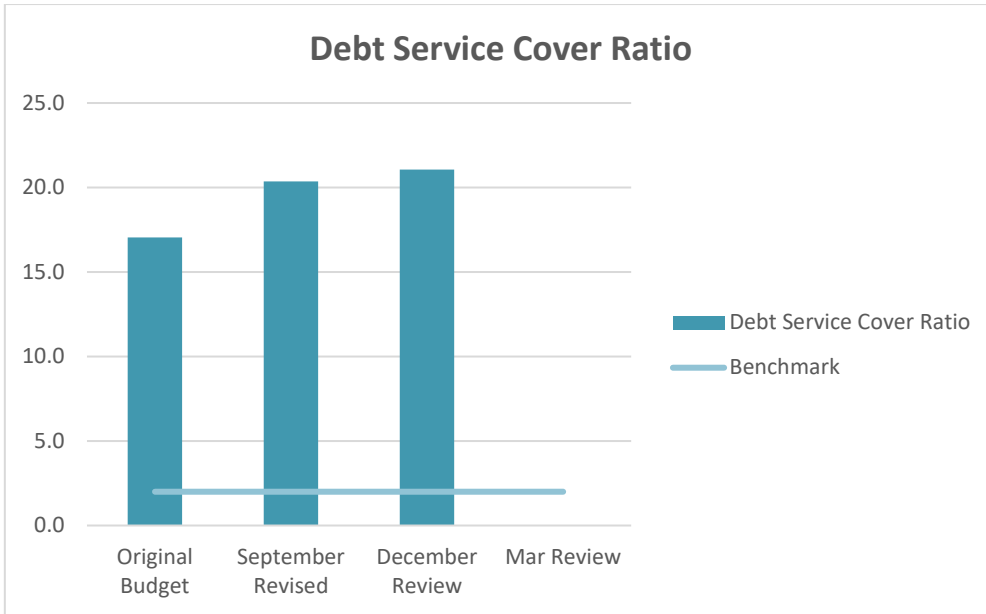


Purpose of Capital Expenditure Ratio

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

Commentary on 2022/23 Result Dec 2022/23 Ratio 275%

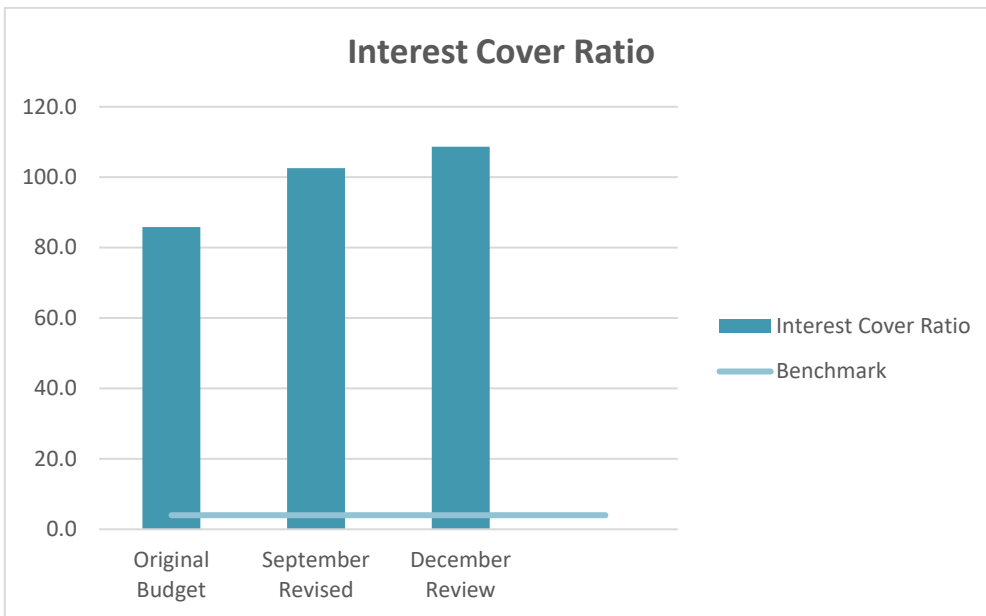
A capital expenditure ratio of 2.75 indicates that Council has a substantial capital works program due to grant funded and natural disaster renewal projects.



Purpose of Debt Service Cover Ratio **Commentary on 2022/23 Result**
Dec 2022/23 Ratio 21.1x

This ratio measures the availability of operating cash to service debt including principal and interest.

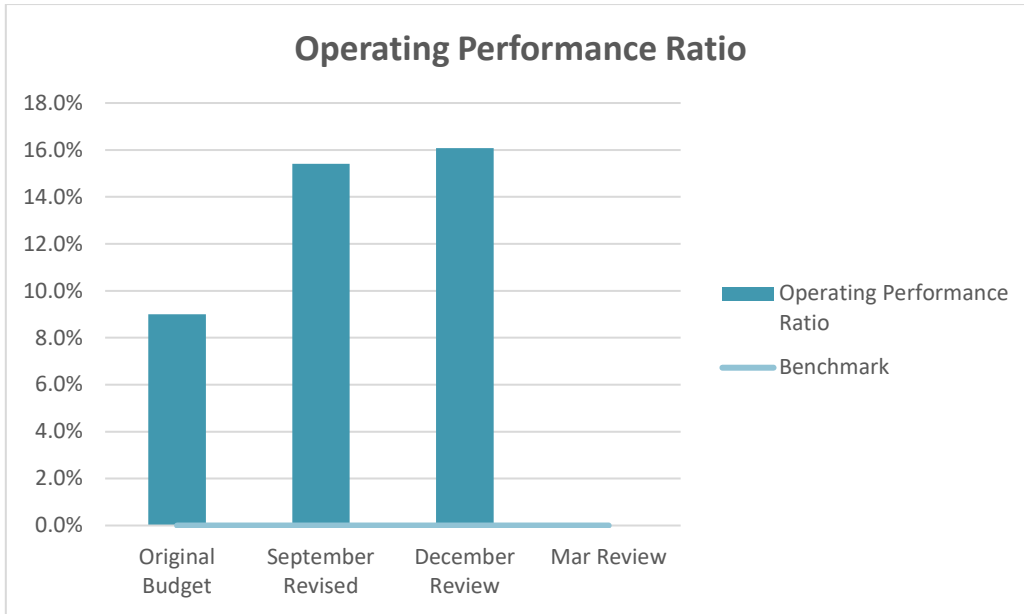
A debt service ratio of 21.1 times means Council has capacity to meet its loan repayments.



Purpose of Interest Cover Ratio **Commentary on 2022/23 Result**
Dec 2022/23 Ratio 108.7x

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

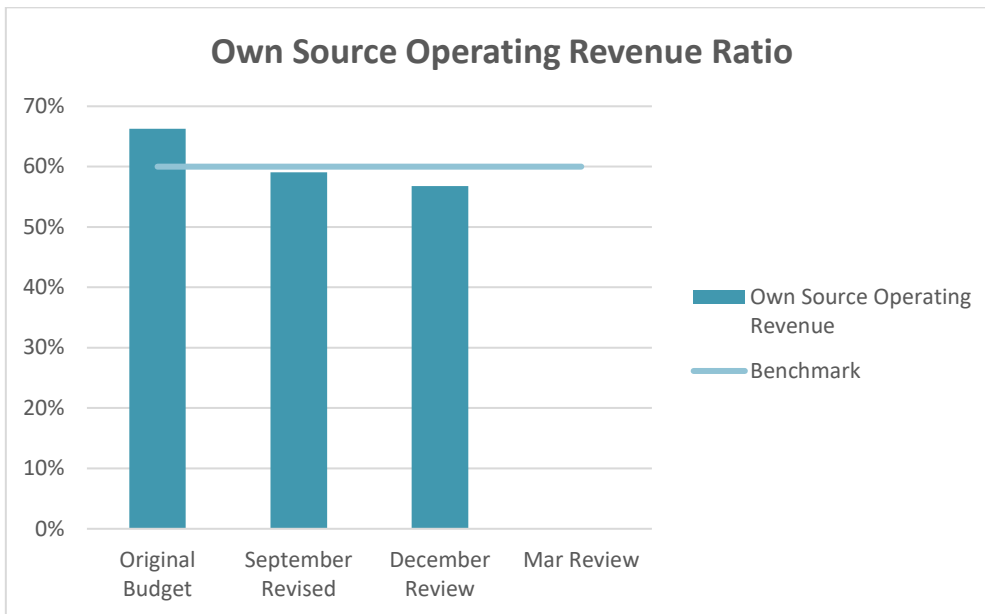
An interest cover ratio of 108.7 times means Council has more than adequate cash to cover interest payments on its debt.



Purpose of Operating Performance Ratio	Commentary on 2022/23 Result Dec 2022/23 Ratio 16.1%
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This ratio measures Council's achievement of containing operating expenses within operating revenue.

The operating performance ratio of 16.1% is above the OLG benchmark following the extraordinary financial impacts of recent natural disasters.



Purpose of Own Source Operating Revenue Ratio	Commentary on 2022/23 Result Dec 2022/23 Ratio 57%
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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 is just below the benchmark and is not overly reliant on external grant funding.

Contracts Budget Review Statement

For the period 1 July 2022 to 31 December 2022

Contracts Budget Review Statement						
Contractor	Contract Detail and Purpose	Contract Value (GST Inc)	Date	Minute No.	Length of Contract	Budgeted (Y/N)
Nil.						

Consultancy and Legal Expenses Review Statement

Consultancy and Legal Expenses Review Statement		
Expense	YTD Expenditure*	Budgeted (Y/N)
Consultancies	\$206,446	Y
Legal Fees	\$42,879	Y

*Actual expenditure 1 July 2022 to 31 December 2022.

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.