

OUR PLACE OUR FUTURE

2023/24 Quarterly Report
September 2023



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 30 September 2023 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:

30 September 2023

It is my opinion that the Quarterly Budget Review Statement for Lithgow City Council for the quarter ended 30/9/2023 indicates that Council's projected position at 30 June 2024 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 2024 will be satisfactory, has been based on the following factors:

1. The main reason for the change in Council's projected operating result (before capital) from original budget \$13.583M surplus to \$15.1M surplus relates to natural disaster claim income. \$2.355M of natural disaster claim income was reclassified from capital income to operating income as part of a review of 2023/24 natural disaster projects.
2. Council is on target to achieve its 2023/24 total employment cost savings target of \$1.46M with \$420K of salary savings taken at the Quarter One review.
3. \$348K of additional investment income will help to offset a net increase in materials and contract costs.

Council will continue to implement the 2023/24 Financial Sustainability Plan actions through the remainder of the year with identified budget savings / additional revenue of \$3.9M planned for the full year.

The projected year end operating result before capital is **\$15.1M** surplus (before capital) at 30 September 2023.

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 2023-2024 Operational Plan for the period of 1 July 2023 to 30 September 2023 with a recommendation that variations to income and expenditure estimates be voted.

2023/2024 Quarterly Budget Comparison			
Budget	Income	Expenditure	Result
	\$'000	\$'000	\$'000
Original Budget	92,449	58,243	34,206
September Review	90,790	61,960	28,829
December Review			
March Review			

2023/2024 Quarterly Budget Comparison - By Fund			
Budget	Income	Expenditure	Result
	\$'000	\$'000	\$'000
General	72,873	47,025	25,849
Water	9,171	7,481	1,690
Wastewater	8,746	7,454	1,291

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 Sep QBRS	Notes	Projected Year End Result	Actual YTD Figures
Income											
Rates and Annual Charges	39,153						39,153			39,153	38,993
User Fees and Charges	8,821						8,821			8,821	1,179
Interest and Investment Revenue	1,662						1,662	348	1	2,010	535
Other Revenue	1,424						1,424			1,424	457
Operating Grants and Contributions	20,745	346					21,091	4,541	2	25,631	511
Capital Grants and Contributions	20,623						20,623	(6,894)	3	13,729	102
Gain on Sale of Assets	22						22			22	0
Total Revenue	92,449	346					92,795	(2,005)		90,790	42,444
Expenses											
Employee Costs	21,589	85					21,674	(278)	4	21,395	5,055
Borrowing Costs	552						552			552	107
Materials and Contracts	19,858	460					20,318	3,441	5	23,759	5,369
Depreciation Expense	14,985						14,985			14,985	3,746
Other Expenses	1,259						1,259	10	6	1,269	(64)
Loss on Sale of Assets											
Total Expenses	58,243	544					58,788	3,173		61,960	14,213
Operating Result	34,206	(199)					34,007	(5,178)		28,829	28,231
Operating Result before Capital	13,583	(199)					13,385	1,716		15,101	28,333

Income and Expenses Budget Variation Notes

Notes	Details
1	<ul style="list-style-type: none">• \$348K increase due to higher interest rates and \$13.8M natural disaster payment.
2	<ul style="list-style-type: none">• \$3.5M increase to Natural Disaster claim income.• \$554K additional Financial Assistance Grant.
3	<ul style="list-style-type: none">• (\$4.485M) removal of Atkinson Street/State Mine Gully road renewal project – no grant available.• (\$2.355M) correction – natural disaster claim income to operating grants.• Reallocation of \$900K of natural disaster grant funding to 2023/24 projects.• (\$672K) deferral of Portland Central Park Project to 2024/25.• \$600K grant reallocation to Main Street/ Cupro Street Stormwater Drainage Improvements.• (\$430K) removal of Waste grant.• (\$314K) partial rephasing of Blast Furnace Lighting and Performance Stage to 2024/25.• (\$237K) partial rephasing of Lake Pillans Upgrades to 2024/25.
4	<ul style="list-style-type: none">• (\$420K) of salary savings taken up across the organisation.• (\$50K) Workers Compensation savings.• \$110K increase in recruitment cost, including use of agencies.• \$81K increase in training costs to fund 2023/24 training plan.
5	<ul style="list-style-type: none">• \$1.7M transfer of internal plant budget to operational due to withdrawal of Atkinson Street project.• \$530K transfer of FOGO implementation costs from capital to operational.• \$500k added for grant funded Road Patching program and \$107k added for Pipers Flat Road.• \$318K added for Farmers Creek sewer line protection emergency works.• (\$228K) insurance savings.• \$170K added for WaterNSW funded stormwater guidelines and mapping.• \$138K for 2024 asset revaluations brought forward.
6	<ul style="list-style-type: none">• \$10K donation for Vale Hall furniture & fittings approved by Council.

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 Sep QBRs	Projected Year End Result	Actual YTD Figures
Income										
Rates and Annual Charges	27,545						27,545		27,545	27,673
User Fees and Charges	3,736						3,736		3,736	1,059
Interest and Investment Revenue	1,612						1,612	348	1,960	532
Other Revenue	1,424						1,424		1,424	456
Operating Grants and Contributions	20,745	346					21,091	4,541	25,631	511
Capital Grants and Contributions	19,449						19,449	(6,894)	12,555	72
Gain on Sale of Assets	22						22		22	0
Total Revenue	74,533	346					74,878	(2,005)	72,873	30,303
Expenses										
Employee Costs	18,070	85					18,155	(28)	18,127	4,068
Borrowing Costs	200						200		200	44
Materials and Contracts	13,430	460					13,890	3,123	17,013	3,197
Depreciation Expense	10,416						10,416		10,416	2,604
Other Expenses	1,259						1,259	10	1,269	(64)
Loss on Sale of Assets										
Total Expenses	43,375	544					43,919	3,105	47,025	9,849
Operating Result	31,157	(199)					30,959	(5,110)	25,849	20,454
Operating Result before Capital	11,708	(199)					11,510	1,784	13,294	20,382

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 Sep QBRS	Projected Year End Result	Actual YTD Figures
Income										
Rates and Annual Charges	3,651						3,651		3,651	3,541
User Fees and Charges	4,935						4,935		4,935	84
Interest and Investment Revenue	30						30		30	3
Other Revenue	0						0		0	1
Operating Grants and Contributions	0						0		0	0
Capital Grants and Contributions	555						555		555	0
Gain on Sale of Assets										
Total Revenue	9,171						9,171		9,171	3,629
Expenses										
Employee Costs	1,689						1,689	(81)	1,609	463
Borrowing Costs	22						22		22	2
Materials and Contracts	3,748						3,748		3,748	1,466
Depreciation Expense	2,102						2,102		2,102	525
Other Expenses	0						0		0	0
Loss on Sale of Assets										
Total Expenses	7,562						7,562	(81)	7,481	2,456
Operating Result	1,609						1,609	81	1,690	1,173
Operating Result before Capital	1,054						1,054	81	1,135	1,173

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 Sep QBRS	Projected Year End Result	Actual YTD Figures
Income										
Rates and Annual Charges	7,957						7,957		7,957	7,780
User Fees and Charges	150						150		150	35
Interest and Investment Revenue	20						20		20	0
Other Revenue	0						0		0	0
Operating Grants and Contributions	0						0		0	0
Capital Grants and Contributions	619						619		619	443
Gain on Sale of Assets										
Total Revenue	8,746						8,746		8,746	8,258
Expenses										
Employee Costs	1,829						1,829	(170)	1,660	525
Borrowing Costs	330						330		330	61
Materials and Contracts	2,680						2,680	318	2,998	706
Depreciation Expense	2,467						2,467		2,467	617
Other Expenses	0						0		0	0
Loss on Sale of Assets										
Total Expenses	7,306						7,306	148	7,454	1,909
Operating Result	1,439						1,439	(148)	1,291	6,349
Operating Result before Capital	820						820	(148)	672	5,906

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 Sep QBRs	Notes	Projected Year End Result	Actual YTD Figures
Capital Expenditure											
Plant and Equipment	2,744	29					2,773			2,773	620
Land and Buildings	2,920	340					3,260	145	1	3,405	287
Other Structures	3,181	96					3,277	(1,389)	2	1,888	63
Roads, Bridges and Footpaths	30,398	156					30,554	(2,733)	3	27,821	1,442
Stormwater	360						360	600	4	960	3
Swimming Pools											
Water Infrastructure	2,609	375					2,984			2,984	191
Sewer Infrastructure	7,621	1,553					9,174	400	5	9,574	567
Furniture and Fittings	198						198			198	8
Office Equipment	423	157					580			580	65
Library	474	0					474			474	0
Tip Assets	1,550	455					2,005	(620)	6	1,385	180
Loan Repayments	1,435						1,435			1,435	353
Total Capital Expenditure	53,912	3,162					57,074	(3,597)		53,477	3,781
Capital Funding											
Rates and Other Untied Funding	29,588	89					29,677	3,167		32,845	
Capital Grants and Contributions	20,073						20,073	(7,333)		12,739	666
Reserves:											
External Restriction/Reserve	1,780	2,618					4,398	554		4,952	
Internal Restriction/Reserve	2,471	455					2,926	15		2,941	
New Loans											
Receipts from Asset Sales											
Total Capital Funding	53,912	3,162					57,074	(3,597)		53,477	666
Net Capital Funding	-	-					-				(3,115)

Capital Budget Review Statement Variation Notes

Notes	Details
1	<ul style="list-style-type: none">• \$250K for Construction of Rural Transfer Station.• (\$120K) reduction in works partly rephased to 2024/25 for Eskbank House.
2	<ul style="list-style-type: none">• (\$672K) deferral of Portland Central Park Project due to ongoing negotiations with Dept of Education.• (\$314K) partial rephasing of Blast Furnace Lighting & Performance Stage.• (\$237K) partial rephasing of Lake Pillans Upgrades.• (\$170k) deferral of Farmers Creek Pathway Extension as grant funding is not available.
3	<ul style="list-style-type: none">• \$1.154M added for Natural Disaster Works.• \$500K added for Natural Disaster grant funding ARGN 1012 for Glen Davis Detour and Construction.• (\$4.485M) removal of Atkinson St road renewal as grant funding is not available.
4	<ul style="list-style-type: none">• \$600K added for Natural Disaster grant ARGN 1012 to allow Main Street/Cupro Street Stormwater Drainage works to commence in 2023/24.
5	<ul style="list-style-type: none">• \$400K added for Cullen Bullen Sewer Upgrade. Min. No. 23-127 24/07/2023.
6	<ul style="list-style-type: none">• \$200K Capertee Landfill closure and Transfer Station construction• \$200K Improvements to weighbridge and gatehouse at Lithgow Solid Waste Facility• \$200K Closure and Rehabilitation of Portland Landfill• \$100K Lithgow Landfill Leachate Barrier System• (\$1.48M) reallocated from the capital program. \$530K allocated to FOGO implementation and \$250k allocated to a building asset at Transfer Station.

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 \$54,668,784.18.

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

The date of completion of this bank reconciliation was 03/10/2023.

Reconciliation Status

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

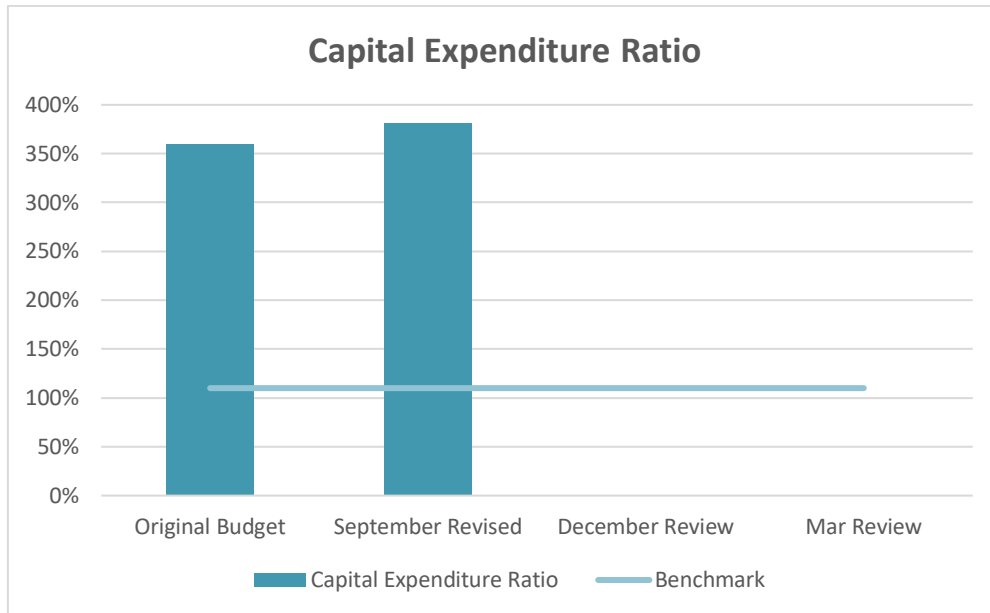
	\$'000's
Cash at Bank	469
Investments on Hand	54,200
Less: Unpresented Cheques	-
Add: Undeposited Funds	-
Less: Identified Deposits	-
Add: Identified Outflows	-
Less: Unidentified Deposits	-
Ad: Unidentified Outflows	-
Reconciled Cash at Bank & Investments	54,669
Balance as per Review Statement	54,669
Difference	

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

Cash and Investments Statement (\$'000)

	30 June 2023 Position	30 September 2023 Position	31 December 2023 Position	31 March 2024 Position
Externally Restricted				
Developer Contributions	1,874	1,854		
Special Purpose Grants	12,659	14,958		
FAGS	6,013	4,510		
Water Supplies	2,829	2,960		
Sewerage Services	7,427	8,095		
Domestic Waste	7,402	9,223		
Unexpended Loans	1,352	3,851		
	39,556	45,451		
Internally Restricted				
Land & Buildings	2,734	2,916		
Plant & Equipment	511	514		
Bonds, Deposits & Retentions	302	309		
Works in Progress	671	670		
Carry Over Works	476	291		
Commercial Waste	250	140		
ELE	1,130	1,130		
Election	100	119		
Employee Development	350	350		
	6,523	6,439		
Unrestricted (working capital)	(3,142)	2,779		
Total Cash and Investments	42,937	54,669		

Key Performance Indicators

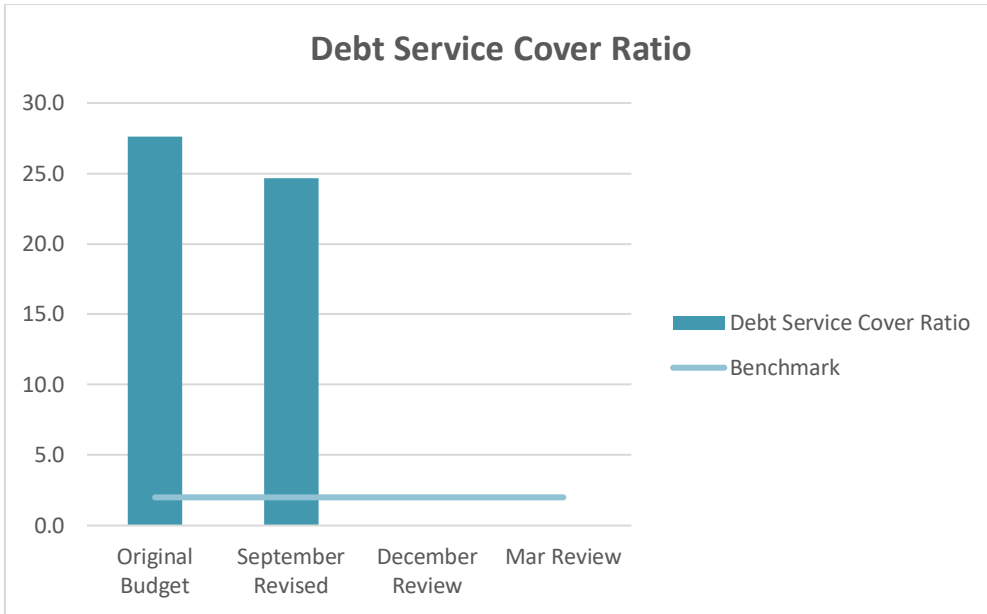


Purpose of Capital Expenditure Ratio

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

Commentary on 2023/24 Result Sep 2023/24 Ratio 381%

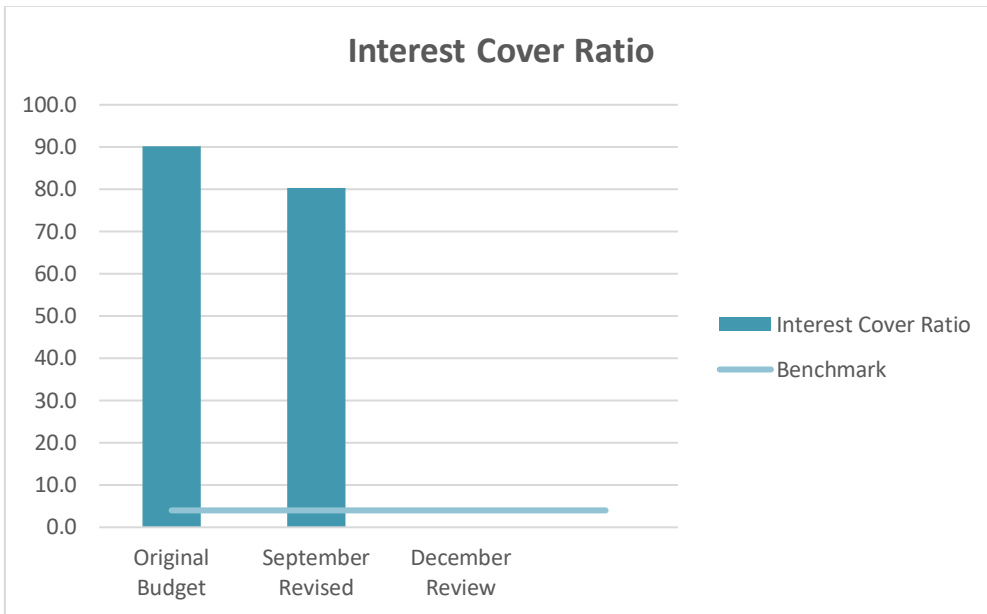
A capital expenditure ratio of 381% suggests that Council has a substantial capital works program.



Purpose of Debt Service Cover Ratio	Commentary on 2023/24 Result Sep 2023/24 Ratio 24.6x
--	---

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

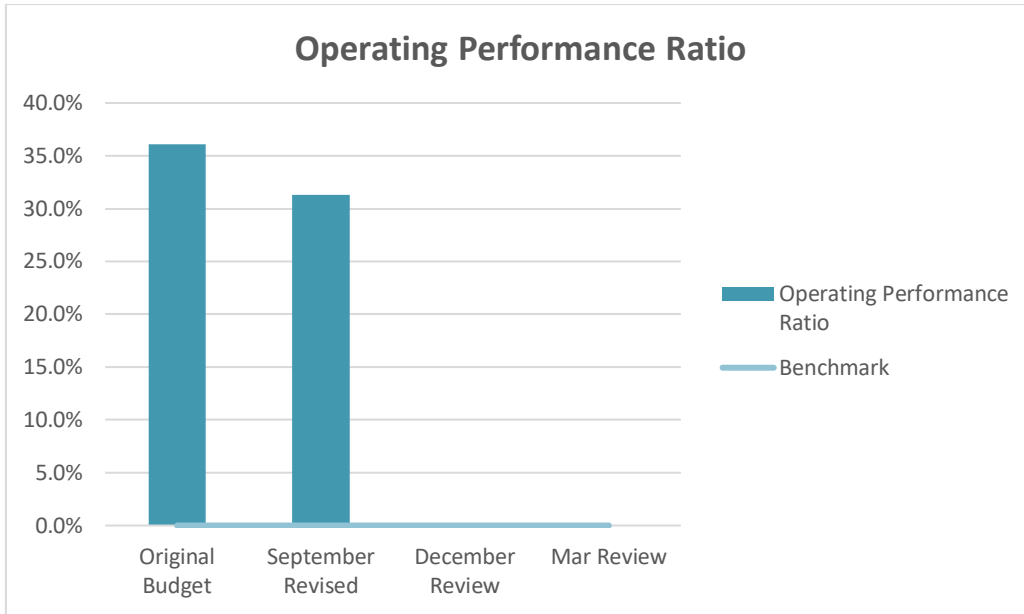
A debt service ratio of 24.6 times means Council has capacity to meet its loan repayments.



Purpose of Interest Cover Ratio	Commentary on 2023/24 Result Sep 2023/24 Ratio 80.4x
--	---

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

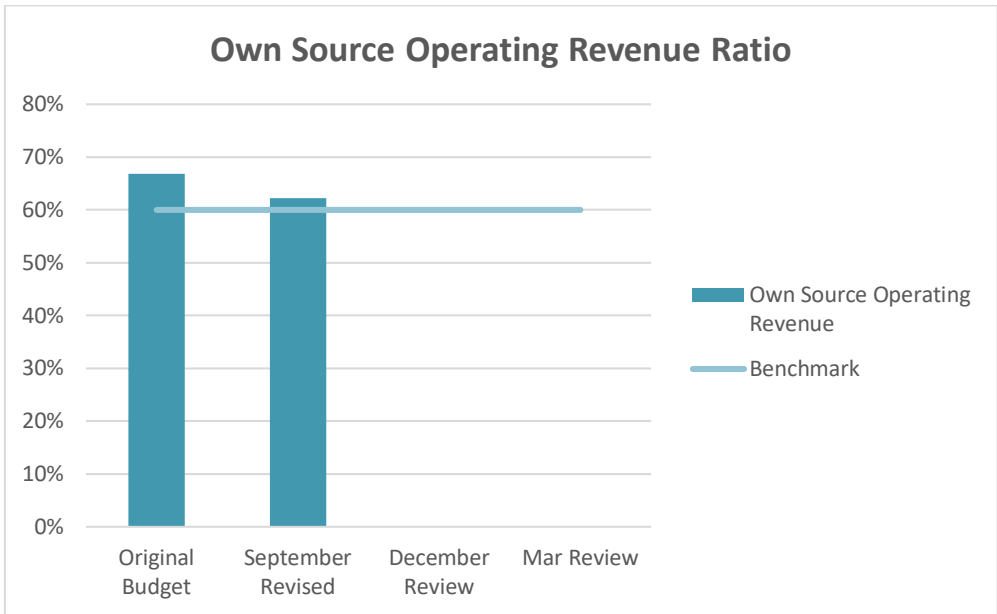
An interest cover ratio of 80.4 times means Council has more than adequate cash to cover interest payments on its debt.



Purpose of Operating Performance Ratio **Commentary on 2023/24 Result**
Sep 2023/24 Ratio 31.3%

This ratio measures Council's achievement of containing operating expenses within operating revenue.

The operating performance ratio of 31.3% is above the OLG benchmark following the extraordinary financial impacts of natural disasters.



Purpose of Own Source Operating Revenue Ratio **Commentary on 2023/24 Result**
Sep 2023/24 Ratio 62%

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 just above the benchmark and is not overly reliant on external grant funding.

Contracts Budget Review Statement

For the period 1 July 2023 to 30 September 2023

Contracts Budget Review Statement						
Contractor	Contract Detail and Purpose	Contract Value (GST Inc)	Date	Minute No.	Length of Contract	Budgeted (Y/N)
Gracey's Earthmoving ar	South Bowenfels Link Road	\$754,160.00	28/08/2023	10.3.2		Y
Komatsu Australia Pty Li	Replacement of Grader	\$516,560.00	25/09/2023	10.3.1		Y
Not mentioned	Hook-Lift Truck	\$360,000.00	25/09/2023	10.4.1		Y

Consultancy and Legal Expenses Review Statement

Consultancy and Legal Expenses Review Statement		
Expense	YTD Expenditure*	Budgeted (Y/N)
Consultancies	\$125,453	Y
Legal Fees	\$47,511	Y

*Actual expenditure 1 July 2023 to 30 September 2023.

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.