

OUR PLACE OUR FUTURE

2023/24 Quarterly Report
December 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 October 2023 to 31 December 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:

31 December 2023

It is my opinion that the Quarterly Budget Review Statement for Lithgow City Council for the quarter ended 31/12/2023 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 \$7.2M surplus relates to natural disaster claim income. Nett \$8.26M of natural disaster claim income was removed from operating income - \$11.6M of natural disaster restoration project budgets have been rephased to 2024/25, partly offset by \$3.3M budget added for actual 2023/24 expenditure.
2. Council is on target to achieve its 2023/24 total employment cost savings target of \$1.46M with \$670K of salary savings taken in the first six months of 2023/24.
3. \$300K of additional investment income is expected and nett (\$282K) of material and contract budget adjustments were made.

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 **\$7.2M** surplus (before capital) at 31 December 2023.

Ross Gurney
Responsible Accounting Officer

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Summary of Financial Position

This report provides the Quarterly Performance Report on the 2023-2024 Operational Plan for the period of 1 October 2023 to 31 December 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	77,836	61,463	16,372
March Review			

Income and results included in the table above includes natural disaster claims income. All of the natural disaster claims income is classified as "operating grants" whilst the majority of the expense is in the capital works program due to the nature of the works being asset renewal. Asset renewal works are expensed over the useful life of an asset via depreciation.

The projected result of \$16.372M at the December Review does not represent surplus cash available to Council.

2023/2024 Quarterly Budget Comparison - By Fund			
Budget	Income	Expenditure	Result
	\$'000	\$'000	\$'000
General	59,919	46,549	13,370
Water	9,171	7,686	1,485
Wastewater	8,746	7,229	1,517

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	39,153						39,153			39,153	39,259
User Fees and Charges	8,821						8,821	8		8,829	4,179
Interest and Investment Revenue	1,662			348			2,010	300	1	2,310	1,304
Other Revenue	1,424						1,424			1,424	759
Operating Grants and Contributions	20,745	346		4,541			25,631	(8,716)	2	16,915	3,621
Capital Grants and Contributions	20,623			(6,894)			13,729	(4,546)	3	9,183	1,497
Gain on Sale of Assets	22						22			22	0
Total Revenue	92,449	346		(2,005)			90,790	(12,954)		77,836	50,620
Expenses											
Employee Costs	21,589	85		(278)			21,395	(225)	4	21,171	10,542
Borrowing Costs	552						552			552	231
Materials and Contracts	19,858	460		3,441			23,759	(282)	5	23,477	10,223
Depreciation Expense	14,985						14,985			14,985	7,505
Other Expenses	1,259			10			1,269	10		1,279	697
Loss on Sale of Assets											
Total Expenses	58,243	544		3,173			61,960	(497)		61,463	29,199
Operating Result	34,206	(199)		(5,178)			28,829	(12,471)		16,372	21,421
Operating Result before Capital	13,583	(199)		1,716			15,101	(7,911)		7,189	19,923

Income and Expenses Budget Variation Notes – Dec 2023

Notes	Details
1	<ul style="list-style-type: none"> \$300K budget increase due to higher interest rates and \$13.8M natural disaster claim payment.
2	<ul style="list-style-type: none"> (\$11.56M) rephasing of natural disaster projects, to be completed in 24/25. \$2.66M budgets added for 2022/23 natural disaster emergency work invoices paid in 2023/24. \$637K budget for Wolgan Rd Alternative Alignment Study – Min. No. 23-6. (\$315K) budget reduced for pothole repair program completed in 2022/23.
3	<ul style="list-style-type: none"> \$619K remaining grant income received to complete Cullen Bullen Sewer Scheme. \$451K contribution for Magpie Hollow Rd guardrail and road resurfacing - Min. No. 23-187. Reallocation of capital natural disaster grant from deferred Glen Davis Detour (\$500K) to creek stabilisation works \$400K and causeway constructions \$100K. (\$1.8M) partial rephasing of Main St Footpath Revitalisation grants to 2024/25. (\$745K) rephasing of Main St / Cupro St Stormwater Improvements to 2024/25. (\$900K) rephasing of Resources for Regions Rd 9 Safety Improvements to 2024/25. (\$1.066M) rephasing of Charles St & Red Hill Bridges to 2024/25. (\$1.1m) South Bowenfels Link Road and Hillcrest No2 Sewer Pump (funds held in reserve from 2022/23 grant payment).
4	<ul style="list-style-type: none"> (\$250K) of salary savings taken up across the organisation.
5	<ul style="list-style-type: none"> (\$315K) budget reduced for pothole repair program completed in 2022/23. (\$318K) budget correction for Farmers Creek - Sewer Line Protection. \$299k grant funded Road Repair Program - 2024-2027 commenced. \$58K contribution from Statecover for WHS initiatives.

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	27,545						27,545		27,545	27,672
User Fees and Charges	3,736						3,736	8	3,744	1,857
Interest and Investment Revenue	1,612			348			1,960	300	2,260	1,271
Other Revenue	1,424						1,424		1,424	758
Operating Grants and Contributions	20,745	346		4,541			25,631	(8,716)	16,915	3,614
Capital Grants and Contributions	19,449			(6,894)			12,555	(4,546)	8,009	887
Gain on Sale of Assets	22						22		22	0
Total Revenue	74,533	346		(2,005)			72,873	(12,954)	59,919	36,059
Expenses										
Employee Costs	18,070	85		(28)			18,127	(521)	17,605	8,601
Borrowing Costs	200						200		200	116
Materials and Contracts	13,430	460		3,441			17,331	(282)	17,049	6,354
Depreciation Expense	10,416						10,416		10,416	5,220
Other Expenses	1,259			10			1,269	10	1,279	697
Loss on Sale of Assets										
Total Expenses	43,375	544		3,423			47,343	(794)	46,549	20,988
Operating Result	31,157	(199)		(5,428)			25,531	(12,160)	13,370	15,071
Operating Result before Capital	11,708	(199)		1,466			12,976	(7,614)	5,361	14,184

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	3,651						3,651		3,651	3,534
User Fees and Charges	4,935						4,935		4,935	2,235
Interest and Investment Revenue	30						30		30	21
Other Revenue	0						0		0	1
Operating Grants and Contributions	0						0		0	7
Capital Grants and Contributions	555						555		555	0
Gain on Sale of Assets										
Total Revenue	9,171						9,171		9,171	5,798
Expenses										
Employee Costs	1,689			(81)			1,609	205	1,813	936
Borrowing Costs	22						22		22	41
Materials and Contracts	3,748						3,748		3,748	2,394
Depreciation Expense	2,102						2,102		2,102	1,014
Other Expenses	0						0		0	0
Loss on Sale of Assets										
Total Expenses	7,562			(81)			7,481	205	7,686	4,442
Operating Result	1,609			81			1,690	(205)	1,485	1,376
Operating Result before Capital	1,054			81			1,135	(205)	930	1,376

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	7,957						7,957		7,957	8,053
User Fees and Charges	150						150		150	88
Interest and Investment Revenue	20						20		20	12
Other Revenue	0						0		0	0
Operating Grants and Contributions	0						0		0	0
Capital Grants and Contributions	619						619		619	610
Gain on Sale of Assets										
Total Revenue	8,746						8,746	0	8,746	8,763
Expenses										
Employee Costs	1,829			(170)			1,660	92	1,752	1,006
Borrowing Costs	330						330		330	74
Materials and Contracts	2,680						2,680		2,680	1,475
Depreciation Expense	2,467						2,467		2,467	1,234
Other Expenses	0						0		0	0
Loss on Sale of Assets										
Total Expenses	7,306			(170)			7,137	92	7,229	3,789
Operating Result	1,439			170			1,609	(92)	1,517	4,974
Operating Result before Capital	820			170			990	(92)	898	4,363

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	2,744	29		145			2,773	404	1	3,177	959
Land and Buildings	2,920	340		(1,389)			3,405	66	2	3,471	689
Other Structures	3,181	96		(2,733)			1,888	53		1,941	217
Roads, Bridges and Footpaths	30,398	156		600			27,821	(10,940)	3	16,881	4,597
Stormwater	360						960	(745)	4	215	5
Swimming Pools											
Water Infrastructure	2,609	375		400			2,984	(795)	5	2,189	428
Sewer Infrastructure	7,621	1,553					9,574	243	6	9,817	1,848
Furniture and Fittings	198						198			198	8
Office Equipment	423	157					580			580	102
Library	474	0		(620)			474			474	133
Tip Assets	1,550	455					1,385	(310)	7	1,075	377
Loan Repayments	1,435						1,435			1,435	712
Total Capital Expenditure	53,912	3,162		(3,597)			53,477	(12,024)		41,453	10,073
Capital Funding											
Rates and Other Untied Funding	29,588	89		3,167			32,845	(9,151)		23,694	
Capital Grants and Contributions	20,073			(7,333)			12,739	(4,546)		8,194	1,298
Reserves:											
External Restriction/Reserve	1,780	2,618		554			4,952	1,436		6,389	
Internal Restriction/Reserve	2,471	455		15			2,941	235		3,176	
New Loans											
Receipts from Asset Sales											
Total Capital Funding	53,912	3,162		(3,597)			53,477	(12,024)		41,453	1,298
Net Capital Funding	-	-					-				(8,775)

Capital Budget Review Statement Variation Notes – Dec 2023

Notes	Details
1	<ul style="list-style-type: none"> \$360K purchase of Isuzu Hook Lift Truck – Min. No. 23-166.
2	<ul style="list-style-type: none"> \$253K Portland Toilet Block, Portland Central – project reinstated to 2023/24 program. (\$200K) reduction of budget for Primary Rural Transfer Station due to change of plan.
3	<ul style="list-style-type: none"> (\$11.56M) rephasing of natural disaster projects, to be completed in 24/25. \$2.66M budgets added for 2022/23 natural disaster emergency work invoices paid in 2023/24. \$637K budget for Wolgan Rd Alternative Alignment Study – Min. No. 23-6. (\$1.8M) partial rephasing of Main St Footpath Revitalisation to 2024/25. (\$900K) R4R9 Regional Safety Improvements rephased to 24/25. (\$679K) Red Hill Road Bridge partial rephasing to 24/25. (\$386K) Charles Street Bridge partial rephasing to 24/25. (\$500K) Glen Davis Detour & Construction (natural disaster) project removal and reallocation to other priority projects. (\$196K) Kerb & Gutter renewal partial rephasing to 24/25. (\$146K) Amiens Street savings reallocated to Saville and Purcell Streets. \$779K South Bowenfels Link Road increase expenditure – Min. No. 23-186. \$451K Magpie Hollow Rd guardrail and road resurfacing funded by Energy Australia - Min. No. 23-187.
4	<ul style="list-style-type: none"> (\$745K) R4R9 Main Street / Cupro Street Stormwater Drainage Improvements rephased to 24/25.

5

- (\$400K) Clarence to Wallerawang Pipeline - savings taken - lower cost of Review of Environmental Factors.
- (\$208K) Oakey Park Water Filtration Plant (WFP) - Clear Water & Backwash Pumps Replacement -budget reduced and rephased to 24/25.
- (\$155K) Oakey Park NBN connection to the Flow Meter insertion battery – saving due to connection to the existing telemetry.
- (\$100K) Tarana Water System Renewal - partial rephasing to 24/25 and savings taken – allowing for community consultation in 23/24.
- \$120K Oakey Park WFP Soda Ash Dosing Upgrade \$84K carryover plus additional spend for control board.

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- \$450K to complete Cullen Bullen Sewer Scheme – Min. No. 24-7.
- (\$140K) Tweed Mills Sewer - rephasing to 24/25 and savings taken to allow for approvals and design to be completed in 23/24.
- (\$172.5K) East Portland Sewer - partial rephasing to 24/25.

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- (\$150K) Capertee Landfill closure and transfer station construction - savings from supply of capping material.
 - (\$150K) Lithgow SWF weighbridge and gatehouse improvements - project to be superseded by new business case due to change in scope following opening of Resource Recovery Centre. \$50K left on this project for any preliminary work in Q3/Q4 in 2023/24.
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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 \$53,874,262.29.

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

The date of completion of this bank reconciliation was 04/01/2024.

Reconciliation Status

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

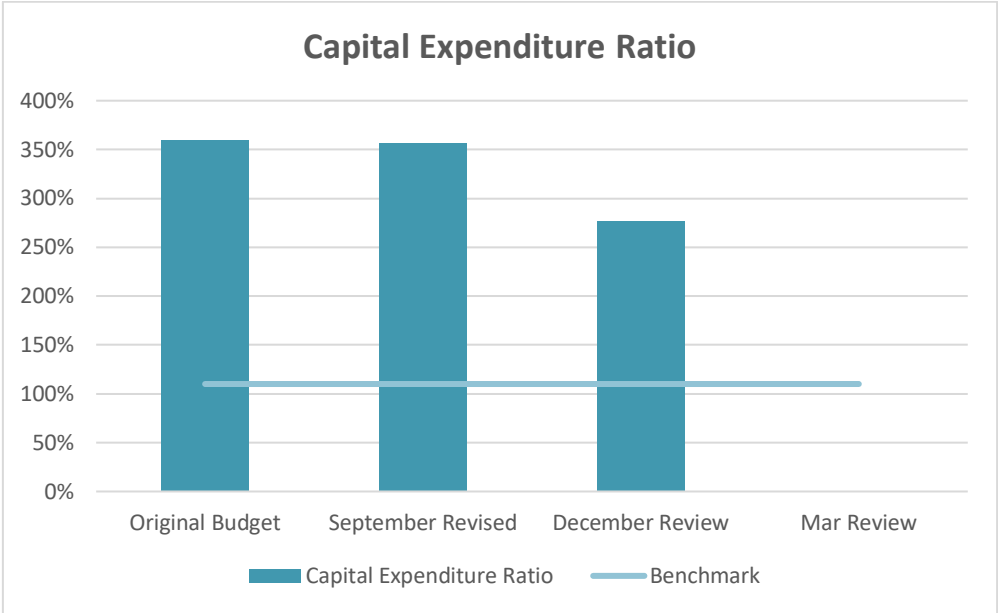
	\$'000's
Cash at Bank	224
Investments on Hand	53,650
Less: Unpresented Cheques	-
Add: Undeposited Funds	-
Less: Identified Deposits	-
Add: Identified Outflows	-
Less: Unidentified Deposits	-
Ad: Unidentified Outflows	-
Reconciled Cash at Bank & Investments	53,874
Balance as per Review Statement	53,874
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	1,917	
Special Purpose Grants	12,659	14,958	16,120	
FAGS	6,013	4,510	3,235	
Water Supplies	2,829	2,960	3,326	
Sewerage Services	7,427	8,095	8,416	
Domestic Waste	7,402	9,223	8,499	
Unexpended Loans	1,352	3,851	2,850	
	39,556	45,451	44,363	
Internally Restricted				
Land & Buildings	2,734	2,916	3,102	
Plant & Equipment	511	514	811	
Bonds, Deposits & Retentions	302	309	302	
Works in Progress	671	670	648	
Carry Over Works	476	291	245	
Commercial Waste	250	140	931	
ELE	1,130	1,130	1,130	
Election	100	119	138	
Employee Development	350	350	350	
Total Internally Restricted	6,523	6,439	7,657	
Unrestricted (working capital)	(3,142)	2,779	1,854	
Total Cash and Investments	42,937	54,669	53,874	

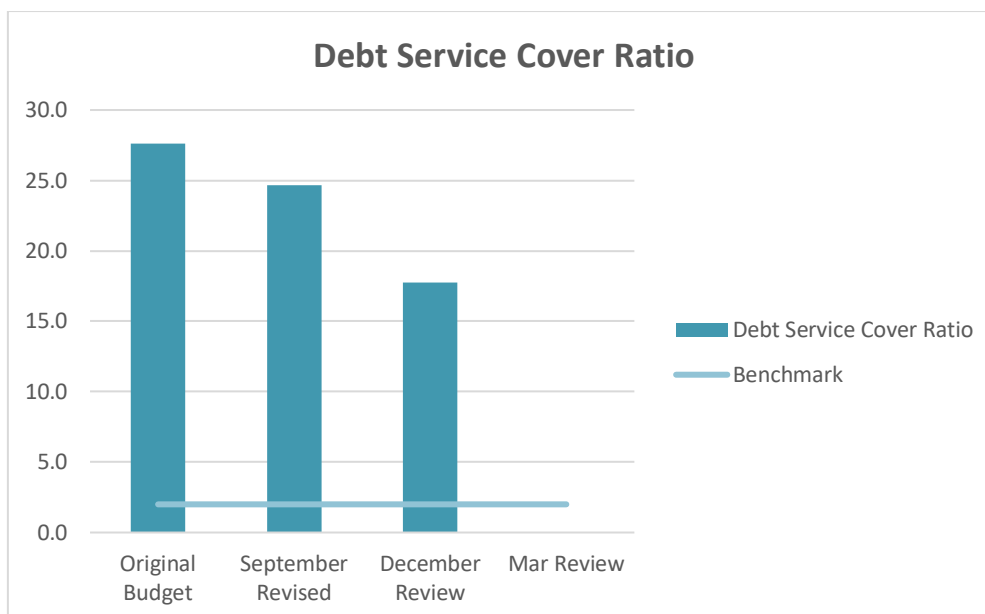
Key Performance Indicators



Purpose of Capital Expenditure Ratio	Commentary on 2023/24 Result Dec 2023/24 Ratio 277%
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To assess the extent to which Council is expanding its asset base through capital expenditure.

A capital expenditure ratio of 277% suggests that Council has a substantial capital works program.

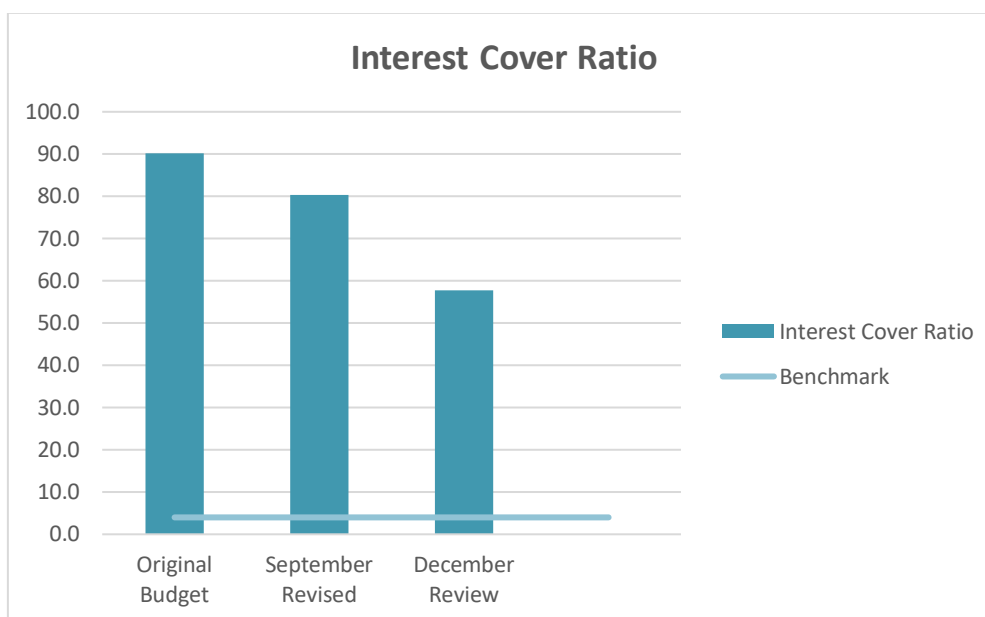


Purpose of Debt Service Cover Ratio

Commentary on 2023/24 Result
Dec 2023/24 Ratio 17.7x

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

A debt service ratio of 17.7 times means Council has capacity to meet its loan repayments.

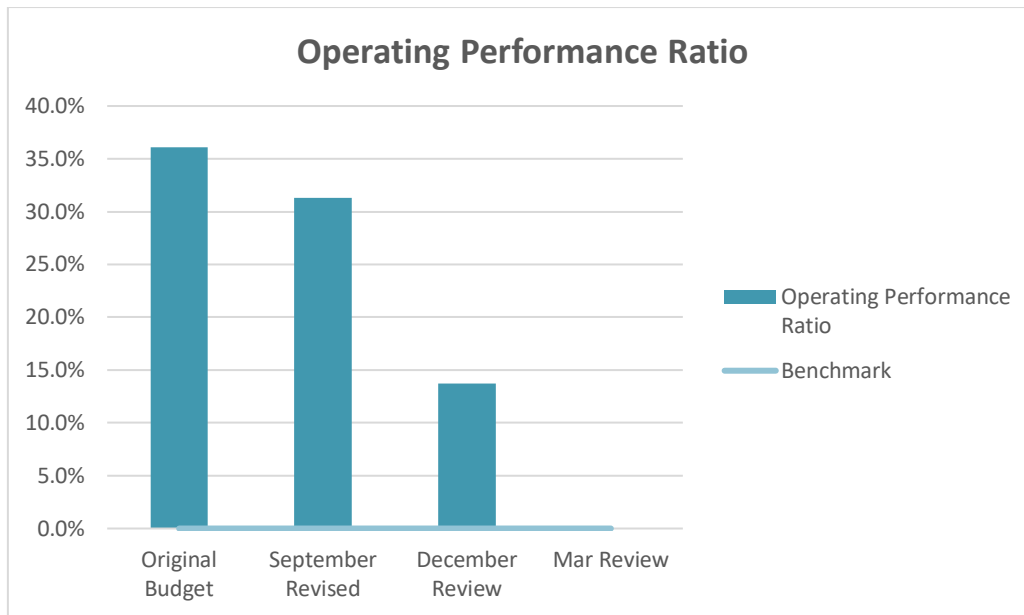


Purpose of Interest Cover Ratio

Commentary on 2023/24 Result
Dec 2023/24 Ratio 57.8x

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

An interest cover ratio of 57.8 times means Council has more than adequate cash to cover interest payments on its debt.

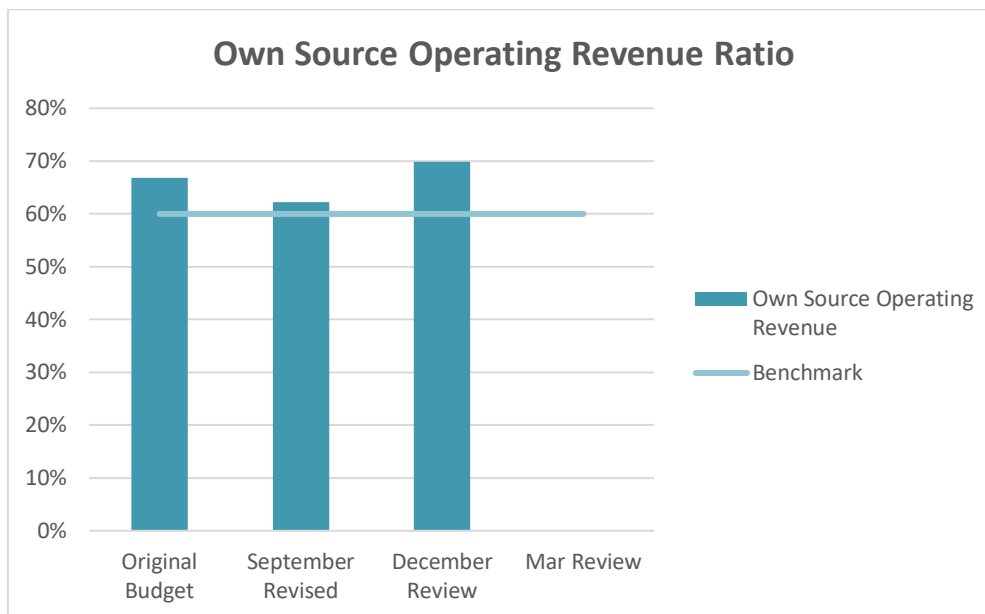


Purpose of Operating Performance Ratio

Commentary on 2023/24 Result
Dec 2023/24 Ratio 13.8%

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

The operating performance ratio of 13.8% is above the OLG benchmark following the extraordinary financial impacts of recent natural disasters.



Purpose of Own Source Operating Revenue Ratio

Commentary on 2023/24 Result
Dec 2023/24 Ratio 70%

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

Contracts Budget Review Statement

For the period 1 July 2023 to 31 December 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	South Bowenfels Link Road		\$754,160	28/08/2023	10.3.2		Y
Komatsu Australia Pty	Replacement of Grader-Komatsu GD 655-7		\$516,560	25/09/2023	10.3.1		Y
To Contract	Hook-Lift Truck		\$360,000	25/09/2023	10.4.1		Y
Gracey's Earthmoving	4.4 Peach Tree Road, Megalong Valley		\$485,000	23/10/2023	10.2.5		Y
Gracey's Earthmoving	South Bowenfels link road (construction of Three Tree Drive)		\$685,600	23/10/2023	10.2.6		Y
Gracey's Earthmoving	Hillcrest No. 2 Sewer Pumping Station		\$714,400	23/10/2023	10.2.6		Y
Interflow Pty	Sewer Mains Relining		\$273,246	27/11/2023	10.2.3		Y
TWS Evolution Pty Ltd	Design & Construction of Maddox Lane Sewerage Pumping Station		\$569,500	27/11/2023	10.2.4		Y

Consultancy and Legal Expenses Review Statement

Consultancy and Legal Expenses Review Statement		
Expense	YTD Expenditure*	Budgeted (Y/N)
Consultancies	\$387,605	Y
Legal Fees	\$63,349	Y

*Actual expenditure 1 July 2023 to 31 December 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.