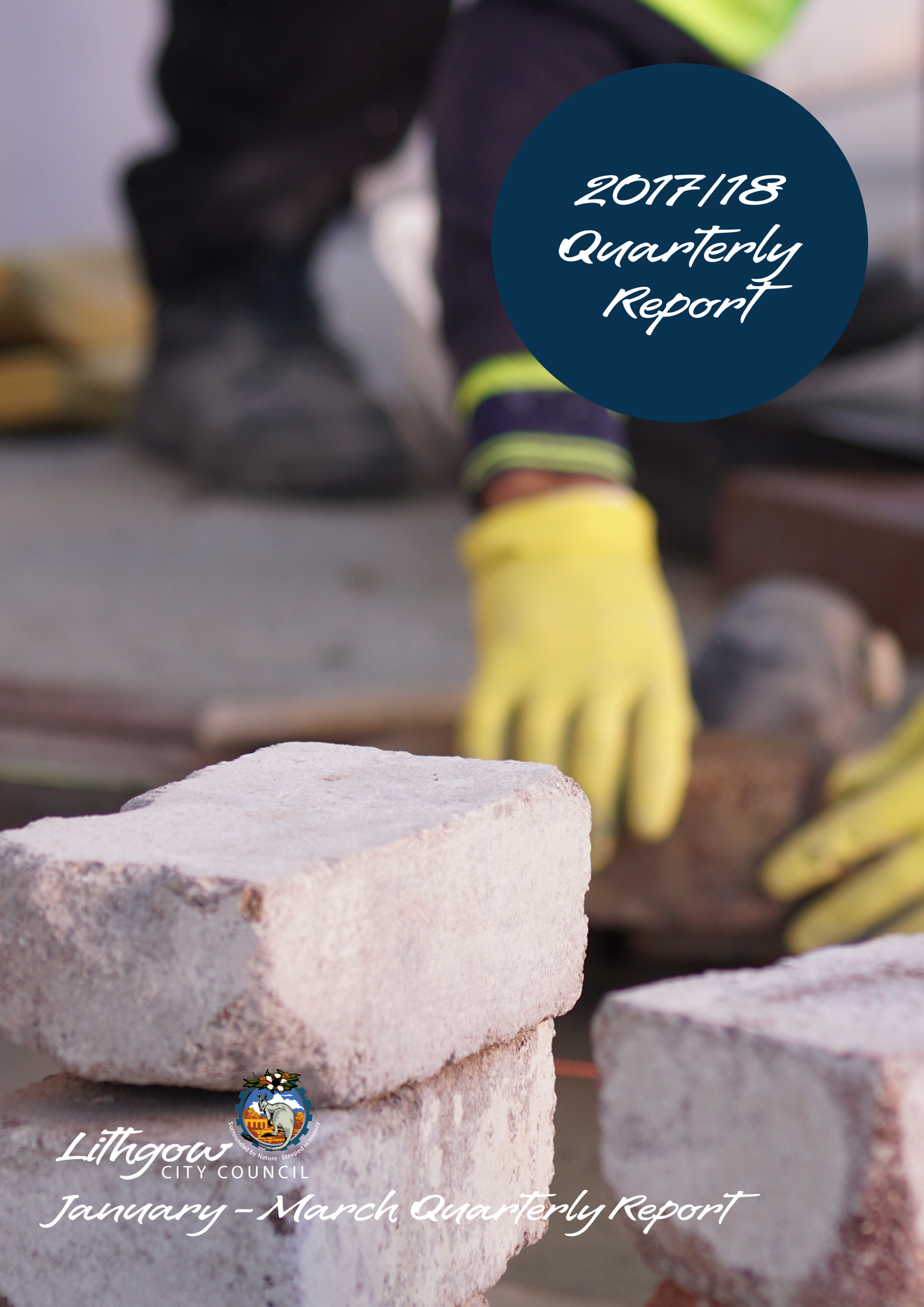


2017/18 Quarterly Report

Lithgow CITY COUNCIL

Surrounded by Nature · Steeped in History

January – March 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 January 2018 to 31 March 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:

31 March 2018

It is my opinion that the Quarterly Budget review Statement for Lithgow City Council for the quarter ended 31/3/18 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. Increased depreciation expense of $1.2M resulting from asset revaluations.
2. Carry forward expenses from the 2015/16 year of $595,000.
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. Ongoing implementation of 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.

The operating efficiencies and cost savings program has improved the projected end-of-year financial position by $230,000 since 30 September 2017.

Ross Gurney
Responsible Accounting Officer

Table of Contents

Executive Summary 1
Report by Responsible Accounting Officer 1
Summary of Financial Position 3
Consolidated - Income and Expense Budget Review Statement 4
Income and Expense Budget Variation Notes 5
General Fund - Income and Expenditure Review Statement 6
Water Fund - Income and Expenditure Review Statement 8
Sewer Fund - Income and Expenditure Review Statement 9
Capital Budget Review Statement 10
Capital Budget Review Statement 12
Budget Variation Notes 12
Capital Budget Review Statement 13
Budget Variation Notes 13
Cash and Investment Budget Review Statement 15
Cash and Investment Review Statement 16
Key Performance Indicators 17
Part A: Contracts Review Statement 20
Part B: Consultancy and Legal Expenses Review Statement 21

Summary of Financial Position

This report provides the Quarterly Performance Report on the 2017-2018 Operational Plan for the period of 1 January 2018 to 31 March 2018 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
December Quarter	48,931	43,003	5,928
March Quarter	50,084	43,089	6,994

2017/18 Quarterly Budget Comparison Fund – Proposed March Review			
Budget	**Income $'000**	**Expenditure $'000**	**Result $'000**
General	32,326	29,285	3,041
Water	6,616	7,383	(767)
Wastewater	11,144	6,419	4,725

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 March Quarterly Budget Review Statement											
Projected Income and Expenditure Statement	**Original Budget**	**Carry Forwards**	**Other than by QBR**	**Sept Review**	**Dec Review**	**Mar Review**	**Revised Budget**	**Variations for this Dec Quarter**	**Notes**	**Projected Year End Result**	**Actual YTD Figures to March 2018**
Rates and Annual Charges	25,474		(192)	2	540		25,824			25,824	26,522
User Fees and Charges	7,251		263	75	(1,148)		6,441			6,441	4,522
Interest and Investment Revenue	809			1			810	(40)	**1**	770	477
Other Revenue	811		4	219	42		1,076	198	**2**	1,274	1,035
Operating Grants and Contributions	7,864		(75)	12	349		8,150	49	**3**	8,199	3,424
Capital Grants and Contributions	3,655	2,545		189	240		6,629	886	**4**	7,515	2,950
Gain Sale of Assets	-							61	**5**	61	61
Total Revenue	**45,864**	**2,545**	**-**	**498**	**24**		**48,931**	**1,154**		**50,084**	**38,991**
Employee Costs	14,866	23		345	(14)		15,220	(181)	**6**	15,039	11,552
Borrowing Costs	931						931			931	405
Material and Contracts	10,166	572	(13)	462	(1,643)		9,544	142	**7**	9,686	5,970
Depreciation Expense	10,479			686	536		11,701			11,701	8,709
Other Expenses	5,414		13	(616)	795		5,606	126	**8**	5,732	4,096
Loss on Sale of Assets	-										-
Total Expenses	**41,856**	**595**	**-**	**876**	**(326)**		**43,003**	**87**		**43,089**	**30,732**
Operating Result Surplus/(Deficit)	**4,008**	**1,950**	**-**	**(378)**	**350**		**5,928**	**1,067**		**6,994**	**8,259**
Operating Result before Capital Grants	**353**	**(595)**	**-**	**(567)**	**110**		**(701)**	**120**		**(581)**	**5,248**

Income and Expense Budget Variation Notes

Notes	Details
1	Reduced investment interest income due to lower than expected interest rates and cash available for investment.
2	Increase in other revenue due to increased property rental budget from re-negotiated leases of Council buildings.
3	Increase in operating grants due to revenues received/receivable for Youth Week and Youth Opportunities programs.
4	Increase in capital grants due to revenues received/receivable for Blackspot program, Adventure playground, Lithgow basketball stadium and Lithgow tennis courts.
5	Increase due to actuals recorded from sales of plant and equipment during the year.
6	Decrease due to transfer of salaries to capital expenses to cover project management costs and a reduction in Council's organisational training budget which was funded within Council's departmental budget areas.
7	Increase in Materials and Contracts due to increase in pool operating, youth opportunities and waste management expenses.
8	Increase in Other Expenses due to new electricity contract implications as noted in the September Quarterly Budget review.

Income and Expense Review Statement Budget Variation Notes

Budget variations being recommended include the following material items:

Project	Original Budget	Proposed March Budget	Proposed Variation
Youth Week – Increase revenue to reflect grant income received	0	1,425	1,425
Youth Opportunities Grant – Increase revenue to reflect grant income received	0	48,000	48,000
Australia Day – Transfer savings to Blast Furnace Project	11,000	8,847	(2,153)
Non-Recurrent Financial Assistance – Transfer savings to Blast Furnace Project	87,000	67,000	(20,000)
Seniors Week – Transfer savings to Blast Furnace Project	6,126	2,233	(3,893)
Community and Culture Events – Transfer Savings to Blast Furnace Project	19,506	7,506	(12,000)
Youth Week – Increase expenditure to reflect grant income received	0	1,425	1,425
Youth Opportunities Grant - Increase expenditure to reflect grant income received	0	48,000	48,000
Other/Small Reserves – Allocate budget from Other/Small Reserves to individual reserve budgets	12,856	6,824	(6,033)
Pearson's Lookout Reserve – Allocate budget from Other/Small Reserves to individual reserve budgets	0	1,146	1,146
Hyde Park Reserve - Allocate budget from Other/Small Reserves to individual reserve budgets	0	691	691
Hassan's Walls Reserve - Allocate budget from Other/Small Reserves to individual reserve budgets	0	3,149	3,149
Other Crown reserves - Allocate budget from Other/Small Reserves to individual reserve budgets	0	1,046	1,046

General Fund - Income and Expenditure Review Statement

2017/18 March Quarterly Budget Review Statement Income and Expenditure Review Statement						
Projected Income and Expenditure Statement	**Original Budget**	**September Review**	**December Review**	**March Review**	**Proposed March Revised Budget**	**Actual YTD Figures**
Rates and Annual Charges	16,656	16,658	16,869		16,869	17,483
User Fees and Charges	1,534	1,610	1,662		1,662	1,185
Interest and Investment Revenue	670	670	670		630	452
Other Revenue	815	1,034	1,076		1,274	1,018
Operating Grants and Contributions	7,597	7,610	7,959		8,008	3,572
Capital Grants and Contributions	2,505	2,694	2,934		3,822	2,095
Gain Sale of Assets	-	-	-		61	61
Total Revenue	**29,778**	**30,276**	**31,170**		**32,326**	**26,002**
Employee Costs	11,874	12,231	12,216		12,035	8,971
Borrowing Costs	235	235	235		235	129
Material and Contracts	3,525	4,278	3,668		3,764	2,005
Depreciation Expense	8,252	8,252	8,364		8,364	6,281
Other Expenses	4,740	4,124	4,762		4,887	3,632
Loss on Sale of Assets	-					
Total Expenses	**28,626**	**29,120**	**29,245**		**29,285**	**21,018**
Operating Result Surplus/(Deficit)	**1,152**	**1,156**	**1,925**		**3,041**	**4,984**
Operating Result before Capital Grants & Gain on Sale	**(1,353)**	**(1,538)**	**(1,009)**		**(842)**	**2,828**

Water Fund - Income and Expenditure Review Statement

2017/18 March Quarterly Budget Review Statement Income and Expenditure Review Statement						
Projected Income and Expenditure Statement	**Original Budget**	**September Review**	**December Review**	**March Review**	**Proposed March Revised Budget**	**Actual YTD Figures**
Rates and Annual Charges	1,478	1,478	1,690		1,690	1,876
User Fees and Charges	5,790	5,790	4,590		4,590	3,251
Interest and Investment Revenue	86	86	86		86	25
Other Revenue	-	-				15
Operating Grants and Contributions	100	100	100		100	(77)
Capital Grants and Contributions	150	150	150		150	105
Gain Sale of Assets	-					-
Total Revenue	**7,605**	**7,604**	**6,616**		**6,616**	**5,195**
Employee Costs	1,456	1,464	1,464		1,464	1,391
Borrowing Costs	130	130	130		130	33
Material and Contracts	4,260	4,444	3,855		3,896	2,521
Depreciation Expense	1,186	1,186	1,612		1,612	1,175
Other Expenses	181	181	281		281	154
Loss on Sale of Assets	-					-
Total Expenses	**7,215**	**7,405**	**7,342**		**7,383**	**5,274**
Operating Result Surplus/(Deficit)	**390**	**199**	**(726)**		**(767)**	**(79)**
Operating Result before Capital Grants	**240**	**49**	**(877)**		**(917)**	**(184)**

Sewer Fund - Income and Expenditure Review Statement

2017/18 March Quarterly Budget Review Statement Income and Expenditure Review Statement						
Projected Income and Expenditure Statement	**Original Budget**	**September Review**	**December Review**	**March Review**	**Proposed March Revised Budget**	**Actual YTD Figures**
Rates and Annual Charges	7,146	7,146	7,265		7,265	7,163
User Fees and Charges	189	189	189		189	87
Interest and Investment Revenue	53	53	53		53	-
Other Revenue	-	-	-		-	2
Operating Grants and Contributions	92	92	92		92	(71)
Capital Grants and Contributions	1,000	3,545	3,545		3,545	750
Gain Sale of Assets	-					
Total Revenue	**8,481**	**11,025**	**11,144**		**11,144**	**7,931**
Employee Costs	1,534	1,539	1,539		1,539	1,191
Borrowing Costs	566	566	566		566	243
Material and Contracts	2,368	2,465	2,020		2,026	1,445
Depreciation Expense	1,041	1,727	1,725		1,725	1,253
Other Expenses	506	506	563		563	310
Loss on Sale of Assets	-	-				
Total Expenses	**6,015**	**6,803**	**6,413**		**6,419**	**4,442**
Operating Result Surplus/(Deficit)	**2,466**	**4,222**	**4,731**		**4,725**	**3,489**
Operating Result before Capital Grants	**1,466**	**677**	**1,185**		**1,180**	**2,739**

Capital Budget Review Statement

2017/18 March 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 Dec Qtr	Projected Year End Result
Rates & other untied funding	12,838			461		13,299	(74)	13,225
Capital Grants & Contributions	3,655	2,545	189	240		6,629	886	7,515
Internal Restrictions	300	622		(25)		897	507	1,404
External Restrictions		6,586		(1,334)		5,252	105	5,357
Other Capital Funding Sources e.g.								
• Loans								
Income from sale of assets								
• Plant & equipment								
Total Capital Funding	**16,793**	**9,753**	**189**	**(658)**		**26,077**	**1,424**	**27,501**

2017/18 March Quarterly Budget Review Statement

Capital Expenditure Review Statement

	Original Budget	Carry Forwards	Approved Changes			Revised Budget	Variations for this Dec Qtr	Projected Year End Result	Notes	Actual YTD Figures
			Sept Review	Dec Review	Mar Review					
• Plant & Equipment	900		100			1,000	225	1,225	1	984
• Land & Buildings	597	248		(159)		687		687		309
• Water Network	1,570	2,719				4,289		4,289		411
• Sewer Network	1,560	9,356				10,917		10,917		1,317
• Office Equipment	112		8			120	265	385	2	174
• Furniture & Fittings	14					14		14		13
• Other Structures	2,105	712	189	455		3,461	943	4,404	3	2,550
• Stormwater Drainage	62					62		62		59
• Library Books	70		(70)			-		-		-
• Tip Assets	1,400	266		(1,200)		466		466		188
• Roads, Bridges & Footpaths	6,482	1,365	(52)	246		8,041	(9)	8,032	4	3,390
Loan Repayments (principal)	1,921					1,921		1,921		1,432
Total Capital Expenditure	**16,793**	**14,666**	**176**	**(658)**		**30,977**	**1,424**	**32,401**		**10,827**

Capital Budget Review Statement
Budget Variation Notes

Notes	Details
1	Transfer of funds from plant and equipment reserve to purchase required plant.
3	Transfer of funds from reserve to fund the TechnologyOne asset management solution software.
4	Increase expenditure for the following grant funded projects: Adventure playground, Lithgow tennis courts, Lithgow basketball stadium and Blackspot program. Transfer of operating project expenses to the Blast Furnace project.
5	Transfer cemetery road sealing budget savings to various recreation capital projects.

Capital Budget Review Statement
Budget Variation Notes

Budget variations being recommended include the following material items:

Project	Current Revised Budget	Proposed March Budget	Proposed Variation
Adventure Playground – Increase revenue due to grant income received	0	343,962	343,962
Adventure Playground – Increase expenditure to reflect grant income received	111,900	455,862	343,962
Lithgow Tennis Club Improvements – Increase revenue due to grant income received	0	36006	36,006
Lithgow tennis Club Improvements – increase expenditure to reflect grant income received	0	36,006	36,006
Lithgow Basketball Court Improvements – Increase revenue due to grant income received	0	74,315	74,315
Lithgow Basketball Court Improvements – Increase expenditure to reflect grant income received	0	74,315	74,315
Blast Furnace Park Development – salaries moved from Operating for project management and overspend to complete works	2,117,028	2,204,023	86,994
TechnologyOne Asset Management Solution – Transfer from reserve to fund project	0	264,601	264,601
Union Theatre Improvements - Overspend for grant funding application	40,000	49,193	9,193
Kremer Park Public Toilets – Additional funds required to complete project	100,000	100,376	376
Daintree Public Toilets – Additional funds required to complete project	150,000	153,374	3,374
Centrelink Lighting – Project savings used to fund overspend on Union Theatre, Kremer Park Public Toilets and Daintree Public Toilets	37,057	18,528	(12,943)
Plant Replacement Program – Funds Transferred from reserve to purchase required plant	1,000,000	1,225,000	225,000
Queen Elizabeth Park Shade Structure – Savings on Project used to fund various recreation projects	15,000	9,698	(5,302)
Kremer Park Retaining Wall – Additional funds required to complete project	20,000	23,000	3,000
Marjorie Jackson Playing Field – Goal posts required for playing fields to be funded from Lithgow Cemetery Sealing Access Road savings	0	4,500	4,500
Aquatic Centre Improvements - Funds transferred from reserve to complete compliance works	0	40,000	40,000

Lithgow Cemetery Footpaths – Additional funds required to complete project	22,000	23,500	1,500
Lithgow Cemetery Sealing Access Road – Savings in projects transferred to various recreation projects	22,000	13,000	(9,000)
Blackspot program – Increase revenue due to grant income received	0	398,398	398,908
Blackspot program – Increase expenditure to reflect grant income received	0	398,908	398,908
ILP Ellen Close, Portland – Savings on project transferred to ILP Cullenbenbong Rd to cover over spend	40,000	34,481	(5,519)
Urban Drainage Renewal – Funds transferred to Drainage Renewal Cox St Portland to complete project	4,083	2,879	(1,204)
Urban Footpath Construction Renewal – Funds Transferred to Urban Footpath Construction Renewal to complete project	94,500	78,460	(16,040)
Drainage Renewal Cox St Portland – Additional funds required to complete project	51,331	52,535	1,204
ILP Cripps Avenue, Wallerawang – Additional funds required to complete project	50,036	51,136	1,127
ILP Valley Drive, Lithgow – Savings on project transferred to ILP Cripps Ave Wallerawang to cover overspend	50,036	48,909	(1,127)
Urban Footpath Construction Renewal Great Western Hwy – Funds Transferred from Urban Footpath Construction Renewal to complete project	0	16,040	16,040
Roads to Recovery Magpie Hollow Rd – Additional funds required to complete project	120,000	152,161	(32,161)
ILP Cullenbenbong Rd – Additional funds required to complete project	50,000	55,519	5,519
Roads to Recovery Curly Dick Road – Savings on project transferred to Roads to Recovery Magpie Hollow Rd to cover overspend	367,608	335,447	(32,161)
Rural Unsealed Roads Renewal – Funds transferred to various rural unsealed roads projects	258,243	30,132	(228,111)
Martin Rd, Rural Unsealed Roads Renewal – Additional funds required to complete project	55,258	56,706	1,448
Cullenbenbong Rd, Rural unsealed Roads Renewal – Renewal identified to be funded from renewal allocation	0	83,623	83,623
Bonaventure Rd, Rural Unsealed Roads Renewal – Renewal identified to be funded form renewal allocation	0	143,040	143,040

Cash and Investment Budget Review Statement

2017/18 March Quarterly Budget Review Statement Income and Expenditure Review Statement				
Externally Restricted	**30 June 2017 Position**	**30 Sept 2017 Position**	**31 Dec 2017 Position**	**Actual YTD Figures**
Developer Contributions	1,778	1,855	1,833	1,868
Special Purpose Grants	1,709	887	994	835
Water Supplies	2,882	3,363	4,237	3,936
Sewerage Services	3,333	5,323	5,456	5,685
Domestic Waste	1,968	3,096	2,947	3,769
Unexpended Loans	2,089	2,056	-	2,042
Total External Restriction	**13,759**	**16,580**	**15,469**	**18,135**
Internal Restricted				
Land & Buildings	7,672	7,643	7,553	7,792
Plant & Equipment	1,500	1,227	1,074	516
Bonds, Deposits & Retentions	695	787	880	860
Works in Progress	5,102	4,021	1,862	1,895
ELE	1,056	1,056	1,056	1,056
Election	82	82	-	-
Total External Restriction	**16,107**	**14,816**	**12,425**	**12,119**
Unrestricted	**-**	**63**	**1,808**	**124**
Total Cash & Investments	**29,867**	**31,460**	**29,700**	**30,378**

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 $77,591.87.

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

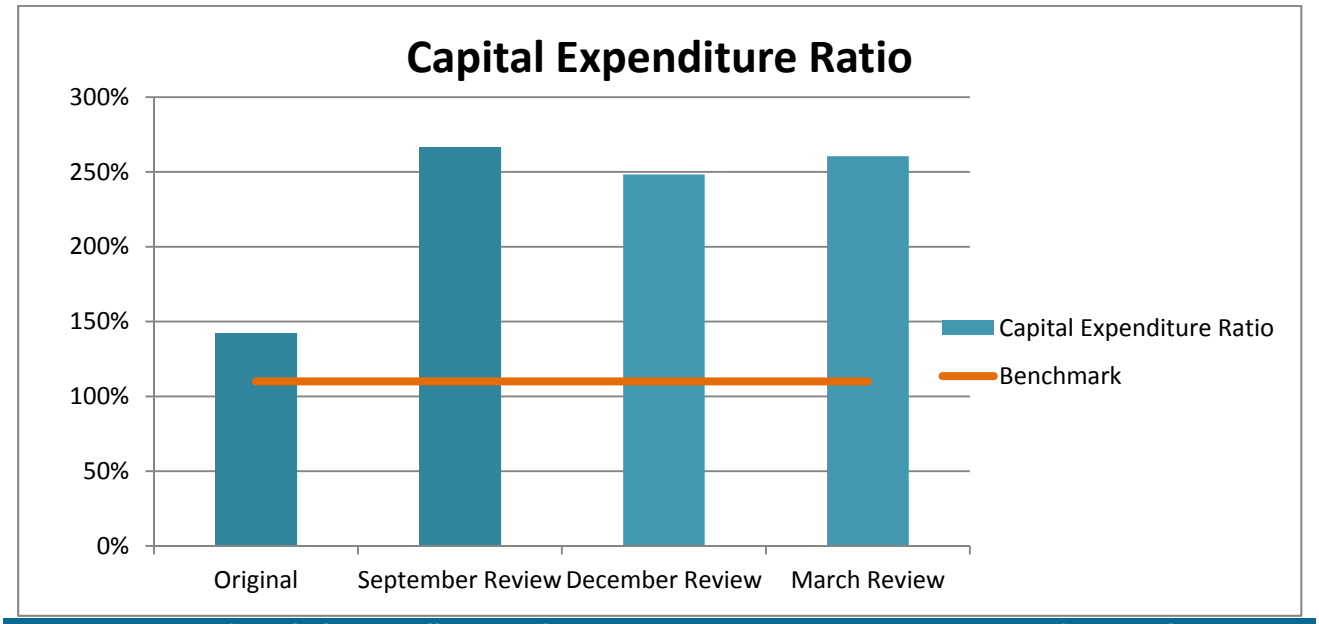
The date of completion of this bank reconciliation was 3/04/18.

Reconciliation Status

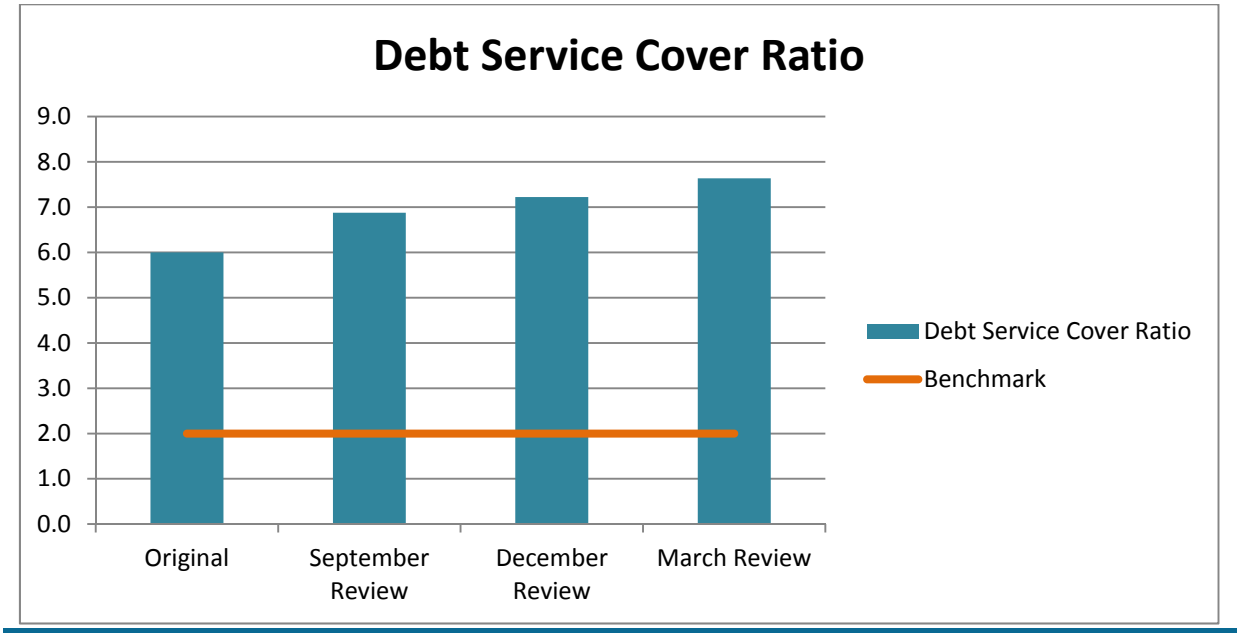
The YTS Cash and Investment figures reconciles to the actual balances held as follows:

	$'000's
Cash at Bank	77
Investments on Hand	30,390
Less: Unpresented Cheques	(18)
Add: Undeposited Funds	-
Less: Identified Deposits	(17)
Add: Identified Outflows	-
Less: Unidentified Deposits	(55)
Ad: Unidentified Outflows	-
Reconciled Cash at Bank & Investments	**30,378**
Balance as per Review Statement	**30,378**
Difference	-

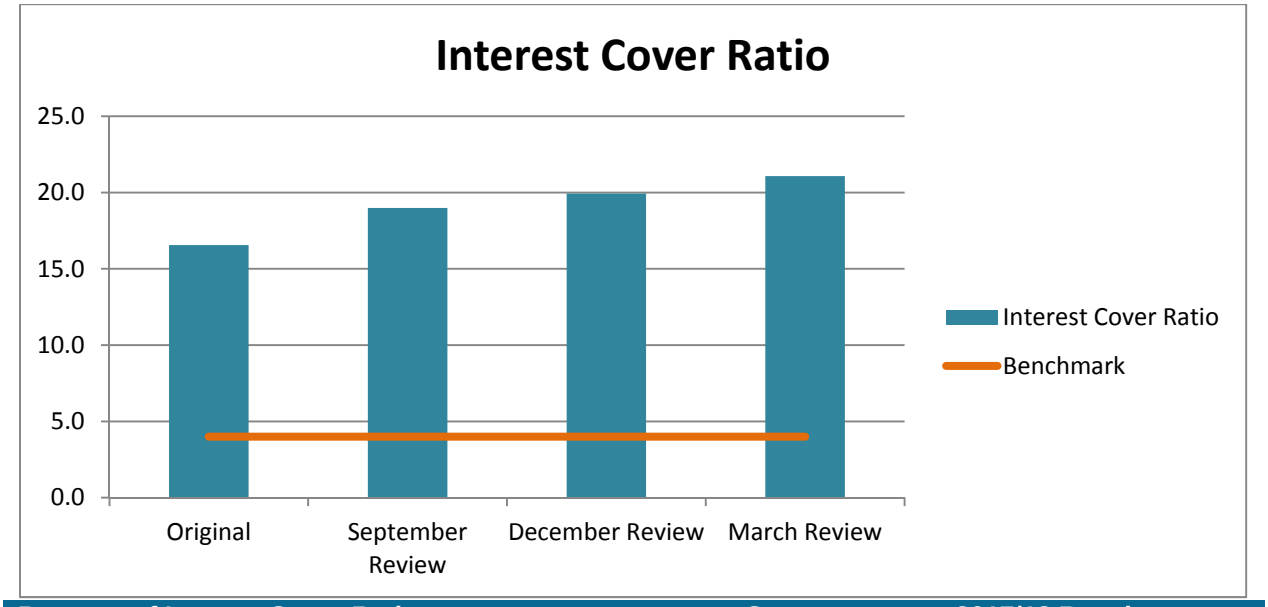
Key Performance Indicators



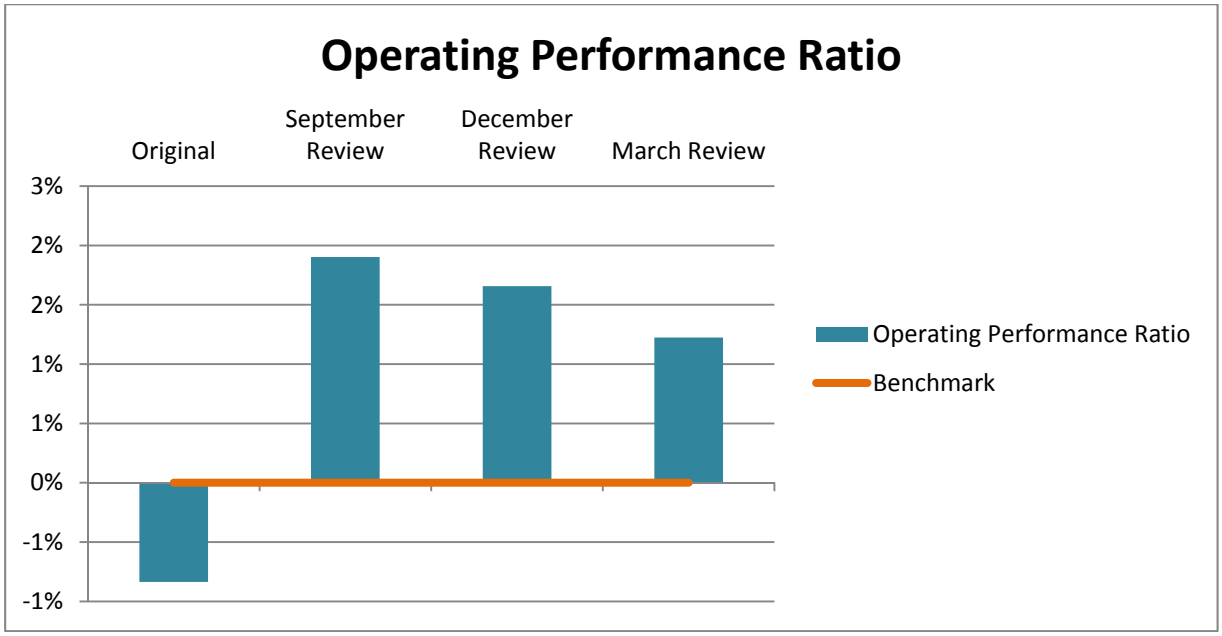
Purpose of Capital Expenditure Ratio	Commentary on 2017/18 Result
	March 2017/18 Ratio 260%
To assess the extent to which Council is expanding its asset base through capital expenditure	A capital expenditure ratio of 2.6 times suggests that Council has a solid and expansive capital works program.



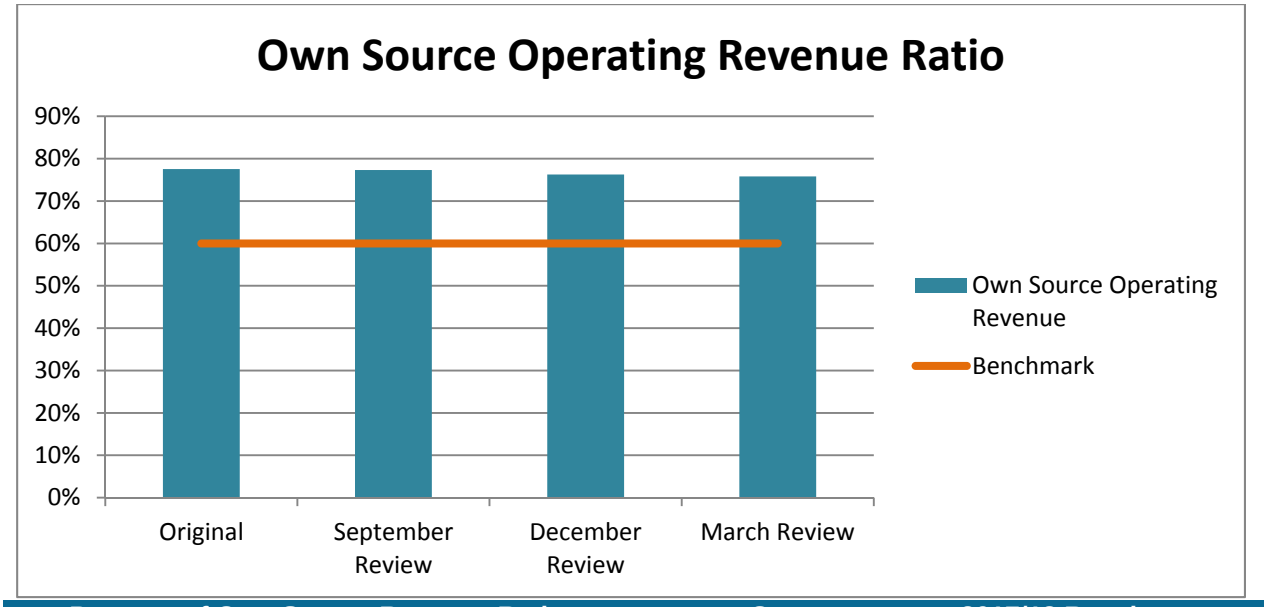
Purpose of Debt Service Cover Ratio	Commentary on 2017/18 Result
	March 2017/18 Ratio 7.6x
This ratio measures the availability of operating cash to service debt including principal, interest and lease payments	A debt service ratio of 7.6 times means Council has capacity to borrow more funds if required (borrowings are planned for 2018/19).



Purpose of Interest Cover Ratio	Commentary on 2017/18 Result
	March 2017/18 Ratio 21.1x
This ratio measures the availability of operating cash to service interest payments.	An Interest Cover ratio of 21.1 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 as planned.



Purpose of Operating Performance Ratio	Commentary on 2017/18 Result
	March 2017/18 Ratio 1.22%
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. A result below the 0% benchmark is forecast for the 2017/18 year.



Purpose of Own Source Revenue Ratio	Commentary on 2017/18 Result
	March 2017/18 Ratio 76%
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 meets the benchmark and is not overly reliant on external grant funding.

Part A: Contracts Review Statement

2017/18 March Quarterly Budget Review Statement

Contracts Review Statement

For the period 01 January 2018 to 31 March 2018

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.						
TechnologyOne	Asset Management Solution Implementation – Stage 1	$291,061.00	22/01/18	18-11	10 Months	Y
Hanson Construction Materials Pty Ltd	Ready mix concrete	Unspecified – Per Price Schedule	26/02/18	18-48	3 Years	Y
Downer EDI	Bitumen sealing	Unspecified – Per Price Schedule	26/03/18	18-80	3 Months	Y
J&E Asphalt & Civil Pty Ltd	Asphalt services	$356,160.20	26/03/18	18-79	3 Months	Y
Peters Earthmoving	Water and sewer works for Blast Furnace toilets	$92,608.95	15/02/18	N/A	3 Months	Y
Abergeldie Watertech	Sewer mains relining	$246,974.63	23/03/18	NA	4 Months	Y
Abberfield Industries Pty Ltd	Credit card standpipes/bulk water filling stations	$176,880.00	2/03/18	NA	3 Months	Y
Peters Earthmoving	Bonaventure Road renewal	$143,040.00	9/03/18	NA	1 Month	Y
Gracey's Earthmoving	Cullenbong Road Reseal	$70,852.25	23/02/18	NA	2 Months	Y

Part B: Consultancy and Legal Expenses Review Statement

2017/18 March Quarterly Budget Review Statement Contracts Review Statement		
	Actual expenditure 1 July 2017 to 31 March 2018	
Expense	**Year to Date**	**Legal Budget Allocation (Y/N)**
Consultancies	183,536.93	Y
Legal Fees	58,236.97	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.