

OUR PLACE OUR FUTURE

2024/25 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 2021. This Quarterly Performance Report for the period of 1 July to 30 September 2024 achieves these requirements.

From the General Manager,
Ross Gurney

Report by Responsible Accounting Officer

The following statement is made in accordance with Clause 203(2) of the Local Government (General) Regulations 2021:

30 September 2024

It is my opinion that the Quarterly Budget Review Statement for Lithgow City Council for the quarter ended 30/9/2024 indicates that Council's projected position at 30 June 2025 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 2025 will be unsatisfactory, has been based on the following factors:

1. The reason for the significant change in Council's projected operating result (before capital) from original budget \$749k surplus to (\$630k) deficit is a change in accounting treatment for the Pothole Road Repair Program grant, as advised by the NSW Audit Office. It has resulted in a \$700k reduction in revenue which was required to be recognised upon receipt in the 2023/24 Financial Year with a cash reserve to be expensed over 2 years. The expenditure program has also been increased \$700k in 2024/25 to bring forward necessary works.
2. Progress is being made towards achieving Council's 2024/25 employment cost savings target of \$1.012m with \$116k net of savings taken in the Quarter One review.
3. An increase in Investment Income of \$600k has helped to offset some of the Pothole repair program income reduction / expense. Higher returns are being achieved as interest rates have remained above expectations.

At the end of Quarter Two, a detailed review of budgets will be conducted, with the aim of identifying savings and/or additional income to reduce the projected budget deficit.

The projected year end operating result before capital is **\$630k deficit** (before capital) at 30 September 2024.

Jonathon Reid

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Summary of Financial Position

This report provides the Quarterly Performance Report on the 2024-2025 Operational Plan for the period of 1 July 2024 to 30 September 2024 with a recommendation that variations to income and expenditure estimates be voted.

2024/2025 Quarterly Budget Comparison			
Budget	Income	Expenditure	Result
	\$'000	\$'000	\$'000
Original Budget	75,828	65,154	10,673
September Review	79,682	66,652	13,030
December Review			
March Review			

2024/2025 Quarterly Budget Comparison - By Fund			
Budget	Income	Expenditure	Result
	\$'000	\$'000	\$'000
General	61,600	48,646	12,954
Water	9,440	9,379	62
Wastewater	8,642	8,628	14

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	40,629						40,629	30	1	40,659	40,539
User Fees and Charges	9,458						9,458			9,458	2,176
Interest and Investment Revenue	3,379						3,379	600	2	3,979	1,084
Other Revenue	1,265						1,265			1,265	390
Operating Grants and Contributions	10,940						10,940	(511)	3	10,429	544
Capital Grants and Contributions	9,924						9,924	3,736	4	13,660	167
Gain on Sale of Assets	232						232			232	0
Total Revenue	75,828	0					75,828	3,855		79,682	44,900
Expenses											
Employee Costs	22,995	162					23,157	137	5	23,293	6,243
Borrowing Costs	361						361			361	62
Materials and Contracts	22,892	129					23,022	1,070	6	24,092	4,923
Depreciation Expense	17,647						17,647			17,647	4,412
Other Expenses	1,259						1,259			1,259	242
Loss on Sale of Assets											
Total Expenses	65,154	291					65,445	1,207		66,652	15,881
Operating Result	10,673	(291)					10,382	2,648		13,030	29,018
Operating Result before Capital	749	(291)					458	(1,088)		(630)	28,852

Income and Expenses Budget Variation Notes

Notes	Details
1	<ul style="list-style-type: none"> \$30k increase to budgeted Sewerage Discharge income.
2	<ul style="list-style-type: none"> \$600k increase due to interest rates remaining high, with earnings on advance natural disaster payments of \$13.8m and \$33.7m.
3	<ul style="list-style-type: none"> (\$700k) income budget reduction for Pothole Repair Program. Income recognised in 2023/24. Program continues to 2026/27 funded from unspent grants reserve. \$49k income increase for externally Funded Disaster Risk Position. \$137k increase to Roads to Recovery Program.
4	<ul style="list-style-type: none"> \$1.466m budget added for Wolgan Valley Road Reconstruction Project Management (Min. No. 24-188). \$970k grant budget for Sunny Corner Rd, Portland. \$774k grant budget for Glen Davis Road, Capertee - Natural Disaster Funding. \$407k grant budget for Wolgan Road - Natural Disaster Funding. \$365k increase for Kremer Park Retaining Wall. \$205k grant budget for Pipers Flat Road, Wallerawang - Natural Disaster Funding. \$148k grant income increase for Charles St Bridge project. \$100k Grant Budget increase for ABCD Community Hall, Clarence. \$80k grant budget increase for Eskbank House works.
5	<ul style="list-style-type: none"> \$100k Pothole Road Repair Program Salaries. (\$116k) net of employment cost savings taken in the Quarter One review.
6	<ul style="list-style-type: none"> \$600k Pothole Road Repair Program materials. \$150k Sewer Reflux Valve Rebate Scheme. \$150k Weed Control/Eradication. \$110k Lithgow Halloween 2024/25 (Min. No. 24-177).

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	28,543						28,543		28,543	28,309
User Fees and Charges	3,584						3,584		3,584	1,024
Interest and Investment Revenue	3,288						3,288	600	3,888	1,059
Other Revenue	1,264						1,264		1,264	374
Operating Grants and Contributions	10,940						10,940	(511)	10,429	544
Capital Grants and Contributions	9,924						9,924	3,736	13,660	167
Gain on Sale of Assets	232						232		232	0
Total Revenue	57,775						57,775	3,825	61,600	31,477
Expenses										
Employee Costs	18,746	128					18,874	137	19,011	5,012
Borrowing Costs	17						17		17	3
Materials and Contracts	14,979	129					15,108	791	15,899	2,834
Depreciation Expense	12,461						12,461		12,461	3,115
Other Expenses	1,259						1,259		1,259	242
Loss on Sale of Assets										
Total Expenses	47,461	257					47,718	928	48,646	11,206
Operating Result	10,314	(257)					10,057	2,897	12,954	20,271
Operating Result before Capital	390	(257)					133	(839)	(706)	20,104

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	3,658						3,658		3,658	3,764
User Fees and Charges	5,724						5,724		5,724	1,100
Interest and Investment Revenue	57						57		57	15
Other Revenue	2						2		2	16
Operating Grants and Contributions	0						0		0	0
Capital Grants and Contributions	0						0		0	0
Gain on Sale of Assets										
Total Revenue	9,440						9,440		9,440	4,894
Expenses										
Employee Costs	2,035	17					2,053		2,053	561
Borrowing Costs	20						20		20	2
Materials and Contracts	4,784						4,784	129	4,913	1,065
Depreciation Expense	2,393						2,393		2,393	598
Other Expenses	0						0		0	0
Loss on Sale of Assets										
Total Expenses	9,232	17					9,249	129	9,379	2,226
Operating Result	208	(17)					191	(129)	62	2,668
Operating Result before Capital	208	(17)					191	(129)	62	2,668

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	8,428						8,428	30	8,458	8,465
User Fees and Charges	150						150		150	53
Interest and Investment Revenue	34						34		34	10
Other Revenue	0						0		0	0
Operating Grants and Contributions	0						0		0	0
Capital Grants and Contributions	0						0		0	0
Gain on Sale of Assets										
Total Revenue	8,612						8,612	30	8,642	8,529
Expenses										
Employee Costs	2,213	17					2,230		2,230	670
Borrowing Costs	324						324		324	56
Materials and Contracts	3,130						3,130	150	3,280	1,024
Depreciation Expense	2,794						2,794		2,794	699
Other Expenses	0						0		0	0
Loss on Sale of Assets										
Total Expenses	8,461	17					8,478	150	8,628	2,449
Operating Result	151	(17)					134	(120)	14	6,080
Operating Result before Capital	151	(17)					134	(120)	14	6,080

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	3,503	466					3,969			3,969	191
Land and Buildings	2,069	717					2,786			2,786	915
Other Structures	2,219	146					2,366	284	1	2,650	883
Roads, Bridges and Footpaths	11,368	141					11,509	3,140	2	14,650	1,983
Stormwater	578	0					578	1		579	10
Swimming Pools	0	0					0			0	
Water Infrastructure	2,362	6					2,368	63	3	2,431	177
Sewer Infrastructure	5,106	870					5,976	597	4	6,574	1,617
Furniture and Fittings	488	116					603	91	5	694	93
Office Equipment	357	156					514	84	6	598	36
Library	0	0					0			0	0
Tip Assets	1,310	369					1,679	61	7	1,739	271
Loan Repayments	1,091						1,091			1,091	393
Total Capital Expenditure	30,452	2,988					33,439	4,426		37,865	6,669
Capital Funding											
Rates and Other Untied Funding	18,449	2,589					21,036	561		21,597	
Capital Grants and Contributions	9,674	0					9,674	3,736		13,410	59
Reserves:											
External Restriction/Reserve	306	0					306	0		306	
Internal Restriction/Reserve	2,023	399					2,423	129		2,552	
New Loans											
Receipts from Asset Sales											
Total Capital Funding	30,452	2,988					33,439	4,426		37,865	59
Net Capital Funding	-	-					-				(6,610)

Capital Budget Review Statement Variation Notes

Notes	Details
1	<ul style="list-style-type: none">• 271K budget added from grant funding for Kremer Park Retaining Wall Replacement due for completion in 2024/25.
2	<ul style="list-style-type: none">• \$1.466 million increase for Wolgan Valley Road Reconstruction Project Management (Min. No. 24-188)• \$900k increase Resources for Regions round 9 safety improvements Sunny Corner Road, Portland.• \$774k increase for Glen Alice Road - natural disaster funding.
3	<p>\$50k increase for budget for differential pressure transmitters.</p>
4	<ul style="list-style-type: none">• \$644k increase expenditure Hillcrest No2 Sewer Pump Station, South Bowenfels.• \$205k increase to finalise Cullen Bullen Sewer project.• (\$175K) budget savings on East Portland Sewer Pump Station.• (\$92K) budget savings on Lithgow Sewerage Treatment Plant Inlet Works – Stage 1.
5	<ul style="list-style-type: none">• \$75k budget added for the Queen Elizabeth Playground Toilet facility.
6	<ul style="list-style-type: none">• \$75k budget increase for Server Replacement - Annual Allocation in 24/25.
7	<ul style="list-style-type: none">• \$48k increase in Implementation of Capital Works related to the Waste Strategy.

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 \$80,251,482.93.

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

The date of completion of this bank reconciliation was 03/10/2024.

Reconciliation Status

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

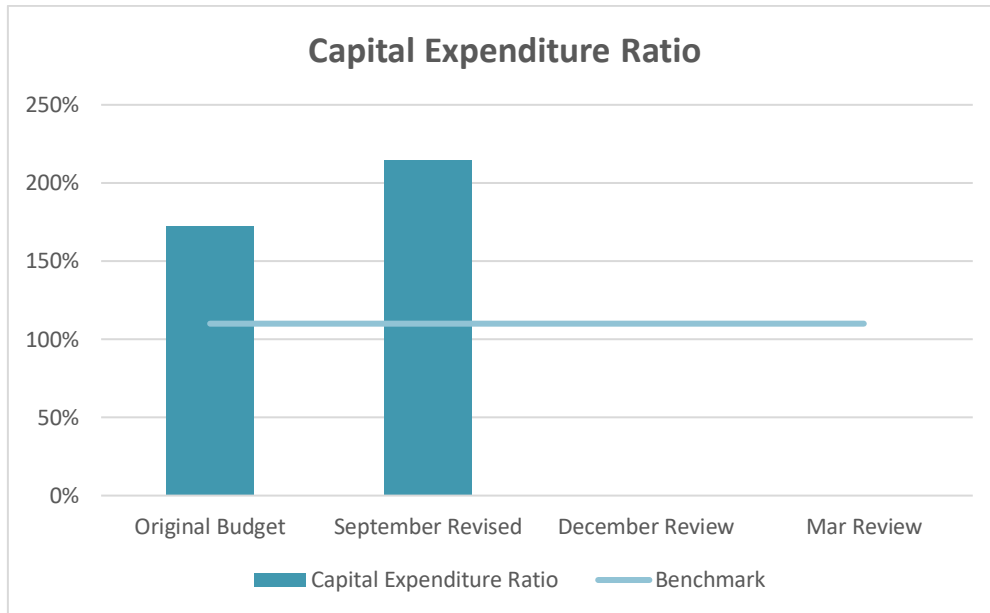
	\$'000's
Cash at Bank	551
Investments on Hand	79,700
Less: Unpresented Cheques	-
Add: Undeposited Funds	-
Less: Identified Deposits	-
Add: Identified Outflows	-
Less: Unidentified Deposits	-
Ad: Unidentified Outflows	-
Reconciled Cash at Bank & Investments	80,251
Balance as per Review Statement	80,251
Difference	

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

Cash and Investments Statement (\$'000)

	30 June 2024 Position	30 September 2024 Position	31 December 2024 Position	31 March 2025 Position
Externally Restricted				
Developer Contributions	1,851	1,741		
Special Purpose Grants	44,441	42,429		
Water Supplies	4,712	4,913		
Sewerage Services	6,419	5,505		
Domestic Waste	8,261	9,774		
Unexpended Loans	1,342	754		
	67,027	65,117		
Internally Restricted				
Land & Buildings	2,184	2,184		
FAGS	5,410	4,260		
Plant & Equipment	643	643		
Bonds, Deposits & Retentions	539	523		
Works in Progress	637	637		
Carry Over Works	407	117		
Commercial Waste	1,405	306		
ELE	668	754		
Election	175	175		
Other	2,332	2,332		
Total Internally Restricted	14,401	11,933		
Unrestricted (working capital)	-	3,302		
Total Cash and Investments	81,428	80,251		

Key Performance Indicators

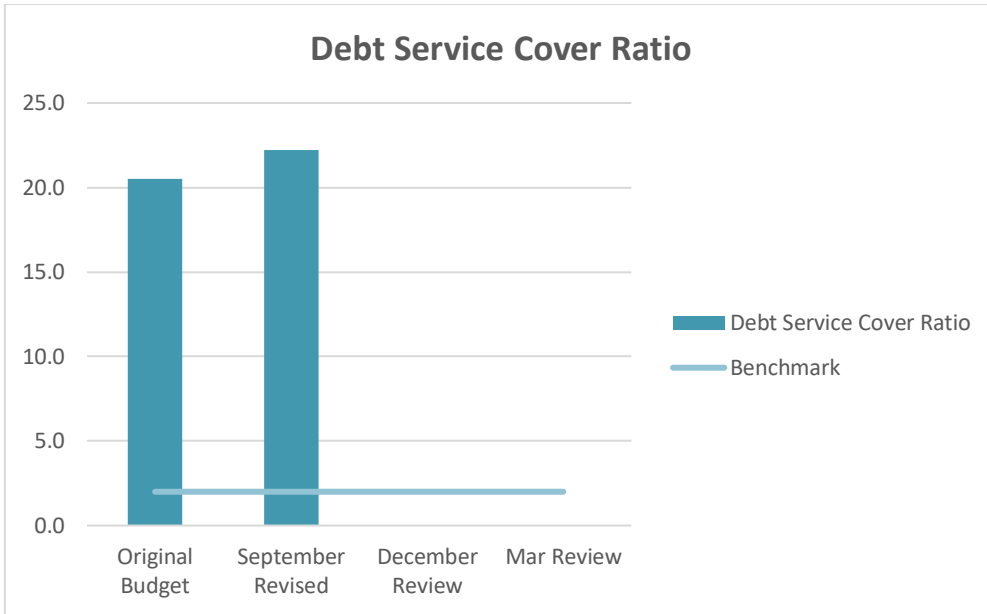


Purpose of Capital Expenditure Ratio

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

Commentary on 2024/25 Result Sep 2024/25 Ratio 215%

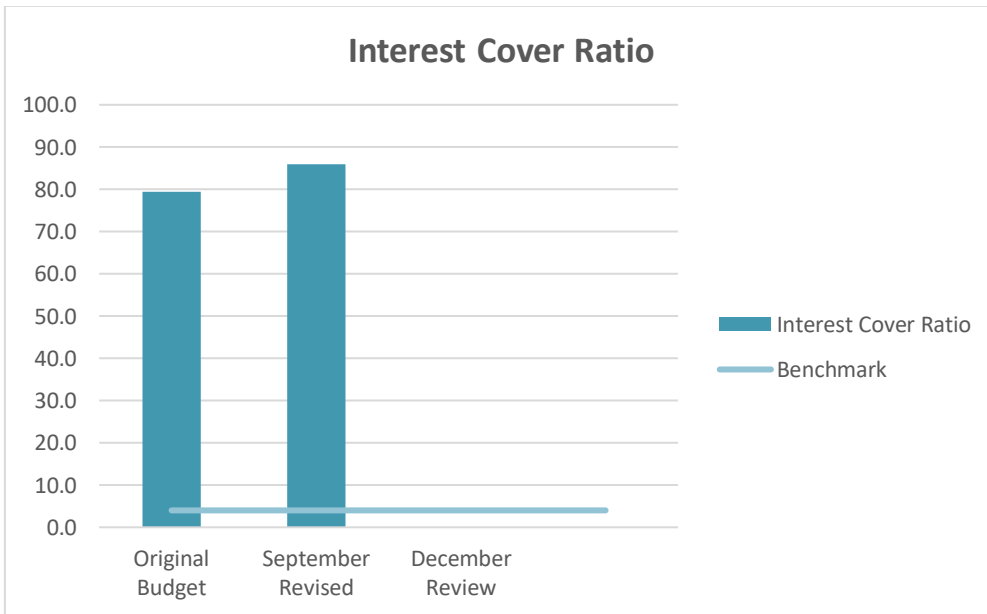
A capital expenditure ratio of 215% suggests that Council has a substantial capital works program.



Purpose of Debt Service Cover Ratio **Commentary on 2024/25 Result
Sep 2024/25 Ratio 22.2x**

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

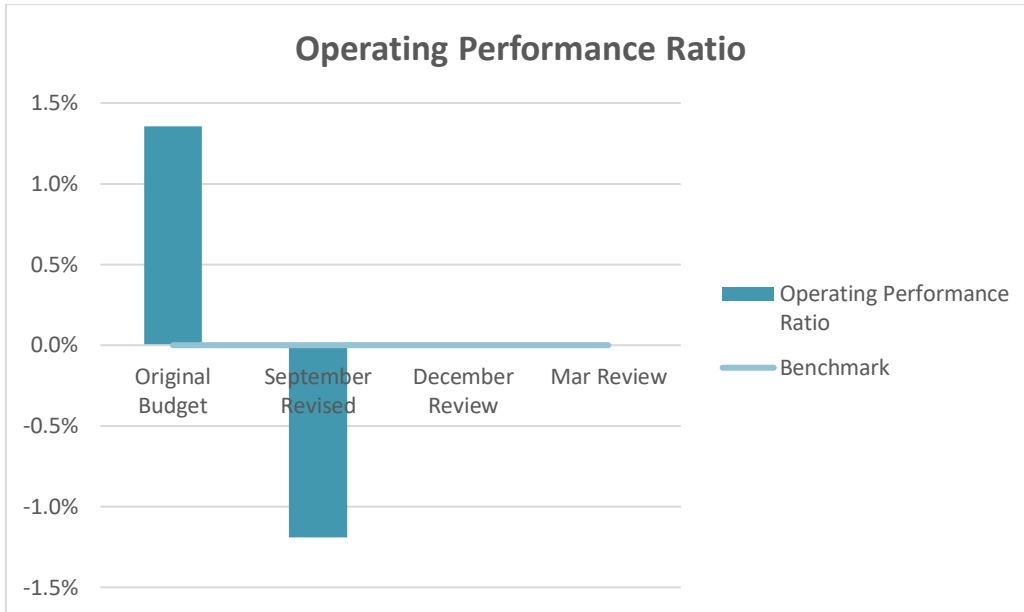
A debt service ratio of 22.2 times means Council has capacity to meet its loan repayments.



Purpose of Interest Cover Ratio **Commentary on 2024/25 Result
Sep 2024/25 Ratio 86.0x**

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

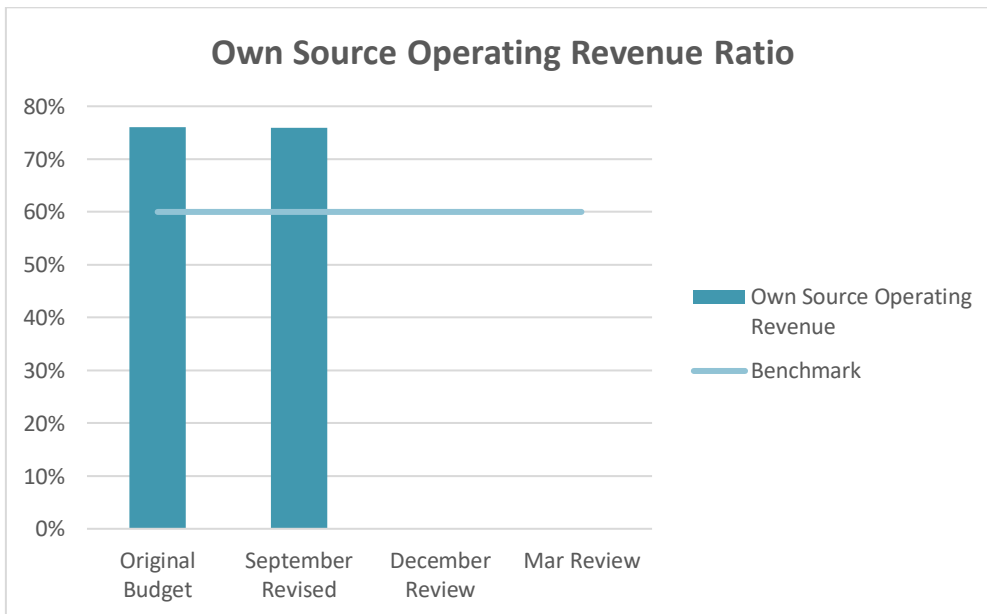
An interest cover ratio of 86.0 times means Council has more than adequate cash to cover interest payments on its debt.



Purpose of Operating Performance Ratio	Commentary on 2024/25 Result Sep 2024/25 Ratio (1.2)%
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This ratio measures Council's achievement of containing operating expenses within operating revenue.

The operating performance ratio of (1.2)% is below the OLG benchmark due to not recognising pothole repair grant income to offset the ongoing expenditure program.



Purpose of Own Source Operating Revenue Ratio	Commentary on 2024/25 Result Sep 2024/25 Ratio 76%
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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 above the benchmark and is not overly reliant on external grant funding.

Contracts Budget Review Statement

For the period 1 July 2024 to 30 September 2024

Contracts Budget Review Statement						
Contractor	Contract Detail and Purpose	Contract Value (GST Inc)	Date	Minute No.	Length of Contract	Budgeted (Y/N)
Precision Civil Infrastructure Pty Ltd	Lithgow Sewerage Treatment Plant Inlet Works Stage 2	\$2,600,209	22/07/2024	24 -155		Y
KHP Civil Pty Ltd	Water Main Replacement – Wallerawang Township project	\$315,448	22/07/2024	24 -156		Y
Keane Civil and Construction	Cupro Street, Lithgow Stormwater Improvements (Stage 1)-construction of new stormwater pits and pipes	\$1,012,501	22/07/2024	24 -157		Y
State Asphalt Services	Bitumen Seal Package - 2024/25 Program	\$353,078	22/07/2024	24 -158		Y
Bitupave Ltd	Supply and delivery of bitumen emulsion					Y
Dukes Earthmoving P/L	Civil Works-High Street, Portland	\$169,132	22/07/2024	24 -160		Y
Gracey's Earthmoving and Excavation P/L	Civil Works Package-reconstruction of Sunny Corner Road, Portland.	\$236,500	22/07/2024	24 -160		Y
Asphalt Laying Services P/L	Asphalt Resealing Package	\$865,866	22/07/2024	24 -161		Y

Consultancy and Legal Expenses Review Statement

Consultancy and Legal Expenses Review Statement		
Expense	YTD Expenditure*	Budgeted (Y/N)
Consultancies	\$217,241	Y
Legal Fees	\$109,724	Y

*Actual expenditure 1 July 2024 to 30 September 2024.

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.