



2018-2019
quarterly report

January - March 2019

Lithgow
CITY COUNCIL



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 2018 to 31 March 2019 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 2019

It is my opinion that the Quarterly Budget review Statement for Lithgow City Council for the quarter ended 31/03/19 indicates that Council's projected position at 30 June 2019 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 2019 will be satisfactory has been based on the following factors:

There have been additional costs added to the 2018/19 original budget which include-

- Necessary operational carryovers of \$302K.
- An increase in operating employment costs following review of the Capital Works Program. Some major capital projects have been partially or fully rescheduled to the 2019/20 year. Related fixed employee costs have been redirected to operating and maintenance projects.
- Additional employment costs related to award / step increases, high priority additional positions and overtime for urgent works.

The additional costs have been offset by the remedial action-

- Identification of net \$240K of budget savings / additional revenue in Quarter One 2018/19.
- \$512K of budget savings in materials and contracts identified in Quarter Three 2018/19.
- \$247K adjustment to the rates and annual charges budget to match projected revenue.

An organisation-wide operating efficiencies and cost savings program will continue for the remainder of the 2018/19 year.

Ross Gurney
Responsible Accounting Officer

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Summary of Financial Position

This report provides the Quarterly Performance Report on the 2018-2019 Operational Plan for the period of 1 January to 31 March 2019 with a recommendation that variations to income and expenditure estimates are voted.

2018/19 Quarterly Budget Comparison			
Budget	Income \$'000	Expenditure \$'000	Result \$'000
Original	50,384	43,337	7,048
September Quarter	49,967	43,678	6,019
December Quarter	49,161	44,684	4,477
March Quarter	47,855	44,451	3,404

2018/19 Quarterly Budget Comparison Fund – Proposed March Review			
Budget	Income \$'000	Expenditure \$'000	Result \$'000
General	32,500	30,508	1,992
Water	7,120	7,027	93
Wastewater	8,234	6,915	1,319

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

Consolidated - Income and Expense Budget Review Statement

2018/19 March Quarterly Budget Review Statement											
Projected Income and Expenditure Statement	Original Budget	Carry Forwards	Other than by QBRs	Sept Review	Dec Review	Mar Review	Revised Budget	Variations for this Mar Quarter	Notes	Projected Year End Result	Actual YTD Figures
Rates and Annual Charges	25,913	-			127		26,040	247	1	26,287	26,250
User Fees and Charges	7,477	-			(31)		7,446	(353)	2	7,093	4,648
Interest and Investment Revenue	898	-			-		898	12	3	910	649
Other Revenue	1,290	-			163		1,453	(27)	4	1,426	881
Operating Grants and Contributions	7,122	-		279	679		8,080	4	5	8,084	4,176
Capital Grants and Contributions	7,349	-		(966)	(1,474)		4,909	(1,189)	6	3,720	2,892
Gain Sale of Assets	335	-		-	-		335	-		335	90
Total Revenue	50,384	-		(687)	(536)		49,161	(1,306)		47,855	39,586
Employee Costs	14,657	-			958		15,615	292	7	15,907	12,420
Borrowing Costs	1,076	-			(433)		643	-		643	515
Material and Contracts	10,266	303		214	427		11,210	(512)	8	10,698	5,961
Depreciation Expense	11,834	-		-	-		11,834	-		11,834	9,083
Other Expenses	5,503	-		(175)	54		5,382	(13)	9	5,369	3,459
Loss on Sale of Assets	-	-		-	-		-	-		-	-
Total Expenses	43,337	303		39	1,006		44,684	(233)		44,451	31,438
Operating Result Surplus/(Deficit)	7,048	(303)		(726)	(1,542)		4,477	(1,073)		3,404	8,148

2018/19 March Quarterly Budget Review Statement

Projected Income and Expenditure Statement	Original Budget	Carry Forwards	Other than by QBRs	Sept Review	Dec Review	Mar Review	Revised Budget	Variations for this Mar Quarter	Notes	Projected Year End Result	Actual YTD Figures
Operating Result before Capital Grants	(301)	(303)		240	(68)		(432)	116		(316)	5,256

Income and Expense Budget Variation Notes

Notes	Details
1	The rates and annual charges budget has been adjusted to match projected revenue.
2	The water usage income budget has been decreased due to lower than expected consumption.
3	Increase in interest revenue due to a combination of reserve balances being greater than forecast and improved investment returns.
4	Minor overall decrease in other revenue due to recycling income being transferred to rates and annual charges offset by Store insurance claim income.
5	Budget increased for minor additional funding received for Halloween event.
6	Capital grants budget has been decreased due to the CBD Revitalisation Stage 2 grant not being approved.
7	Employee costs have risen as a result of the following – award / step increases to staff, high priority additional positions (Tourism Coordinator, Rural Landfill Supervisor, Executive Assistant Water & Wastewater) and overtime for urgent works (including repair of December 2018 storm damage).
8	Materials and contracts budget savings to offset other increased costs.
9	Minor budget variations including – correction of internal rates and charges budget, increases in insurance excesses and software maintenance.

Please note where there is a variation in the review table but no corresponding note, the variation is due to rounding within the asset class.

General Fund - Income and Expenditure Review Statement

2018/19 March Quarterly Budget Review Statement							
Income and Expenditure Review Statement							
Projected Income and Expenditure Statement	Original Budget	Carry Forwards	Proposed Sept Review	Dec Review	March Review	Proposed Year End Revised Budget	Actual YTD Figures
Rates and Annual Charges	16,679			127	812	17,618	17,292
User Fees and Charges	1,560			(30)	12	1,542	1,098
Interest and Investment Revenue	838				12	850	631
Other Revenue	1,290			163	(27)	1,426	853
Operating Grants and Contributions	6,931		279	680	3	7,893	3,855
Capital Grants and Contributions	4,465		(966)	523	(1,186)	2,836	2,843
Gain Sale of Assets	335					335	76
Total Revenue	32,098		(687)	1,463	(374)	32,500	26,648
Employee Costs	11,286			958	153	12,397	9,774
Borrowing Costs	194					194	140
Material and Contracts	4,112	253	149	477	143	5,134	2,948
Depreciation Expense	8,364					8,364	6,453
Other Expenses	4,551		(175)	54	(11)	4,419	2,977
Loss on Sale of Assets	-						
Total Expenses	28,507	253	(26)	1,489	285	30,508	22,292
Operating Result (Surplus)/Deficit	3,591	(253)	(661)	(26)	(659)	1,992	(4,356)
Operating Result before Capital Grants	(874)	(253)	305	(549)	527	(844)	(1,513)

Water Fund - Income and Expenditure Review Statement

2018/19 March Quarterly Budget Review Statement							
Income and Expenditure Review Statement							
Projected Income and Expenditure Statement	Original Budget	Carry Forwards	Proposed Sept Review	Dec Review	March Review	Proposed Year End Revised Budget	Actual YTD Figures
Rates and Annual Charges	1,741				(292)	1,449	1,761
User Fees and Charges	5,759				(366)	5,393	3,510
Interest and Investment Revenue	60				-	60	18
Other Revenue	-				-	-	25
Operating Grants and Contributions	98				-	98	165
Capital Grants and Contributions	120				-	120	21
Gain Sale of Assets	-						14
Total Revenue	7,778				(658)	7120	5,514
Employee Costs	1,670				79	1,749	1,442
Borrowing Costs	121			(74)	-	47	31
Material and Contracts	3,745	50	66	(50)	(445)	3,366	1,888
Depreciation Expense	1,598				-	1,598	1,197
Other Expenses	267			1	(1)	267	158
Loss on Sale of Assets	-						
Total Expenses	7,401	50	66	(123)	(367)	7,027	4,716
Operating Result Surplus/(Deficit)	377	(50)	(66)	123	(292)	92	798
Operating Result before Capital Grants	257	(50)	(66)	123	(292)	(28)	777

Sewer Fund - Income and Expenditure Review Statement

2018/19 March Quarterly Budget Review Statement							
Income and Expenditure Review Statement							
Projected Income and Expenditure Statement	Original Budget	Carry Forwards	Proposed Sept Review	Dec Review	March Review	Proposed Dec Revised Budget	Actual YTD Figures
Rates and Annual Charges	7,492				(272)	7,220	7,196
User Fees and Charges	157				-	157	40
Interest and Investment Revenue	-				-	-	-
Other Revenue	-				-	-	3
Operating Grants and Contributions	93				-	93	156
Capital Grants and Contributions	2,764			(2,000)	-	764	27
Gain Sale of Assets	-						
Total Revenue	10,506			(2,000)	(272)	8,234	7,422
Employee Costs	1,700				60	1,760	1,204
Borrowing Costs	761			(359)		402	344
Material and Contracts	2,409				(211)	2,198	1,124
Depreciation Expense	1,872				-	1,872	1,432
Other Expenses	685				(2)	683	323
Loss on Sale of Assets	-						
Total Expenses	7,427			(359)	(153)	6,915	4,427
Operating Result (Surplus)/Deficit	3,079			(1,641)	(119)	1,319	2,995
Operating Result before Capital Grants	315			359	(119)	555	2,968

Capital Budget Review Statement

2018/19 March Quarterly Budget Review Statement

Capital Funding Review Statement

	Original Budget	Carry Forwards	Approved Changes			Revised Budget	Variations for this Mar Quarter	Projected Year End Result
			Sept Review	Dec Review	Mar Review			
Rates & other untied funding	15,812	-	-	-		15,812	(690)	15,122
Capital Grants & Contributions	7,349	-	(966)	(1,474)		4,909	(1,189)	3,720
Internal Restrictions	838	1,590	264	(1,971)		721	(1,788)	(1,067)
External Restrictions	371	8,060	646	(3,139)		5,938	(1,938)	4,000
Other Capital Funding Sources								
• Loans	9,536			(6,134)		3,402	-	3,402
Income from sale of assets	335	-	-	-		335	-	335
Total Capital Funding	34,241	9,560	(56)	(12,718)		31,117	(5,605)	25,512

2018/19 March Quarterly Budget Review Statement

Capital Expenditure Review Statement

	Original Budget	Carry Forwards	Approved Changes			Revised Budget	Variations for this Dec Quarter	Projected Year End Result	Notes	Actual YTD Figures
			Sept Review	Dec Review	Mar Review					
• Plant & Equipment	1,200	-	-	-		1,200	129	1,329	1	556
• Land & Buildings	2,271	219	(243)	(992)		1,255	121	1,376	2	185
• Water Network	2,568	2,965	55	(7)		5,581	401	5,982	3	2,454
• Sewer Network	13,578	4,266	-	(9,787)		8,057	(2,930)	5,127	4	1,477
• Office Equipment	442	78	100	(6)		614	42	656	5	466
• Furniture & Fittings	9	-	-	-		9	-	9		9
• Other Structures	3,150	808	749	(1,239)		3,468	(561)	2,907	6	2,444
• Swimming Pools	48	112	31	3		194	(74)	120	7	94
• Stormwater Drainage	452	-	(21)	94		525	2	527	8	248
• Tip Assets	1,780	166	(750)	(1,000)		196	-	196		88
• Roads, Bridges & Footpaths	6,794	1,036	22	214		8,066	(2,732)	5,334	9	2,517
Loan Repayments (principal)	1,949	-	-	-		1,949	-	1,949		1,721
Total Capital Expenditure	34,241	9,650	(57)	(12,720)		31,114	(5,602)	25,512		12,259

Capital Budget Review Statement -Budget Variation Notes

Notes	Details
1	Funding transferred from plant replacement reserve to fund purchase of two second hand rollers (more economical than continuing to hire rollers).
2	Buildings budget increased due to Store rectification works (funded from insurance claim) and additional expenditure related to a Golf Club grant, with works expected to be completed before the end of the financial year.
3	Water capital budget increased for the Smart Metering program partly offset by the transfer of project budgets to a carryover reserve for chlorinator renewal, dam safety works and SCADA system budgets (projects will not be completed in 2018/19).
4	Sewer capital budget reduced due to works at Lithgow and Portland Sewerage Treatment Plants being transferred to next financial year.
5	Additional consulting work required for Council's financial systems review/upgrade projects (funded from reserves).
6	Other structures capital program budget reduced due to the following project start dates being deferred or the projects carrying into next financial year – Lithgow Tennis Club, Lithgow Croquet Club, Wallerawang Skatepark and VIC carpark upgrade.
7	Decrease in swimming pools capital budget due to funds not being required to complete planned works.
8	Small transfer from roads program to cover overspend on Cox's Street Portland drainage renewal works.
9	Transport capital budget reduced due to the CBD Revitalisation Stage 2 and Main Street Footpaths upgrade projects not proceeding in the 2018/19 year. Funds have been transferred into a CBD Infrastructure Reserve for future works.

Please note where there is a variation in the review table but no corresponding note, the variation is due to rounding within the asset class.

Cash and Investment Budget Review Statement

2018/19 March Quarterly Budget Review Statement			
Income and Expenditure Review Statement			
Externally Restricted	30 June 2018 Position	30 June 2019 Forecast	YTD Actuals to 31 March 2019
Developer Contributions	2,007	1,457	1,732
Special Purpose Grants	3,666	3,616	4,446
RMS Grants	-	-	-
Water Supplies	3,756	(1,029)	3,795
Sewerage Services	4,839	3,942	6,960
Domestic Waste	2,872	3,428	4,359
Unexpended Loans	3,912	1,532	2,501
Total External Restriction	21,052	12,944	23,793
Internally Restricted			
Land & Buildings	7,731	7,832	2,798
Plant & Equipment	680	551	124
Bonds, Deposits & Retentions	808	809	669
Works in Progress	1,546	555	832
Carry Over Works	1,372	3,442	1,180
ELE	747	747	747
Election	35	70	35
Total Internal Restriction	12,919	14,006	6,385
Unrestricted	-	(1,015)	-
Total Cash & Investments	33,971	25,935	30,178

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 \$135,918.95.

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

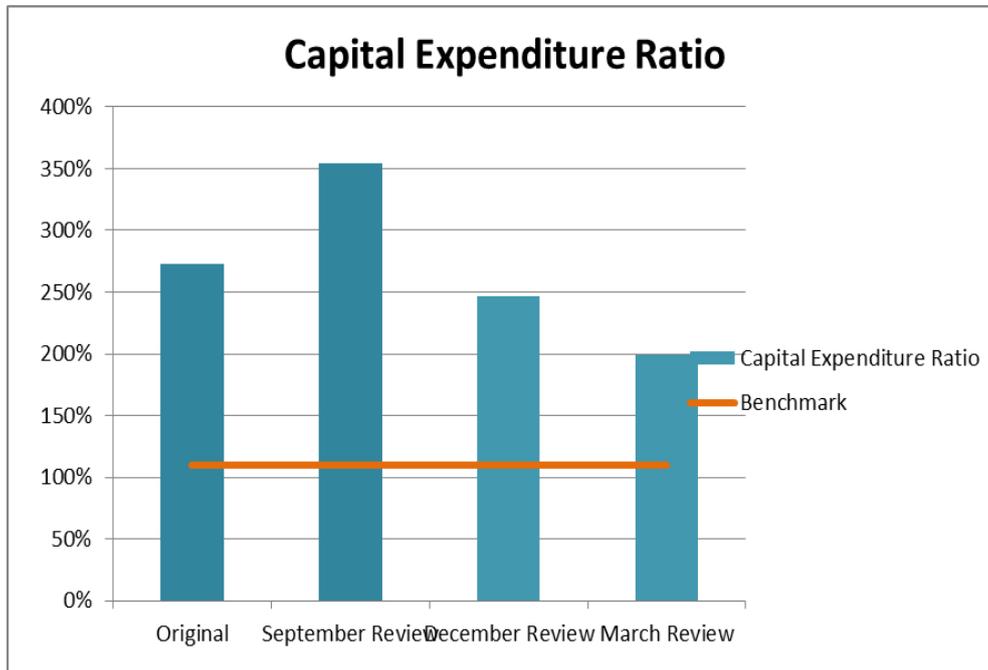
The date of completion of this bank reconciliation was 9/04/19.

Reconciliation Status

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

	\$'000's
Cash at Bank	136
Investments on Hand	30,160
Less: Unpresented Cheques	(12)
Add: Undeposited Funds	-
Less: Identified Deposits	(108)
Add: Identified Outflows	2
Less: Unidentified Deposits	-
Add: Unidentified Outflows	-
Reconciled Cash at Bank & Investments	30,178
Balance as per Review Statement	30,178
Difference	-

Key Performance Indicators



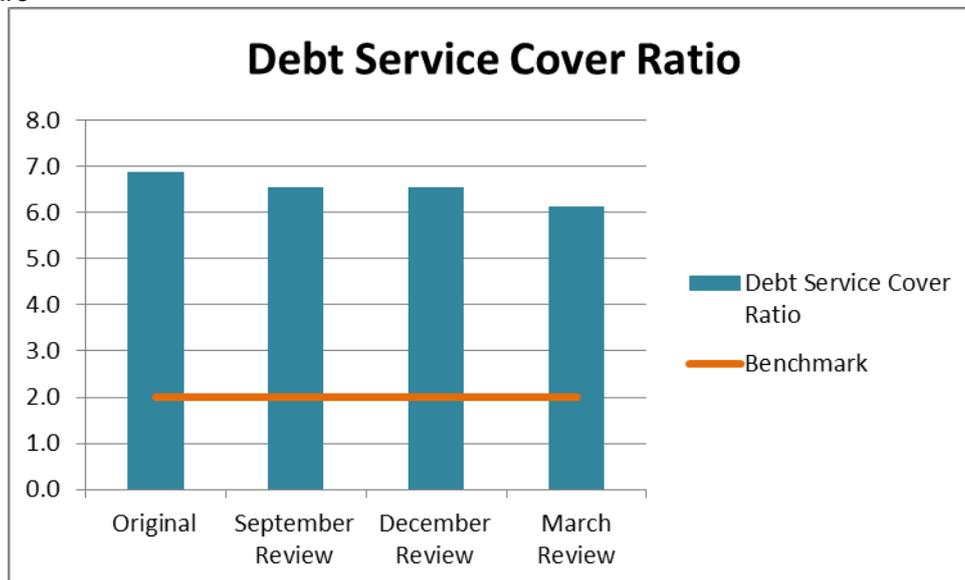
Purpose of Capital Expenditure Ratio

Commentary on 2018/19 Result

March 2018/19 Ratio 199%

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

A capital expenditure ratio of 1.99 times suggests that Council has a strong capital works program.



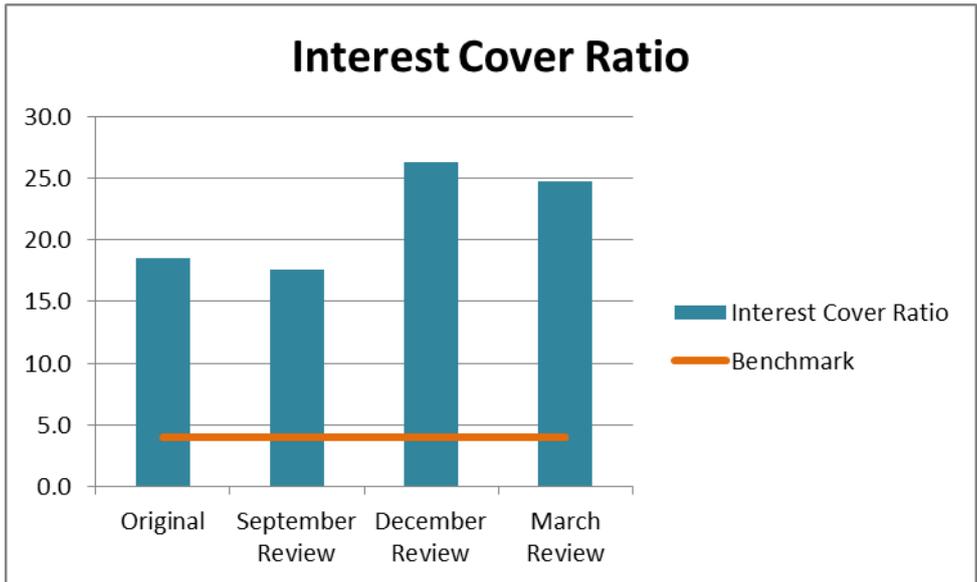
Purpose of Debt Service Cover Ratio

Commentary on 2018/19 Result

March 2018/19 Ratio 6.1x

This ratio measures the availability of operating cash to service debt including principal, interest and lease payments

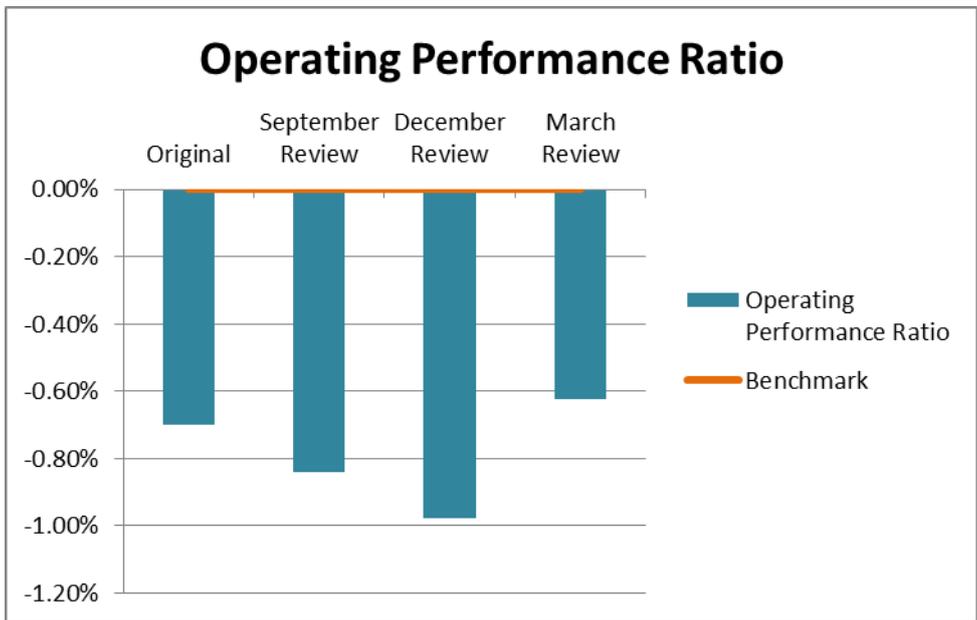
A debt service ratio of 6.1 times means Council has capacity to borrow more funds if required.



Purpose of Interest Cover Ratio	Commentary on 2018/19 Result
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This ratio measures the availability of operating cash to service interest payments.

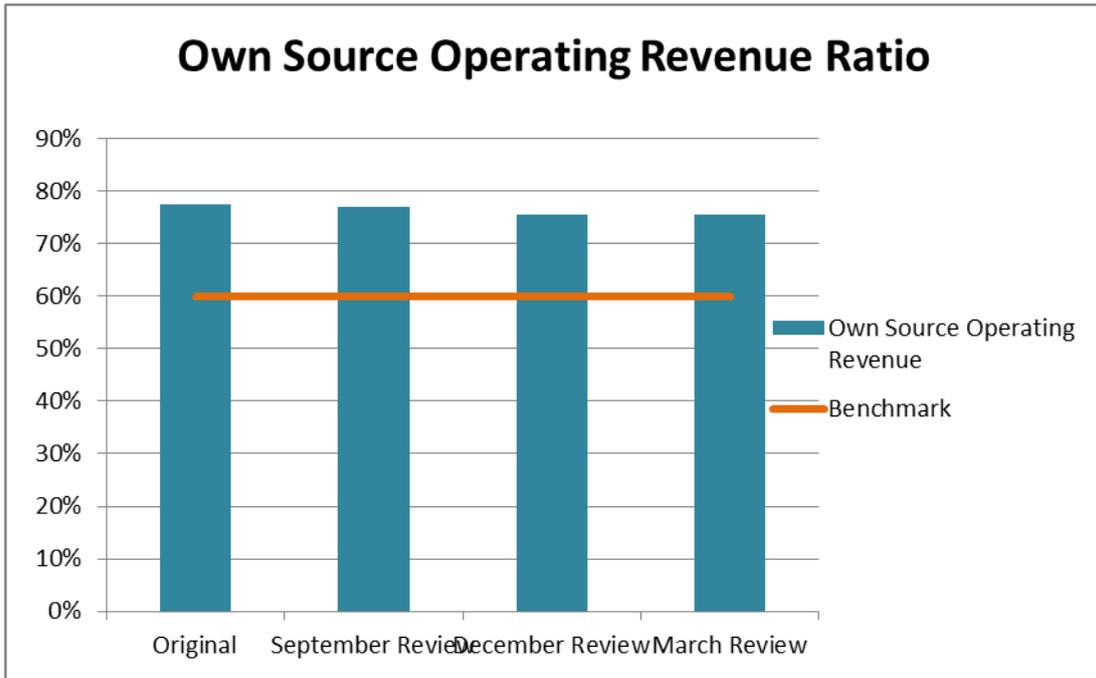
March 2018/19 Ratio 24.8x
 An Interest Cover ratio of 24.8 times means Council has more than adequate cash to cover interest repayments on its debt. This suggests Council has the capacity to borrow more funds if required.



Purpose of Operating Performance Ratio	Commentary on 2018/19 Result
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This ratio measures Councils achievement if containing operating expenses within operating revenue.

March 2018/19 Ratio -0.6%
 Council's current consolidated budget is below the benchmark but has improved from December's revised budget.



Purpose of Own Source Revenue Ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as grants and contributions.

Commentary on 2018/19 Result

March 2018/19 Ratio 76%

This ratio shows that Council continues to meet the benchmark and is not overly reliant on external grant funding.

Part A: Contracts Review Statement

2018/19 March Quarterly Budget Review Statement

Contracts Review Statement

For the period 01 January 2019 to 31 March 2019

Contractor	Contract Detail and Purpose	Contract Value (GST Inc.)	Date	Minute No.	Length of Contract	Budgeted (Y/N)
Taggle Pty Ltd	Installation of Smart meters across the water network	\$2,886,000	11-03-2019	19-58	12 months	Y
Dukes Earthmoving	Road Repair and Improvement Program 2018-19	\$624,363	23-01-2019	18-383	Until complete	Y
Dean Horton	Lithgow store rectification works	\$76,510.50	12-02-2019	N/A	2 months	Y
TEC Rural	Cullen Bullen Raceway Works	\$65,274.99	5-03-2019	N/A	Until complete	Y
Golder Associates	Wolgan Valley Slope Stability	\$120,965.90	7-01-2019	N/A	Until complete	Y
Main Control Systems	Water Treatment Plant – SCA's	\$122,645.60	27-02-2019	N/A	Until complete	Y
Central Industries	Farmers Creek Pedestrian Bridge	\$147,224	19-03-2019	N/A	2 months	Y
Abergeldie Watertech	Sewer Mains Relining	\$140,585	15-03-2019	N/A	Until complete	Y
Renascent Australia Pty Ltd	Union Theatre Construction	\$925,184.70	01-03-2019	19-07	Until complete	Y

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.

Part B: Consultancy and Legal Expenses Review Statement

2018/19 March Quarterly Budget Review Statement

Contracts Review Statement

Actual expenditure 1 July 2018 to 31 March 2019

Expense	Year to Date	Budget Allocation (Y/N)
Consultancies	553,526	Y
Legal Fees	117,049	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.