

2020-2021 quarterly report

July - September 2020



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 July 2020 to 30 September 2020 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 2020

It is my opinion that the Quarterly Budget review Statement for Lithgow City Council for the quarter ended 30/9/2020 indicates that Council's projected position at 30 June 2021 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 2021 will be unsatisfactory, has been based on the following factors:

1. Necessary operational expenditure carryovers of \$572K have added to Council's original expenditure budget.
2. \$353K decrease in interest and investment income, mainly due to record low interest rates and lower reserve balances.
3. \$1.8M increase in operating expenditure, including \$800K increase in depreciation, which is partly offset by savings in employee costs and additional grant income.

Recommended remedial action to deal with the unsatisfactory position includes:

- a. Deferred recruitment action and consideration of the need to retain positions in the organisational structure when roles are vacated.
- b. An operating efficiencies and cost savings program will continue for the remainder of the 2020/21 year.

Ross Gurney

Responsible Accounting Officer

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Summary of Financial Position

This report provides the Quarterly Performance Report on the 2020-2021 Operational Plan for the period of 1 July to 30 September 2020 with a recommendation that variations to income and expenditure estimates are voted.

2020/2021 Quarterly Budget Comparison			
Budget	Income	Expenditure	Result
	\$'000	\$'000	\$'000
Original Budget	51,292	46,471	4,821
September Review	53,862	48,636	5,226
December Review			
March Review			

2020/2021 Quarterly Budget Comparison - By Fund			
Budget	Income	Expenditure	Result
	\$'000	\$'000	\$'000
General	36,870	33,646	3,224
Water	7,323	7,287	36
Wastewater	9,668	7,703	1,965

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											
	Original Budget	Carry Forwards	Other than by QBRs	Sep QBRs	Dec QBRs	Mar QBRs	Revised Budget	Variations for Sept QBRs	Notes	Projected Year End Result	Actual YTD Figures
Income											
Rates and Annual Charges	27,607						27,607			27,607	26,656
User Fees and Charges	8,016						8,016			8,016	1,192
Interest and Investment Revenue	705						705	(353)	1	352	89
Other Revenue	1,303						1,303	159	2	1,462	459
Operating Grants and Contributions	8,828	60					8,888	400	3	9,288	2,206
Capital Grants and Contributions	3,863	(292)					3,571	2,596	4	6,167	1,275
Gain on Sale of Assets	970						970			970	-
Total Revenue	51,292	(232)					51,060	2,802		53,862	31,877
Expenses											
Employee Costs	18,687						18,687	(213)	5	18,474	4,729
Borrowing Costs	590						590			590	121
Materials and Contracts	9,794	592					10,386	731	6	11,117	3,185
Depreciation Expense	12,454						12,454	800	7	13,254	3,101
Other Expenses	4,946	(20)					4,926	275	8	5,201	1,818
Loss on Sale of Assets	-						-			-	-
Total Expenses	46,471	572					47,043	1,593		48,636	12,954
Operating Result	4,821	(804)					4,017	1,209		5,226	18,923
Operating Result before Capital	958	(512)					446	(1,387)		(941)	17,648

Income and Expenses Budget Variation Notes

Notes	Details
1	<ul style="list-style-type: none">Record low interest rates and lower reserve balances have resulted in a decrease in investment income.
2	<ul style="list-style-type: none">Insurance settlement received for clean up after bushfires.Sale of interest in a portion of land.
3	<ul style="list-style-type: none">Increase in Emergency Services Levy assistance grant and Financial Assistance Grant.
4	<ul style="list-style-type: none">Additional capital grants received, including Fixing Local Roads Program, Streets as Shared Spaces (Pioneer Square) project & the Showground stimulus package.
5	<ul style="list-style-type: none">Due to cash flow constraints, some new positions have been deferred, resulting in lower employee costs. In addition, the Local Government Award increase was lower than anticipated and there was nil salary increase for Directors and the General Manager.
6	<ul style="list-style-type: none">Increased materials and contracts expense from the following – Farmers Creek weed eradication (funded by Water & Wastewater), condition assessment of Main Street water mains, funding for bushfire recovery events and officer position, consulting for town planning, expenses relating to asbestos clean-up and information systems consulting.
7	<ul style="list-style-type: none">The 2020 revaluation of road assets has led to increase in road depreciation.
8	<ul style="list-style-type: none">Additional expenditure approved from bushfire recovery grants.Additional Information Technology expenditure to improve & integrate systems.Additional expenditure incurred as a result of COVID-19 Social distancing requirements for staff in vehicles.

Income and Expenses Budget Review Statement – General Fund

Income and Expenses Budget Review Statement										
	Original Budget	Carry Forwards	Other than by QBRs	Sep QBRs	Dec QBRs	Mar QBRs	Revised Budget	Variations for Sept QBRs	Projected Year End Result	Actual YTD Figures
Income										
Rates and Annual Charges	18,536						18,536		18,536	18,110
User Fees and Charges	2,165						2,165		2,165	471
Interest and Investment Revenue	675						675	(338)	337	89
Other Revenue	1,303						1,303	159	1,462	459
Operating Grants and Contributions	8,639	60					8,699	400	9,099	1,881
Capital Grants and Contributions	1,998	(292)					1,706	2,596	4,302	989
Gain on Sale of Assets	969						969		969	-
Total Revenue	34,285	(232)					34,053	2,727	36,870	21,999
Expenses										
Employee Costs	14,001						14,001	(37)	13,964	3,818
Borrowing Costs	146						146		146	29
Materials and Contracts	4,323	375					4,698	581	5,279	1,747
Depreciation Expense	8,900						8,900	800	9,700	2,221
Other Expenses	4,302	(20)					4,282	275	4,557	1,629
Loss on Sale of Assets	-						-		-	-
Total Expenses	31,672	355					32,027	1,619	33,646	9,444
Operating Result	2,613	(587)					2,026	1,198	3,224	12,555
Operating Result before Capital	615	(295)					320	(1,398)	(1,078)	11,566

Income and Expenses Budget Review Statement – Water Fund

Income and Expenses Budget Review Statement										
	Original Budget	Carry Forwards	Other than by QBRs	Sep QBRs	Dec QBRs	Mar QBRs	Revised Budget	Variations for Sept QBRs	Projected Year End Result	Actual YTD Figures
Income										
Rates and Annual Charges	1,535						1,535		1,535	1,602
User Fees and Charges	5,652						5,652		5,652	703
Interest and Investment Revenue	30						30	(15)	15	
Other Revenue	-						-			
Operating Grants and Contributions	96						96		96	168
Capital Grants and Contributions	25						25		25	46
Gain on Sale of Assets	-						-			
Total Revenue	7,338						7,338	(15)	7,323	2,519
Expenses										
Employee Costs	2,156						2,156	(114)	2,042	456
Borrowing Costs	52						52		52	5
Materials and Contracts	3,214	98					3,312	50	3,362	846
Depreciation Expense	1,649						1,649		1,649	403
Other Expenses	182						182		182	78
Loss on Sale of Assets	-						-			
Total Expenses	7,253	98					7,351	(64)	7,287	1,788
Operating Result	85	(98)					(13)	49	36	731
Operating Result before Capital	60	(98)					(38)	49	11	685

Income and Expenses Budget Review Statement – Sewer Fund

Income and Expenses Budget Review Statement										
	Original Budget	Carry Forwards	Other than by QBRs	Sep QBRs	Dec QBRs	Mar QBRs	Revised Budget	Variations for Sept QBRs	Projected Year End Result	Actual YTD Figures
Income										
Rates and Annual Charges	7,536						7,536		7,536	6,943
User Fees and Charges	199						199		199	18
Interest and Investment Revenue	-						-		-	-
Other Revenue	-						-		-	-
Operating Grants and Contributions	93						93		93	158
Capital Grants and Contributions	1,840						1,840		1,840	240
Gain on Sale of Assets	-						-		-	-
Total Revenue	9,668						9,668		9,668	7,359
Expenses										
Employee Costs	2,530						2,530	(63)	2,467	455
Borrowing Costs	392						392		392	86
Materials and Contracts	2,257	119					2,376	100	2,476	592
Depreciation Expense	1,906						1,906		1,906	477
Other Expenses	462						462		462	111
Loss on Sale of Assets	-						-		-	-
Total Expenses	7,547	119					7,666	37	7,703	1,721
Operating Result	2,121	(119)					2,002	(37)	1,965	5,638
Operating Result before Capital	281	(119)					162	(37)	125	5,398

Capital Budget Review Statement

Capital Budget Review Statement											
	Original Budget	Carry Forwards	Other than by QBRs	Sep QBRs	Dec QBRs	Mar QBRs	Revised Budget	Variations for Sept QBRs	Notes	Projected Year End Result	Actual YTD Figures
Capital Expenditure											
Plant and Equipment	840	50					890	(221)	1	669	206
Land and Buildings	992	1,253					2,245	205	2	2,450	381
Other Structures	1,697	634					2,331	175	3	2,506	175
Roads, Bridges and Footpaths	5,886	235					6,121	734	4	6,855	613
Stormwater	-						-			-	139
Swimming Pools	-						-			-	-
Water Infrastructure	750	540					1,290	(95)	5	1,195	142
Sewer Infrastructure	4,250	1,558					5,808			5,808	389
Furniture and Fittings	-						-			-	-
Office Equipment	218	9					227	27	6	254	77
Tip Assets	3,698	7					3,705			3,705	160
Loan Repayments	2,911						2,911			2,911	289
Total Capital Expenditure	21,242	4,286					25,528	825		26,353	2,571
Capital Funding											
Rates and Other Untied Funding	12,602	1,013					13,615	(1,236)		12,379	
Capital Grants and Contributions	3,348	(292)					3,056	2,596		5,652	
Reserves:											
External Restriction/Reserve	4,682	2,320					7,002	302		7,304	
Internal Restriction/Reserve	610	1,245					1,855	(837)		1,018	
New Loans	-						-			-	
Receipts from Asset Sales	-						-			-	
Total Capital Funding	21,242	4,286					25,528	825		26,353	
Net Capital Funding	-	-					-				

Capital Budget Review Statement Variation

Notes

Notes	Details
1	<ul style="list-style-type: none">2020/21 plant replacement program partially deferred due to cash flow constraints.
2	<ul style="list-style-type: none">Unexpected additional costs due to discovery of asbestos for Pioneer Park toilets project and addition of Lithgow Showground Change Room Upgrade funded by grant.
3	<ul style="list-style-type: none">Works at Pioneer Square added, offset by Streets as Shared Spaces grant.
4	<ul style="list-style-type: none">Additional road capital added, funded by the Fixing Local Roads program.
5	<ul style="list-style-type: none">Water mains renewal deferred due to deferral of related road resealing.
6	<ul style="list-style-type: none">Increased expenditure on IT systems improvements & integration.

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 \$4,599,808.84

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

The date of completion of this bank reconciliation was 01/10/2020

Reconciliation Status

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

	\$'000's
Cash at Bank	4,600
Investments on Hand	22,750
Less: Unpresented Cheques	-
Add: Undeposited Funds	-
Less: Identified Deposits	(43)
Add: Identified Outflows	-
Less: Unidentified Deposits	-
Ad: Unidentified Outflows	-
Reconciled Cash at Bank & Investments	27,307
Balance as per Review Statement	27,307
Difference	

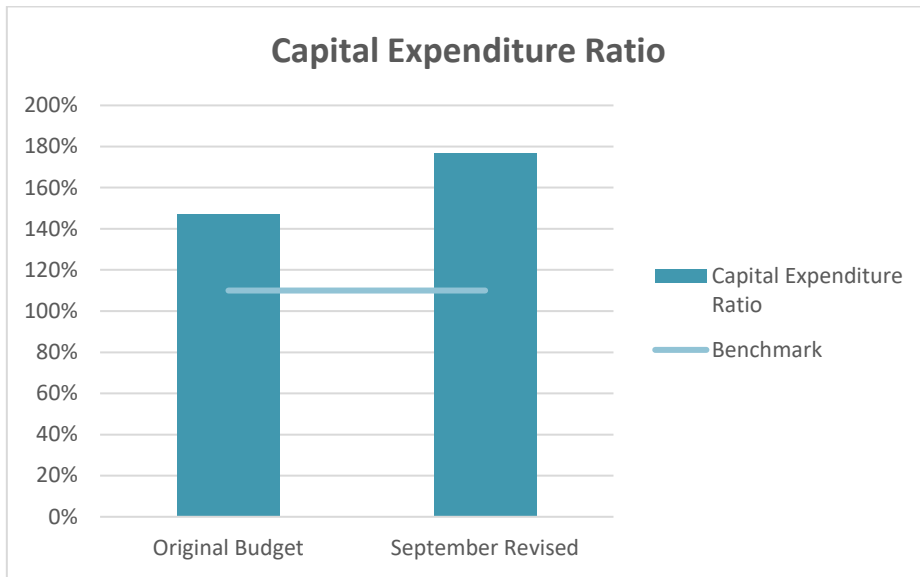
*Total does not balance to above figures due to rounding in each line item.

Cash and Investments Statement

	30 June 2020 Position	30 September 2020 Position	31 December 2020 Position	31 March 2021 Position
Externally Restricted				
Developer Contributions	1,985	2,108		
Special Purpose Grants	3,675	2,120		
RMS Grants	-	-		
Water Supplies	(1,848)	(820)		
Sewerage Services	8,482	9,489		
Domestic Waste	4,752	5,450		
Unexpended Loans	2,530	2,530		
Total Externally Restricted	19,574	20,878		
Internally Restricted				
Land & Buildings	5,130	4,860		
Plant & Equipment	429	278		
Bonds, Deposits & Retentions	558	693		
Works in Progress	1,798	1,798		
Carry Over Works	1,291	1,174		
ELE	754	754		
Election	110	110		
Internal Loan	(2,673)	(3,237)		
Total Internally Restricted	7,397	6,429		
Unrestricted	-	-		
Total Cash and Investments	26,971	27,307		

* Delays in issuing water accounts following the installation of smart meters and an increase in overdue rates instalments during the COVID-19 pandemic are the main reasons for the deficit in unrestricted cash. Remedial action to address the unrestricted cash deficit is currently being implemented.

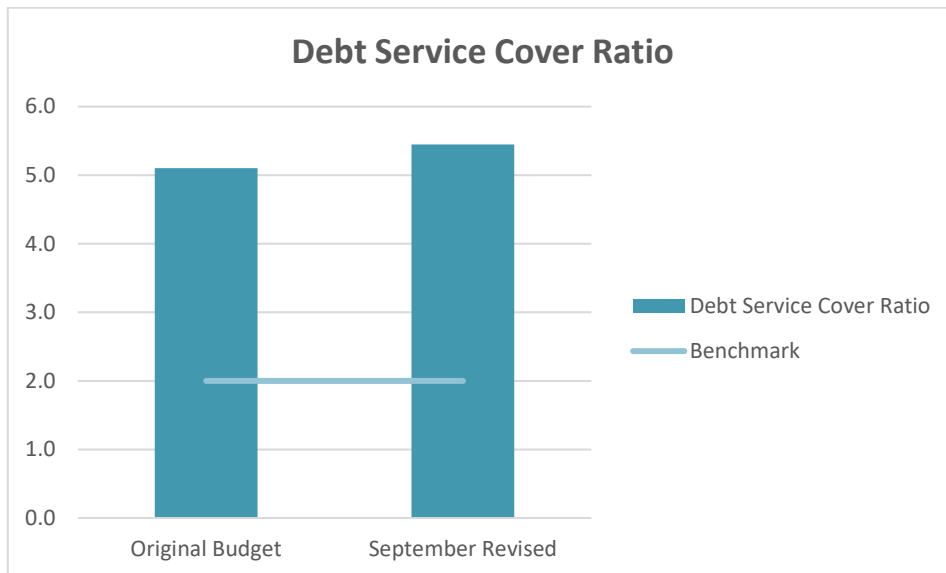
Key Performance Indicators



Purpose of Capital Expenditure Ratio **Commentary on 2020/21 Result**
Sept 2020/21 Ratio 177%

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

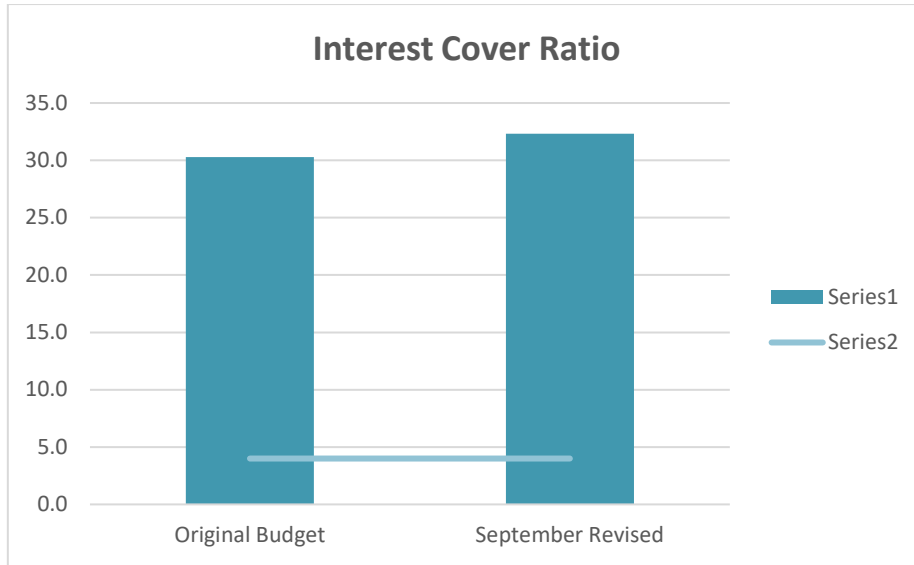
A capital expenditure ratio of 1.77 suggests that Council has a substantial capital works program.



Purpose of Debt Service Cover Ratio **Commentary on 2020/21 Result**
Sept 2020/21 Ratio 5.4x

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

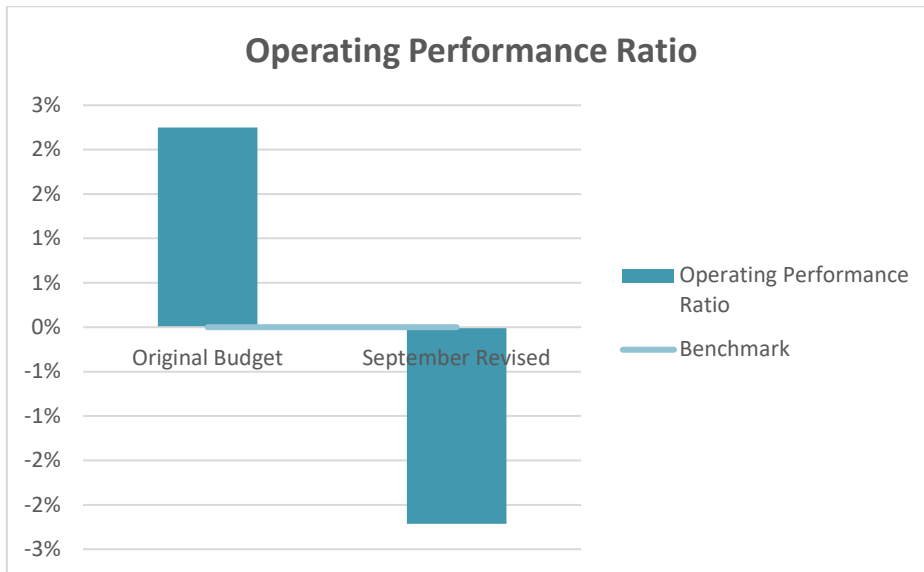
A debt service ratio of 5.4 times means Council has capacity to meet its loan repayments



Purpose of Interest Cover Ratio **Commentary on 2020/21 Result**
Sept 2020/21 Ratio 32.3x

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

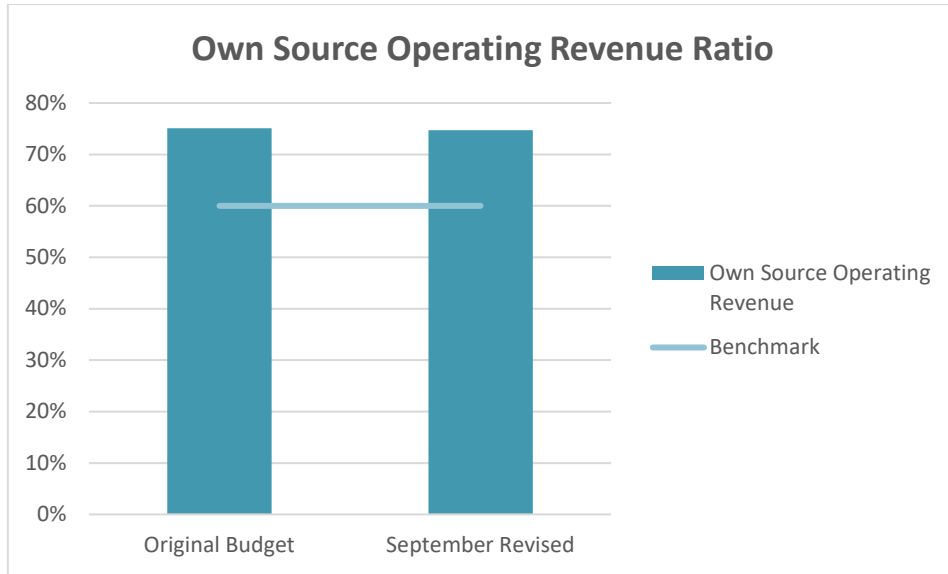
An interest cover ratio of 32 times means Council has more than adequate cash to cover interest payments on its debt.



Purpose of Operating Performance Ratio **Commentary on 2020/21 Result**
Sept 2020/21 Ratio -2.2%

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

Council's current consolidated operating budget is below the OLG benchmark of 0%.



Purpose of Own Source Operating Revenue Ratio	Commentary on 2020/21 Result Sept 2020/21 Ratio 75%
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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 exceeds the benchmark and is not overly reliant on external grant funding.

Contracts Budget Review Statement

For the period 1 July 2020 to 30 September 2020

Contracts Budget Review Statement						
Contractor	Contract Detail and Purpose	Contract Value (GST Inc)	Date	Minute No.	Length of Contract	Budgeted (Y/N)
Nil to report.						

Consultancy and Legal Expenses Review Statement

Consultancy and Legal Expenses Review Statement		
Expense	YTD Expenditure*	Budgeted (Y/N)
Consultancies	119,949	Y
Legal Fees	54,762	Y

*Actual expenditure 1 July 2020 to 30 September 2020.

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.