

# 2020-2021 quarterly report

October - December 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 October 2020 to 31 December 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:

31 December 2020

It is my opinion that the Quarterly Budget review Statement for Lithgow City Council for the quarter ended 31/12/2020 indicates that Council's projected position at 30 June 2021 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 2021 will be satisfactory, has been based on the following factors:

1. \$1.896M increase in operating grants income in Quarter Two.
2. A review of depreciation expense resulted in a \$550K decrease in the roads depreciation budget.
3. Corrections to the Water and Wastewater materials and contracts budgets more than offset an increase in General Fund expenses funded from grants (net saving \$340K).

The projected year end operating result before capital improved to **\$1.79M** surplus in Quarter Two.

Council will continue an operating efficiencies and cost savings program and deferral of recruitment action (where practical) for the remainder of the 2020/21 year to mitigate a reduction in cash inflows, reduced investment income and pressure on employment costs.

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 October 2020 to 31 December 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	53,782	47,924	5,858
March Review			

2020/2021 Quarterly Budget Comparison - By Fund			
Budget	Income	Expenditure	Result
	\$'000	\$'000	\$'000
General	38,290	34,392	3,898
Water	7,323	6,487	836
Wastewater	8,168	7,044	1,124

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

## Income and Expenses Budget Review Statement - Consolidated

<b>Income and Expenses Budget Review Statement</b>											
	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
<b>Income</b>											
Rates and Annual Charges	27,607						27,607			27,607	26,686
User Fees and Charges	8,016						8,016	(60)	1	7,956	3,548
Interest and Investment Revenue	705			(353)			352	1		353	129
Other Revenue	1,303			159			1,462	(66)	2	1,396	686
Operating Grants and Contributions	8,828	60		400			9,288	2,146	3	11,434	4,984
Capital Grants and Contributions	3,863	(292)		2,596			6,167	(2,100)	4	4,067	2,124
Gain on Sale of Assets	970						970	(1)		969	19
<b>Total Revenue</b>	<b>51,292</b>	<b>(232)</b>		<b>2,802</b>			<b>53,862</b>	<b>(80)</b>		<b>53,782</b>	<b>38,177</b>
<b>Expenses</b>											
Employee Costs	18,687			(213)			18,474	280	5	18,754	8,950
Borrowing Costs	590						590			590	256
Materials and Contracts	9,794	592		731			11,117	(340)	6	10,777	5,462
Depreciation Expense	12,454			800			13,254	(550)	7	12,704	6,233
Other Expenses	4,946	(20)		275			5,201	(102)	8	5,099	2,886
Loss on Sale of Assets	-						-			-	-
<b>Total Expenses</b>	<b>46,471</b>	<b>572</b>		<b>1,593</b>			<b>48,636</b>	<b>(712)</b>		<b>47,924</b>	<b>23,787</b>
<b>Operating Result</b>	<b>4,821</b>	<b>(804)</b>		<b>1,209</b>			<b>5,226</b>	<b>632</b>		<b>5,858</b>	<b>14,390</b>
<b>Operating Result before Capital</b>	<b>958</b>	<b>(512)</b>		<b>(1,387)</b>			<b>(941)</b>	<b>2,732</b>		<b>1,791</b>	<b>12,266</b>

# Income and Expenses Budget Variation Notes

Notes	Details
1	<ul style="list-style-type: none"><li>Reduction of user fees due to the impact of COVID-19 restrictions on patronage at the aquatic centre.</li></ul>
2	<ul style="list-style-type: none"><li>Reduction of other revenue due to the impact of COVID-19 restrictions on patronage at the aquatic centre.</li></ul>
3	<ul style="list-style-type: none"><li>Increase in operating grants due to successful applications, including the Local Roads and Community Infrastructure fund and Bushfire Community Recovery and Resilience fund.</li></ul>
4	<ul style="list-style-type: none"><li>Decrease in capital grants due to correct classification of Local Roads and Community Infrastructure grant as an operating grant as well as reduction of the Cullen Bullen sewerage upgrade grant due to a change in programming of works this financial year.</li></ul>
5	<ul style="list-style-type: none"><li>Increase in employee costs to reflect actual employment costs in Infrastructure Services. Additional costs will be funded from the Local Roads and Community Infrastructure grant and enable the completion of roads maintenance projects. The increase is offset by a reduction in water and wastewater expenditure.</li></ul>
6	<ul style="list-style-type: none"><li>Increase in General Fund materials and contracts due to roads maintenance projects funded under the Local Roads and Community Infrastructure fund and Bushfire Community Recovery and Resilience fund. The increase is offset by a reduction in Water and Wastewater expenditure.</li></ul>
7	<ul style="list-style-type: none"><li>Reduce depreciation expense for road assets following review of the depreciation methodology.</li></ul>
8	<ul style="list-style-type: none"><li>Reduction of other expenses at aquatic centre to offset reduction in user fees and other revenues.</li></ul>

## 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 Dec QBRS	Projected Year End Result	Actual YTD Figures
<b>Income</b>										
Rates and Annual Charges	18,536						18,536		18,536	18,031
User Fees and Charges	2,165						2,165	(61)	2,104	1,057
Interest and Investment Revenue	675			(338)			337	1	338	128
Other Revenue	1,303			159			1,462	(66)	1,396	686
Operating Grants and Contributions	8,639	60		400			9,099	2,146	11,245	4,657
Capital Grants and Contributions	1,998	(292)		2,596			4,302	(600)	3,702	1,813
Gain on Sale of Assets	969						969		969	
<b>Total Revenue</b>	<b>34,285</b>	<b>(232)</b>		<b>2,817</b>			<b>36,870</b>	<b>1,420</b>	<b>38,290</b>	<b>26,372</b>
<b>Expenses</b>										
Employee Costs	14,001			(37)			13,964	744	14,708	7,126
Borrowing Costs	146						146		146	67
Materials and Contracts	4,323	375		581			5,279	655	5,934	3,051
Depreciation Expense	8,900			800			9,700	(550)	9,150	4,448
Other Expenses	4,302	(20)		275			4,557	(103)	4,454	2,536
Loss on Sale of Assets	-						-			39
<b>Total Expenses</b>	<b>31,672</b>	<b>355</b>		<b>1,619</b>			<b>33,646</b>	<b>746</b>	<b>34,392</b>	<b>17,267</b>
<b>Operating Result</b>	<b>2,613</b>	<b>(587)</b>		<b>1,198</b>			<b>3,224</b>	<b>674</b>	<b>3,898</b>	<b>9,105</b>
<b>Operating Result before Capital</b>	<b>615</b>	<b>(295)</b>		<b>(1,398)</b>			<b>(1,078)</b>	<b>1,274</b>	<b>196</b>	<b>7,292</b>

# 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 Dec QBRs	Projected Year End Result	Actual YTD Figures
<b>Income</b>										
Rates and Annual Charges	1,535						1,535		1,535	1,602
User Fees and Charges	5,652						5,652		5,652	2,424
Interest and Investment Revenue	30			(15)			15		15	
Other Revenue	-									
Operating Grants and Contributions	96						96		96	169
Capital Grants and Contributions	25						25		25	57
Gain on Sale of Assets	-									45
<b>Total Revenue</b>	<b>7,338</b>			<b>(15)</b>			<b>7,323</b>		<b>7,323</b>	<b>4,297</b>
<b>Expenses</b>										
Employee Costs	2,156			(114)			2,042		2,042	971
Borrowing Costs	52						52		52	24
Materials and Contracts	3,214	98		50			3,362	(800)	2,562	1,302
Depreciation Expense	1,649						1,649		1,649	829
Other Expenses	182						182		182	133
Loss on Sale of Assets	-									
<b>Total Expenses</b>	<b>7,253</b>	<b>98</b>		<b>(64)</b>			<b>7,287</b>	<b>(800)</b>	<b>6,487</b>	<b>3,259</b>
<b>Operating Result</b>	<b>85</b>	<b>(98)</b>		<b>49</b>			<b>36</b>	<b>800</b>	<b>836</b>	<b>1,038</b>
<b>Operating Result before Capital</b>	<b>60</b>	<b>(98)</b>		<b>49</b>			<b>11</b>	<b>800</b>	<b>811</b>	<b>981</b>

# 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 Dec QBRs	Projected Year End Result	Actual YTD Figures
<b>Income</b>										
Rates and Annual Charges	7,536						7,536		7,536	7,053
User Fees and Charges	199						199		199	67
Interest and Investment Revenue	-						-		-	
Other Revenue	-						-		-	
Operating Grants and Contributions	93						93		93	158
Capital Grants and Contributions	1,840						1,840	(1,500)	340	254
Gain on Sale of Assets	-						-		-	13
<b>Total Revenue</b>	<b>9,668</b>						<b>9,668</b>	<b>(1,500)</b>	<b>8,168</b>	<b>7,545</b>
<b>Expenses</b>										
Employee Costs	2,530			(63)			2,467	(464)	2,003	853
Borrowing Costs	392						392		392	165
Materials and Contracts	2,257	119		100			2,476	(195)	2,281	1,109
Depreciation Expense	1,906						1,906		1,906	956
Other Expenses	462						462		462	216
Loss on Sale of Assets	-						-		-	
<b>Total Expenses</b>	<b>7,547</b>	<b>119</b>		<b>37</b>			<b>7,703</b>	<b>(659)</b>	<b>7,044</b>	<b>3,299</b>
<b>Operating Result</b>	<b>2,121</b>	<b>(119)</b>		<b>(37)</b>			<b>1,965</b>	<b>(841)</b>	<b>1,124</b>	<b>4,246</b>
<b>Operating Result before Capital</b>	<b>281</b>	<b>(119)</b>		<b>(37)</b>			<b>125</b>	<b>659</b>	<b>784</b>	<b>3,992</b>

# 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 Dec QBRs	Notes	Projected Year End Result	Actual YTD Figures
<b>Capital Expenditure</b>											
Plant and Equipment	840	50		(221)			669	101	1	770	343
Land and Buildings	992	1,253		205			2,450	(360)	2	2,090	900
Other Structures	1,697	634		175			2,506	(44)	3	2,462	636
Roads, Bridges and Footpaths	5,886	235		734			6,855	(673)	4	6,182	2,382
Stormwater	-						-			-	138
Swimming Pools	-						-			-	-
Water Infrastructure	750	540		(95)			1,195			1,195	506
Sewer Infrastructure	4,250	1,558					5,808	(2,678)	5	3,130	1,145
Furniture and Fittings	-						-			-	-
Office Equipment	218	9		27			254	12	6	266	126
Tip Assets	3,698	7					3,705	(1)		3,704	225
Loan Repayments	2,911						2,911			2,911	696
<b>Total Capital Expenditure</b>	<b>21,242</b>	<b>4,286</b>		<b>825</b>			<b>26,353</b>	<b>(3,643)</b>		<b>22,710</b>	<b>7,097</b>
<b>Capital Funding</b>											
Rates and Other Untied Funding	12,602	1,013		(1,236)			12,379	492		12,872	
Capital Grants and Contributions	3,348	(292)		2,596			5,652	(2,100)		5,051	
Reserves:											
External Restriction/Reserve	4,682	2,320		302			7,304	(1,267)		6,037	
Internal Restriction/Reserve	610	1,245		(837)			1,018	(768)		250	
New Loans	-						-			-	
Receipts from Asset Sales	-						-			-	
<b>Total Capital Funding</b>	<b>21,242</b>	<b>4,286</b>		<b>825</b>			<b>26,353</b>	<b>(3,643)</b>		<b>22,710</b>	
<b>Net Capital Funding</b>	-	-		-			-				

# Capital Budget Review Statement Variation

## Notes

Notes	Details
1	<ul style="list-style-type: none"><li>Partly restore the plant and equipment budget for purchase of necessary vehicles.</li></ul>
2	<ul style="list-style-type: none"><li>Reduced buildings and land capital works due to deferral of projects in response to cashflow constraints.</li></ul>
3	<ul style="list-style-type: none"><li>Reduced other structures capital works due to deferral of projects in response to cashflow constraints.</li></ul>
4	<ul style="list-style-type: none"><li>Reduced roads, bridges and footpaths capital works due to deferral of projects in response to cashflow constraints.</li></ul>
5	<ul style="list-style-type: none"><li>Reduction in sewerage infrastructure capital works program due to carry forward not required and change of programming for the Cullen Bullen sewerage upgrade project.</li></ul>
6	<ul style="list-style-type: none"><li>Increased office equipment capital due to additional funds required for IT system upgrade works.</li></ul>

# 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 \$662,206.

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

The date of completion of this bank reconciliation was 11/1/2021

## Reconciliation Status

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

	<b>\$'000's</b>
Cash at Bank	662
Investments on Hand	28,790
Less: Unpresented Cheques	-
Add: Undeposited Funds	-
Less: Identified Deposits	-
Add: Identified Outflows	-
Less: Unidentified Deposits	-
Ad: Unidentified Outflows	-
<b>Reconciled Cash at Bank &amp; Investments</b>	<b>29,452</b>
<b>Balance as per Review Statement</b>	<b>29,452</b>
<b>Difference</b>	

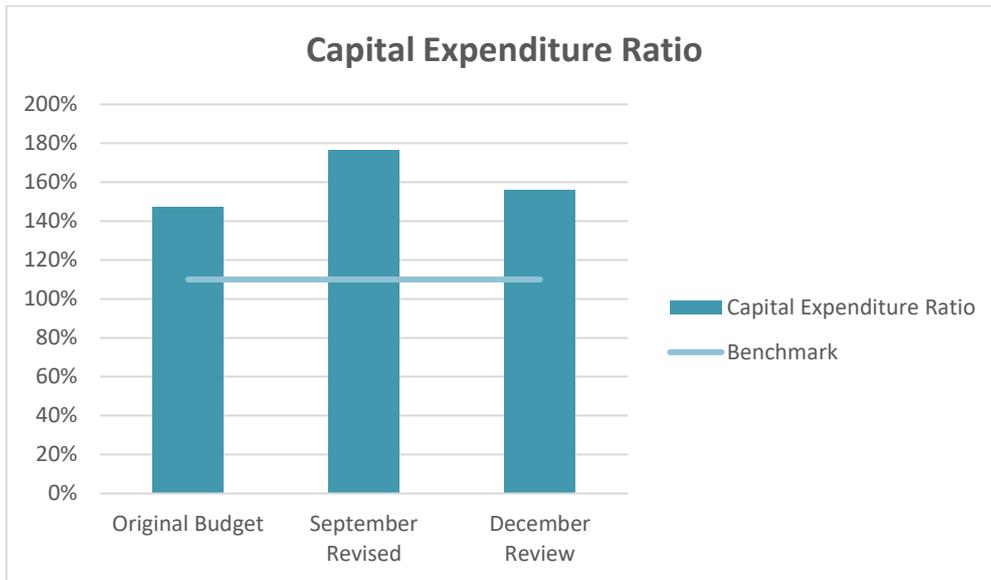
\*Total does not balance to above figures due to rounding in each line item.

## Cash and Investments Statement

	30 June 2020 Position	30 September 2020 Position	31 December 2020 Position	31 March 2021 Position
<b>Externally Restricted</b>				
Developer Contributions	1,985	2,108	2,099	
Special Purpose Grants	3,675	2,120	1,880	
RMS Grants	-	-	-	
Water Supplies	(1,848)	(820)	1,600	
Sewerage Services	8,482	9,489	8,554	
Domestic Waste	4,752	5,450	6,378	
Unexpended Loans	2,530	2,530	2,430	
<b>Total Externally Restricted</b>	<b>19,574</b>	<b>20,878</b>	<b>22,942</b>	
<b>Internally Restricted</b>				
Land & Buildings	5,130	4,860	5,195	
Plant & Equipment	429	278	410	
Bonds, Deposits & Retentions	558	693	627	
Works in Progress	1,798	1,798	1,798	
Carry Over Works	1,291	1,174	754	
ELE	754	754	754	
Election	110	110	135	
Internal Loan	(2,673)	(3,237)	(2,510)	
<b>Total Internally Restricted</b>	<b>7,397</b>	<b>6,429</b>	<b>7,162</b>	
<b>Unrestricted</b>	<b>-</b>	<b>-</b>	<b>(652)</b>	
<b>Total Cash and Investments</b>	<b>26,971</b>	<b>27,307</b>	<b>29,452</b>	

\* An increase in rates debtors during the COVID-19 pandemic, the reduction in investment revenue and growth in employment costs are the main reasons for the deficit in unrestricted cash. Remedial action to address the unrestricted cash deficit is currently being implemented.

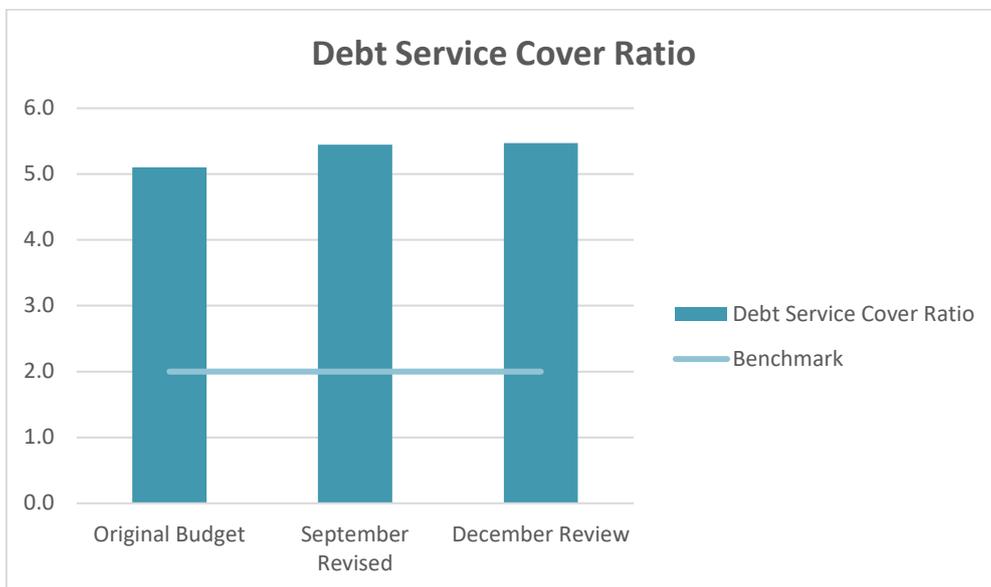
# Key Performance Indicators



**Purpose of Capital Expenditure Ratio** **Commentary on 2020/21 Result**  
Dec 2020/21 Ratio 156%

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

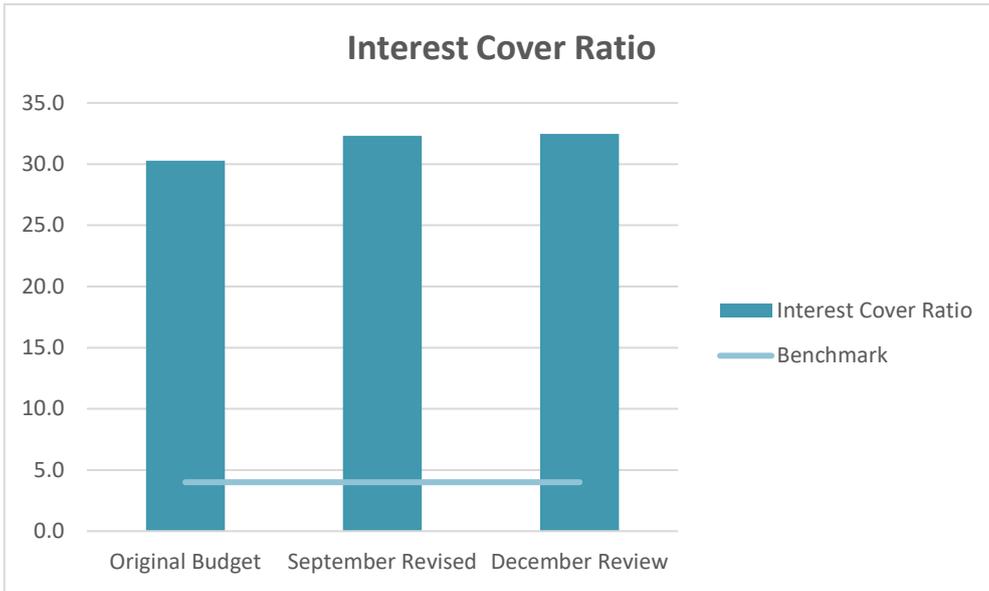
A capital expenditure ratio of 1.56 suggests that Council has a substantial capital works program.



**Purpose of Debt Service Cover Ratio** **Commentary on 2020/21 Result**  
Dec 2020/21 Ratio 5.5x

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

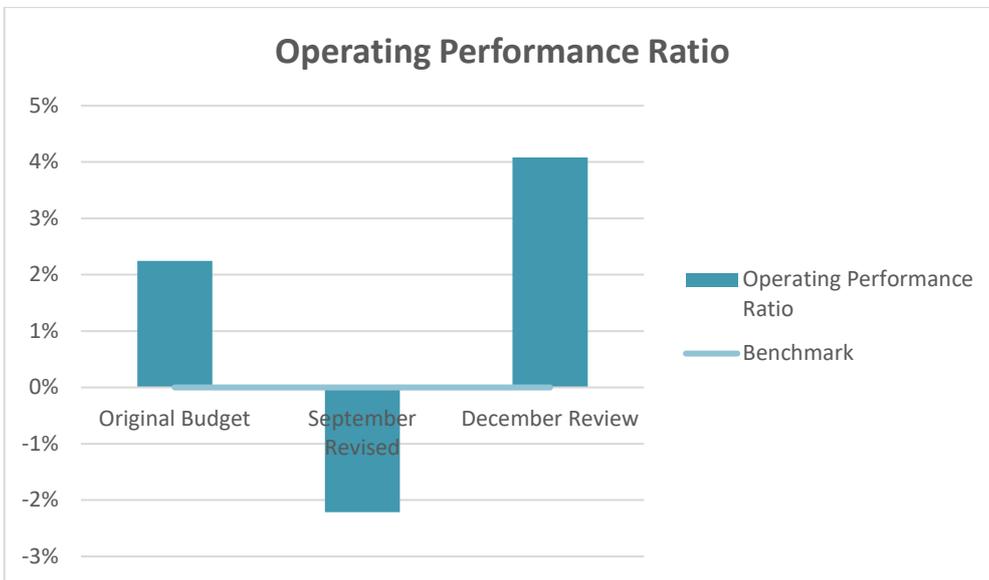
A debt service ratio of 5.5 times means Council has capacity to meet its loan repayments



**Purpose of Interest Cover Ratio** **Commentary on 2020/21 Result**  
**Dec 2020/21 Ratio 32.5x**

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

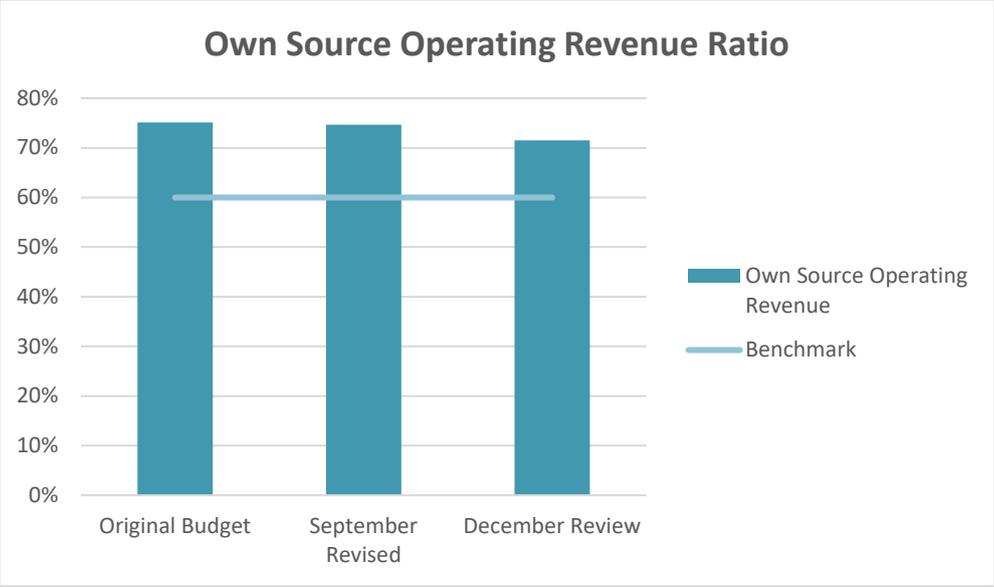
An interest cover ratio of 32.5 times means Council has more than adequate cash to cover interest payments on its debt.



**Purpose of Operating Performance Ratio** **Commentary on 2020/21 Result**  
**Dec 2020/21 Ratio 4.1%**

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

An operating performance ratio of 4.1% means that Council exceeds the OLG benchmark.



<b>Purpose of Own Source Operating Revenue Ratio</b>	<b>Commentary on 2020/21 Result Dec 2020/21 Ratio 72%</b>
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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 October 2020 to 31 December 2020

Contracts Budget Review Statement						
Contractor	Contract Detail and Purpose	Contract Value (GST Inc)	Date	Minute No.	Length of Contract	Budgeted (Y/N)
All Pavement Solutions	Hartley Vale Road - supply and lay bitumen	\$127,711.27	30/11/2020	-	Until Project Completion	Y
Common Ground Trails	Lithgow Pump Track - design and construction	\$583,000.00	26/10/2020	20-262	Until Project Completion	Y
Central Industries	Lake Pillans - boardwalk construction	\$384,978.00	23/11/2020	20-295	Until Project Completion	Y
All Pavement Solutions	Glen Davis Road - supply and lay otta Seal	\$196,762.50	21/12/2020	-	Until Project Completion	Y
Dean Horton	Tony Luchetti Showground - change room upgrade	\$150,357.33	11/11/2020	-	Until Project Completion	Y

# Consultancy and Legal Expenses Review Statement

Consultancy and Legal Expenses Review Statement			
Expense	YTD Expenditure*	Budgeted (Y/N)	
Consultancies	212,632.57	Y	
Legal Fees	179,806.86	Y	

\*Actual expenditure 1 July 2020 to 31 December 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.