

# 2020-2021 quarterly report

January - March 2021



## 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 2021 to 31 March 2021 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 March 2021

It is my opinion that the Quarterly Budget review Statement for Lithgow City Council for the quarter ended 31/3/2021 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. \$525K reduction in rates income following a successful appeal against mining valuation increases. The lost income can be added to Council's rating yield for the 2021/22 year.
2. \$1.07M increase in materials and contract costs due to an increase in grant funded projects and the addition of natural disaster repair costs.
3. \$272K increase in operating employment costs mainly due to capital labour costs being lower due to deferral of projects to conserve cashflow and use of contractors for projects. Reduced allocation of staff to capital projects has particularly impacted the Infrastructure Services operating budget.

The projected year end operating result before capital declined to **(\$525K)** deficit in Quarter Three. The projected operating deficit is equivalent to the amount of the extraordinary reduction in rates income for the 2020/21 year.

Council will take the following remedial action for the remainder of the 2020/21 year:

- Continue an operating efficiencies and cost savings program;
- Deferral of recruitment action (where practical); and
- Deferral of \$769.5K of operational and capital projects to conserve cash.

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 January 2021 to 31 March 2021 with a recommendation that variations to income and expenditure estimates be 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	54,649	49,223	5,426

2020/2021 Quarterly Budget Comparison - By Fund			
Budget	Income	Expenditure	Result
	\$'000	\$'000	\$'000
General	39,645	34,880	4,765
Water	7,323	7,090	233
Wastewater	7,868	7,253	615

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 Mar QBRS	Notes	Projected Year End Result	Actual YTD Figures
<b>Income</b>											
Rates and Annual Charges	27,607						27,607	(524)	1	27,083	26,217
User Fees and Charges	8,016				(60)		7,956	2		7,958	5,892
Interest and Investment Revenue	705			(353)	1		353	(80)	2	273	217
Other Revenue	1,303			159	(66)		1,396	(19)	3	1,377	1,038
Operating Grants and Contributions	8,828	60		400	2,146		11,434	555	4	11,989	6,250
Capital Grants and Contributions	3,863	(292)		2,596	(2,100)		4,067	1,884	5	5,951	3,412
Gain on Sale of Assets	970				(1)		969	(951)	6	18	-
<b>Total Revenue</b>	<b>51,292</b>	<b>(232)</b>		<b>2,802</b>	<b>(80)</b>		<b>53,782</b>	<b>867</b>		<b>54,649</b>	<b>43,026</b>
<b>Expenses</b>											
Employee Costs	18,687			(213)	280		18,754	272	7	19,026	13,243
Borrowing Costs	590						590			590	371
Materials and Contracts	9,794	592		731	(340)		10,777	1,067	8	11,844	8,081
Depreciation Expense	12,454			800	(550)		12,704			12,704	9,307
Other Expenses	4,946	(20)		275	(102)		5,099	(40)	9	5,059	3,882
Loss on Sale of Assets	-				-						57
<b>Total Expenses</b>	<b>46,471</b>	<b>572</b>		<b>1,593</b>	<b>(712)</b>		<b>47,924</b>	<b>1,299</b>		<b>49,223</b>	<b>34,941</b>
<b>Operating Result</b>	<b>4,821</b>	<b>(804)</b>		<b>1,209</b>	<b>632</b>		<b>5,858</b>	<b>(432)</b>		<b>5,426</b>	<b>8,085</b>
<b>Operating Result before Capital</b>	<b>958</b>	<b>(512)</b>		<b>(1,387)</b>	<b>2,732</b>		<b>1,791</b>	<b>(2,316)</b>		<b>(525)</b>	<b>4,673</b>

# Income and Expenses Budget Variation Notes

Notes	Details
1	<ul style="list-style-type: none"><li>Reduction in rates revenue due to a successful appeal against changes to coal mine valuations.</li></ul>
2	<ul style="list-style-type: none"><li>Reduction of Interest income, resulting from a decline in the interest rates on investments and lower reserve balances.</li></ul>
3	<ul style="list-style-type: none"><li>Reduction of other revenue due to decrease in expected revenue for the Development Office (offset by reduced costs).</li></ul>
4	<ul style="list-style-type: none"><li>Increase in operating grants due to the flood disaster recovery claim &amp; further funding for bushfire recovery.</li></ul>
5	<ul style="list-style-type: none"><li>Increase in capital grants due to successful applications including Resources for Regions grant, Transport safety grant &amp; Fixing Local Roads Program.</li></ul>
6	<ul style="list-style-type: none"><li>Reduction in expected gain on sales of assets, mainly due to plant assets not being replaced to conserve cash.</li></ul>
7	<ul style="list-style-type: none"><li>The increase in operating employment costs was mainly due to capital labour costs being lower due to deferral of projects to conserve cashflow and use of contractors for projects.</li><li>Additionally, there was a minor increase in casual and permanent salaries.</li></ul>
8	<ul style="list-style-type: none"><li>\$165K increase in grant funded projects and the addition of natural disaster repair costs.</li><li>\$670K adjustment to the Water Fund budget for State Water purchases. The water purchase budget was decreased by \$800K at the Quarter Two budget review.</li></ul>
9	<ul style="list-style-type: none"><li>Reduction of other expenses occurred due to reallocation of budgeted costs to reflect actual expenditure.</li></ul>

## Income and Expenses Budget Review Statement – General Fund

<b>Income and Expenses Budget Review Statement</b>										
	<b>Original Budget</b>	<b>Carry Forwards</b>	<b>Other than by QBRS</b>	<b>Sep QBRS</b>	<b>Dec QBRS</b>	<b>Mar QBRS</b>	<b>Revised Budget</b>	<b>Variations for Mar QBRS</b>	<b>Projected Year End Result</b>	<b>Actual YTD Figures</b>
<b>Income</b>										
Rates and Annual Charges	18,536						18,536	(525)	18,011	17,374
User Fees and Charges	2,165				(61)		2,104	2	2,106	1,654
Interest and Investment Revenue	675			(338)	1		338	(80)	258	206
Other Revenue	1,303			159	(66)		1,396	(19)	1,377	1,038
Operating Grants and Contributions	8,639	60		400	2,146		11,245	744	11,989	6,250
Capital Grants and Contributions	1,998	(292)		2,596	(600)		3,702	2,184	5,886	3,054
Gain on Sale of Assets	969						969	(951)	18	
<b>Total Revenue</b>	<b>34,285</b>	<b>(232)</b>		<b>2,817</b>	<b>1,420</b>		<b>38,290</b>	<b>1,355</b>	<b>39,645</b>	<b>29,576</b>
<b>Expenses</b>										
Employee Costs	14,001			(37)	744		14,708	363	15,071	10,508
Borrowing Costs	146						146		146	93
Materials and Contracts	4,323	375		581	655		5,934	165	6,099	4,389
Depreciation Expense	8,900			800	(550)		9,150		9,150	6,650
Other Expenses	4,302	(20)		275	(103)		4,454	(40)	4,414	3,372
Loss on Sale of Assets	-						-			99
<b>Total Expenses</b>	<b>31,672</b>	<b>355</b>		<b>1,619</b>	<b>746</b>		<b>34,392</b>	<b>488</b>	<b>34,880</b>	<b>25,111</b>
<b>Operating Result</b>	<b>2,613</b>	<b>(587)</b>		<b>1,198</b>	<b>674</b>		<b>3,898</b>	<b>867</b>	<b>4,765</b>	<b>4,465</b>
<b>Operating Result before Capital</b>	<b>615</b>	<b>(295)</b>		<b>(1,398)</b>	<b>1,274</b>		<b>196</b>	<b>(1,317)</b>	<b>(1,121)</b>	<b>1,411</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 Mar QBRs	Projected Year End Result	Actual YTD Figures
<b>Income</b>										
Rates and Annual Charges	1,535						1,535		1,535	1,597
User Fees and Charges	5,652						5,652		5,652	4,126
Interest and Investment Revenue	30			(15)			15		15	12
Other Revenue	-									1
Operating Grants and Contributions	96						96		96	171
Capital Grants and Contributions	25						25		25	84
Gain on Sale of Assets	-									34
<b>Total Revenue</b>	<b>7,338</b>			<b>(15)</b>			<b>7,323</b>	<b>-</b>	<b>7,323</b>	<b>6,025</b>
<b>Expenses</b>										
Employee Costs	2,156			(114)			2,042	(67)	1,975	1,463
Borrowing Costs	52						52		52	34
Materials and Contracts	3,214	98		50	(800)		2,562	670	3,232	1,982
Depreciation Expense	1,649						1,649		1,649	1,233
Other Expenses	182						182		182	205
Loss on Sale of Assets	-									
<b>Total Expenses</b>	<b>7,253</b>	<b>98</b>		<b>(64)</b>	<b>(800)</b>		<b>6,487</b>	<b>603</b>	<b>7,090</b>	<b>4,917</b>
<b>Operating Result</b>	<b>85</b>	<b>(98)</b>		<b>49</b>	<b>800</b>		<b>836</b>	<b>(603)</b>	<b>233</b>	<b>1,108</b>
<b>Operating Result before Capital</b>	<b>60</b>	<b>(98)</b>		<b>49</b>	<b>800</b>		<b>811</b>	<b>(603)</b>	<b>208</b>	<b>1,024</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 Mar QBRs	Projected Year End Result	Actual YTD Figures
<b>Income</b>										
Rates and Annual Charges	7,536						7,536		7,536	7,245
User Fees and Charges	199						199		199	122
Interest and Investment Revenue	-						-			
Other Revenue	-						-			
Operating Grants and Contributions	93						93		93	161
Capital Grants and Contributions	1,840				(1,500)		340	(300)	40	273
Gain on Sale of Assets	-						-			13
<b>Total Revenue</b>	<b>9,668</b>				<b>(1,500)</b>		<b>8,168</b>	<b>(300)</b>	<b>7,868</b>	<b>7,804</b>
<b>Expenses</b>										
Employee Costs	2,530			(63)	(487)		1,980		1,980	1,272
Borrowing Costs	392						392		392	244
Materials and Contracts	2,257	119		100	37		2,513		2,513	1,711
Depreciation Expense	1,906						1,906		1,906	1,423
Other Expenses	462						462		462	305
Loss on Sale of Assets	-						-			
<b>Total Expenses</b>	<b>7,547</b>	<b>119</b>		<b>37</b>	<b>(450)</b>		<b>7,253</b>	<b>-</b>	<b>7,253</b>	<b>4,955</b>
<b>Operating Result</b>	<b>2,121</b>	<b>(119)</b>		<b>(37)</b>	<b>(1,050)</b>		<b>915</b>	<b>(300)</b>	<b>615</b>	<b>2,849</b>
<b>Operating Result before Capital</b>	<b>281</b>	<b>(119)</b>		<b>(37)</b>	<b>450</b>		<b>575</b>	<b>-</b>	<b>575</b>	<b>2,576</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 Mar QBRs	Notes	Projected Year End Result	Actual YTD Figures
<b>Capital Expenditure</b>											
Plant and Equipment	840	50		(221)	101		770	116	1	886	537
Land and Buildings	992	1,253		205	(360)		2,090	1,400	2	3,490	2,415
Other Structures	1,697	634		175	(44)		2,462	5		2,467	1,106
Roads, Bridges and Footpaths	5,886	235		734	(673)		6,182	811	3	6,993	3,631
Stormwater	-						-				138
Swimming Pools	-						-				
Water Infrastructure	750	540		(95)			1,195	139	4	1,334	519
Sewer Infrastructure	4,250	1,558			(2,678)		3,130	(98)	5	3,032	1,854
Furniture and Fittings	-						-				
Office Equipment	218	9		27	12		266	(54)		212	154
Tip Assets	3,698	7			(1)		3,704	(1,918)	6	1,786	329
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>(3,643)</b>		<b>22,710</b>	<b>401</b>		<b>23,111</b>	<b>11,379</b>
<b>Capital Funding</b>											
Rates and Other Untied Funding	12,602	1,013		(1,236)	492		12,872	(798)	7	12,073	
Capital Grants and Contributions	3,348	(292)		2,596	(2,100)		3,552	1,884	8	5,436	
Reserves:											
External Restriction/Reserve	4,682	2,320		302	(1,267)		6,037	(2,653)		3,384	
Internal Restriction/Reserve	610	1,245		(837)	(768)		250	1,968		2,218	
New Loans	-						-				
Receipts from Asset Sales	-						-				
<b>Total Capital Funding</b>	<b>21,242</b>	<b>4,286</b>		<b>825</b>	<b>(3,643)</b>		<b>22,710</b>	<b>401</b>		<b>23,111</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>Increased budget as a result of Council's decision to purchase land at a cost of \$1.2M, funded from the land bank reserve.</li></ul>
3	<ul style="list-style-type: none"><li>Increase due to additional capital funded road asset works, funded from grants.</li></ul>
4	<ul style="list-style-type: none"><li>Mainly due to the addition of the \$125K Pumping Station renewal project.</li></ul>
5	<ul style="list-style-type: none"><li>Budget decreased due to work completed this year being less than planned.</li></ul>
6	<ul style="list-style-type: none"><li>Budget decreased rephrasing of the Resource Recovery Centre project.</li></ul>
7	<ul style="list-style-type: none"><li>Decrease in available funding as a result of mining rates reduced following current year valuation change.</li></ul>
8	<ul style="list-style-type: none"><li>Increase in capital grants due to successful applications including Resources for Regions grants, Transport safety grant &amp; Fixing Local Roads program.</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 \$524,304.

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

The date of completion of this bank reconciliation was 6/4/2021

## Reconciliation Status

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

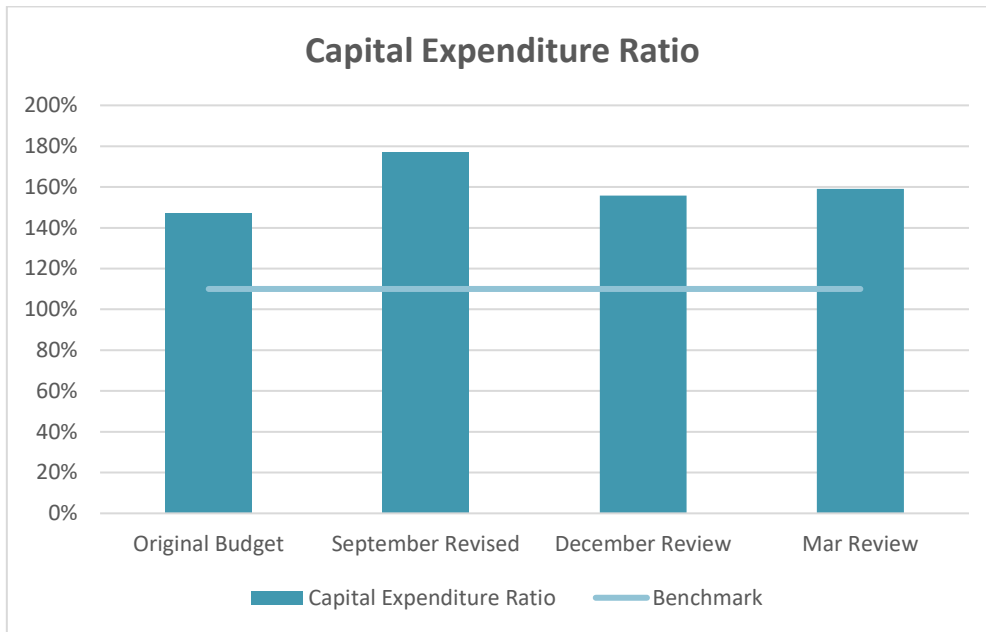
	<b>\$'000's</b>
Cash at Bank	524
Investments on Hand	26,799
Less: Unpresented Cheques	-
Add: Undeposited Funds	-
Less: Identified Deposits	-
Add: Identified Outflows	-
Less: Unidentified Deposits	-
Ad: Unidentified Outflows	-
<b>Reconciled Cash at Bank &amp; Investments</b>	<b>27,323</b>
<b>Balance as per Review Statement</b>	
<b>Difference</b>	

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

<b>Cash and Investments Statement</b>				
	<b>30 June 2020 Position</b>	<b>30 September 2020 Position</b>	<b>31 December 2020 Position</b>	<b>31 March 2021 Position</b>
<b>Externally Restricted</b>				
Developer Contributions	1,985	2,108	2,099	2,280
Special Purpose Grants	3,675	2,120	1,880	1,832
RMS Grants	-	-	-	-
Water Supplies	(1,848)	(820)	1,600	1,856
Sewerage Services	8,482	9,489	8,554	8,235
Domestic Waste	4,752	5,450	6,378	7,374
Unexpended Loans	2,530	2,530	2,430	2,430
<b>Total Externally Restricted</b>	<b>19,574</b>	<b>20,878</b>	<b>22,942</b>	<b>24,007</b>
<b>Internally Restricted</b>				
Land & Buildings	5,130	4,860	5,195	1,418
Plant & Equipment	429	278	410	242
Bonds, Deposits & Retentions	558	693	627	579
Works in Progress	1,798	1,798	1,798	1,751
Carry Over Works	1,291	1,174	754	690
ELE	754	754	754	754
Election	110	110	135	160
Internal Loan	(2,673)	(3,237)	(2,510)	(2,510)
<b>Total Internally Restricted</b>	<b>7,397</b>	<b>6,429</b>	<b>7,162</b>	<b>3,084</b>
<b>Unrestricted</b>	<b>-</b>	<b>-</b>	<b>(652)</b>	<b>232</b>
<b>Total Cash and Investments</b>	<b>26,971</b>	<b>27,307</b>	<b>29,452</b>	<b>27,323</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 internal borrowing against internal restrictions at 30 June 2020. Remedial action to address the unrestricted cash deficit is currently being implemented.

## Key Performance Indicators

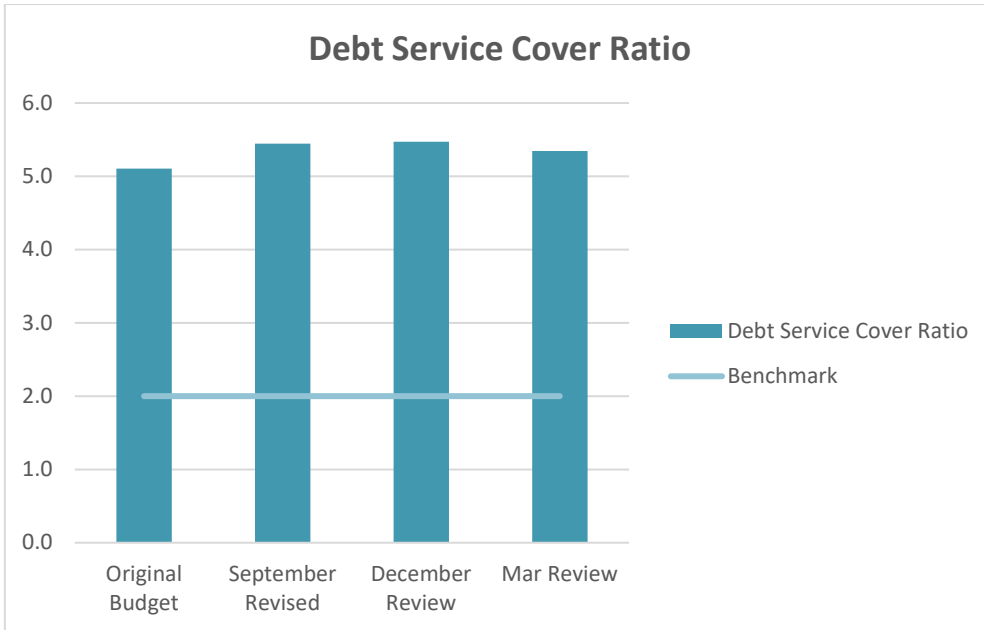


### Purpose of Capital Expenditure Ratio

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

### Commentary on 2020/21 Result Mar 2020/21 Ratio 159%

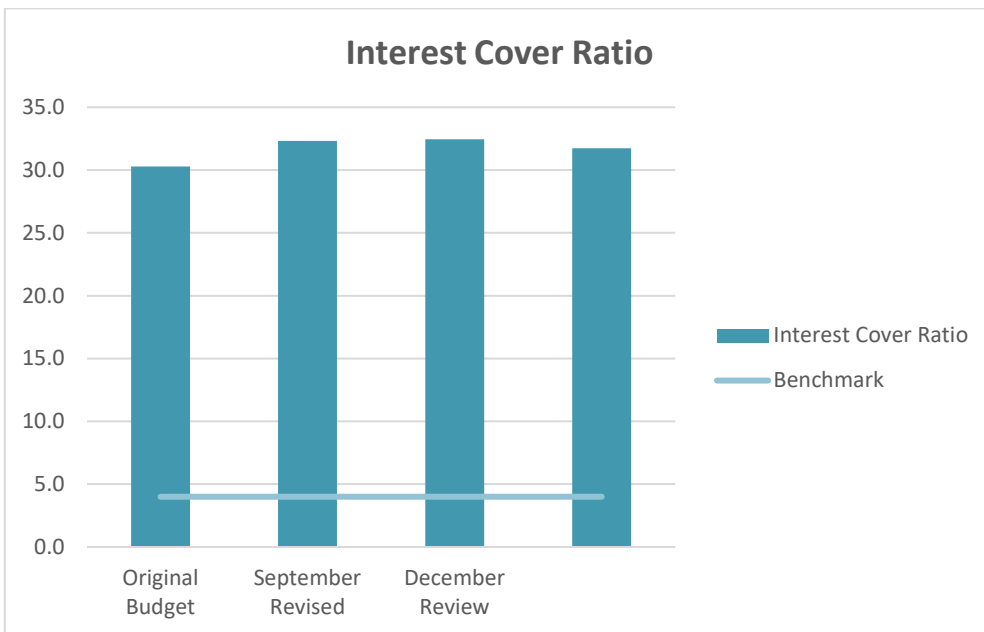
A capital expenditure ratio of 1.59 suggests that Council has a substantial capital works program.



**Purpose of Debt Service Cover Ratio** **Commentary on 2020/21 Result**  
**Mar 2020/21 Ratio 5.3x**

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

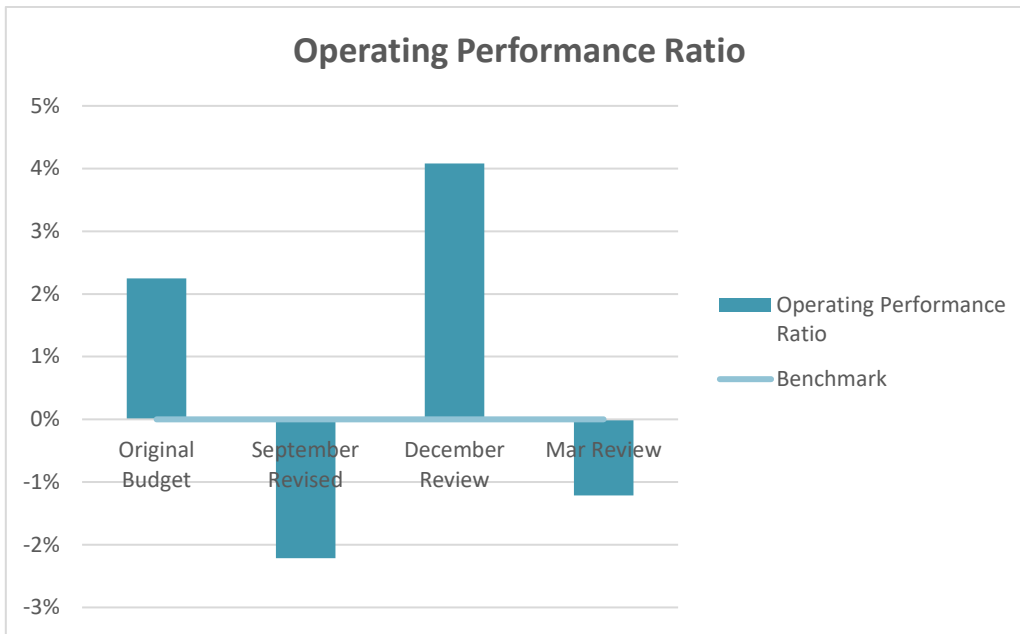
A debt service ratio of 5.3 times means Council has capacity to meet its loan repayments



**Purpose of Interest Cover Ratio** **Commentary on 2020/21 Result**  
**Mar 2020/21 Ratio 31.7x**

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

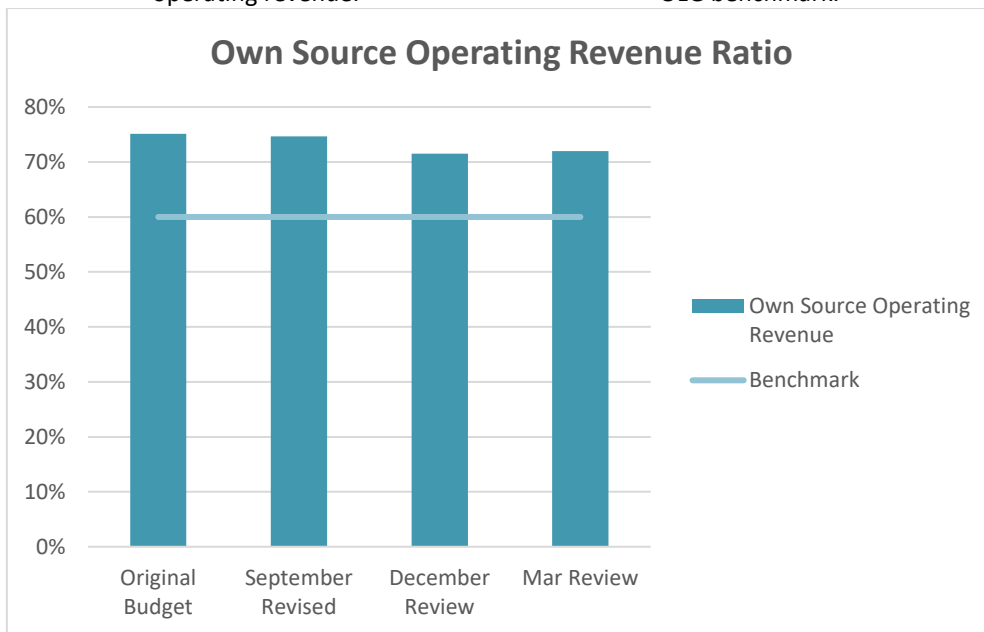
An interest cover ratio of 31.7 times means Council has more than adequate cash to cover interest payments on its debt.



<b>Purpose of Operating Performance Ratio</b>	<b>Commentary on 2020/21 Result</b> Mar 2020/21 Ratio -1.2%
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This ratio measures Council's achievement of containing operating expenses within operating revenue.

An operating performance ratio of -1.2% means that Council does not meet the OLG benchmark.



<b>Purpose of Own Source Operating Revenue Ratio</b>	<b>Commentary on 2020/21 Result</b> Mar 2020/21 Ratio 72%
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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 January 2021 to 31 March 2021

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	212,632.57	Y	
Legal Fees	179,806.86	Y	

\*Actual expenditure 1 July 2020 to 31 March.

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.