

Quarterly Report 2021/22

July - September 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 July 2021 to 30 September 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:

30 September 2021

It is my opinion that the Quarterly Budget review Statement for Lithgow City Council for the quarter ended 30/9/2021 indicates that Council's projected position at 30 June 2022 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 2022 will be satisfactory, has been based on the following factors:

Quarter One Budget Variations

1. Necessary operational expenditure carryovers of \$114K have added to Council's original expenditure budget (General Fund).
2. \$400K addition to the water purchases budget following the IPART determination on the Fish River Scheme pricing (expected cost increase of <15%).
3. Additional employment and materials / contracts costs funded from operational grants. \$124K of grants were received in the prior year and were not offset by income received in the current year (General Fund).
4. \$75K increase in the mandatory training budget for Water & Wastewater.

The projected year end operating result before capital declined to **(\$16K)** deficit (before capital) at 30 September 2021.

Quarter Two Remedial Actions

The following remedial actions will be taken in Quarter Two to ensure that Council's projected position at 30 June 2022 is comparable with the original budget:

- Taking up approx. **\$500K** in organisation-wide employment cost savings, achieved through strategies including delayed recruitment action.

An increase in water usage charges to partly recoup the additional Fish River Scheme water purchase costs which are beyond Council's control. This matter would need to be considered by the new Council early in 2022.

Ross Gurney
Responsible Accounting Officer

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Summary of Financial Position

This report provides the Quarterly Performance Report on the 2021-2022 Operational Plan for the period of 1 July 2021 to 30 September 2021 with a recommendation that variations to income and expenditure estimates be voted.

2021/2022 Quarterly Budget Comparison			
Budget	Income	Expenditure	Result
	\$'000	\$'000	\$'000
Original Budget	62,741	49,097	13,644
September Review	59,500	50,316	9,184
December Review			
March Review			

2021/2022 Quarterly Budget Comparison - By Fund			
Budget	Income	Expenditure	Result
	\$'000	\$'000	\$'000
General	39,653	35,319	4,334
Water	8,350	7,805	545
Wastewater	11,497	7,306	4,191

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 Sep QBRs	Notes	Projected Year End Result	Actual YTD Figures
Income											
Rates and Annual Charges	28,868						28,868			28,868	27,253
User Fees and Charges	8,825						8,825			8,825	1,150
Interest and Investment Revenue	270						270			270	217
Other Revenue	1,385						1,385	40	1	1,425	386
Operating Grants and Contributions	10,114						10,114	493	2	10,607	1,011
Capital Grants and Contributions	12,939						12,939	(3,739)	3	9,200	1,650
Gain on Sale of Assets	340						340	(35)	4	305	
Total Revenue	62,741						62,741	(3,241)		59,500	31,667
Expenses											
Employee Costs	18,498						18,498	248	5	18,746	4,628
Borrowing Costs	515						515			515	100
Materials and Contracts	11,499	114					11,613	909	6	12,522	2,026
Depreciation Expense	12,731						12,731			12,731	1,116
Other Expenses	5,854						5,854	(52)	7	5,802	1,003
Loss on Sale of Assets											
Total Expenses	49,097	114					49,211	1,105		50,316	8,873
Operating Result	13,644	(114)					13,530	(4,346)		9,184	22,794
Operating Result before Capital	705	(114)					591	(607)		(16)	21,144

Income and Expenses Budget Variation Notes

Notes	Details
1	<ul style="list-style-type: none"> Additional insurance payment for Lake Pillans boardwalk rebuild.
2	<ul style="list-style-type: none"> OLG contribution for the increase in the Emergency Service Levy. Increase in 2021/22 Financial Assistance Grant. Addition of 2021/22 LRCI Phase 2 Grant income of \$384K.
3	<ul style="list-style-type: none"> Deferral of construction for the grant funded Fixing Country Bridges Program.
4	<ul style="list-style-type: none"> Change in the contribution of sold land value to the Land and Building Reserve.
5	<ul style="list-style-type: none"> \$108K increase for LRCI grant funded projects to be completed using internal labour. \$75K increase in Mandatory Training Budget for Water & Wastewater. Increase in PP&E Budget.
6	<ul style="list-style-type: none"> Increase in Water Pricing from Fish River – as determined by IPART. Increase in Internal Plant Charge allocation.
7	<ul style="list-style-type: none"> Reduction in 2021 Halloween project budget.

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 Sep QBRS	Projected Year End Result	Actual YTD Figures
Income										
Rates and Annual Charges	19,780						19,780		19,780	18,460
User Fees and Charges	2,786						2,786		2,786	694
Interest and Investment Revenue	240						240		240	46
Other Revenue	1,385						1,385	40	1,425	386
Operating Grants and Contributions	9,989						9,989	493	10,482	980
Capital Grants and Contributions	8,374						8,374	(3,739)	4,635	76
Gain on Sale of Assets	340						340	(35)	305	
Total Revenue	42,894						42,894	(3,241)	39,653	20,642
Expenses										
Employee Costs	14,181						14,181	248	14,429	3,688
Borrowing Costs	95						95		95	100
Materials and Contracts	5,951	114					6,065	487	6,552	665
Depreciation Expense	9,119						9,119		9,119	810
Other Expenses	5,176						5,176	(52)	5,124	900
Loss on Sale of Assets										
Total Expenses	34,522	114					34,636	683	35,319	6,163
Operating Result	8,372	(114)					8,258	3,924	4,334	14,479
Operating Result before Capital	(2)	(114)					(116)	(185)	(301)	14,403

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 Sep QBRs	Projected Year End Result	Actual YTD Figures
Income										
Rates and Annual Charges	1,748						1,748		1,748	1,728
User Fees and Charges	5,922						5,922		5,922	392
Interest and Investment Revenue	30						30		30	6
Other Revenue										
Operating Grants and Contributions	125						125		125	30
Capital Grants and Contributions	525						525		525	
Gain on Sale of Assets										
Total Revenue	8,350						8,350		8,350	2,156
Expenses										
Employee Costs	1,967						1,967	(5)	1,962	462
Borrowing Costs	40						40		40	
Materials and Contracts	3,489						3,489	441	3,930	932
Depreciation Expense	1,660						1,660		1,660	143
Other Expenses	213						213		213	36
Loss on Sale of Assets										
Total Expenses	7,369						7,369	436	7,805	1,573
Operating Result	981						981	(436)	545	583
Operating Result before Capital	456						456	(436)	20	583

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 Sep QBRS	Projected Year End Result	Actual YTD Figures
Income										
Rates and Annual Charges	7,340						7,340		7,340	7,065
User Fees and Charges	117						117		117	64
Interest and Investment Revenue										
Other Revenue										
Operating Grants and Contributions										
Capital Grants and Contributions	4,040						4,040		4,040	
Gain on Sale of Assets										
Total Revenue	11,497						11,497		11,497	7,129
Expenses										
Employee Costs	2,350						2,350	5	2,355	479
Borrowing Costs	380						380		380	
Materials and Contracts	2,173						2,173	(19)	2,154	429
Depreciation Expense	1,952						1,952		1,952	163
Other Expenses	465						465		465	67
Loss on Sale of Assets										
Total Expenses	7,320						7,320	(14)	7,306	1,138
Operating Result	4,177						4,177	14	4,191	5,991
Operating Result before Capital	137						137	14	151	5,991

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 Sep QBRs	Notes	Projected Year End Result	Actual YTD Figures
Capital Expenditure											
Plant and Equipment	510						510	45	1	555	45
Land and Buildings	3,018	99					3,117	(201)	2	2,916	250
Other Structures	1,424	534					1,958	75	3	2,033	544
Roads, Bridges and Footpaths	9,789						9,789	(4,301)	4	5,488	819
Stormwater	79						79			79	
Swimming Pools											
Water Infrastructure	2,925	144					3,069	(194)	5	2,875	508
Sewer Infrastructure	5,210	598					5,808	(804)	6	5,004	433
Furniture and Fittings											
Office Equipment	240	21					261	(17)	7	244	24
Tip Assets	2,037	574					2,611	1,746	8	4,357	578
Loan Repayments	1,575						1,575			1,575	484
Total Capital Expenditure	26,807	1,970					28,777	(3,651)		25,126	3,685
Capital Funding											
Rates and Other Untied Funding	8,237						8,237	(1,848)		6,389	
Capital Grants and Contributions	12,424						12,424	(3,773)	9	8,651	1,574
Reserves:											
External Restriction/Reserve	4,727						4,727	1,831		6,558	
Internal Restriction/Reserve	1,419	1,970					3,389	139		3,528	
New Loans											
Receipts from Asset Sales											
Total Capital Funding	26,807	1,970					28,777	(3,651)		25,126	1,574
Net Capital Funding	-	-									(2,111)

Capital Budget Review Statement Variation

Notes

Notes	Details
1	<ul style="list-style-type: none"> Plant Replacement budget increased by insurance payment.
2	<ul style="list-style-type: none"> Reduction in cost budgets for Rydal Toilet block & Eskbank House projects.
3	<ul style="list-style-type: none"> Additional work required for minor projects including VIC Car Park improvements, accessible fishing platform & heritage signage.
4	<ul style="list-style-type: none"> Deferral of construction for the grant funded Fixing Country Bridges Program.
5	<ul style="list-style-type: none"> Multi-year Portland Foundations and Oakey Park WFP projects partly rephased to the 2022/23 year.
6	<ul style="list-style-type: none"> Multi-year Cullen Bullen Sewerage Upgrade & Wallerawang sewerage pumping station projects partly rephased to the 2022/23 year.
7	<ul style="list-style-type: none"> IT Server Replacement program budget reduced.
8	<ul style="list-style-type: none"> Lithgow Resource Recovery project budget increased, mainly funded from the waste reserve.
9	<ul style="list-style-type: none"> Deferral of construction for the grant funded Fixing Country Bridges Program.

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 \$54,417.68.

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

The date of completion of this bank reconciliation was 1/10/2021

Reconciliation Status

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

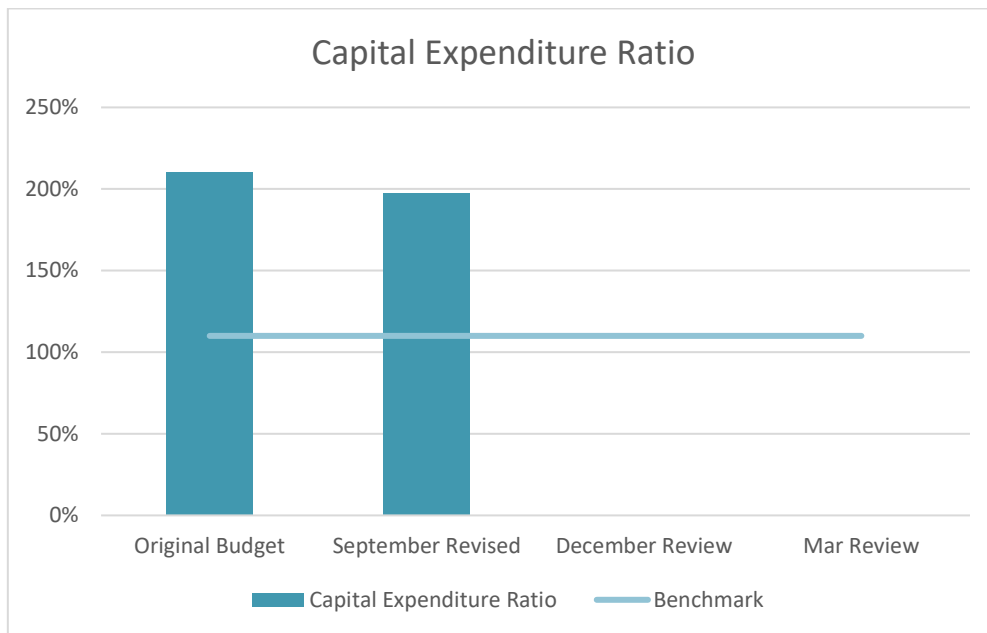
	\$'000's
Cash at Bank	54
Investments on Hand	29,121
Less: Unpresented Cheques	-
Add: Undeposited Funds	-
Less: Identified Deposits	-
Add: Identified Outflows	-
Less: Unidentified Deposits	-
Ad: Unidentified Outflows	-
Reconciled Cash at Bank & Investments	29,175
Balance as per Review Statement	29,175
Difference	

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

Cash and Investments Statement

	30 June 2021 Position	30 September 2021 Position
Externally Restricted		
Developer Contributions	2,143	1,925
Special Purpose Grants	2,945	2,699
FAGS	2,534	-
Water Supplies	2,401	1,443
Sewerage Services	7,889	8,814
Domestic Waste	6,408	7,373
Unexpended Loans	1,689	1,464
	26,010	23,718
Internally Restricted		
Land & Buildings	1,216	2,389
Plant & Equipment	3	214
Bonds, Deposits & Retentions	296	305
Works in Progress	597	597
Carry Over Works	221	205
ELE	754	754
Election	160	160
Total Internally Restricted	3,247	4,624
Unrestricted (working capital)	-	833
Total Cash and Investments	29,257	29,175

Key Performance Indicators

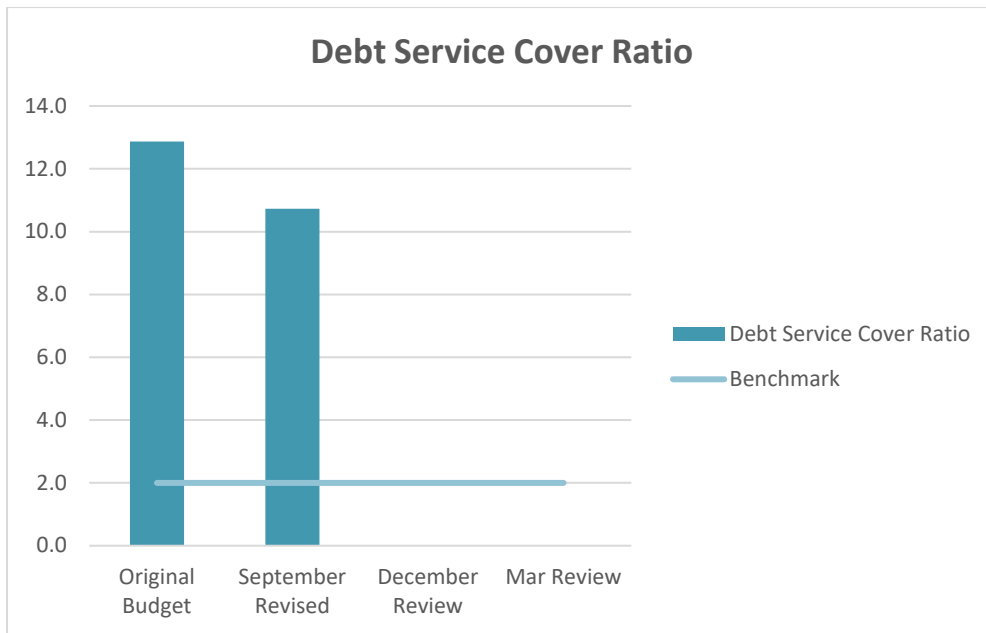


Purpose of Capital Expenditure Ratio

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

Commentary on 2021/22 Result Sep 2021/22 Ratio 197%

A capital expenditure ratio of 1.97 suggests that Council has a substantial capital works program.

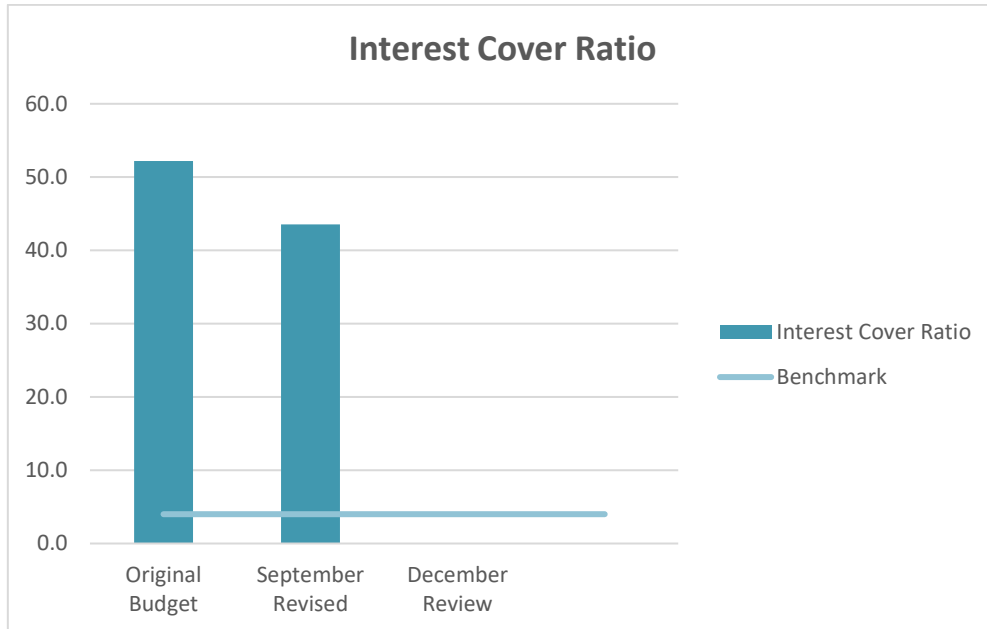


Purpose of Debt Service Cover Ratio

Commentary on 2021/22 Result
Sep 2021/22 Ratio 10.7x

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

A debt service ratio of 10.7 times means Council has capacity to meet its loan repayments

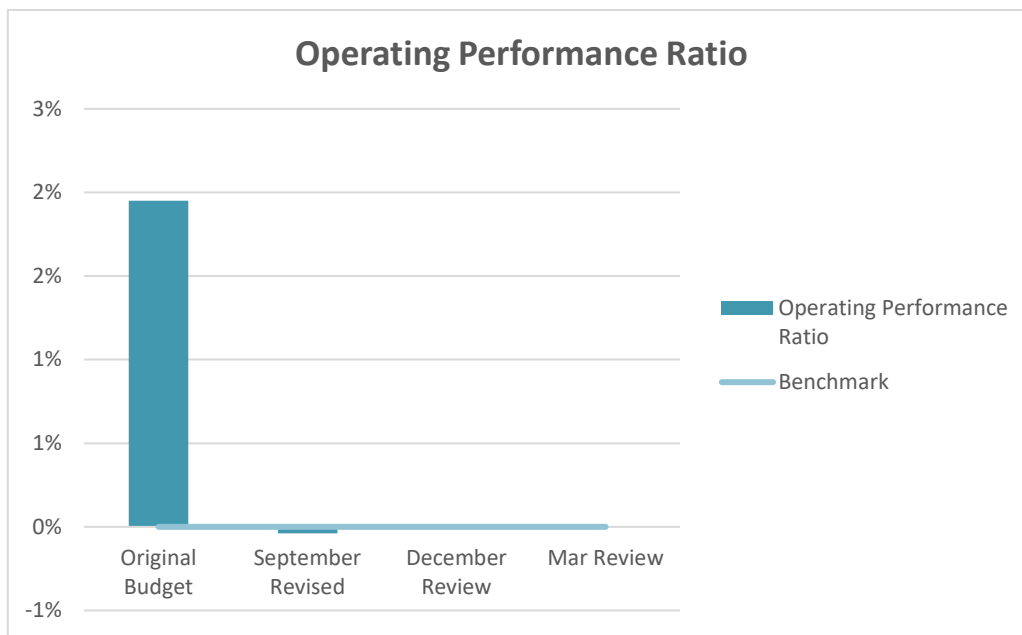


Purpose of Interest Cover Ratio

Commentary on 2021/22 Result
Sep 2021/22 Ratio 43.6x

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

An interest cover ratio of 43.6 times means Council has more than adequate cash to cover interest payments on its debt.

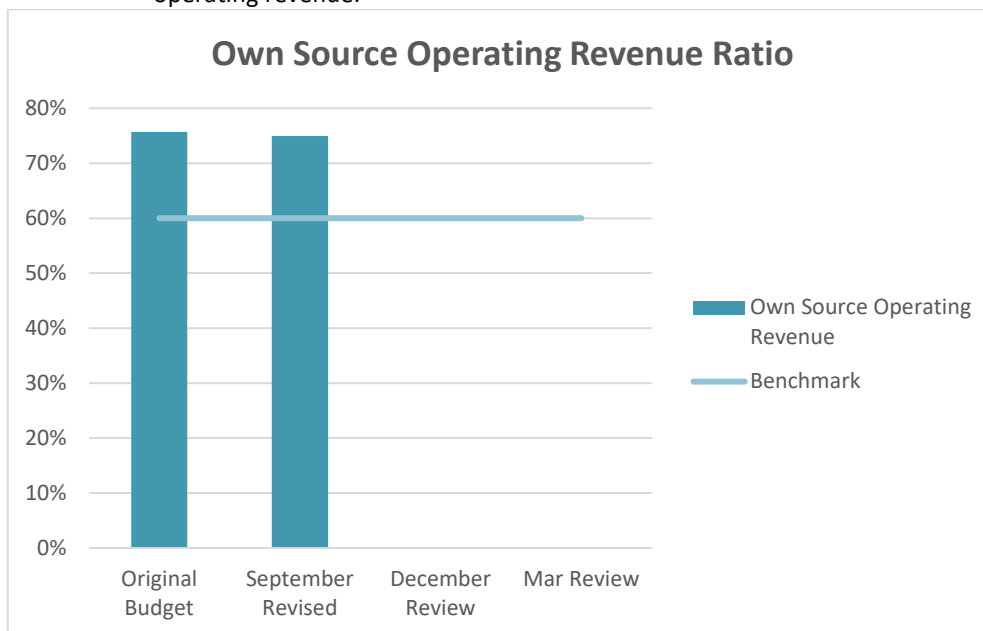


Purpose of Operating Performance Ratio

Commentary on 2021/22 Result
Sep 2021/22 Ratio 0.0%

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

An operating performance ratio of 0.0% means that Council meets the OLG benchmark.



Purpose of Own Source Operating Revenue Ratio

Commentary on 2021/22 Result
Sep 2021/22 Ratio 75%

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 2021 to 30 September 2021

Contracts Budget Review Statement						
Contractor	Contract Detail and Purpose	Contract Value (GST Inc)	Date	Minute No.	Length of Contract	Budgeted (Y/N)
Fulton Hogan P/L	Sealing of each road identified in Council's adopted 2021/2022 Operational Plan	\$545,297.14	27/09/2021	13.2.		Y

Consultancy and Legal Expenses Review Statement

Consultancy and Legal Expenses Review Statement		
Expense	YTD Expenditure*	Budgeted (Y/N)
Consultancies	48,917	Y
Legal Fees	62,995	Y

*Actual expenditure 1 July 2021 to 30 September 2021.

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.