

ITEM 8 AUGUST 2023 FINANCIALS

The financial result for August 2023 compared to budget is unfavourable for the Operating Result [pre-capital] \$2.5M. Funds Available from Operations were favourable compared to budget \$1.1M and the Total Funds Result was favourable \$1.7M compared to budget.

The Statement of Financial Position at the end of the period indicates that there is sufficient cash to support external restrictions.

Council has expended \$7.6M on its capital works program representing 7.7% of the annual budget. The budget for the same period was \$8.7M.

RECOMMENDATIONS

- 1 The financials be received and noted.
- 2 Council approve the proposed changes to the Capital Budget for August 2023.

REPORT AUTHORISATIONS

Report of: Daniel Pretzler, Chief Financial Officer [Acting]
 Authorised by: Brian Jenkins, Director Corporate Services [Acting]

ATTACHMENTS

- 1 Financial Statements - August 2023
- 2 Capital Project Report – August 2023

BACKGROUND

This report presents the Financial Performance of the organisation for August 2023. The below table provides a summary of the organisation’s overall financial results for the year.

Wollongong City Council 25 August 2023 Forecast Position	Original Budget \$M 1-Jul	Revised Budget \$M 25-Aug	YTD Forecast \$M 25-Aug	YTD Actual \$M 25-Aug	Variation \$M
Operating Revenue	319.0	319.0	48.2	50.3	2.1
Operating Costs	(330.4)	(330.2)	(50.2)	(54.8)	(4.6)
Operating Result [Pre Capital]	(11.4)	(11.2)	(2.1)	(4.5)	(2.5)
Capital Grants & Contributions	38.7	38.7	4.7	1.5	(3.2)
Operating Result	27.3	27.5	2.6	(3.0)	(5.6)
Funds Available from Operations	64.3	64.3	9.4	10.5	1.1
Capital Works	99.0	99.0	8.7	7.6	1.1
Contributed Assets	7.9	7.9	(0.0)	-	(0.0)
Transfer to Restricted Cash	11.0	11.0	1.7	1.7	-
Borrowings Repaid	2.6	2.6	0.5	0.5	-
Funded from:					
- Operational Funds	64.3	64.3	9.4	10.5	1.1
- Other Funding	56.1	58.4	3.7	3.2	(0.5)
Total Funds Surplus/(Deficit)	(0.2)	2.2	2.3	4.0	1.7

FINANCIAL PERFORMANCE

The August 2023 Operating Result [pre-capital] deficit of \$4.5M is an unfavourable variance compared to the budget deficit of \$2.1M.

The Operating Result deficit of \$3.0M is an unfavourable variance of \$5.6M compared to budget. Capital Grants and Contributions at \$1.5M were unfavourable to budget by \$3.2M.

The Funds Available from Operations result is favourable by \$1.1M compared to phased budget. This result excludes non-cash variations and transfers to and from Restricted Assets but includes the variation in cash payments for Employee Entitlements. This result best represents the operational budget variations that impact our funding position and current financial capacity.

The Total Funds result as at 25 August 2023 is a favourable variance of \$1.7M compared to phased budget.

At the end of August, the Capital Works Program had an expenditure of \$7.6M compared to a budget of \$8.7M.

FINANCIAL POSITION

Cash, Investments & Available Funds

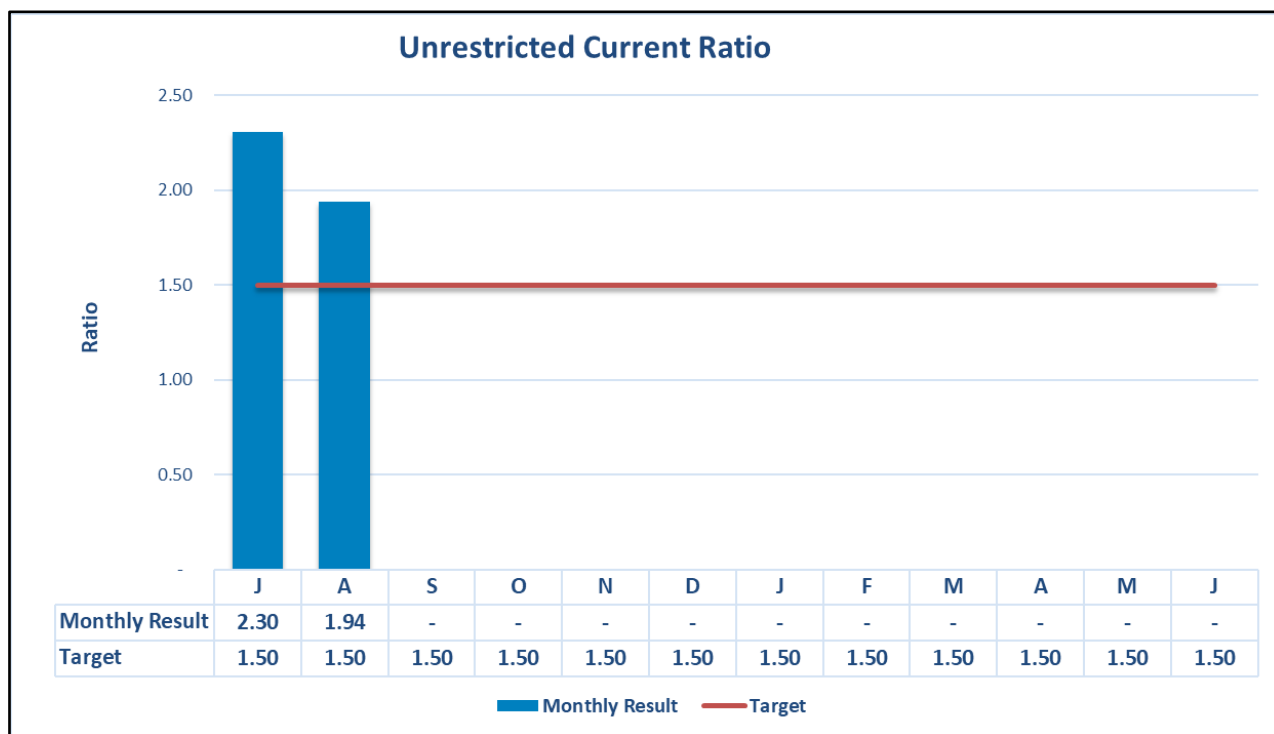
Council's cash and investments increased during August 2023 to holdings of \$179.5M compared to \$172.2M at the end of July 2023. A significant portion of these funds are subject to restriction meaning they can only be utilised for specific purposes. As a result, Council's true available cash position is more accurately depicted by considering available funds that are uncommitted and not subject to restriction.

Wollongong City Council				
25 August 2023				
Cash, Investments and Available Funds				
	Actual 2022/23	Original Budget 2023/24	Current Budget 2023/24	Actuals YTD August 2023
	\$M	\$M	\$M	\$M
Total Cash and Investments	176.8	133.3	133.3	179.5
Less Restrictions:				
External	94.2	66.0	66.0	92.2
Internal	61.7	63.8	63.8	63.7
CivicRisk Investment	2.5			2.5
Total Restrictions	158.4	129.8	129.8	158.4
Available Cash	18.4	3.5	3.5	21.1
Adjusted for :				
Payables	(22.3)	(29.7)	(29.7)	(36.7)
Receivables	35.2	27.9	27.9	40.2
Other	6.1	13.2	13.2	16.4
Net Payables & Receivables	19.0	11.4	11.4	19.9
Available Funds	37.4	14.9	14.9	41.0

External restrictions are funds that must be spent for a specific purpose and cannot be used by Council for general operations. Internal restrictions are funds that Council has determined will be used for a specific future purpose, although Council may vary that use by resolution of Council. Further details on the internal and external restrictions can be found in the Cash Flow Statement (Attachment 1).

The level of cash and investments in Council's available funds position is above the Financial Strategy target range of 3.5% to 5.5% of operational revenue (pre-capital). The increase in cash and investments is in line with anticipated cash flows.

The Unrestricted Current Ratio measures the Council’s liquidity position or ability to meet short term obligations as they fall due. The below graph reflects Council’s performance against the Local Government benchmark of greater than 1.5 times.



Borrowings

Council continues to have financial strength in its low level of borrowing. Council’s Financial Strategy includes provision for additional borrowing in the future and Council will consider borrowing opportunities from time to time to bring forward the completion of capital projects where immediate funding is not available.

Infrastructure, Property, Plant & Equipment

The Statement of Financial Position shows that \$3.67B of assets (written down value) are controlled and managed by Council for the community at 25 August 2023.

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Our Wollongong Our Future 2032 Goal 4 “We are a connected and engaged community”. It specifically delivers on the following:

Community Strategic Plan 2032		Delivery Program 2022-2026
Strategy		Service
4.8	Council’s resources are managed effectively to ensure long term financial sustainability.	Financial Services

CONCLUSION

The financial result impacted key financial indicators at the end of August through a favourable result for *Funds Available from Operations Budget versus Actual*, with an unfavourable variance in *Expenditure year to date verses Budget year to date*.

Wollongong City Council 1 July 2023 to 25 August 2023 Income Statement						
	2023/24 Original Budget \$'000	2023/24 Current Budget \$'000	2023/24 YTD Budget \$'000	2023/24 Actual YTD \$'000	Variance \$'000	
	23GLBUD Period 0	23GLBUD Period 3	23GLPHAS	23GLACT		
Income From Continuing Operations						
Revenue:						
Rates and Annual Charges	232,236	232,236	35,533	35,450	(83)	
User Charges and Fees	39,001	39,001	5,568	5,742	173	
Interest and Investment Revenues	5,693	5,693	939	1,207	268	
Other Revenues	6,199	6,199	1,036	1,125	89	
Rental Income	6,335	6,335	969	1,024	55	
Grants & Contributions provided for Operating Purposes	29,533	29,533	4,203	5,797	1,594	
Grants & Contributions provided for Capital Purposes	38,728	38,728	4,721	1,458	(3,262)	
Other Income:						
	0	0	0	0	0	
Profit/Loss on Disposal of Assets	0	0	0	0	0	
Total Income from Continuing Operations	357,724	357,724	52,970	51,803	(1,167)	
Expenses From Continuing Operations						
Employee Costs	154,642	154,393	23,637	23,079	559	
Borrowing Costs	548	548	84	100	(16)	
Materials & Services	94,923	94,975	14,337	15,208	(872)	
Other Expenses	24,537	24,537	3,734	3,613	122	
Depreciation, Amortisation + Impairment	79,116	79,116	12,105	15,487	(3,382)	
Labour Internal Charges	(21,106)	(21,106)	(3,337)	(2,391)	(947)	
Non-Labour Internal Charges	(2,249)	(2,249)	(344)	(285)	(60)	
Total Expenses From Continuing Operations	330,411	330,214	50,216	54,812	(4,597)	
Operating Result	27,314	27,510	2,754	(3,009)	(5,763)	
Operating Result [pre capital]	(11,414)	(11,217)	(1,966)	(4,467)	(2,501)	
Funding Statement						
Net Operating Result for the Year	27,314	27,510	2,754	(3,009)	(5,763)	
Add back :						
- Non-cash Operating Transactions	97,176	97,176	14,893	18,177	3,283	
- Restricted cash used for operations	14,690	14,522	2,192	4,290	2,098	
- Income transferred to Restricted Cash	(59,505)	(59,533)	(7,828)	(5,884)	1,943	
Leases Repaid	(152)	(152)	(23)	(22)	1	
Payment of Employee Entitlements	(15,251)	(15,251)	(2,583)	(3,083)	(499)	
Funds Available from Operations	64,272	64,272	9,405	10,468	1,063	
Loans Repaid	(2,564)	(2,564)	(450)	(450)	0	
Advances (made by) / repaid to Council	0	0	0	0	0	
Operational Funds Available for Capital Budget	61,708	61,708	8,955	10,018	1,063	
Capital Budget Statement						
Assets Acquired	(99,037)	(99,037)	(8,706)	(7,570)	1,137	
Contributed Assets	(7,876)	(7,876)	0	0	(0)	
Transfers to Restricted Cash	(11,046)	(11,046)	(1,690)	(1,690)	0	
Funded From :-						
- Operational Funds	61,708	61,708	8,955	10,018	1,063	
- Sale of Assets	1,728	1,728	100	0	(100)	
- Internally Restricted Cash	13,473	14,209	1,148	726	(423)	
- Borrowings	0	0	0	0	0	
- Capital Grants	22,548	23,392	1,482	1,055	(427)	
- Developer Contributions (Section 94)	9,021	9,281	642	1,430	788	
- Other Externally Restricted Cash	0	475	360	14	(346)	
- Other Capital Contributions	9,326	9,326	(0)	9	9	
TOTAL FUNDS SURPLUS / (DEFICIT)	(156)	2,159	2,290	3,992	1,702	

WOLLONGONG CITY COUNCIL			
Statement of Financial Position			
as at 25 August 2023			
		YTD Actual	Actual
		2023/24	2022/23
		\$'000	\$'000
Current Assets			
Cash Assets		43,746	44,371
Investment Securities		102,749	99,424
Receivables		40,166	33,100
Inventories		565	514
Current Contract Assets		5,415	5,554
Other		12,458	6,351
Assets classified as held for sale		65	65
Total Current Assets		205,164	189,379
Non-Current Assets			
Non Current Cash Assets		30,450	30,450
Non Current Investment Securities		2,530	2,530
Non-Current Inventories		5,972	5,972
Property, Plant and Equipment		3,672,658	3,680,312
Investment Properties		5,050	5,050
Intangible Assets		0	0
Right-Of-Use Assets		646	718
Total Non-Current Assets		3,717,306	3,725,032
TOTAL ASSETS		3,922,469	3,914,411
Current Liabilities			
Current Payables		36,673	20,264
Current Contract Liabilities		9,562	14,238
Current Lease Liabilities		87	129
Current Provisions payable < 12 months		16,233	16,748
Current Provisions payable > 12 months		44,689	44,689
Current Interest Bearing Liabilities		2,572	2,572
Total Current Liabilities		109,817	98,640
Non-Current Liabilities			
Non Current Interest Bearing Liabilities		207	657
N/C Lease Liabilities		655	655
Non Current Provisions		28,475	28,371
Total Non-Current Liabilities		29,337	29,683
TOTAL LIABILITIES		139,154	128,323
NET ASSETS		3,783,316	3,786,088
Equity			
Accumulated Surplus		1,486,367	1,489,431
Asset Revaluation Reserve		2,149,061	2,149,062
Restricted Assets		147,888	147,595
TOTAL EQUITY		3,783,316	3,786,088

WOLLONGONG CITY COUNCIL		
Cash Flows and Investments		
as at 25 August 2023		
	YTD Actual 2023/24 \$ '000	Actual 2022/23 \$ '000
Cash Flows From Operating Activities		
Receipts		
Rates & Annual Charges	44,195	215,632
User Charges & Fees	4,784	31,914
Interest & Interest Received	1,160	1,549
Grants & Contributions	7,262	64,618
Bonds, deposits and retention amounts received	-	1,201
Other	2,696	21,387
Payments		
Employee Benefits & On-costs	(21,277)	(131,464)
Materials & Contracts	(16,726)	(86,914)
Borrowing Costs	3	(442)
Bonds, deposits and retention amounts refunded	-	(755)
Other	(6,988)	(28,808)
Net Cash provided (or used in) Operating Activities	15,109	87,918
Cash Flows From Investing Activities		
Receipts		
Sale of Investments	16	54,491
Sale of Investment Property	-	-
Sale of Real Estate Assets	-	-
Sale of Infrastructure, Property, Plant & Equipment	-	2,161
Payments:		
Purchase of Investments	(3,673)	(59,990)
Purchase of Investment Property	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(11,585)	(96,906)
Net Cash provided (or used in) Investing Activities	(15,242)	(100,244)
Cash Flows From Financing Activities		
Payments:		
Repayment of Borrowings & Advances	(450)	(5,496)
Repayment of Finance Lease Liabilities	(41)	(380)
Net Cash Flow provided (used in) Financing Activities	(492)	(5,876)
Net Increase/(Decrease) in Cash & Cash Equivalents	(625)	(18,202)
plus: Cash & Cash Equivalents - beginning of year	44,371	52,320
plus: Investments on hand - end of year	135,729	127,915
Cash & Cash Equivalents and Investments - year to date	179,474	162,033

WOLLONGONG CITY COUNCIL		
Cash Flows and Investments		
as at 25 August 2023		
	YTD Actual 2023/24 \$ '000	Actual 2022/23 \$ '000
Total Cash & Cash Equivalents and Investments - year to date	179,474	162,033
Attributable to:		
External Restrictions (refer below)	92,186	94,280
Internal Restrictions (refer below)	63,670	61,684
Unrestricted	23,618	16,228
	179,474	162,033
External Restrictions		
Developer Contributions	44,620	45,109
RMS Contributions	2,158	2,158
Specific Purpose Unexpended Grants	18,443	20,299
Special Rates Levy Wollongong Mall	743	722
Special Rates Levy Wollongong City Centre	149	94
Local Infrastructure Renewal Scheme	-	-
Unexpended Loans	887	883
Domestic Waste Management	6,627	6,880
Private Subsidies	7,123	6,848
Housing Affordability	8,429	8,380
Stormwater Management Service Charge	3,007	2,907
Total External Restrictions	92,186	94,280
Internal Restrictions		
Property Investment Fund	9,587	9,531
Strategic Projects	27,742	27,181
Sports Priority Program	942	893
Car Parking Strategy	1,529	1,348
MacCabe Park Development	1,913	1,890
Darcy Wentworth Park	18	18
Garbage Disposal Facility	10,908	10,083
West Dapto Development Additional Rates	10,365	10,062
Natural Areas	173	173
Lake Illawarra Estuary Management Fund	493	505
Total Internal Restrictions	63,670	61,684

Notes to the Financial Statements:

While reviewing the information presented through this report, it should be noted that Council has elected to process additional transactions that vary from the accounting standards applied to year end reports to ensure the information at monthly intervals provides support to the decision-making and monitoring process. These transactions are summarised below:

- Timing of the recognition of Rates income – under AASB 1058, the Rates income is required to be recognised when it is raised. Through the monthly financial reports, the income has been spread across the financial year.
- Timing of the recognition of Financial Assistance Grant – under AASB 1058, the Financial Assistance Grant is required to be recognised on receipt. Through these financial reports, the income is spread across the financial year.

Commentary on August 2023 Capital Budget Report

On 26 June 2023, Council approved a capital budget for 2023-2024 of \$99.04M. In August 2023, the budget was further adjusted to add and remove various amounts and types of external funding. The total of these funding adjustments resulted in an increase of \$0.611M of external funding. The amount of Council revenue in the capital budget was reduced by the same amount (ie, \$0.611M) to ensure the total of the capital budget did not vary from the originally approved amount of \$99.04M.

The significant funding adjustments in August 2023 were:

- Introduction of LR&CI Phase 4 for multiple existing road reconstruction projects.
- Rephase Federal Government Disaster Recovery (AGRN1012 and AGRN1049) funding for multiple projects.
- Introduction of Federal Government Roads to Recovery funding for an existing road reconstruction project.

Council achieved expenditure at the end of August 2023 of \$7.55M which is 82% of the adjusted phased budget for August 2023 of \$9.21M.

Listed below is a summary of the reasons for budget changes for August which resulted in changes to the 2023-2024 capital budget.

Program	Commentary on Significant Variations
Roadworks	<p>Introduce Local Roads and community Infrastructure Phase 4 funding for multiple existing projects.</p> <p>Introduction of additional Federal Government Roads to Recovery funding to West Dapto Road (Wyllie Road to Reddalls Road).</p> <p>Rephase Federal Government Disaster Recovery (AGRN1012) for 16 Tunnel Road, Helensburgh.</p>
Bridges, Boardwalks & Jetties	<p>Introduce additional Federal Government Disaster Recovery (AGRN1049) funding for the reconstruction of Otford Road/Hacking River causeway.</p>
Footpaths	<p>Rephase Federal Government Disaster Recovery (AGRN1049 and AGRN1012) for multiple existing projects.</p> <p>Introduce additional Strategic Projects funding for existing projects - new footpaths in St John Avenue, Mangerton and The Ridge in Helensburgh.</p>
Stormwater Management	<p>Rephase Federal Government Disaster Recovery (AGRN1012) for multiple existing projects.</p>
Community Buildings	<p>Introduce NSW Department of Sport - Female Friendly Community Sport Facilities and Lighting Upgrade Program.</p>
Public Facilities	<p>Reallocate budget from Capita Project Contingency to Public Facilities Program.</p> <p>Reallocate budget from Recreation Facilities Program to Public Facilities Program.</p>
Recreation Facilities	<p>Reallocate budget from Recreation Facilities Program to Community Buildings Program.</p>
Sporting Facilities	<p>Introduce Regional Sport Facility funds for existing project for Guest Park sportsfield drainage.</p> <p>Reallocate budget from Capital Budget Contingency to Sporting Facilities Program.</p>

Program	Commentary on Significant Variations
Capital Project Contingency	Reallocate budget to Sporting Facilities Program and Public Facilities Program.

CAPITAL PROJECT REPORT							
as at the period ended 25 August 2023							
ASSET CLASS PROGRAMME	\$'000		\$'000		YTD EXPENDITURE	\$'000	
	CURRENT BUDGET		WORKING BUDGET			VARIATION	
	EXPENDITURE	OTHER FUNDING	EXPENDITURE	OTHER FUNDING		EXPENDITURE	OTHER FUNDING
Roads And Related Assets							
Traffic Facilities	3,340	(2,313)	3,342	(2,314)	166	1	(1)
Public Transport Facilities	563	(273)	563	(273)	266	(0)	0
Roadworks	11,525	(2,398)	12,773	(3,645)	683	1,247	(1,247)
Bridges, Boardwalks and Jetties	1,795	(1,125)	1,867	(1,197)	268	72	(72)
TOTAL Roads And Related Assets	17,223	(6,108)	18,544	(7,429)	1,382	1,321	(1,321)
West Dapto							
West Dapto Infrastructure Expansion	8,635	(8,560)	8,635	(8,560)	253	(0)	(0)
TOTAL West Dapto	8,635	(8,560)	8,635	(8,560)	253	(0)	(0)
Footpaths And Cycleways							
Footpaths	4,775	(3,017)	4,237	(2,480)	1,143	(538)	538
Cycle/Shared Paths	6,165	(1,400)	6,165	(1,400)	1,002	(0)	(0)
Commercial Centre Upgrades - Footpaths and Cyclewa	2,087	(142)	2,087	(142)	714	(0)	0
TOTAL Footpaths And Cycleways	13,027	(4,560)	12,490	(4,022)	2,859	(538)	538
Carparks							
Carpark Construction/Formalising	250	0	250	0	5	(0)	0
Carpark Reconstruction or Upgrading	655	0	655	0	73	(0)	0
TOTAL Carparks	905	0	905	0	78	(0)	0
Stormwater And Floodplain Management							
Floodplain Management	3,670	(3,082)	3,670	(3,082)	288	0	0
Stormwater Management	6,830	(1,795)	5,929	(894)	152	(901)	901
Stormwater Treatment Devices	60	0	60	0	2	0	0
TOTAL Stormwater And Floodplain Mar	10,560	(4,877)	9,659	(3,976)	443	(901)	901
Buildings							
Cultural Centres (IPAC, Gallery, Townhall)	80	0	80	0	18	(0)	0
Administration Buildings	530	0	530	0	9	(0)	0
Community Buildings	7,555	(1,250)	8,055	(1,750)	740	500	(500)
Public Facilities (Shelters, Toilets etc.)	0	0	95	0	1	95	0
TOTAL Buildings	8,165	(1,250)	8,760	(1,750)	768	595	(500)
Commercial Operations							
Tourist Park - Upgrades and Renewal	565	0	565	0	28	0	0
Crematorium/Cemetery - Upgrades and Renewal	285	0	285	0	4	(0)	0
Leisure Centres & RVGC	50	0	50	0	47	0	0
TOTAL Commercial Operations	900	0	900	0	79	(0)	0
Parks Gardens And Sportfields							
Play Facilities	3,348	(1,763)	3,348	(1,763)	117	(0)	(0)
Recreation Facilities	1,815	(1,520)	1,770	(1,520)	66	(45)	0
Sporting Facilities	16,640	(8,201)	17,244	(8,430)	713	604	(229)
TOTAL Parks Gardens And Sportfields	21,803	(11,484)	22,362	(11,713)	897	559	(229)
Beaches And Pools							
Beach Facilities	(0)	0	(0)	0	59	0	0
Treated Water Pools	120	(50)	120	(50)	17	(0)	(0)
TOTAL Beaches And Pools	120	(50)	120	(50)	76	(0)	(0)
Waste Facilities							
Whyles Gully New Cells	9,105	(9,105)	9,105	(9,105)	108	0	0
TOTAL Waste Facilities	9,105	(9,105)	9,105	(9,105)	108	0	0

CAPITAL PROJECT REPORT							
as at the period ended 25 August 2023							
ASSET CLASS PROGRAMME	\$'000		\$'000		YTD EXPENDITURE	\$'000	
	CURRENT BUDGET		WORKING BUDGET			VARIATION	
	EXPENDITURE	OTHER FUNDING	EXPENDITURE	OTHER FUNDING		EXPENDITURE	OTHER FUNDING
Fleet							
Motor Vehicles	1,800	(949)	1,800	(949)	38	(0)	0
TOTAL Fleet	1,800	(949)	1,800	(949)	38	(0)	0
Plant And Equipment							
Mobile Plant (trucks, backhoes etc.)	3,295	(779)	3,295	(779)	166	(0)	0
TOTAL Plant And Equipment	3,295	(779)	3,295	(779)	166	(0)	0
Information Technology							
Information Technology	1,600	0	1,600	0	141	0	0
TOTAL Information Technology	1,600	0	1,600	0	141	0	0
Library Books							
Library Books	1,340	0	1,340	0	280	(0)	0
TOTAL Library Books	1,340	0	1,340	0	280	(0)	0
Public Art							
Art Gallery Acquisitions	100	0	100	0	8	0	0
TOTAL Public Art	100	0	100	0	8	0	0
Land Acquisitions							
Land Acquisitions	250	(250)	250	(250)	(7)	0	0
TOTAL Land Acquisitions	250	(250)	250	(250)	(7)	0	0
Non-Project Allocations							
Capital Project Contingency	209	0	(827)	0	0	(1,036)	0
TOTAL Non-Project Allocations	209	0	(827)	0	0	(1,036)	0
GRAND TOTAL	99,037	(47,971)	99,037	(48,582)	7,569	(0)	(611)