

ITEM 18 OCTOBER 2020 FINANCIALS

Actual results for October compared to phased budget are favourable over the key performance indicators. The Operating Result [pre-capital] and the Funds Available from Operations show favourable variances of \$13.2M and \$8.3M respectively while the Funds Result shows a favourable variance of \$9.7M.

The balance sheet at the end of the period indicates that there is enough cash to support external restrictions.

Council has expended \$22.8M on its capital works program representing 24% of the annual budget. The year to date budget for the same period was \$25.6M.

The results, variances and commentary include the adjustments proposed at the September Quarterly Review.

RECOMMENDATION

- 1 The financials be received and noted.
- 2 Council approves the proposed changes to the Capital Budget.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer

Authorised by: Renee Campbell, Director Corporate Services - Connected + Engaged City

ATTACHMENTS

- 1 Income and Funding Statement - October 2020
- 2 Capital Project Report - October 2020
- 3 Balance Sheet - October 2020
- 4 Cash Flow Statement - October 2020

BACKGROUND

This report presents the Income and Expense Statement, Balance Sheet and Cash Flow Statement for October 2020. Council's current budget has a Net Funding (cash) deficit of \$11.9M, an Operating Deficit [pre capital] of \$22.3M and a Capital Expenditure of \$95.7M.

The following table provides a summary view of the organisation's overall financial results for the year to date.

FORECAST POSITION	Original Budget	Revised Budget	YTD Forecast	YTD Actual	Variation
	\$M	\$M	\$M	\$M	\$M
KEY MOVEMENTS	1-Jul	30-Oct	30-Oct	30-Oct	
Operating Revenue	269.0	270.6	87.0	92.9	5.9
Operating Costs	(291.0)	(292.9)	(98.4)	(91.1)	7.3
Operating Result [Pre Capital]	(22.0)	(22.3)	(11.5)	1.7	13.2
Capital Grants & Contributions	35.5	35.7	7.8	6.7	(1.0)
Operating Result	13.4	13.3	(3.7)	8.5	12.2
Funds Available from Operations	56.9	56.6	14.6	22.9	8.3
Capital Works	93.4	95.7	25.6	22.8	2.8
Contributed Assets	11.6	11.6	-	-	-
Transfer to Restricted Cash	1.4	3.9	2.9	2.9	-
Borrowings Repaid	5.2	5.2	1.8	1.8	-
Funded from:					
- Operational Funds	56.9	56.6	12.8	21.1	8.3
- Other Funding	45.6	47.9	9.1	7.7	(1.4)
Total Funds Surplus/(Deficit)	(9.1)	(11.9)	(6.7)	3.0	9.7

Financial Performance

The October 2020 Operating Result [pre-capital] shows a favourable variance compared to phased budget of \$13.2M that is largely due to greater operating income (\$5.9M) and lower expenditure trends across a range of areas (\$7.3M). The increase in the variance in income is largely due to the allowances made for the COVID-19 pandemic.

The Operating Result shows a positive variance of \$12.2M compared to budget. This includes the net variation above decreased by a lower level of capital income of \$1.0M. This is due to lower West Dapto Developer Contributions.

The Funds Available from Operations indicate a favourable variation of \$8.3M. This result excludes variations in non-cash transactions and transfers to and from Restricted Assets but includes the cash payments for Employee Entitlements to represent the operational budget variations that may impact our funding.

The year to date budget includes a net provision for the impacts of COVID-19 of \$7.7M of which \$2.7M has been utilised. The COVID-19 provisions applied in the budget were focused on income loss and heavily weighted in the phasing of estimates to the first quarter. While the current revenue trends are positive against budget to date, the impacts of COVID-19 currently being experienced will have impacts beyond expectation in expenditure due to increased delivery cost required to meet regulatory requirements. This may become more significant in delivering summer services to larger numbers of people.

Funds Result

The Total Funds result as at 30 October 2020 shows a favourable variance of \$9.7M compared to phased budget.

Capital Budget

At the end of October, the capital program shows an expenditure of \$22.8M compared to a phased budget of \$25.6M.

Through the adoption of the Operational Plan 2020-2021, Council approved a capital budget for 2020-2021 of \$93.4M. During the first quarter, the capital budget has been increased by \$2.3M that is fully offset by funding. The revised projections at October recommend a decrease of \$1.1M that is offset by a corresponding reduction in funding. Details of this change are provided in the Capital Project reports and commentary (attachment 2).

Available Cash

CASH, INVESTMENTS & AVAILABLE FUNDS				
	Actual 2019/20 \$M	Original Budget 2020/21 \$M	September QR 2020/21 \$M	Actual Ytd October 2020 \$M
Total Cash and Investments	157.5	114.2	122.9	159.3
Less Restrictions:				
External	74.7	73.7	75.4	81.3
Internal	62.7	39.0	44.5	61.4
Total Restrictions	137.4	112.7	119.9	142.6
Available Cash	20.1	1.6	3.0	16.6
Adjusted for :				
Payables	(30.6)	(26.2)	(26.4)	(30.8)
Receivables	21.7	23.7	23.9	28.9
Other	14.2	12.5	10.9	13.7
Net Payables & Receivables	5.3	10.1	8.4	11.7
Available Funds	25.4	11.6	11.4	28.4

Council's cash and investments increased during October 2020 to holdings of \$159.3M compared to \$146.0M at the end of September 2020.

The Available Funds position excludes restricted cash. 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.

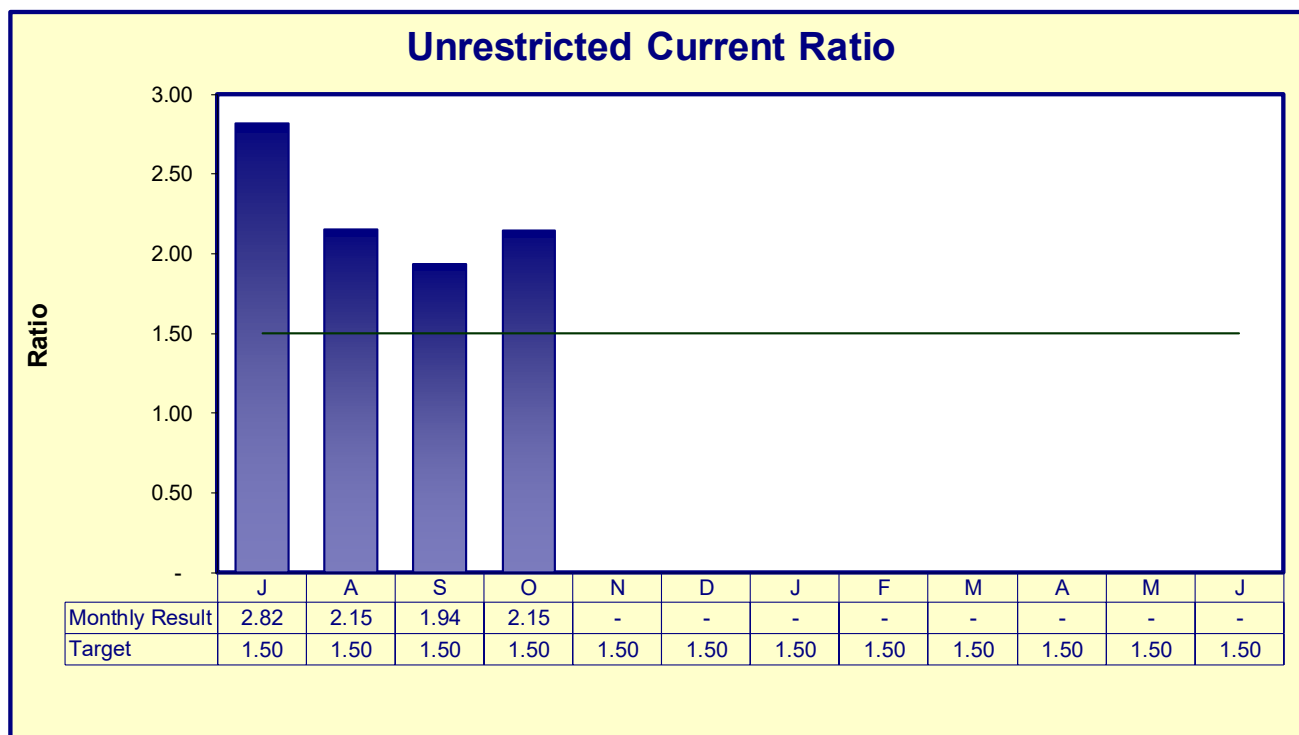
Receivables

Receivables are the amount of money owed to Council or funds that Council has paid in advance. At October 2020, receivables totalled \$28.9M compared to receivables of \$41.4M at September 2020.

Payables

Payables (the amount of money owed to suppliers) of \$30.8M were owed at September 2020 compared to payables of \$38.3M at September 2020.

The Unrestricted Current Ratio is intended to disclose the ability of an organisation to satisfy payment obligations in the short term from the unrestricted activities of Council. Council's current ratio exceeds the Local Government Benchmark of >1.5:1.



Council continues to have financial strength in its low level of borrowing. The industry measure of debt commitment is the Debt Service Ratio that measures the proportion of revenues that are required to meet annual loan repayments.

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.

Council's Debt Service Ratio forecast for 2020-2021 is a target of <4% and remains low in comparison to the Local Government's benchmark ratio of <20%.

Assets

The Balance Sheet shows that \$2.9B of assets (written down value) are controlled and managed by Council for the community as at 30 October 2020. The 2020-2021 capital works program includes projects such as the West Dapto Infrastructure Expansion, civil asset renewals including roads, car parks and buildings and purchase of library books. Council has expended \$22.8M on its capital works program representing 24% of the annual budget. The year to date budget for the same period was \$25.6M.

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Wollongong 2022 goal '*We are a connected and engaged community*'. It specifically delivers on the following:

Community Strategic Plan Strategy	Delivery Program 2018-2022 4 Year Action	Operational Plan 2020-2021 Operational Plan Actions
4.3.2 Resources (finance, technology, assets and people) are effectively managed to ensure long term financial sustainability	4.3.2.1 Effective and transparent financial management systems are in place	Monitor and review achievement of Financial Strategy
		Continuous budget management is in place, controlled and reported
		Provide accurate and timely financial reports monthly, quarterly and via the annual statement
		Manage and further develop a compliance program to promote awareness and compliance with Council's procurement policies and procedures and other related policies

CONCLUSION

The financial result at the end of October is positive across the leading indicators. Included in this is recognition of the impact of the COVID-19 pandemic.

WOLLONGONG CITY COUNCIL					
1 July 2020 to 30 October 2020					
	21GLBUD Original Budget \$'000	21GLBUD Current Budget \$'000	21GLPHAS YTD Budget \$'000	21GLACT Actual YTD \$'000	Actual v Phase Variance \$'000
Income Statement					
Income From Continuing Operations					
Revenue:					
Rates and Annual Charges	208,445	208,512	69,694	69,726	32
User Charges and Fees	27,034	27,846	5,788	9,382	3,593
Interest and Investment Revenues	2,343	2,343	781	855	73
Other Revenues	9,498	4,696	1,418	2,393	975
Rental Income	0	5,068	984	2,152	1,168
Grants & Contributions provided for Operating Purposes	21,679	22,100	8,305	8,237	(68)
Grants & Contributions provided for Capital Purposes	35,460	35,679	7,778	6,746	(1,033)
Profit/Loss on Disposal of Assets	0	0	0	146	146
Total Income from Continuing Operations	304,459	306,244	94,750	99,637	4,887
Expenses From Continuing Operations					
Employee Costs	140,635	142,140	48,229	47,155	1,073
Borrowing Costs	2,374	2,374	793	733	60
Materials, Contracts & Other Expenses	104,493	104,847	34,685	28,706	5,979
Depreciation, Amortisation + Impairment	63,702	63,702	21,467	20,207	1,260
Internal Charges (labour)	(18,432)	(18,432)	(6,161)	(5,073)	(1,088)
Internal Charges (not labour)	(1,733)	(1,733)	(579)	(587)	8
Total Expenses From Continuing Operations	291,038	292,898	98,434	91,142	7,292
Operating Result	13,421	13,346	(3,684)	8,495	12,178
Operating Result [pre capital]	(22,039)	(22,333)	(11,462)	1,749	13,211
NET SURPLUS (DEFICIT) [Pre capital] %	4.4%	4.4%	(3.9%)	8.5%	249.2%
Funding Statement					
Net Operating Result for the Year	13,421	13,346	(3,684)	8,495	12,178
Add back :					
- Non-cash Operating Transactions	82,363	82,474	28,121	26,940	(1,181)
- Restricted cash used for operations	29,815	29,939	10,424	7,301	(3,122)
- Income transferred to Restricted Cash	(54,169)	(54,605)	(15,432)	(15,900)	(468)
- Payment of Right of Use Leases	0	0	0	0	0
- Payment of Accrued Leave Entitlements	(14,533)	(14,533)	(4,844)	(3,984)	860
Net Share Joint Venture using Equity Method	0	0	0	0	0
Funds Available from Operations	56,897	56,622	14,586	22,852	8,267
Borrowings repaid	(5,242)	(5,242)	(1,752)	(1,752)	(0)
Advances (made by) / repaid to Council	0	0	0	0	0
Operational Funds Available for Capital Budget	51,655	51,380	12,833	21,100	8,267
CAPITAL BUDGET					
Assets Acquired	(93,359)	(95,659)	(25,639)	(22,798)	2,841
Contributed Assets	(11,562)	(11,562)	0	0	0
Transfers to Restricted Cash	(1,447)	(3,947)	(2,991)	(2,982)	8
Funded From :-					
- Operational Funds	51,655	51,380	12,833	21,100	8,267
- Sale of Assets	1,801	1,801	126	710	584
- Internally Restricted Cash	13,371	13,349	2,851	2,390	(461)
- Borrowings	0	0	0	0	0
- Capital Grants	4,762	4,753	596	690	94
- Developer Contributions (Section 94)	11,931	12,802	3,431	1,866	(1,565)
- Other Externally Restricted Cash	1,170	2,620	1,717	1,673	(44)
- Other Capital Contributions	12,559	12,569	398	381	(17)
TOTAL FUNDS SURPLUS / (DEFICIT)	(9,119)	(11,894)	(6,676)	3,031	9,706

Manager Project Delivery Division

Commentary on October 2020 Capital Budget Report

On 29 June 2020, Council approved a Capital budget for 2020-2021 of \$93.4M. As at the end of October 2020, the approved Capital Budget has been decreased from the previously adjusted \$95.7M to \$94.6M due primarily to the rephasing of Strategic Projects Reserve Funding for land purchase for Warrawong Community Centre and Library plus rephasing of CBD Parking charge/income.

Council achieved expenditure at the end of October 2020 of \$22.8M compared to the phased budget expenditure of \$25.6M.

Program	Major Points of change to Capital Budget
Traffic Facilities	Introduce additional Section 94 funding into Traffic Facilities Program. Reallocate Regional Roads Block Grant funding from Roadworks Program to Traffic Facilities Program.
Roadworks	Reallocate Regional Roads Block Grant funding from Roadworks Program to Traffic Facilities Program. Reallocate budget from Roadworks program to Commercial Centre Upgrades Program.
Commercial Centre Upgrades – Footpaths and Cycleways	Rephase Parking charges/Income Reserve funding for future year projects. Reallocate budget from Roadworks program to Commercial Centre Upgrades Program.
Floodplain Management	Introduce additional OEH Funding for demolition of recently acquired flood prone property.

CAPITAL PROJECT REPORT							
as at the period ended 30 October 2020							
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	2,098	(1,036)	2,207	(1,145)	487	109	(109)
Public Transport Facilities	335	0	335	0	25	(0)	(0)
Roadworks	11,433	(1,556)	11,406	(1,569)	3,881	(27)	(13)
Bridges, Boardwalks and Jetties	1,980	0	1,980	0	347	0	(0)
TOTAL Roads And Related Assets	15,846	(2,592)	15,928	(2,714)	4,740	82	(122)
West Dapto							
West Dapto Infrastructure Expansion	8,031	(8,031)	8,031	(8,031)	1,464	0	(0)
TOTAL West Dapto	8,031	(8,031)	8,031	(8,031)	1,464	0	(0)
Footpaths And Cycleways							
Footpaths	7,330	(2,800)	7,330	(2,800)	2,144	0	(0)
Cycle/Shared Paths	4,065	(2,025)	4,065	(2,025)	1,151	(0)	(0)
Commercial Centre Upgrades - Footpaths and Cycleway	5,547	(2,082)	5,187	(1,882)	1,267	(360)	400
TOTAL Footpaths And Cycleways	16,942	(6,907)	16,582	(6,507)	4,561	(360)	400
Carparks							
Carpark Construction/Formalising	915	(200)	915	(200)	63	(0)	(0)
Carpark Reconstruction or Upgrading	1,565	(280)	1,565	(280)	216	0	(0)
TOTAL Carparks	2,480	(480)	2,480	(480)	279	(0)	(0)
Stormwater And Floodplain Management							
Floodplain Management	1,771	(261)	1,793	(283)	144	22	(22)
Stormwater Management	2,954	(335)	2,954	(335)	1,258	(0)	(0)
Stormwater Treatment Devices	85	(85)	85	(85)	0	(0)	(0)
TOTAL Stormwater And Floodplain Mar	4,811	(681)	4,832	(703)	1,402	22	(22)
Buildings							
Cultural Centres (IPAC, Gallery, Townhall)	1,090	0	1,090	0	295	(0)	(0)
Administration Buildings	1,935	0	1,935	0	254	(0)	(0)
Community Buildings	13,128	(1,775)	13,128	(1,775)	3,846	(0)	(0)
Public Facilities (Shelters, Toilets etc.)	230	0	230	0	0	(0)	(0)
TOTAL Buildings	16,383	(1,775)	16,383	(1,775)	4,195	(0)	(0)
Commercial Operations							
Tourist Park - Upgrades and Renewal	870	0	870	0	591	(0)	(0)
Crematorium/Cemetery - Upgrades and Renewal	265	0	265	0	20	(0)	(0)
Leisure Centres & RVGC	170	0	170	0	4	0	(0)
TOTAL Commercial Operations	1,305	0	1,305	0	616	(0)	(0)
Parks Gardens And Sportfields							
Play Facilities	2,510	(670)	2,510	(670)	11	(0)	(0)
Recreation Facilities	2,599	(1,861)	2,599	(1,861)	84	0	(0)
Sporting Facilities	2,305	(850)	2,305	(850)	260	(0)	(0)
Lake Illawarra Foreshore	100	0	100	0	0	(0)	(0)
TOTAL Parks Gardens And Sportfields	7,514	(3,381)	7,514	(3,381)	354	(0)	(0)

CAPITAL PROJECT REPORT							
as at the period ended 30 October 2020							
ASSET CLASS PROGRAMME	\$'000		\$'000		YTD EXPENDITURE	\$'000	
	CURRENT BUDGET		WORKING BUDGET			VARIATION	
	EXPENDITURE	OTHER FUNDING	EXPENDITURE	OTHER FUNDING		EXPENDITURE	OTHER FUNDING
Beaches And Pools							
Beach Facilities	827	0	827	0	41	0	0
Rock/Tidal Pools	970	0	970	0	880	(0)	0
Treated Water Pools	1,480	0	1,480	0	218	0	0
TOTAL Beaches And Pools	3,277	0	3,277	0	1,119	0	0
Waste Facilities							
Whytes Gully New Cells	2,890	(2,890)	2,890	(2,890)	771	(0)	0
Whytes Gully Renewal Works	820	(820)	820	(820)	15	0	0
Helensburgh Rehabilitation	400	(400)	400	(400)	185	0	0
TOTAL Waste Facilities	3,710	(3,710)	3,710	(3,710)	971	0	0
Fleet							
Motor Vehicles	1,800	(949)	1,800	(949)	83	(0)	0
TOTAL Fleet	1,800	(949)	1,800	(949)	83	(0)	0
Plant And Equipment							
Portable Equipment (Mowers etc.)	100	(27)	100	(27)	14	(0)	(0)
Mobile Plant (trucks, backhoes etc.)	4,280	(826)	4,280	(826)	776	(0)	(0)
TOTAL Plant And Equipment	4,380	(853)	4,380	(853)	791	(0)	(0)
Information Technology							
Information Technology	2,134	0	2,134	0	108	(0)	0
TOTAL Information Technology	2,134	0	2,134	0	108	(0)	0
Library Books							
Library Books	1,251	0	1,251	0	516	(0)	0
TOTAL Library Books	1,251	0	1,251	0	516	(0)	0
Public Art							
Art Gallery Acquisitions	100	0	100	0	28	(0)	0
TOTAL Public Art	100	0	100	0	28	(0)	0
Emergency Services							
Emergency Services Plant and Equipment	20	0	20	0	3	(0)	0
TOTAL Emergency Services	20	0	20	0	3	(0)	0
Land Acquisitions							
Land Acquisitions	4,720	(4,670)	3,920	(3,870)	1,588	(800)	800
TOTAL Land Acquisitions	4,720	(4,670)	3,920	(3,870)	1,566	(800)	800
Non-Project Allocations							
Capital Project Contingency	944	0	944	0	0	(0)	0
Capital Project Plan	10	0	10	0	4	(0)	0
TOTAL Non-Project Allocations	954	0	954	0	4	(0)	0
GRAND TOTAL	95,659	(34,029)	94,603	(32,973)	22,798	(1,056)	1,056

WOLLONGONG CITY COUNCIL as at 30 October 2020		
	October 2020/21 \$'000	June 2019/20 \$'000
Balance Sheet		
Current Assets		
Cash Assets	74,034	56,050
Investment Securities	77,235	97,422
Receivables	28,888	21,668
Inventories	468	381
Current Contract Assets	3,377	5,669
Other	10,317	10,572
Assets classified as held for sale	0	0
	0	0
Total Current Assets	194,319	191,761
Non-Current Assets		
Non Current Cash Assets	8,000	4,000
Non Current Investment Securities	0	0
Non-Current Receivables	0	0
Non-Current Inventories	5,972	5,972
Property, Plant and Equipment	2,657,469	2,655,487
Investment Properties	5,000	5,000
Westpool Equity Contribution	3,484	3,484
Intangible Assets	220	254
Right-Of-Use Assets	1,790	1,790
Total Non-Current Assets	2,681,934	2,675,987
TOTAL ASSETS	2,876,253	2,867,748
Current Liabilities		
Current Payables	30,834	30,592
Current Contract Liabilities	2,436	3,571
Current Lease Liabilities	341	341
Current Provisions payable < 12 months	14,973	13,272
Current Provisions payable > 12 months	47,811	47,811
Current Interest Bearing Liabilities	5,260	5,260
Total Current Liabilities	101,655	100,848
Non-Current Liabilities		
Non Current Payables	0	0
Non Current Interest Bearing Liabilities	11,147	12,439
N/C Lease Liabilities	1,519	1,519
Non Current Provisions	40,271	39,775
Total Non-Current Liabilities	52,938	53,734
TOTAL LIABILITIES	154,593	154,582
NET ASSETS	2,721,660	2,713,166
Equity		
Accumulated Surplus	1,364,836	1,360,922
Asset Revaluation Reserve	1,214,858	1,214,858
Restricted Assets	141,967	137,386
TOTAL EQUITY	2,721,660	2,713,166

WOLLONGONG CITY COUNCIL		
CASH FLOW STATEMENT		
as at 30 October 2020		
	YTD Actual 2020/21 \$ '000	Actual 2019/20 \$ '000
CASH FLOWS FROM OPERATING ACTIVITIES		
<u>Receipts:</u>		
Rates & Annual Charges	73,628	203,414
User Charges & Fees	6,624	29,485
Interest & Interest Received	1,329	4,130
Grants & Contributions	18,622	68,993
Other	3,285	25,886
<u>Payments:</u>		
Employee Benefits & On-costs	(40,468)	(118,396)
Materials & Contracts	(19,192)	(73,390)
Borrowing Costs	(237)	(910)
Other	(13,583)	(46,162)
Net Cash provided (or used in) Operating Activities	30,008	93,050
CASH FLOWS FROM INVESTING ACTIVITIES		
<u>Receipts:</u>		
Sale of Investments	-	-
Sale of Infrastructure, Property, Plant & Equipment	710	958
Deferred Debtors Receipts	-	-
<u>Payments:</u>		
Purchase of Infrastructure, Property, Plant & Equipment	(27,631)	(83,558)
Purchase of Interests in Joint Ventures & Associates	-	-
Net Cash provided (or used in) Investing Activities	(26,921)	(82,600)
CASH FLOWS FROM FINANCING ACTIVITIES		
<u>Receipts:</u>		
Proceeds from Borrowings & Advances	-	-
<u>Payments:</u>		
Repayment of Borrowings & Advances	-	(7,935)
Repayment of Finance Lease Liabilities	-	(312)
Net Cash Flow provided (used in) Financing Activities	-	(8,247)
Net Increase/(Decrease) in Cash & Cash Equivalents	3,087	30,865
plus: Cash & Cash Equivalents and Investments - beginning of year	157,475	126,610
Cash & Cash Equivalents and Investments - year to date	160,562	157,475

WOLLONGONG CITY COUNCIL		
CASH FLOW STATEMENT		
as at 30 October 2020		
	YTD Actual 2020/21 \$ '000	Actual 2019/20 \$ '000
Total Cash & Cash Equivalents and Investments - year to date	160,562	157,475
<u>Attributable to:</u>		
External Restrictions (refer below)	81,269	75,470
Internal Restrictions (refer below)	61,355	62,675
Unrestricted	17,938	19,330
	160,562	157,475
External Restrictions		
Developer Contributions	38,950	35,099
RMS Contributions	748	350
Specific Purpose Unexpended Grants	5,703	3,568
Special Rates Levy Wollongong Mall	249	214
Special Rates Levy Wollongong City Centre	20	49
Local Infrastructure Renewal Scheme	276	274
Unexpended Loans	1,147	2,686
Domestic Waste Management	14,994	14,216
Private Subsidies	6,034	6,167
West Dapto Home Deposit Assistance Program	11,050	10,987
Stormwater Management Service Charge	2,098	1,860
Total External Restrictions	81,269	75,470
Internal Restrictions		
Property Investment Fund	6,739	7,889
Strategic Projects	41,836	42,900
Sports Priority Program	1,039	938
Car Parking Strategy	1,737	2,195
MacCabe Park Development	1,490	1,440
Darcy Wentworth Park	171	171
Garbage Disposal Facility	1,337	561
West Dapto Development Additional Rates	6,360	6,067
Southern Phone Natural Areas	173	173
Lake Illawarra Estuary Management Fund	473	341
Total Internal Restrictions	61,355	62,675