

ITEM 17 JULY 2019 FINANCIALS

The July 2019 financial results representing one month's transactions are not necessarily indicative of annual performance. The budget has been phased initially based on certain methodologies and will be refined over the coming months.

The Funds Result shows a favourable variance compared to the phased budget of \$0.9M while the Operating Result (pre capital) and Funds Available from Operations show unfavourable variances \$0.6M and \$0.7M respectively.

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

Council has expended \$7.4M on its capital works program representing 7.5% of the annual budget. The year to date budget for the same period was \$8.8M.

RECOMMENDATION

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

REPORT AUTHORISATIONS

Report of: Tana Ramsden, Corporate Accounting Manager
 Authorised by: Renee Campbell, Director Corporate Services - Connected + Engaged City

ATTACHMENTS

- 1 Income and Funding Statement - July 2019
- 2 Capital Project Report - July 2019
- 3 Balance Sheet - July 2019

BACKGROUND

This report presents the Income and Expense Statement, Balance Sheet and Cash Flow Statement for July 2019. Council's current budget has a Net Funding (cash) deficit of \$9.7M, an Operating Deficit [pre capital] of \$9.4M and a capital expenditure of \$99.8M.

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

FORECAST POSITION	Original Budget	YTD Forecast	YTD Actual	Variation
	\$M	\$M	\$M	\$M
KEY MOVEMENTS	1-Jul	26-Jul	26-Jul	
Operating Revenue	273.0	21.0	20.3	(0.7)
Operating Costs	(282.4)	(21.7)	(21.6)	0.1
Operating Result [Pre Capital]	(9.4)	(0.7)	(1.3)	(0.6)
Capital Grants & Contributions	42.9	1.3	2.2	0.9
Operating Result	33.5	0.6	0.9	0.3
Funds Available from Operations	56.7	3.1	2.4	(0.7)
Capital Works	99.8	8.8	7.4	1.4
Contributed Assets	6.7	-	-	-
Transfer to Restricted Cash	1.4	-	-	-
Borrowings Repaid	7.9	-	-	-
Funded from:				
- Operational Funds	56.7	3.1	2.4	(0.7)
- Other Funding	49.5	3.1	3.2	0.1
Total Funds Surplus/(Deficit)	(9.7)	(2.6)	(1.7)	0.9

Financial Performance

The July 2019 Operating Result [pre capital] shows an unfavourable variance compared to phased budget of \$0.6M that is largely due to lower grant and contributions income (\$0.4M) and user charges and fees (\$0.3M).

The Operating Result shows a positive variance of \$0.3M compared to budget. This includes the net variation above offset by a higher level of capital income of \$5.6M. This is mainly due to accrued grant revenue relating to accelerated West Dapto funded capital expenditure.

The Funds Available from Operations indicates an unfavourable variation of \$0.7M. This result includes the Operating Result (\$0.3M favourable), however, excludes the timing impacts of grants and contributions that are transferred to restricted cash (\$0.4M), increased level of leave payments compared to budget (\$0.3M), lower expenditure on operational funded projects (\$0.2M) and non-cash items (\$0.1M).

Funds Result

The Total Funds result as at 26 July 2019 shows a positive variance of \$0.9M compared to phased budget. This includes the funds component of the operating result (\$0.7M) that is offset by lower net expenditure on capital works compared to budget (\$1.6M).

Capital Budget

At the end of July, the capital program shows an expenditure of \$7.4M compared to a phased budget of \$8.8M. Funding associated with this expenditure has increased from a budget of \$3.1M to actuals of \$3.2M.

The review of the capital program progress at July recommends a decrease of \$0.7M primarily due to re-phasing of various projects which are supported by external funding or restricted cash. Details of the increase are provided in the Capital Project Report and commentary (attachment 2).

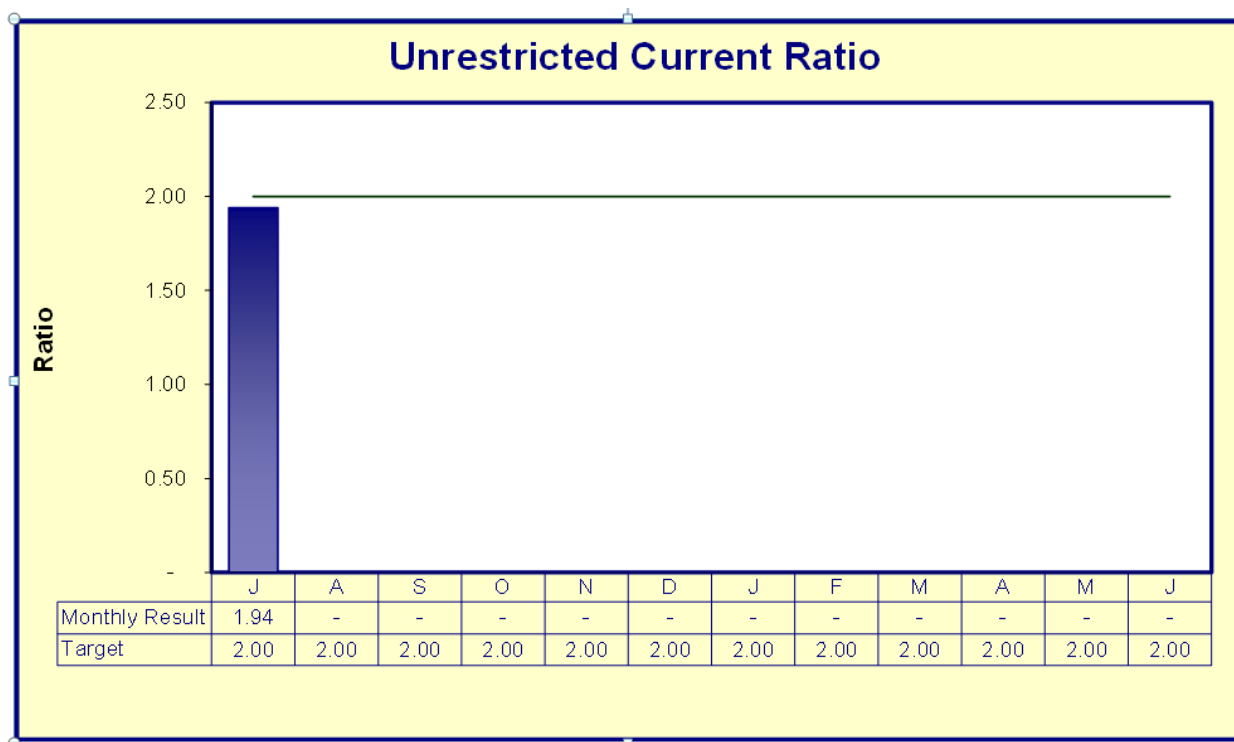
Available Cash

CASH, INVESTMENTS & AVAILABLE FUNDS			
	Actual 2018/19	Original Budget 2019/20	Actual Ytd July 2019
	\$M	\$M	\$M
Total Cash and Investments	154.8	130.0	132.9
Less Restrictions:			
External	77.7	78.0	78.5
Internal	61.2	46.7	61.2
Total Restrictions	138.9	124.7	139.7
Available Cash	16.0	5.3	(6.8)
Adjusted for :			
Payables	(35.0)	(25.4)	(29.2)
Receivables	36.6	24.6	50.2
Other	11.9	11.2	13.6
Net Payables & Receivables	13.5	10.5	34.6
Available Funds	29.4	15.7	27.7

Council's cash and investments decreased during July 2019 to holdings of \$132.9M compared to \$154.8M at the end of June 2019. This reflects normal trends for this time of the year as Council awaits its first rates instalment.

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.

The Unrestricted Current Ratio measures the cash/liquidity position of an organisation. This 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 is below the Local Government Benchmark of >2:1, with the strategy being to maximise the use of available funds for asset renewal by targeting a lean Unrestricted Current Ratio.



Receivables

Receivables are the amount of money owed to Council or funds that Council has paid in advance. At July 2019, receivables totalled \$50.2M compared to receivables of \$38.4M at July 2018. Fluctuations relate to the timing of rates payments which are accrued before the actual payments are due and can be impacted by other debtors raised and not yet paid.

Payables

Payables (the amount of money owed to suppliers) of \$29.2M were owed at July 2019 compared to payables of \$24.7M in July 2018. The difference in payables relate to goods and services and capital projects delivered but not yet paid for and timing of the Financial Assistance Grant payments that are received quarterly.

Debt

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 currently has borrowings through an interest free loan and the subsidised Local Government Infrastructure Renewal Scheme (LIRS). In 2009-2010, Council borrowed \$26M interest free to assist in the delivery of the West Dapto Access Plan. Council has also been successful in securing subsidies for loans under the three rounds of the LIRS program

and has entered into loans of \$20M in 2012-2013 for Round 1, \$4.3M in 2013-2014 for Round 2 and \$20.5M for Round 3. The LIRS program provides a loan subsidy of 4% for Round 1 and 3% for the subsequent rounds. Loan funds have been used to accelerate the Citywide Footpaths, Shared Path Renewal, Missing Links Construction Program, building refurbishment works for Berkeley Community Centre, Corrimal Library and Community Centre, Thirroul Pavilion and Kiosk and to support the West Dapto Access – Fowlers Road project respectively.

Council’s Debt Service Ratio forecast for 2019-2020 is a target of <4% and remains low in comparison to the Local Government’s benchmark ratio of <10%. It is noted that non-cash interest expense relating to the amortisation of the income recognised on the West Dapto Access Plan Loan is not included when calculating the Debt Service Ratio.

Assets

The Balance Sheet shows that \$2.8B of assets are controlled and managed by Council for the community as at 26 July 2019. The 2019-2020 capital works program includes projects such as the West Dapto Access strategy, civil asset renewals including roads, car parks and buildings and purchase of library books. As at 26 July, Council has expended \$7.4M on its capital works program representing 7.5% of the annual budget. The year to date budget for the same period was \$8.8M.

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	Delivery Program 2018-2021	Operational Plan 2019-20
Strategy	3 Year Action	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

Whilst the results for July 2019 represent only one month’s performance and are not necessarily indicative of the possible full year result, it is expected that Council will achieve the forecast annual results.

WOLLONGONG CITY COUNCIL				
1 July 2019 to 26 July 2019				
	2019/2020 Original Budget \$'000	2019/2020 Current Budget \$'000	2019/2020 YTD Budget \$'000	2019/2020 Actual YTD \$'000
Income Statement				
Income From Continuing Operations				
Revenue:				
Rates and Annual Charges	202,991	202,991	14,146	14,140
User Charges and Fees	33,665	33,665	2,391	2,094
Interest and Investment Revenues	4,882	4,882	349	420
Other Revenues	10,598	10,598	753	648
Grants & Contributions provided for Operating Purposes	20,840	20,840	3,322	2,964
Grants & Contributions provided for Capital Purposes	42,927	42,927	1,313	2,234
Profit/Loss on Disposal of Assets	0	0	0	0
Total Income from Continuing Operations	315,903	315,903	22,274	22,501
Expenses From Continuing Operations				
Employee Costs	134,742	134,742	9,687	9,926
Borrowing Costs	2,722	2,722	193	80
Materials, Contracts & Other Expenses	97,916	97,916	7,572	7,265
Depreciation, Amortisation + Impairment	66,276	66,276	5,629	5,629
Internal Charges (labour)	(17,558)	(17,558)	(1,247)	(1,054)
Internal Charges (not labour)	(1,694)	(1,694)	(120)	(240)
Total Expenses From Continuing Operations	282,404	282,404	21,714	21,605
Operating Results From Continuing Operations	33,499	33,499	559	896
Net Operating Result for the Year	33,499	33,499	559	896
Net Operating Result for the Year before Grants & Contributions provided for Capital Purposes	(9,429)	(9,429)	(754)	(1,338)
NET SURPLUS (DEFICIT) [Pre capital] %	10.6%	10.6%	2.5%	4.0%
Funding Statement				
Net Operating Result for the Year	33,499	33,499	559	896
Add back :				
- Non-cash Operating Transactions	84,272	84,272	6,962	6,817
- Restricted cash used for operations	16,491	16,491	1,171	971
- Income transferred to Restricted Cash	(63,420)	(63,420)	(4,539)	(4,913)
- Payment of Accrued Leave Entitlements	(14,162)	(14,162)	(1,006)	(1,311)
Net Share Joint Venture using Equity Method				
Funds Available from Operations	56,680	56,680	3,148	2,460
Borrowings repaid	(7,913)	(7,913)	(0)	0
Advances (made by) / repaid to Council	0	0	0	0
Operational Funds Available for Capital Budget	48,767	48,767	3,147	2,460
CAPITAL BUDGET				
Assets Acquired	(99,795)	(99,092)	(8,827)	(7,418)
Contributed Assets	(6,726)	(6,726)	0	0
Transfers to Restricted Cash	(1,431)	(1,431)	0	0
Funded From :-				
- Operational Funds	48,767	48,767	3,147	2,460
- Sale of Assets	1,292	1,292	49	0
- Internally Restricted Cash	14,029	13,043	269	262
- Borrowings	0	0	0	0
- Capital Grants	7,353	7,485	687	2,064
- Developer Contributions (Section 94)	16,867	17,017	1,418	200
- Other Externally Restricted Cash	3,490	3,490	141	34
- Other Capital Contributions	6,483	6,483	540	667
TOTAL FUNDS SURPLUS / (DEFICIT)	(9,672)	(9,672)	(2,575)	(1,732)

CAPITAL PROJECT REPORT							
as at the period ended 26 July 2019							
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	1,220	(630)	2,420	(630)	111	1,200	(0)
Public Transport Facilities	430	(50)	430	(50)	0	0	(0)
Roadworks	13,642	(1,775)	14,142	(1,775)	1,750	500	0
Bridges, Boardwalks and Jetties	1,895	0	1,895	0	36	(0)	0
TOTAL Roads And Related Assets	17,187	(2,455)	18,887	(2,455)	1,897	1,700	(0)
West Dapto							
West Dapto Infrastructure Expansion	16,709	(16,709)	16,859	(16,859)	2,102	150	(150)
TOTAL West Dapto	16,709	(16,709)	16,859	(16,859)	2,102	150	(150)
Footpaths And Cycleways							
Footpaths	8,535	(3,743)	8,535	(3,743)	1,075	0	0
Cycle/Shared Paths	3,065	(1,165)	3,065	(1,165)	88	0	(0)
Commercial Centre Upgrades - Footpaths and Cycleways	3,340	(30)	3,340	(30)	37	(0)	0
TOTAL Footpaths And Cycleways	14,940	(4,938)	14,940	(4,938)	1,200	0	0
Carparks							
Carpark Construction/Formalising	350	(190)	550	(190)	68	200	0
Carpark Reconstruction or Upgrading	1,470	0	1,478	(8)	67	8	(8)
TOTAL Carparks	1,820	(190)	2,028	(198)	135	208	(8)
Stormwater And Floodplain Management							
Floodplain Management	1,799	(160)	1,799	(160)	30	(0)	0
Stormwater Management	3,820	(340)	3,820	(340)	124	(0)	0
Stormwater Treatment Devices	505	(290)	855	(290)	48	350	0
TOTAL Stormwater And Floodplain M	6,124	(790)	6,474	(790)	203	350	0
Buildings							
Cultural Centres (IPAC, Gallery, Townhall)	2,861	0	2,861	0	61	(0)	0
Administration Buildings	1,807	(50)	1,807	(50)	20	(0)	0
Community Buildings	6,097	(399)	6,096	(399)	481	(0)	0
Public Facilities (Shelters, Toilets etc.)	570	0	570	0	17	(0)	0
TOTAL Buildings	11,335	(449)	11,335	(449)	579	(0)	0
Commercial Operations							
Tourist Park - Upgrades and Renewal	1,240	0	1,240	0	154	0	0
Crematorium/Cemetery - Upgrades and Renewal	265	0	265	0	4	(0)	0
Leisure Centres & RVGC	280	0	280	0	0	0	0
TOTAL Commercial Operations	1,785	0	1,785	0	158	0	0
Parks Gardens And Sportfields							
Play Facilities	1,240	(200)	1,365	(325)	0	125	(125)
Recreation Facilities	401	(136)	401	(136)	4	0	0
Sporting Facilities	2,564	(1,165)	2,564	(1,165)	19	(0)	0
Lake Illawarra Foreshore	10	0	10	0	0	0	0
TOTAL Parks Gardens And Sportfield	4,215	(1,501)	4,340	(1,626)	24	125	(125)

CAPITAL PROJECT REPORT							
as at the period ended 26 July 2019							
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	384	0	384	0	15	(0)	0
Rock/Tidal Pools	3,580	0	3,530	0	421	(50)	0
Treated Water Pools	1,603	0	1,653	0	174	50	0
TOTAL Beaches And Pools	5,567	0	5,567	0	609	(0)	0
Natural Areas							
Natural Area Management and Rehabilitation	250	0	250	0	0	0	0
TOTAL Natural Areas	250	0	250	0	0	0	0
Waste Facilities							
Whytes Gully New Cells	2,170	(1,420)	2,170	(1,420)	166	(0)	(0)
Whytes Gully Renewal Works	1,375	(1,325)	1,375	(1,325)	33	0	0
Helensburgh Rehabilitation	2,292	(2,292)	1,306	(1,306)	23	(986)	986
TOTAL Waste Facilities	5,837	(5,037)	4,851	(4,051)	222	(986)	986
Fleet							
Motor Vehicles	1,700	(517)	1,700	(517)	37	(0)	0
TOTAL Fleet	1,700	(517)	1,700	(517)	37	(0)	0
Plant And Equipment							
Portable Equipment (Mowers etc.)	125	(63)	125	(63)	(19)	(0)	0
Mobile Plant (trucks, backhoes etc.)	2,890	(738)	2,890	(738)	4	(0)	0
TOTAL Plant And Equipment	3,015	(800)	3,015	(800)	(15)	(0)	0
Information Technology							
Information Technology	1,005	(60)	1,005	(60)	0	(0)	(0)
TOTAL Information Technology	1,005	(60)	1,005	(60)	0	(0)	(0)
Library Books							
Library Books	1,221	0	1,221	0	179	(0)	0
TOTAL Library Books	1,221	0	1,221	0	179	(0)	0
Public Art							
Art Gallery Acquisitions	100	0	100	0	27	(0)	0
TOTAL Public Art	100	0	100	0	27	(0)	0
Emergency Services							
Emergency Services Plant and Equipment	0	0	52	0	7	52	0
TOTAL Emergency Services	0	0	52	0	7	52	0
Land Acquisitions							
Land Acquisitions	4,496	(4,196)	4,496	(4,196)	53	0	0
TOTAL Land Acquisitions	4,496	(4,196)	4,496	(4,196)	53	0	0
Non-Project Allocations							
Capital Project Contingency	2,469	0	167	0	0	(2,302)	0
Capital Project Plan	20	0	20	0	0	(0)	0
TOTAL Non-Project Allocations	2,489	0	187	0	0	(2,302)	0
GRAND TOTAL	99,795	(37,642)	99,092	(36,939)	7,418	(703)	703

Manager Project Delivery Division

Commentary on July 2019 Capital Budget Report

On 24 June 2019, Council approved a Capital budget for 2019-2020 of \$99.8M. At the end of July 2019, the approved Capital Budget had decreased to \$99.1M due predominately to the re-phasing of waste reserve funding for the project at Helensburgh Landfill Site Remediation which has encountered unexpected delays in planning approval from the State Government.

Council achieved expenditure at the end of July 2019 of 7.4M which is \$1.4M less than the phased budget expenditure of \$8.8M primarily due to planned expenditure not being realised prior to end of month (will be achieved in August) and reprogramming of a range of projects in the Footpaths, Stormwater Infrastructure and Buildings Programs.

Program	Major Points of change to Capital Budget
Traffic Facilities	Reallocate budget from Contingency to Traffic Facilities program to provide budget for a number of traffic signal and intersection upgrade projects were not completed in 2018-2019 due to delays in obtaining regulatory approval and/or late design changes.
Roadworks	Reallocate budget from Contingency to Roadworks program due to 3 road upgrade projects not achieving completion in 2018-2019.
West Dapto Infrastructure Expansion	Introduce funding for existing project to design Huntley/Avondale Rd upgrade
Car park – Construction/Formalising	Reallocate budget from Contingency to Car park – Construction/Formalising Program to provide budget for a project to upgrade a section of a carpark which was programed for completion in 2018-2019 but was delayed due to outstanding issues arising from works on private property and ensuring compliance with historical DA consent conditions.
Stormwater treatment Devices	Reallocate budget from Contingency to Stormwater Treatment Devices Program due to re-phasing of 2 projects.
Play Facilities	Introduce Restart NSW (Govt) funding for Charles harper Park playground replacement/upgrade project.
Rock/Tidal Pools	Reallocate budget from Rock/Tidal Pools Program to Treated Water Pools program.
Treated Water Pools	Reallocate budget from Rock/Tidal Pools Program to Treated Water Pools program.
Waste facilities - Helensburgh Rehabilitation.	Re-phase Waste Reserve funding to future year due to unexpected delays in obtaining planning approvals for this project.
Emergency Services Plant and Equipment	Reallocate budget from contingency to Emergency Services Plant and Equipment due to re-phasing of the project to construct new high voltage power supply infrastructure to Mt Keira summit which was programmed for completion in 2018-2019 but was delayed due to late and extended planning approvals from NPWS.
Contingency	Distribution of budget to various programs as detailed above.

WOLLONGONG CITY COUNCIL		
	Actual 2019/20 \$'000	Actual 2018/19 \$'000
Balance Sheet		
Current Assets		
Cash Assets	10,119	25,187
Investment Securities	109,763	114,579
Receivables	50,235	36,620
Inventories	356	337
Other	13,665	11,879
Total Current Assets	184,138	188,602
Non-Current Assets		
Non Current Cash Assets	13,000	15,000
Non Current Investment Securities	56	56
Non-Current Receivables	0	0
Non-Current Inventories	5,948	5,948
	0	0
Property, Plant and Equipment	2,566,570	2,565,104
Investment Properties	5,000	5,000
Westpool Equity Contribution	2,931	2,931
Intangible Assets	440	440
Total Non-Current Assets	2,593,945	2,594,478
TOTAL ASSETS	2,778,083	2,783,080
Current Liabilities		
Current Payables	29,244	35,020
Current Provisions payable < 12 months	14,573	14,697
Current Provisions payable > 12 months	43,517	43,517
Current Interest Bearing Liabilities	7,934	7,934
Total Current Liabilities	95,267	101,168
Non-Current Liabilities		
Non Current Payables	385	385
Non Current Interest Bearing Liabilities	17,497	17,497
Non Current Provisions	47,054	47,054
Total Non-Current Liabilities	64,936	64,936
TOTAL LIABILITIES	160,203	166,104
NET ASSETS	2,617,880	2,616,977
Equity		
Accumulated Surplus	1,325,525	1,325,456
Asset Revaluation Reserve	1,152,665	1,152,665
Restricted Assets	139,690	138,856
TOTAL EQUITY	2,617,880	2,616,977