

ITEM 5 JANUARY 2022 FINANCIALS

The financial results for January 2022 compared to phased budget vary across the three key performance indicators. The Operating Result [pre-capital] is a favourable variance of \$2.8M, the Funds Available from Operations is unfavourable by \$2.0M and the Funds Result is favourable by \$1.0M.

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

Council has expended \$46.0M on its capital works program representing 43% of the annual budget. The year to date budget for the same period was \$51.9M.

This report includes the changes from the December Quarterly Review.

RECOMMENDATION

- 1 The financials be received and noted.
- 2 Council endorse the proposed changes to the Capital Budget for January 2022.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer

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

ATTACHMENTS

- 1 Financial Statements - January 2022
- 2 Capital Project Report - January 2022

BACKGROUND

This report presents the Financial Performance of the organisation for January 2022. The below table provides a summary of the organisation's overall financial results for the year.

FORECAST POSITION	Original Budget	Revised Budget	YTD Forecast	YTD Actual	Variation
	\$M	\$M	\$M	\$M	\$M
KEY MOVEMENTS	1-Jul	28-Jan	28-Jan	28-Jan	
Operating Revenue	281.9	275.8	159.8	160.8	1.0
Operating Costs	(291.1)	(298.6)	(168.2)	(166.4)	1.8
Operating Result [Pre Capital]	(9.2)	(22.8)	(8.4)	(5.6)	2.8
Capital Grants & Contributions	32.1	36.8	19.8	17.7	(2.1)
Operating Result	22.9	14.0	11.4	12.1	0.7
Funds Available from Operations	59.1	56.5	35.9	33.9	(2.0)
Capital Works	107.1	108.3	51.9	46.0	5.9
Contributed Assets	8.4	8.4	0.0	-	0.0
Transfer to Restricted Cash	1.9	2.8	2.0	2.0	-
Borrowings Repaid	5.5	5.5	2.7	2.7	0.0
Funded from:					
- Operational Funds	59.1	56.5	35.9	33.9	(2.0)
- Other Funding	54.6	59.6	25.3	22.4	(2.9)
Total Funds Surplus/(Deficit)	(9.1)	(8.9)	4.6	5.6	1.0

FINANCIAL PERFORMANCE

The January 2022 Operating Result [pre-capital] deficit of \$5.6M is a favourable variance of \$2.8M compared to the phased budget deficit of \$8.4M. This favourable variance is mainly related to lower levels of expenditure on funded projects (\$3.4M).

The Operating Result of \$12.1M is a favourable variance of \$0.7M compared to phased budget. This includes the net variation above as well as a lower level of capital grants and contributions of \$2.1M.

The Funds Available from Operations indicates an unfavourable variation of \$2.0M. This result excludes non-cash variations and transfers to and from Restricted Assets but includes the variation in cash payments for Employee Entitlements.

At the end of January, the Capital Works Program had an expenditure of \$46.0M compared to a phased budget of \$51.9M. The lower level of expenditure (\$5.9M) is offset by lower levels of funding (\$2.9M) and has resulted in a net positive impact on the Funds Result of \$3.0M. The January capital report recommends a decrease to the program of \$0.1M predominately due to a December Quarterly Budget review adjustment of Public Transport Facilities expenditure from Capital to Operational.

The Total Funds result as at 28 January 2022 has no variance compared to phased budget. This includes the \$3.0M net impact from the capital works program.

FINANCIAL POSITION

Cash, Investments & Available Funds

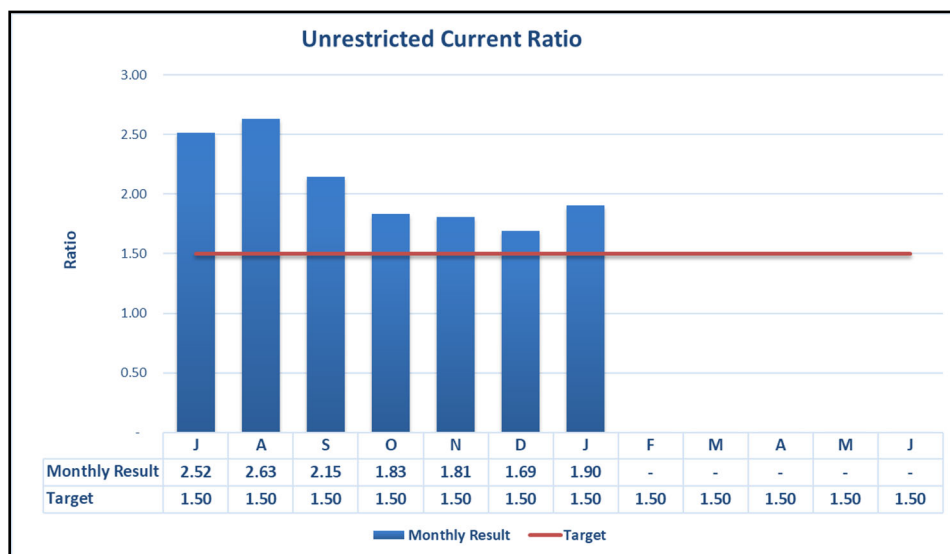
Council's cash and investments decreased during January 2022 to holdings of \$160.8M compared to \$172.5M at the end of December 2021. A significant portion of these funds are subject to restriction meaning they can only be utilised for specific purposes. As a result, Council's true available cash position is more accurately depicted by considering available funds that are uncommitted and not subject to restriction.

CASH, INVESTMENTS & AVAILABLE FUNDS				
	Actual 2020/21 \$M	Original Budget 2021/22 \$M	Dec QR 2021/22 \$M	Actuals YTD January \$M
Total Cash and Investments	170.9	105.4	128.4	160.8
Less Restrictions:				
External	78.1	59.9	64.1	76.3
Internal	70.7	41.7	53.4	65.3
CivicRisk Investment	3.2			3.2
Total Restrictions	152.0	101.6	117.5	144.8
Available Cash	18.9	3.8	10.9	16.0
Adjusted for :				
Payables	(26.6)	(26.2)	(26.8)	(24.7)
Receivables	21.9	24.5	24.3	23.9
Other	9.3	10.9	6.8	13.3
Net Payables & Receivables	4.5	9.2	4.3	12.5
Available Funds	23.4	13.0	15.3	28.5

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 decrease 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.



Prior months have been adjusted in the above table to reflect variation in the treatment of prepaid rates.

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.

The Debt Service Cover Ratio measures the availability of operating cash to service debt including interest, principal and lease payments. Council's Debt Service Cover Ratio as at January 2022 exceeds the Local Government benchmark of greater than two times.

Infrastructure, Property, Plant & Equipment

The Statement of Financial Position shows that \$2.70B of assets (written down value) are controlled and managed by Council for the community as at 28 January 2022. Council has expended \$46.0M on its capital works program representing 43% of the annual budget. The year to date budget for the same period was \$51.9M.

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 2021-2022 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

CONCLUSION

The financial result at the end of January is positive across two of the three key performance indicators.

WOLLONGONG CITY COUNCIL					
1 July 2021 to 28 January 2022					
	Original Budget \$'000	Current Budget \$'000	YTD Budget \$'000	Actual YTD \$'000	Variance \$'000
Income Statement					
Income From Continuing Operations					
Revenue:					
Rates and Annual Charges	215,858	216,927	125,997	125,919	(78)
User Charges and Fees	31,493	24,865	13,094	14,622	1,528
Interest and Investment Revenues	3,167	1,562	847	667	(180)
Other Revenues	5,737	5,827	2,999	2,011	(989)
Rental Income	6,326	5,652	3,295	2,992	(303)
Grants & Contributions provided for Operating Purposes	19,325	20,054	12,667	13,242	574
Grants & Contributions provided for Capital Purposes	32,091	36,838	19,793	17,661	(2,132)
Profit/Loss on Disposal of Assets	0	878	878	1,354	477
Total Income from Continuing Operations	313,998	312,605	179,571	178,468	(1,102)
Expenses From Continuing Operations					
Employee Costs	144,255	145,377	80,887	84,218	(3,331)
Borrowing Costs	1,954	432	251	283	(32)
Materials & Services	83,426	91,208	51,354	45,659	5,695
Other Expenses	18,447	19,253	11,104	9,837	1,267
Depreciation, Amortisation + Impairment	64,652	64,021	37,185	37,060	124
Labour Internal Charges	(19,309)	(19,337)	(11,232)	(9,489)	(1,743)
Non-Labour Internal Charges	(2,339)	(2,339)	(1,359)	(1,132)	(227)
Total Expenses From Continuing Operations	291,087	298,614	168,190	166,436	1,754
Operating Result	22,911	13,991	11,380	12,032	652
Operating Result [pre capital]	(9,180)	(22,847)	(8,413)	(5,629)	2,784
Funding Statement					
Net Operating Result for the Year	22,911	13,991	11,380	12,032	652
Add back:					
- Non-cash Operating Transactions	82,509	79,760	45,782	45,416	(366)
- Restricted cash used for operations	15,807	28,948	16,747	13,749	(2,997)
- Income transferred to Restricted Cash	(48,130)	(51,731)	(29,451)	(27,880)	1,571
Leases Repaid	0	(399)	(232)	(236)	(5)
Terminations	(14,018)	(14,099)	(8,326)	(9,198)	(872)
Funds Available from Operations	59,079	56,471	35,900	33,883	(2,017)
Borrowings Repaid	(5,482)	(5,482)	(2,717)	(2,717)	0
Advances (made by) / repaid to Council	0	0	0	0	0
Operational Funds Available for Capital Budget	53,597	50,989	33,183	31,166	(2,017)
CAPITAL BUDGET					
Assets Acquired	(107,093)	(108,305)	(51,910)	(46,032)	5,878
Contributed Assets	(8,358)	(8,358)	(0)	0	0
Transfers to Restricted Cash	(1,854)	(2,779)	(2,002)	(2,002)	0
Funded From:					
- Operational Funds	53,597	50,989	33,183	31,166	(2,017)
- Sale of Assets	1,854	2,779	1,164	1,649	486
- Internally Restricted Cash	8,675	8,085	2,291	2,428	137
- Borrowings	0	0	0	0	0
- Capital Grants	20,069	21,526	11,755	9,737	(2,018)
- Developer Contributions (Section 94)	13,035	16,169	9,609	7,831	(1,778)
- Other Externally Restricted Cash	0	0	0	302	302
- Other Capital Contributions	10,958	10,998	508	550	42
TOTAL FUNDS SURPLUS / (DEFICIT)	(9,118)	(8,896)	4,597	5,630	1,033

WOLLONGONG CITY COUNCIL as at 28 January 2022		
	YTD Actual 2021/22 \$'000	Actual 2020/21 \$'000
Statement of Financial Position		
Current Assets		
Cash Assets	46,387	52,320
Investment Securities	81,210	103,334
Receivables	23,859	21,859
Inventories	473	463
Current Contract Assets	8,369	4,707
Other	9,166	6,682
Assets classified as held for sale	65	111
Total Current Assets	169,529	189,477
Non-Current Assets		
Non Current Cash Assets	30,000	12,000
Non Current Investment Securities	3,199	3,199
Non-Current Inventories	5,972	5,972
Property, Plant and Equipment	2,698,991	2,690,088
Investment Properties	4,600	4,600
Intangible Assets	108	152
Right-Of-Use Assets	1,252	1,471
Total Non-Current Assets	2,744,121	2,717,482
TOTAL ASSETS	2,913,650	2,906,958
Current Liabilities		
Current Payables	24,663	26,622
Current Contract Liabilities	7,326	8,177
Current Lease Liabilities	167	377
Current Provisions payable < 12 months	14,434	14,015
Current Provisions payable > 12 months	45,373	45,373
Current Interest Bearing Liabilities	5,497	5,497
Total Current Liabilities	97,461	100,062
Non-Current Liabilities		
Non Current Payables	0	0
Non Current Interest Bearing Liabilities	4,226	6,942
N/C Lease Liabilities	1,194	1,194
Non Current Provisions	39,311	39,314
Total Non-Current Liabilities	44,732	47,451
TOTAL LIABILITIES	142,192	147,513
NET ASSETS	2,771,457	2,759,445
Equity		
Accumulated Surplus	1,409,230	1,392,527
Asset Revaluation Reserve	1,223,770	1,223,744
Restricted Assets	138,457	143,174
TOTAL EQUITY	2,771,457	2,759,445

WOLLONGONG CITY COUNCIL		
CASH FLOW STATEMENT		
as at 28 January 2022		
	YTD Actual 2021/22 \$ '000	Actual 2020/21 \$ '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts:		
Rates & Annual Charges	126,258	214,468
User Charges & Fees	22,453	30,198
Interest & Interest Received	596	2,269
Grants & Contributions	26,343	58,978
Bonds, deposits and retention amounts received	433	755
Other	9,081	24,061
Payments:		
Employee Benefits & On-costs	(74,572)	(125,163)
Materials & Contracts	(52,547)	(87,653)
Borrowing Costs	(286)	(691)
Bonds, deposits and retention amounts refunded	-	(2,637)
Other	(13,079)	(20,275)
Net Cash provided (or used in) Operating Activities	44,682	94,309
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts:		
Sale of Investments	41,231	56,040
Sale of Infrastructure, Property, Plant & Equipment	1,649	1,531
Payments:		
Purchase of Investments	(36,948)	(69,745)
Purchase of Infrastructure, Property, Plant & Equipment	(53,621)	(78,658)
Net Cash provided (or used in) Investing Activities	(47,689)	(90,832)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments:		
Repayment of Borrowings & Advances	(2,716)	(5,260)
Repayment of Finance Lease Liabilities	(209)	(348)
Net Cash Flow provided (used in) Financing Activities	(2,926)	(5,608)
Net Increase/(Decrease) in Cash & Cash Equivalents	(5,933)	(2,131)
plus: Cash & Cash Equivalents - beginning of year	52,320	56,051
plus: Investments on hand - end of year	114,409	118,533
Cash & Cash Equivalents and Investments - year to date	160,795	172,453

WOLLONGONG CITY COUNCIL		
CASH FLOW STATEMENT		
as at 28 January 2022		
	YTD Actual 2021/22 \$ '000	Actual 2020/21 \$ '000
Total Cash & Cash Equivalents and Investments - year to date	160,795	172,453
Attributable to:		
External Restrictions (refer below)	76,251	78,088
Internal Restrictions (refer below)	65,292	70,676
Unrestricted	19,252	23,689
	160,795	172,453
External Restrictions		
Developer Contributions	38,101	38,719
RMS Contributions	1,329	115
Specific Purpose Unexpended Grants	8,733	9,687
Special Rates Levy Wollongong Mall	390	282
Special Rates Levy Wollongong City Centre	48	59
Local Infrastructure Renewal Scheme	-	277
Unexpended Loans	940	965
Domestic Waste Management	8,669	10,746
Private Subsidies	5,534	5,420
Housing Affordability	9,640	9,640
Stormwater Management Service Charge	2,867	2,178
Total External Restrictions	76,251	78,088
Internal Restrictions		
Property Investment Fund	9,390	9,388
Strategic Projects	39,503	46,558
Sports Priority Program	886	943
Car Parking Strategy	1,181	1,051
MacCabe Park Development	1,677	1,590
Darcy Wentworth Park	171	171
Garbage Disposal Facility	4,270	3,415
West Dapto Development Additional Rates	7,654	6,951
Southern Phone Natural Areas	173	173
Lake Illawarra Estuary Management Fund	387	436
Total Internal Restrictions	65,292	70,676

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

Manager Project Delivery Division Commentary January 2022 Capital Budget Report

On 29 June 2021, Council approved a Capital budget for 2021-2022 of \$107.1M.

The Capital Budget continues to vary each month as reported in the monthly finance report updates.

As at the end of January 2022, the approved Capital Budget is proposed to decrease by \$0.1M from \$108.3M to \$108.2M due primarily to the transfer of \$60K of Council revenue budget in Public Transport Facilities from Capital to Operational as part of the December Quarterly Budget Review. As such, it is not showing as an adjustment in this report.

Council achieved expenditure at the end of January 2022 of \$46.0M compared to the most recently adjusted phased budget expenditure of \$51.9M. A review of the expenditure compared to phased budget has identified that most of the difference in achieving phased expenditure is due to:

- Impact of the 2 week shutdown of construction sites during the month of July due to COVID-19 related public health orders plus ongoing impacts on construction crews/sites of COVID-19 restrictions and/or exposure to positive COVID-19 cases.
- Impacts of COVID-19 restrictions and working from home on professional staff both within Council and at various State Government Utilities and Government authorities which issue planning approvals.
- Higher than usual rainfall throughout spring and summer.

Program	Major Points of change to Capital Budget
Traffic Facilities	Reduction of Section 7:12 Developer Contributions funding for existing project due to project being completed under budget.
Roadworks	Rephase Roads to Recovery (R2R) funding from existing project which has been delayed. Reallocate Local Roads and Community Infrastructure (LR&CI) funding from existing roadworks project which was completed under budget to existing projects in the Footpaths and Cycle/Share Paths Programs.
West Dapto Infrastructure Expansion	Introduce additional Section 7:11 Developer Contributions (West Dapto) for existing project - Wongawilli Road Upgrade.
Floodplain Management	Rephase Department of Planning Industry and Environment (DPIE) funding for existing project. Reallocate budget from Floodplain Management Program to Stormwater Management Program.
Stormwater Management	Reallocate budget from Floodplain Management Program to Stormwater Management Program.
Stormwater Quality Treatment Program	Reallocate budget from Stormwater Quality Treatment Program to Stormwater Management Program.
Recreation Facilities	Rephase Department of Veteran Affairs funding for "Eye on the Horizon Sculpture" at Hill 60.
Sporting Facilities	Introduce Greater Cities Sports Facilities Funding for new projects at Guest Park Fairy Meadow.
Land Acquisitions	Increase budget for land acquisition of 51-53 Walker St Helensburgh to cover costs of property demolition and site remediation.
Capital Project Contingency	Reallocate budget to Land Acquisitions Program.

CAPITAL PROJECT REPORT							
as at the period ended 28 January 2022							
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	2,948	(2,373)	2,879	(2,304)	821	(70)	70
Public Transport Facilities	315	0	255	0	38	(60)	0
Roadworks	16,306	(5,791)	15,986	(5,471)	8,610	(320)	320
Bridges, Boardwalks and Jetties	1,722	(217)	1,722	(217)	665	0	(0)
TOTAL Roads And Related Assets	21,292	(8,382)	20,842	(7,992)	10,134	(450)	390
West Dapto							
West Dapto Infrastructure Expansion	6,656	(6,656)	7,091	(7,091)	3,891	435	(435)
TOTAL West Dapto	6,656	(6,656)	7,091	(7,091)	3,891	435	(435)
Footpaths And Cycleways							
Footpaths	13,275	(7,968)	13,280	(7,972)	4,768	4	(4)
Cycle/Shared Paths	5,279	(2,989)	5,287	(2,997)	2,757	8	(8)
Commercial Centre Upgrades - Footpaths and Cycleways	4,089	(829)	4,089	(829)	2,622	(0)	0
TOTAL Footpaths And Cycleways	22,643	(11,786)	22,656	(11,798)	10,148	12	(12)
Carparks							
Carpark Construction/Formalising	735	(450)	735	(450)	214	0	(0)
Carpark Reconstruction or Upgrading	1,712	(187)	1,712	(187)	1,220	(0)	(0)
TOTAL Carparks	2,447	(637)	2,447	(637)	1,435	(0)	(0)
Stormwater And Floodplain Management							
Floodplain Management	1,715	(240)	1,335	(160)	136	(380)	80
Stormwater Management	6,849	0	7,189	0	1,960	340	0
Stormwater Treatment Devices	55	0	15	0	1	(40)	0
TOTAL Stormwater And Floodplain Mar	8,619	(240)	8,539	(160)	2,097	(80)	80
Buildings							
Cultural Centres (IPAC, Gallery, Townhall)	700	0	700	0	375	0	0
Administration Buildings	1,635	0	1,635	0	579	(0)	0
Community Buildings	13,485	(2,822)	13,485	(2,822)	5,829	(0)	0
Public Facilities (Shelters, Toilets etc.)	490	(30)	490	(30)	72	(0)	0
TOTAL Buildings	16,310	(2,852)	16,310	(2,852)	6,856	(0)	0
Commercial Operations							
Tourist Park - Upgrades and Renewal	899	0	899	0	48	0	0
Crematorium/Cemetery - Upgrades and Renewal	136	0	136	0	56	0	0
Leisure Centres & RVGC	180	0	180	0	50	(0)	0
TOTAL Commercial Operations	1,215	0	1,215	0	154	0	0
Parks Gardens And Sportfields							
Play Facilities	1,517	(472)	1,517	(472)	141	(0)	(0)
Recreation Facilities	5,982	(5,240)	5,944	(5,201)	2,358	(39)	39
Sporting Facilities	6,333	(3,741)	6,393	(3,801)	1,045	60	(60)
TOTAL Parks Gardens And Sportfields	13,832	(9,453)	13,853	(9,474)	3,544	21	(21)

CAPITAL PROJECT REPORT							
as at the period ended 28 January 2022							
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	550	(500)	550	(500)	37	0	0
Rock/Tidal Pools	350	0	350	0	142	0	0
Treated Water Pools	2,002	(32)	2,002	(32)	394	0	0
TOTAL Beaches And Pools	2,902	(532)	2,902	(532)	573	0	0
Natural Areas							
Natural Area Management and Rehabilitation	0	0	0	0	0	0	0
TOTAL Natural Areas	0	0	0	0	0	0	0
Waste Facilities							
Whytes Gully New Cells	1,425	(1,425)	1,424	(1,425)	745	(1)	0
TOTAL Waste Facilities	1,425	(1,425)	1,424	(1,425)	745	(1)	0
Fleet							
Motor Vehicles	1,830	(979)	1,830	(979)	624	(0)	0
TOTAL Fleet	1,830	(979)	1,830	(979)	624	(0)	0
Plant And Equipment							
Mobile Plant (trucks, backhoes etc.)	4,200	(905)	4,200	(905)	726	(0)	0
TOTAL Plant And Equipment	4,200	(905)	4,200	(905)	726	(0)	0
Information Technology							
Information Technology	1,050	0	1,050	0	445	(0)	0
TOTAL Information Technology	1,050	0	1,050	0	445	(0)	0
Library Books							
Library Books	1,283	0	1,283	0	693	(0)	0
TOTAL Library Books	1,283	0	1,283	0	693	(0)	0
Public Art							
Art Gallery Acquisitions	137	0	137	0	76	(0)	0
TOTAL Public Art	137	0	137	0	76	(0)	0
Land Acquisitions							
Land Acquisitions	4,191	(4,041)	4,341	(4,041)	3,893	150	0
TOTAL Land Acquisitions	4,191	(4,041)	4,341	(4,041)	3,893	150	0
Non-Project Allocations							
Capital Project Contingency	(1,726)	0	(1,876)	0	0	(150)	0
TOTAL Non-Project Allocations	(1,726)	0	(1,876)	0	0	(150)	0
Not Applicable							
Not Applicable	0	0	0	0	0	0	0
TOTAL Not Applicable	0	0	0	0	0	0	0
GRAND TOTAL	108,305	(47,887)	108,243	(47,885)	46,033	(62)	2