

ITEM 15 MARCH 2019 FINANCIALS

Overall, the result for the month of March is favourable compared to phased budget for the majority of the key indicators. The Operating Result [pre capital] is favourable by \$3.8M, the Funds Available from Operations is favourable by \$0.6M and the Funds Result shows a favourable variance compared to the phased budget of \$6.5M.

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

Council has expended \$77.4M on its capital works program representing 68% of the annual budget. The year to date budget for the same period was \$78.0M.

RECOMMENDATIONS

- 1 The financials be received and noted.
- 2 Council approve an increase in the capital budget of \$3.5M that is fully offset by a corresponding level of funding from restricted assets.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer

Authorised by: Tom Tyrpenou, Director Corporate Services (Acting) - Connected + Engaged City

ATTACHMENTS

- 1 Income and Funding Statement - March 2019
- 2 Capital Project Report - March 2019
- 3 Balance Sheet - March 2019
- 4 Cash Flow Statement - March 2019

BACKGROUND

This report presents the Income and Expense Statement, Balance Sheet and Cash Flow Statement for March 2019. Council's current budget has a Net Funding (cash) deficit of \$7.9M, an Operating Deficit [pre capital] of \$7.7M and a capital expenditure of \$114.3M. Indications at the end of March are that Council will meet the current forecast targets.

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	29-Mar	29-Mar	29-Mar	
Operating Revenue	267.1	268.1	200.2	199.5	(0.7)
Operating Costs	(274.0)	(275.9)	(206.2)	(201.8)	4.5
Operating Result [Pre Capital]	(6.9)	(7.7)	(6.0)	(2.2)	3.8
Capital Grants & Contributions	53.8	42.1	23.3	40.4	17.0
Operating Result	46.9	34.4	17.3	38.2	20.9
Funds Available from Operations	56.2	55.2	40.9	41.5	0.6
Capital Works	98.0	114.3	78.0	77.4	0.6
Contributed Assets	10.2	10.2	-	-	-
Transfer to Restricted Cash	1.5	1.5	1.1	1.1	-
Borrowings Repaid	7.7	7.7	6.5	6.5	-
Funded from:					
- Operational Funds	56.2	55.2	34.4	35.0	0.6
- Other Funding	53.4	70.6	43.3	48.6	5.3
Total Funds Surplus/(Deficit)	(7.7)	(7.9)	(1.4)	5.1	6.5
* The current budget has been changed through the annual reporting process that adjusted the timing of partly funded projects.					

Financial Performance

The March 2019 Operating Result [pre capital] shows a positive variance compared to budget of \$3.8M. This variation is impacted by a range of non-cash items or items that do not impact on the Funds Result as they are offset by transfers to or from restricted assets. These include lower depreciation expense of \$1.4M that is partially offset by net asset written off (\$1.3M) and a lower level of expenditure on funded projects of \$1.8M. There are also a range of cash impacts that largely offset one another, but individually are relatively large. These include lower levels of materials & contracts expenditure \$4.1M that are offset by a lower level of labour resources applied to capital of (\$2.4M) and timing of more minor variations

The Operating Result [Including Capital] shows a positive variance of \$20.9M. This is due to the positive Operating Result of \$3.8M and an additional \$17.1M in capital revenue. This includes capital project funding relating to West Dapto (\$8.5M), West Dapto developer contributions (\$3.7M) and additional capital project funding including an additional flood affected Voluntary Purchase Scheme property (\$1.3M).

The Funds Available from Operations shows a positive variation of \$0.6M. This result excludes non-cash variations such as depreciation, progress of funded projects and the timing impacts of specific purpose grants and contributions that are transferred to restricted cash.

Funds Result

The Total Funds result as at 29 March 2019 shows a positive variance of \$6.5M compared to phased budget. This includes the funds component of the operating result (\$0.6M) and an improvement in net capital expenditure of \$5.9M that is the result of proportionally more expenditure on funded projects/programs compared to phased budget at this point in time.

Capital Budget

At the end of March 2019, the capital program shows an expenditure of \$77.4M compared to a phased budget of \$78.0M. Funding associated with this expenditure has increased from a budget of \$43.3M to actuals of \$48.6M. The review of the capital program progress at March recommends an increase of \$3.5M that is fully offset by increased funding from restricted cash. Details of the increase are provided in the Capital Project Report and commentary (attachment 2).

Liquidity

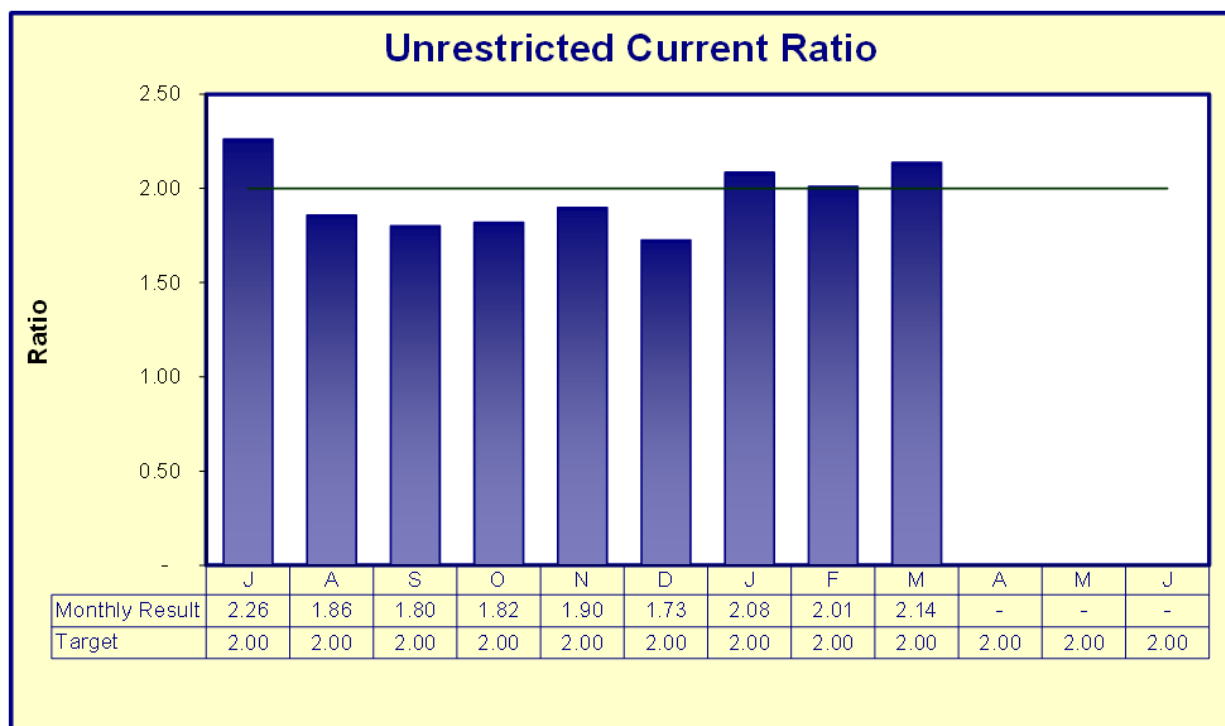
Council's cash and investments increased during March 2019 to holdings of \$155.9M compared to \$153.7M at the end of February 2019. This reflects normal trends for this time of the year.

CASH, INVESTMENTS & AVAILABLE FUNDS				
	Actual 2017/18 \$M	Original Budget 2018/19 \$M	December QR 2018/19 \$M	Actual Ytd March 2019 \$M
Total Cash and Investments	157.8	148.5	132.3	155.9
Less Restrictions:				
External	73.1	87.7	68.3	77.8
Internal	68.1	57.3	59.0	63.3
Total Restrictions	141.3	145.0	127.3	141.1
Available Cash	16.5	3.5	5.0	14.8
Adjusted for :				
Payables	(30.8)	(24.7)	(24.9)	(26.7)
Receivables	27.2	25.0	35.2	26.1
Other	10.6	11.3	-	14.6
Net Payables & Receivables	7.0	11.6	10.3	13.9
Available Funds	23.5	15.1	15.3	28.7

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 Available Funds forecast that formed part of the 2018-2019 Annual Plan is within Council's Financial Strategy target of 3.5% to 5.5% of Operational Revenue [pre capital] and is between \$9.6M and \$15.2M for the year ending 30 June 2019. The actual Available Funds at 29 March 2019 are impacted by the progress of planned expenditure.

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 above the Local Government Benchmark of >2:1, however, the strategy is 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 March 2019, receivables totalled \$26.1M compared to receivables of \$21.6M at March 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 \$26.7M were owed at March 2019 compared to payables of \$24.4M in March 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 2018-2019 is approximately 3.5%, which is still below Council's 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 \$2.7B of assets are controlled and managed by Council for the community as at 29 March 2019. The 2018-2019 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 29 March, Council has expended \$77.4M on its capital works program representing 68% of the annual budget. The year to date budget for the same period was \$78.0M.

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 2018-2021 3 Year Action	Operational Plan 2018-19 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 results for March 2019 are within projections over the majority of the range of financial indicators and it is expected that Council will achieve the forecast annual results.

WOLLONGONG CITY COUNCIL				
1 July 2018 to 29 March 2019				
	2018/19 Original Budget \$'000	2018/19 Current Budget \$'000	2018/19 YTD Budget \$'000	2018/19 Actual YTD \$'000
Income Statement				
Income From Continuing Operations				
Revenue:				
Rates and Annual Charges	197,686	197,255	146,995	147,098
User Charges and Fees	34,967	34,110	26,000	25,255
Interest and Investment Revenues	4,572	4,678	3,486	3,941
Other Revenues	10,062	11,130	8,465	8,487
Grants & Contributions provided for Operating Purposes	19,837	20,952	15,281	16,095
Grants & Contributions provided for Capital Purposes	53,752	42,105	23,327	40,444
Profit/Loss on Disposal of Assets	0	0	0	(1,330)
Total Income from Continuing Operations	320,876	310,230	223,555	239,989
Expenses From Continuing Operations				
Employee Costs	129,419	131,955	98,358	97,286
Borrowing Costs	3,310	3,330	2,482	2,529
Materials, Contracts & Other Expenses	94,926	96,126	71,945	67,828
Depreciation, Amortisation + Impairment	64,508	62,919	47,232	45,826
Internal Charges (labour)	(16,581)	(16,878)	(12,578)	(10,182)
Internal Charges (not labour)	(1,653)	(1,602)	(1,195)	(1,480)
Total Expenses From Continuing Operations	273,929	275,850	206,244	201,807
Operating Results From Continuing Operations	46,947	34,380	17,310	38,182
Net Operating Result for the Year	46,947	34,380	17,310	38,182
Net Operating Result for the Year before Grants & Contributions provided for Capital Purposes	(6,805)	(7,726)	(6,017)	(2,262)
NET SURPLUS (DEFICIT) [Pre capital] %	14.6%	11.1%	7.7%	15.9%
Funding Statement				
Net Operating Result for the Year	46,947	34,380	17,310	38,182
Add back :				
- Non-cash Operating Transactions	82,076	80,859	60,870	60,574
- Restricted cash used for operations	12,960	18,377	13,747	11,995
- Income transferred to Restricted Cash	(72,658)	(64,956)	(40,572)	(58,387)
- Payment of Accrued Leave Entitlements	(13,146)	(13,485)	(10,419)	(10,791)
Funds Available from Operations	56,178	55,175	40,937	41,573
Advances (made by) / repaid to Council	0	0	0	0
Borrowings repaid	(7,692)	(7,692)	(6,489)	(6,489)
Operational Funds Available for Capital Budget	48,486	47,483	34,448	35,084
CAPITAL BUDGET				
Assets Acquired	(97,962)	(114,341)	(78,002)	(77,358)
Contributed Assets	(10,169)	(10,169)	0	0
Transfers to Restricted Cash	(1,497)	(1,497)	(1,123)	(1,123)
Funded From :-				
- Operational Funds	48,486	47,483	34,448	35,084
- Sale of Assets	1,795	1,795	0	853
- Internally Restricted Cash	11,310	11,426	6,812	8,229
- Borrowings	0	0	0	0
- Capital Grants	12,210	20,995	17,260	18,592
- Developer Contributions (Section 94)	8,195	9,068	3,498	3,514
- Other Externally Restricted Cash	9,230	16,227	13,464	14,478
- Other Capital Contributions	10,689	11,072	2,259	2,897
TOTAL FUNDS SURPLUS / (DEFICIT)	(7,713)	(7,941)	(1,383)	5,166

CAPITAL PROJECT REPORT

as at the period ended 29 March 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	3,490	(2,071)	3,490	(2,071)	1,610	0	(0)
Public Transport Facilities	320	(90)	320	(90)	98	(0)	0
Roadworks	15,869	(2,659)	15,939	(2,659)	9,727	70	0
Bridges, Boardwalks and Jetties	869	(54)	799	(54)	541	(70)	(0)
TOTAL Roads And Related Assets	20,549	(4,875)	20,549	(4,875)	11,975	0	(0)
West Dapto							
West Dapto Infrastructure Expansion	31,072	(31,072)	34,072	(34,072)	28,236	3,000	(3,000)
TOTAL West Dapto	31,072	(31,072)	34,072	(34,072)	28,236	3,000	(3,000)
Footpaths And Cycleways							
Footpaths	6,991	(2,059)	7,012	(2,080)	3,537	21	(21)
Cycle/Shared Paths	2,519	(430)	2,519	(430)	1,930	(0)	0
Commercial Centre Upgrades - Footpaths and Cycleways	4,000	(30)	4,000	(30)	3,267	(0)	0
TOTAL Footpaths And Cycleways	13,510	(2,519)	13,531	(2,540)	8,733	21	(21)
Carparks							
Carpark Construction/Formalising	580	(100)	580	(100)	465	(0)	0
Carpark Reconstruction or Upgrading	1,640	0	1,640	0	1,169	(0)	0
TOTAL Carparks	2,220	(100)	2,220	(100)	1,634	(0)	0
Stormwater And Floodplain Management							
Floodplain Management	4,063	(2,103)	4,101	(2,141)	3,229	38	(38)
Stormwater Management	4,520	(985)	4,520	(985)	1,627	(0)	(0)
Stormwater Treatment Devices	675	(40)	675	(40)	151	(0)	0
TOTAL Stormwater And Floodplain Management	9,258	(3,128)	9,296	(3,166)	5,007	38	(38)
Buildings							
Cultural Centres (IPAC, Gallery, Townhall)	1,382	0	1,382	0	374	0	0
Administration Buildings	943	(40)	917	(14)	258	(26)	26
Community Buildings	7,919	(497)	7,881	(459)	5,535	(38)	38
Public Facilities (Shelters, Toilets etc.)	770	0	1,070	0	672	300	0
Carbon Abatement	10	0	10	0	(12)	0	0
TOTAL Buildings	11,025	(537)	11,260	(473)	6,827	236	64
Commercial Operations							
Tourist Park - Upgrades and Renewal	1,090	0	1,090	0	596	0	0
Crematorium/Cemetery - Upgrades and Renewal	420	0	420	0	379	(0)	0
Leisure Centres & RVGC	100	0	100	0	99	0	0
TOTAL Commercial Operations	1,610	0	1,610	0	1,073	0	0
Parks Gardens And Sportfields							
Play Facilities	920	0	920	0	269	0	0
Recreation Facilities	192	(118)	192	(118)	119	0	0
Sporting Facilities	4,121	(3,406)	4,111	(3,396)	2,943	(10)	10
TOTAL Parks Gardens And Sportfields	5,233	(3,524)	5,223	(3,514)	3,332	(10)	10
Beaches And Pools							
Beach Facilities	395	0	395	0	166	(0)	0
Rock/Tidal Pools	1,624	0	1,734	0	1,472	110	0
Treated Water Pools	457	0	346	0	129	(110)	0
TOTAL Beaches And Pools	2,475	0	2,475	0	1,768	(0)	0