

ITEM 17 DECEMBER 2021 FINANCIALS

The financial results for December 2021 compared to phased budget vary across the three key performance indicators. The Operating Result [pre-capital] is a favourable variance of \$2.6M, the Funds Available from Operations is unfavourable by \$0.1M and the Funds Result has a favourable variance of \$1.9M.

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

Council has expended \$43.8M on its capital works program representing 41% of the annual budget. The year to date budget for the same period was \$46.9M.

This report does not include the proposed 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 December 2021.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer

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

ATTACHMENTS

- 1 Financial Statements - December 2021
- 2 Capital Project Report - December 2021

BACKGROUND

This report presents the Financial Performance of the organisation for December 2021. 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	31-Dec	31-Dec	31-Dec	
Operating Revenue	281.9	276.5	137.9	138.4	0.5
Operating Costs	(291.1)	(296.8)	(146.6)	(144.5)	2.1
Operating Result [Pre Capital]	(9.2)	(20.3)	(8.7)	(6.1)	2.6
Capital Grants & Contributions	32.1	36.8	17.0	16.0	(1.0)
Operating Result	22.9	16.5	8.3	9.9	1.6
Funds Available from Operations	59.1	56.4	29.0	28.9	(0.1)
Capital Works	107.1	107.6	46.9	43.8	3.1
Contributed Assets	8.4	8.4	(0.0)	-	(0.0)
Transfer to Restricted Cash	1.9	2.8	1.8	1.8	-
Borrowings Repaid	5.5	5.5	2.7	2.7	(0.0)
Funded from:					
- Operational Funds	59.1	56.4	29.0	28.9	(0.1)
- Other Funding	54.6	58.8	22.8	21.8	(1.0)
Total Funds Surplus/(Deficit)	(9.1)	(9.0)	0.4	2.3	1.9

FINANCIAL PERFORMANCE

The December 2021 Operating Result [pre-capital] deficit of \$6.1M is a favourable variance of \$2.6M compared to the phased budget deficit of \$8.7M. This favourable variance is mainly related to lower levels of expenditure on funded projects (\$2.6M).

The Operating Result of \$9.9M is a favourable variance of \$1.6M compared to phased budget. This includes the net variation above as well as a lower level of capital grants and contributions of \$1.0M.

The Funds Available from Operations indicates a slight unfavourable variation of \$0.1M. 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 December, the Capital Works Program had an expenditure of \$43.8M compared to a phased budget of \$46.9M. The lower level of expenditure (\$3.1M) is offset by lower levels of funding (\$1.1M) and has resulted in a net impact on the Funds Result of \$2.0M. The December capital report recommends an increase to the program of \$0.7M largely due to the introduction of additional Roads to Recovery funded roadworks and adjustments to projects funded by Developer Contributions.

The Total Funds result as at 31 December 2021 is a favourable variance of \$1.9M compared to phased budget. This includes the \$2.0M net impact from the capital works program.

FINANCIAL POSITION

Cash, Investments & Available Funds

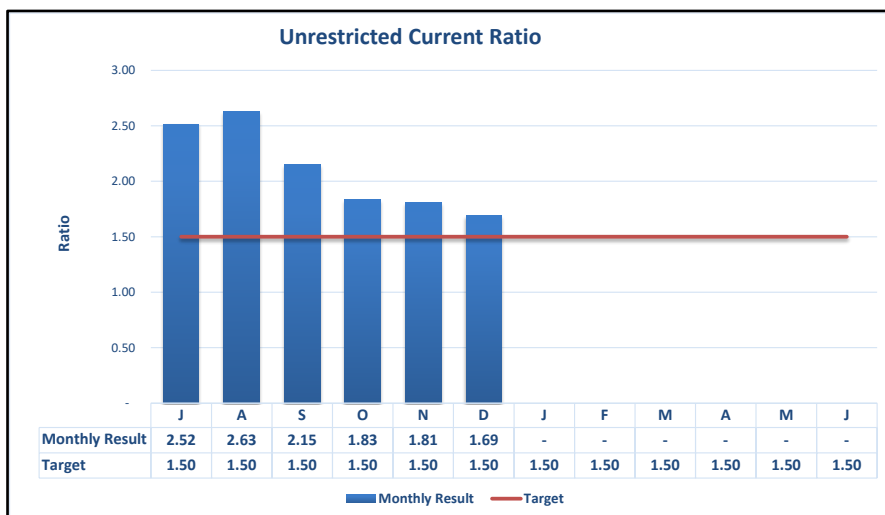
Council's cash and investments increased during December 2021 to holdings of \$172.5M compared to \$170.7M at the end of November 2021. A significant portion of these funds are subject to restriction meaning they can only be utilised for specific purposes. As a result, Council's true available cash position 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	Sept QR 2021/22 \$M	Actuals YTD December \$M
Total Cash and Investments	170.9	105.4	127.4	172.5
Less Restrictions:				
External	78.1	59.9	64.9	74.5
Internal	70.7	41.7	52.0	66.7
CivicRisk Investment	3.2			3.2
Total Restrictions	152.0	101.6	116.9	144.4
Available Cash	18.9	3.8	10.5	28.1
Adjusted for :				
Payables	(26.6)	(26.2)	(26.6)	(34.7)
Receivables	21.9	24.5	24.4	19.7
Other	9.3	10.9	6.8	11.9
Net Payables & Receivables	4.5	9.2	4.6	3.0
Available Funds	23.4	13.0	15.0	25.0

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.



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 December 2021 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 31 December 2021. Council has expended \$43.8M on its capital works program representing 41% of the annual budget. The year to date budget for the same period was \$46.9M.

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 December is positive across two of the three key performance indicators.

WOLLONGONG CITY COUNCIL					
1 July 2021 to 31 December 2021					
	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	216,782	109,084	109,233	149
User Charges and Fees	31,493	24,600	10,314	11,904	1,589
Interest and Investment Revenues	3,167	2,029	942	689	(253)
Other Revenues	5,737	5,760	2,532	1,691	(841)
Rental Income	6,326	6,359	3,527	2,804	(723)
Grants & Contributions provided for Operating Purposes	19,325	20,062	10,611	10,674	63
Grants & Contributions provided for Capital Purposes	32,091	36,838	17,047	16,031	(1,016)
Profit/Loss on Disposal of Assets	0	878	878	1,373	494
Total Income from Continuing Operations	313,998	313,308	154,937	154,398	(539)
Expenses From Continuing Operations					
Employee Costs	144,255	145,132	71,908	73,771	(1,863)
Borrowing Costs	1,954	432	218	250	(32)
Materials & Services	83,426	88,323	42,982	39,427	3,555
Other Expenses	18,447	19,540	9,661	8,868	793
Depreciation, Amortisation + Impairment	64,652	65,010	32,772	32,161	611
Labour Internal Charges	(19,309)	(19,309)	(9,734)	(8,899)	(834)
Non-Labour Internal Charges	(2,339)	(2,339)	(1,179)	(1,104)	(75)
Total Expenses From Continuing Operations	291,087	296,789	146,629	144,474	2,154
Operating Result	22,911	16,520	8,308	9,923	1,615
Operating Result [pre capital]	(9,180)	(20,319)	(8,739)	(6,107)	2,632
Funding Statement					
Net Operating Result for the Year	22,911	16,520	8,308	9,923	1,615
Add back :					
- Non-cash Operating Transactions	82,509	80,529	40,283	39,362	(921)
- Restricted cash used for operations	15,807	27,217	13,407	10,775	(2,632)
- Income transferred to Restricted Cash	(48,130)	(53,363)	(25,788)	(23,999)	1,789
Leases Repaid	0	(399)	(201)	(223)	(22)
Terminations	(14,018)	(14,099)	(6,997)	(6,941)	56
Funds Available from Operations	59,079	56,404	29,012	28,898	(114)
Borrowings Repaid	(5,482)	(5,482)	(2,716)	(2,717)	(0)
Advances (made by) / repaid to Council	0	0	0	0	0
Operational Funds Available for Capital Budget	53,597	50,922	26,296	26,181	(115)
CAPITAL BUDGET					
Assets Acquired	(107,093)	(107,586)	(46,858)	(43,803)	3,055
Contributed Assets	(8,358)	(8,358)	0	0	(0)
Transfers to Restricted Cash	(1,854)	(2,779)	(1,824)	(1,824)	0
Funded From :-					
- Operational Funds	53,597	50,922	26,296	26,181	(115)
- Sale of Assets	1,854	2,779	1,572	1,649	78
- Internally Restricted Cash	8,675	7,939	2,656	2,244	(412)
- Borrowings	0	0	0	0	0
- Capital Grants	20,069	20,803	9,963	9,303	(660)
- Developer Contributions (Section 94)	13,035	16,319	8,277	7,759	(518)
- Other Externally Restricted Cash	0	0	0	301	301
- Other Capital Contributions	10,958	10,998	355	523	169
TOTAL FUNDS SURPLUS / (DEFICIT)	(9,118)	(8,962)	437	2,334	1,898

WOLLONGONG CITY COUNCIL as at 31 December 2021		
	YTD Actual 2021/22 \$'000	Actual 2020/21 \$'000
Statement of Financial Position		
Current Assets		
Cash Assets	51,928	52,320
Investment Securities	87,339	103,334
Receivables	19,743	21,859
Inventories	473	463
Current Contract Assets	7,931	4,707
Other	9,152	6,682
Assets classified as held for sale	65	111
Total Current Assets	176,631	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	2,701,867	2,690,088
Investment Properties	4,600	4,600
Intangible Assets	114	152
Right-Of-Use Assets	1,281	1,471
Total Non-Current Assets	2,747,032	2,717,482
TOTAL ASSETS	2,923,662	2,906,958
Current Liabilities		
Current Payables	34,655	26,622
Current Contract Liabilities	8,311	8,177
Current Lease Liabilities	177	377
Current Provisions payable < 12 months	15,559	14,015
Current Provisions payable > 12 months	45,373	45,373
Current Interest Bearing Liabilities	5,497	5,497
Total Current Liabilities	109,572	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	39,312	39,314
Total Non-Current Liabilities	44,732	47,451
TOTAL LIABILITIES	154,304	147,513
NET ASSETS	2,769,358	2,759,445
Equity		
Accumulated Surplus	1,407,568	1,392,527
Asset Revaluation Reserve	1,223,700	1,223,744
Restricted Assets	138,090	143,174
TOTAL EQUITY	2,769,358	2,759,445

WOLLONGONG CITY COUNCIL		
CASH FLOW STATEMENT as at 31 December 2021		
	YTD Actual 2021/22 \$ '000	Actual 2020/21 \$ '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts:		
Rates & Annual Charges	122,625	214,468
User Charges & Fees	20,589	30,198
Interest & Interest Received	773	2,269
Grants & Contributions	22,436	58,978
Bonds, deposits and retention amounts received	412	755
Other	7,390	24,061
Payments:		
Employee Benefits & On-costs	(63,549)	(125,163)
Materials & Contracts	(45,272)	(87,653)
Borrowing Costs	(253)	(691)
Bonds, deposits and retention amounts refunded	-	(2,637)
Other	(12,357)	(20,275)
Net Cash provided (or used in) Operating Activities	52,794	94,309
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts:		
Sale of Investments	35,231	56,040
Sale of Infrastructure, Property, Plant & Equipment	1,649	1,531
Payments:		
Purchase of Investments	(37,207)	(69,745)
Purchase of Infrastructure, Property, Plant & Equipment	(49,945)	(78,658)
Net Cash provided (or used in) Investing Activities	(50,271)	(90,832)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments:		
Repayment of Borrowings & Advances	(2,716)	(5,260)
Repayment of Finance Lease Liabilities	(199)	(348)
Net Cash Flow provided (used in) Financing Activities	(2,916)	(5,608)
Net Increase/(Decrease) in Cash & Cash Equivalents	(392)	(2,131)
plus: Cash & Cash Equivalents - beginning of year	52,320	56,051
plus: Investments on hand - end of year	120,538	118,533
Cash & Cash Equivalents and Investments - year to date	172,466	172,453

WOLLONGONG CITY COUNCIL		
CASH FLOW STATEMENT as at 31 December 2021		
	YTD Actual 2021/22 \$ '000	Actual 2020/21 \$ '000
Total Cash & Cash Equivalents and Investments - year to date	172,466	172,453
Attributable to:		
External Restrictions (refer below)	74,509	78,088
Internal Restrictions (refer below)	66,693	70,676
Unrestricted	31,264	23,689
172,466	172,453	
External Restrictions		
Developer Contributions	37,046	38,719
RMS Contributions	610	115
Specific Purpose Unexpended Grants	8,227	9,687
Special Rates Levy Wollongong Mall	359	282
Special Rates Levy Wollongong City Centre	57	59
Local Infrastructure Renewal Scheme	-	277
Unexpended Loans	941	965
Domestic Waste Management	9,393	10,746
Private Subsidies	5,533	5,420
Housing Affordability	9,642	9,640
Stormwater Management Service Charge	2,701	2,178
Total External Restrictions	74,509	78,088
Internal Restrictions		
Property Investment Fund	9,389	9,388
Strategic Projects	41,185	46,558
Sports Priority Program	857	943
Car Parking Strategy	1,172	1,051
MacCabe Park Development	1,663	1,590
Darcy Wentworth Park	171	171
Garbage Disposal Facility	4,158	3,415
West Dapto Development Additional Rates	7,533	6,951
Southern Phone Natural Areas	173	173
Lake Illawarra Estuary Management Fund	392	436
Total Internal Restrictions	66,693	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 December 2021 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 December 2021, the approved Capital Budget is proposed to increase by \$0.7M from \$107.6M to \$108.3M due primarily to the rephasing of funding listed below:

- Roads to Recovery (Federal Government) funding for Harry Graham Drive rockfall catch fencing project.
- Section 7:11 Developer Contributions (West Dapto) for Wongawilli Rd upgrade.
- Section 7:12 Developer Contributions for various footpaths and shareways projects.
- Sports Priority Reserve Funding for a new project - Noel Mulligan Oval sportsfield lighting.

Council achieved expenditure at the end of December 2021 of \$43.8M compared to the most recently adjusted phased budget expenditure of \$46.9M. A review of the expenditure compared to phased budget has identified that most of this delay 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 Transport for NSW funding for existing project due to reduced scope of work arising from community engagement.
Roadworks	Introduce additional Roads to Recovery (R2R) funding for existing project - Harry Graham Drive rockfall catch fencing. Reallocate Local Roads and Community Infrastructure (LR&CI) funding 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
Footpaths	Reallocate Local Roads and Community Infrastructure (LR&CI) funding from Roadworks program to Footpaths program for existing projects. Introduce additional Strategic Projects Reserve funding for existing project at William Beach Park.
Cycle/Shared Paths	Rephase Section 7:12 Developer Contributions for new shareway project at Reserve Road West Wollongong. Rephase Local Roads and Community Infrastructure (LR&CI) funding for existing project at Trinity Row Bulli.
Carpark - Reconstruction or Upgrading	Reallocate budget from Capital Budget Contingency to Carpark - Reconstruction or Upgrading
Floodplain Management	Rephase Department of Planning Industry and Environment (DPIE) funding for existing project

Program	Major Points of change to Capital Budget
	Reallocate budget from Floodplain Management Program to Stormwater Management Program
Stormwater Management	Reallocate budget from Floodplain Management Program to Stormwater Management Program.
Play Facilities	Rephasing of Local Roads and Community Infrastructure (LR&CI) funding for All Aged & Abilities Playground project in Stuart Park, due to delays in obtaining planning approvals.
Recreation Facilities	Reallocate Budget from Capital Project Contingency for existing projects.
Sporting Facilities	Introduce Sports Priority funding for new project - Noel Mulligan Oval sportsfield lighting.
Whytes Gully New Cells	Rephase Waste Reserve funding for existing project
Capital Project Contingency	Consolidation of multiple adjustments referenced above.

CAPITAL PROJECT REPORT							
as at the period ended 31 December 2021							
ASSET CLASS PROGRAMME	\$'000		\$'000		YTD EXPENDITURE	\$'000	
	CURRENT BUDGET		WORKING BUDGET			VARIATION	
	EXPENDITURE	OTHER FUNDING	EXPENDITURE	OTHER FUNDING		EXPENDITURE	OTHER FUNDING
Parks Gardens And Sportfields							
Play Facilities	1,488	(443)	1,517	(472)	139	29	(29)
Recreation Facilities	5,877	(5,240)	5,982	(5,240)	2,080	105	0
Sporting Facilities	6,178	(3,586)	6,333	(3,741)	993	155	(155)
TOTAL Parks Gardens And Sportfields	13,543	(9,269)	13,832	(9,453)	3,212	289	(184)
Beaches And Pools							
Beach Facilities	550	(500)	550	(500)	33	0	0
Rock/Tidal Pools	350	0	350	0	142	0	0
Treated Water Pools	2,002	(32)	2,002	(32)	386	0	0
TOTAL Beaches And Pools	2,902	(532)	2,902	(532)	560	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	1,325	(1,325)	1,425	(1,425)	548	100	(100)
TOTAL Waste Facilities	1,325	(1,325)	1,425	(1,425)	548	100	(100)
Fleet							
Motor Vehicles	1,830	(979)	1,830	(979)	558	(0)	0
TOTAL Fleet	1,830	(979)	1,830	(979)	558	(0)	0
Plant And Equipment							
Mobile Plant (trucks, backhoes etc.)	4,200	(905)	4,200	(905)	722	(0)	0
TOTAL Plant And Equipment	4,200	(905)	4,200	(905)	722	(0)	0
Information Technology							
Information Technology	1,050	0	1,050	0	442	(0)	0
TOTAL Information Technology	1,050	0	1,050	0	442	(0)	0
Library Books							
Library Books	1,283	0	1,283	0	642	(0)	0
TOTAL Library Books	1,283	0	1,283	0	642	(0)	0
Public Art							
Art Gallery Acquisitions	137	0	137	0	72	(0)	0
TOTAL Public Art	137	0	137	0	72	(0)	0
Land Acquisitions							
Land Acquisitions	4,191	(4,041)	4,191	(4,041)	3,893	0	0
TOTAL Land Acquisitions	4,191	(4,041)	4,191	(4,041)	3,893	0	0
Non-Project Allocations							
Capital Project Contingency	(1,221)	0	(1,728)	0	0	(505)	0
TOTAL Non-Project Allocations	(1,221)	0	(1,728)	0	0	(505)	0
GRAND TOTAL	107,586	(47,168)	108,305	(47,887)	43,803	719	(719)