

ITEM 12 JULY 2018 FINANCIALS

The July 2018 financial results representing one month's transactions are not necessarily indicative of annual performance. Overall, the result for the month of July is favourable compared to phased budget for some of the key indicators. The Operating Result (pre capital) is favourable by \$3.3M and the Funds Result shows a favourable variance compared to the phased budget of \$1.6M.

The budget has been phased using a preliminary allocation based on the days in the financial period that may not fully reflect actual expenditure patterns particularly in the early months of the year. These patterns will be refined over the coming months.

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

Council has expended \$5.9M on its capital works program representing 6.0% of the annual budget. The year to date budget for the same period was \$5.6M.

RECOMMENDATION

- 1 The financials be received and noted.
- 2 Council approves the proposed changes to the Capital Budget.
- 3 Council approves the introduction of contributed assets and associated funding.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer

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

ATTACHMENTS

- 1 Income and Funding Statement - July 2018
- 2 Capital Project Report - July 2018
- 3 Balance Sheet - July 2018

BACKGROUND

This report presents the Income and Expense Statement, Balance Sheet and Cash Flow Statement for July 2018. Council's original budget has a Net Funding (cash) deficit of \$7.7M, an Operating Deficit [Pre Capital] of \$6.9M and a capital expenditure of \$98.0M. The estimates are in deficit due to the early receipt of the Financial Assistance Grant (\$9.3M) in 2017-18 and do not reflect an underlying negative financial performance. At the end of July, Council remains on target to the operational components of this result.

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	27-Jul	27-Jul	
Operating Revenue	267.1	19.7	21.0	1.2
Operating Costs	(274.0)	(20.7)	(18.6)	2.1
Operating Result [Pre Capital]	(6.9)	(0.9)	2.4	3.3
Capital Grants & Contributions	53.8	4.0	0.8	(3.2)
Operating Result	46.9	3.1	3.2	0.1
Funds Available from Operations	56.2	3.8	6.2	2.4
Capital Works	98.0	5.6	5.9	(0.3)
Contributed Assets	10.2	-	-	-
Transfer to Restricted Cash	1.5	0.1	0.1	(0.0)
Borrowings Repaid	7.7	-	-	-
Funded from:				
- Operational Funds	56.2	3.8	6.2	2.4
- Other Funding	53.4	2.8	2.3	(0.5)
Total Funds Surplus/(Deficit)	(7.7)	0.9	2.5	1.6

Financial Performance

The July 2018 Operating Result [pre capital] shows a positive variance compared to budget of \$3.3M.

Funds Result

The Total Funds result as at 27 July 2018 shows a positive variance of \$1.6M. The positive variation in the operating result has been offset by increased expenditure on Council funded capital works (\$0.7M), operating grants transferred to restricted assets (\$0.7M) and increased payment of leave liabilities (\$0.3M), compared to phased budget.

Capital Budget

As at 27 July 2018, Council had expended \$5.9M or 6.0% of the approved annual capital budget of \$98.0M.

Liquidity

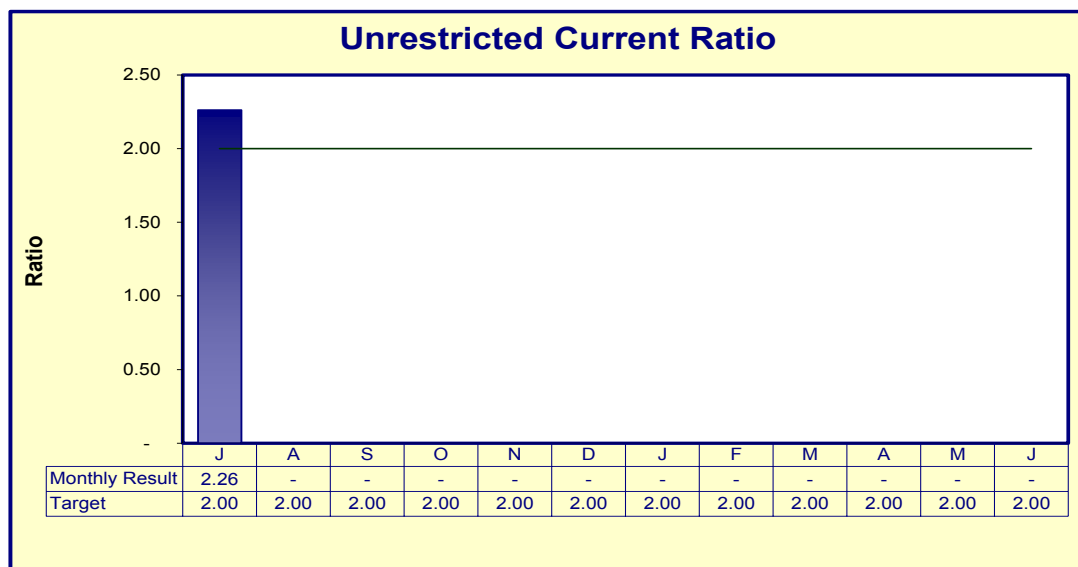
Council's cash and investments decreased during July 2018 to holdings of \$140.0M compared to \$157.8M at the end of June 2018. This reflects normal trends for this time of the year as Council awaits the first rate instalment in August.

CASH, INVESTMENTS & AVAILABLE FUNDS			
	Actual 2017/18	Original Budget 2018/19	Actual Ytd July 2018
	\$M	\$M	\$M
Total Cash and Investments	157.8	148.5	140.0
Less Restrictions:			
External	73.1	87.7	72.8
Internal	68.1	57.3	68.1
Total Restrictions	141.3	145.0	140.9
Available Cash	16.5	3.5	(0.9)
Adjusted for :			
Current payables	(30.8)	(24.7)	(24.7)
Receivables	27.2	25.0	38.5
Other	10.6	11.3	13.1
Net Payables & Receivables	7.0	11.6	26.9
Available Funds	23.5	15.1	26.0

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 cash position shows a negative result indicating that some of Council's internal reserves are partially covered by debtors instead of cash held at bank. While this has not been the case in recent periods, it is an acceptable position that reflects the timing variance between 'Funds' and 'Cash' in our accounting process.

The Available Funds forecast that formed part of the 2018-19 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 27 July 2018 are impacted by the progress of planned expenditure and increased revenue to date.

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 July 2018, receivables totalled \$38.5M, compared to receivables of \$36.7M at July 2017. Fluctuations relate to the timing of rates payments which are accrued before the actual payments are due.

Payables

Payables (the amount of money owed to suppliers) of \$24.7M were owed at July 2018 compared to payables of \$29.2M in July 2017. The difference in payables relate to goods and services and capital projects delivered but not yet paid for, timing of the receipt of rating income and timing of the Financial Assistance Grant payments.

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 is 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 2009-10, 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 2012-13 for Round 1, \$4.3M in 2013-14 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 2018-19 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 \$2.6B of assets are controlled and managed by Council for the community as at 27 July 2018. The 2018-19 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 27 July 2018, Council had expended \$5.9M or 6.0% of the approved annual capital budget of \$98.0M.

The results compared to budget for the early months of the year can be distorted by the phasing methodology applied to the budget compared to actual project and program progress. The results for July 2018 are generally within projections over a range of financial indicators and it is expected that Council will achieve the forecast annual results.

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 2018-19
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	<p>Monitor and review achievement of Financial Strategy</p> <p>Continuous budget management is in place, controlled and reported</p> <p>Provide accurate and timely financial reports monthly, quarterly and via the annual statement</p> <p>Manage and further develop a compliance program to promote awareness and compliance with Council's procurement policies and procedures and other related policies</p>

CONCLUSION

The results compared to budget for the early months of the year can be distorted by the phasing methodology applied to the budget compared to actual project and program progress. The results for July 2018 are generally within projections over a range of financial indicators and it is expected that Council will achieve the forecast annual results.

WOLLONGONG CITY COUNCIL				
1 July 2018 to 27 July 2018				
	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	197,686	14,623	14,280
User Charges and Fees	34,967	34,967	2,587	2,539
Interest and Investment Revenues	4,572	4,572	338	404
Other Revenues	10,062	10,062	744	1,613
Grants & Contributions provided for Operating Purposes	19,837	19,837	1,467	2,143
Grants & Contributions provided for Capital Purposes	53,752	53,752	3,976	843
Total Income from Continuing Operations	320,876	320,876	23,736	21,822
Expenses From Continuing Operations				
Employee Costs	129,419	129,419	9,955	9,264
Borrowing Costs	3,310	3,310	245	321
Materials, Contracts & Other Expenses	94,996	94,996	7,027	5,231
Depreciation, Amortisation + Impairment	64,508	64,508	4,772	4,772
Internal Charges (labour)	(16,581)	(16,581)	(1,227)	(392)
Internal Charges (not labour)	(1,653)	(1,653)	(122)	(607)
Total Expenses From Continuing Operations	273,999	273,999	20,650	18,589
Operating Results From Continuing Operations	46,877	46,877	3,086	3,233
Discontinued Operations				
Net Profit/Loss from Discontinued Operations	0	0	0	0
Net Operating Result for the Year	46,877	46,877	3,086	3,233
Net Operating Result for the Year before Grants & Contributions provided for Capital Purposes	(6,875)	(6,875)	(890)	2,390
NET SURPLUS (DEFICIT) [Pre capital] %	14.6%	14.6%	13.0%	14.8%
Funding Statement				
Net Operating Result for the Year	46,877	46,877	3,086	3,233
Add back :				
- Non-cash Operating Transactions	82,076	82,076	6,071	6,052
- Restricted cash used for operations	13,030	13,030	964	1,051
- Income transferred to Restricted Cash	(72,658)	(72,658)	(5,375)	(2,862)
- Payment of Accrued Leave Entitlements	(13,146)	(13,146)	(972)	(1,287)
- Payment of Carbon Contributions	0	0	0	0
Funds Available from Operations	56,178	56,178	3,774	6,187
Advances (made by) / repaid to Council	0	0	0	0
Borrowings repaid	(7,692)	(7,692)	0	0
Operational Funds Available for Capital Budget	48,486	48,486	3,774	6,187
CAPITAL BUDGET				
Assets Acquired	(97,962)	(99,492)	(5,610)	(5,875)
Contributed Assets	(10,169)	(10,169)	0	0
Transfers to Restricted Cash	(1,497)	(1,497)	(111)	(125)
Funded From :-				
- Operational Funds	48,486	48,486	3,774	6,187
- Sale of Assets	1,795	1,795	95	0
- Internally Restricted Cash	11,310	11,365	596	1,242
- Borrowings	0	0	0	0
- Capital Grants	12,210	12,482	644	215
- Developer Contributions (Section 94)	8,195	9,015	432	24
- Other Externally Restricted Cash	9,230	9,230	487	690
- Other Capital Contributions	10,689	11,072	563	162
TOTAL FUNDS SURPLUS / (DEFICIT)	(7,713)	(7,713)	869	2,520

CAPITAL PROJECT REPORT							
as at the period ended 27 July 2018							
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	1,922	(1,548)	2,347	(1,908)	136	425	(360)
Public Transport Facilities	520	(190)	520	(190)	1	0	0
Roadworks	15,920	(2,130)	15,924	(2,134)	228	4	(4)
Bridges, Boardwalks and Jetties	1,015	0	1,067	(52)	195	52	(52)
TOTAL Roads And Related Assets	19,377	(3,868)	19,859	(4,285)	560	482	(417)
West Dapto							
West Dapto Infrastructure Expansion	17,250	(17,250)	18,050	(18,050)	768	800	(800)
TOTAL West Dapto	17,250	(17,250)	18,050	(18,050)	768	800	(800)
Footpaths And Cycleways							
Footpaths	6,492	(2,100)	6,492	(2,100)	194	(0)	(0)
Cycle/Shared Paths	1,625	(450)	2,729	(450)	569	1,104	0
Commercial Centre Upgrades - Footpaths and Cycleways	3,400	(30)	3,400	(30)	531	0	0
TOTAL Footpaths And Cycleways	11,517	(2,580)	12,621	(2,580)	1,294	1,104	(0)
Carparks							
Carpark Construction/Formalising	620	(400)	570	(350)	1	(50)	50
Carpark Reconstruction or Upgrading	1,750	0	1,750	0	460	(0)	0
TOTAL Carparks	2,370	(400)	2,320	(350)	460	(50)	50
Stormwater And Floodplain Management							
Floodplain Management	2,240	0	2,339	(99)	64	99	(99)
Stormwater Management	4,043	(1,278)	4,021	(1,256)	62	(22)	22
Stormwater Treatment Devices	835	(160)	835	(160)	31	(0)	0
TOTAL Stormwater And Floodplain M	7,118	(1,438)	7,195	(1,515)	157	77	(77)
Buildings							
Cultural Centres (IPAC, Gallery, Townhall)	1,783	0	1,783	0	1	0	0
Administration Buildings	943	(40)	943	(40)	17	0	0
Community Buildings	8,129	(547)	8,159	(547)	883	30	(0)
Public Facilities (Shelters, Toilets etc.)	690	0	690	0	0	0	0
Carbon Abatement	0	0	0	0	(36)	0	0
TOTAL Buildings	11,545	(587)	11,575	(587)	865	30	(0)
Commercial Operations							
Tourist Park - Upgrades and Renewal	1,100	0	1,100	0	3	(0)	0
Crematorium/Cemetery - Upgrades and Renewal	410	0	410	0	1	0	0
Leisure Centres & RVGC	100	0	100	0	0	0	0
TOTAL Commercial Operations	1,610	0	1,610	0	4	0	0
Parks Gardens And Sportfields							
Play Facilities	920	0	920	0	27	(0)	0
Recreation Facilities	949	0	954	(80)	15	5	(80)
Sporting Facilities	3,993	(3,278)	4,143	(3,428)	23	150	(150)
TOTAL Parks Gardens And Sportfield	5,862	(3,278)	6,017	(3,508)	64	155	(230)
Beaches And Pools							
Beach Facilities	450	0	495	0	22	45	0
Rock/Tidal Pools	1,224	0	1,474	0	165	250	0
Treated Water Pools	757	0	507	0	9	(250)	0
TOTAL Beaches And Pools	2,431	0	2,476	0	195	45	0

CAPITAL PROJECT REPORT								
as at the period ended 27 July 2018								
ASSET CLASS PROGRAMME	\$'000		\$'000		YTD EXPENDITURE	\$'000		
	CURRENT BUDGET		WORKING BUDGET			VARIATION		
	EXPENDITURE	OTHER FUNDING	EXPENDITURE	OTHER FUNDING		EXPENDITURE	OTHER FUNDING	
Natural Areas								
Natural Area Management and Rehabilitation	125	0	125	0	1	0	0	
TOTAL Natural Areas	125	0	125	0	1	0	0	
Waste Facilities								
Whytes Gully New Cells	4,490	(4,490)	4,547	(4,547)	1,248	57	(57)	
Whytes Gully Renewal Works	560	(560)	560	(560)	1	(0)	0	
Helensburgh Rehabilitation	1,200	(1,200)	1,200	(1,200)	0	0	0	
TOTAL Waste Facilities	6,250	(6,250)	6,307	(6,307)	1,250	57	(57)	
Fleet								
Motor Vehicles	1,700	(1,108)	1,700	(1,108)	0	(0)	(0)	
TOTAL Fleet	1,700	(1,108)	1,700	(1,108)	0	(0)	(0)	
Plant And Equipment								
Portable Equipment (Mowers etc.)	250	(38)	250	(38)	1	(0)	(0)	
Mobile Plant (trucks, backhoes etc.)	3,400	(650)	3,400	(650)	12	(0)	(0)	
Fixed Equipment	300	0	300	0	0	0	0	
TOTAL Plant And Equipment	3,950	(688)	3,950	(688)	14	(0)	(0)	
Information Technology								
Information Technology	781	0	781	0	3	(0)	0	
TOTAL Information Technology	781	0	781	0	3	(0)	0	
Library Books								
Library Books	1,191	0	1,191	0	236	(0)	0	
TOTAL Library Books	1,191	0	1,191	0	236	(0)	0	
Public Art								
Public Art Works	0	0	0	0	0	0	0	
Art Gallery Acquisitions	100	0	100	0	0	0	0	
TOTAL Public Art	100	0	100	0	0	0	0	
Emergency Services								
Emergency Services Plant and Equipment	1,200	(771)	1,200	(771)	0	0	0	
TOTAL Emergency Services	1,200	(771)	1,200	(771)	0	0	0	
Land Acquisitions								
Land Acquisitions	100	0	100	0	2	0	0	
TOTAL Land Acquisitions	100	0	100	0	2	0	0	
Non-Project Allocations								
Capital Project Contingency	3,466	0	2,297	0	0	(1,169)	0	
Capital Project Plan	20	0	20	0	4	(0)	0	
TOTAL Non-Project Allocations	3,486	0	2,317	0	4	(1,169)	0	
GRAND TOTAL	97,962	(38,217)	99,492	(39,747)	5,875	1,530	(1,530)	

Project Delivery Division
Commentary on July 2018 Capital Project Report

On 25 June 2018, Council approved a Capital budget for 2018-19 of \$98.0M. At the end of July 2018 the expenditure on capital projects was \$5.9M and the approved capital budget is proposed to increase by \$1.5M to \$99.5M primarily due to the introduction of additional external and internal funding - primarily for the design of West Dapto Access infrastructure upgrade projects. In addition to this, there was a series of other budget increases and adjustment mostly associated with the introduction and/or re-phasing of a variety of internal and external funding from sources as detailed below. It is anticipated there will be minor variations to the overall size of the Capital Budget for at least the next six months due to re-phrasing of various internal and external funding.

Program	Major Points of change to Capital Budget
Traffic Facilities	Re-phase RMS Black Spots funding for existing projects.
Bridges Boardwalks and Jetties	Introduce RMS Natural Disaster funding for existing project.
West Dapto Infrastructure Expansion	Re-phase and adjust various West Dapto internal and external funding for existing projects to better reflect expected expenditure on design of major West Dapto Access Upgrade Projects during 18/19.
Cycle/Share Paths	Reallocate budget from Capital Budget Contingency to Cycle/Share Paths for completion of Sections 1 and 2 of Grand Pacific Walk
Car Parks Reconstruction or Upgrading	Re-phase City Centre Parking Income Reserve Funding for existing project.
Floodplain Management	Re-phase and adjust OEH funding for existing projects to match available funding.
Stormwater Management	Adjust RMS Natural Disaster funding to match available funding for exiting projects.
Community Buildings	Reallocate budget from Recreation Facilities Program to Community Buildings Program
Recreation Facilities	Reallocate budget from Recreation Facilities Program to Community Buildings and Beach Facilities Programs. Re-phase Strategic Projects Reserve funding for existing projects
Sporting Facilities	Re-phase Strategic Projects Reserve funding for existing project.
Beach Facilities	Reallocate budget from Recreation Facilities program to Beach Facilities program
Rock/Tidal Pools	Reallocate budget from Treated Water Pools Program to Rock/Tidal Pools Program.
Treated Water Pools	Reallocate budget from Treated Water Pools Program to Rock/Tidal Pools Program.
Whytes Gully New Cells	Re-phase Better Waste and Recycling Funding for existing project
Contingency	Reallocate budget to Cycle/Share paths program as detailed above.

WOLLONGONG CITY COUNCIL		
	Actual 2018/19 \$'000	Actual 2017/18 \$'000
Balance Sheet		
Current Assets		
Cash Assets	15,208	26,491
Investment Securities	105,721	109,162
Receivables	38,503	27,174
Inventories	315	306
Other	13,488	10,666
Assets classified as held for sale	0	0
Total Current Assets	173,235	173,799
Non-Current Assets		
Non Current Cash Assets	19,115	22,115
Non-Current Receivables	0	0
Non-Current Inventories	5,835	5,835
Property, Plant and Equipment	2,357,798	2,356,306
Investment Properties	4,780	4,780
Westpool Equity Contribution	2,637	2,637
Intangible Assets	388	388
Total Non-Current Assets	2,390,553	2,392,061
TOTAL ASSETS	2,563,789	2,565,860
Current Liabilities		
Current Payables	23,999	30,056
Current Provisions payable < 12 months	12,459	12,667
Current Provisions payable > 12 months	37,710	37,710
Current Interest Bearing Liabilities	7,716	7,716
Total Current Liabilities	81,883	88,149
Non-Current Liabilities		
Non Current Payables	700	700
Non Current Interest Bearing Liabilities	25,086	25,039
Non Current Provisions	44,721	44,567
Total Non-Current Liabilities	70,507	70,306
TOTAL LIABILITIES	152,390	158,455
NET ASSETS	2,411,399	2,407,405
Equity		
Accumulated Surplus	1,304,437	1,300,807
Asset Revaluation Reserve	966,085	965,325
Restricted Assets	140,877	141,274
TOTAL EQUITY	2,411,399	2,407,406