

ITEM 10 AUGUST 2017 FINANCIALS

Overall, the result for the month of August is favourable compared to phased budget for the key indicators. The Operating Result (pre capital) is favourable by \$2.4M and the Funds Result shows a favourable variance compared to the phased budget of \$2.4M.

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

Council has expended \$11.9M on its capital works program representing 13.0% of the annual budget. The year to date budget for the same period was \$12.1M.

RECOMMENDATIONS

- 1 The financials be received and noted.
- 2 Proposed changes in the Capital Works Program be approved.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Manager Finance

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

ATTACHMENTS

- 1 Income and Expense Statement - August 2017
- 2 Capital Project Report - August 2017
- 3 Balance Sheet - August 2017
- 4 Cash Flow Statement - August 2017

BACKGROUND

This report presents the Income and Expense Statement, Balance Sheet and Cash Flow Statement for August 2017. Council's current budget has a Net Funding (cash) deficit of \$9.7M, an Operating Deficit [Pre Capital] of \$8.4M and a capital expenditure of \$91.4M. At the end of August, 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
		1-Jul	25-Aug	25-Aug	
KEY MOVEMENTS					
Operating Revenue	\$M	261.5	40.1	40.3	0.2
Operating Costs	\$M	(269.9)	(42.3)	(40.1)	2.3
Operating Result [Pre Capital]	\$M	(8.4)	(2.2)	0.2	2.4
Capital Grants & Contributions	\$M	44.9	6.2	2.9	(3.3)
Operating Result	\$M	36.4	4.0	3.1	(0.9)
Funds Available from Operations	\$M	54.4	8.0	9.8	1.8
Capital Works		91.4	12.1	11.9	0.3
Contributed Assets		3.6	-	-	-
Transfer to Restricted Cash		-	-	-	-
Borrowings Repaid	\$M	7.5	0.4	0.4	0.0
Funded from:					
- Operational Funds	\$M	54.4	7.6	9.8	2.2
- Other Funding	\$M	38.4	5.9	6.2	0.3
Total Funds Surplus/(Deficit)	\$M	(9.7)	1.3	3.7	2.4

Financial Performance

The August 2017 Operating Result [pre capital] shows a positive variance compared to budget of \$2.4M.

Funds Result

The Total Funds result as at 25 August 2017 shows a positive variance of \$2.4M. The positive variation in the operating result has been replicated in the funds result, with the lower expenditure of funded projects in operational offset by increased expenditure of funded projects in capital.

Capital Budget

Council has expended \$11.9M on its capital works program representing 13.0% of the annual budget. The year to date budget for the same period was \$12.1M.

Liquidity

Council's cash and investments increased during August 2017 to holdings of \$152.7M compared to \$143.4M at the end of July 2017. This reflects normal trends for this time of the year as Council received the first rate instalment in August.

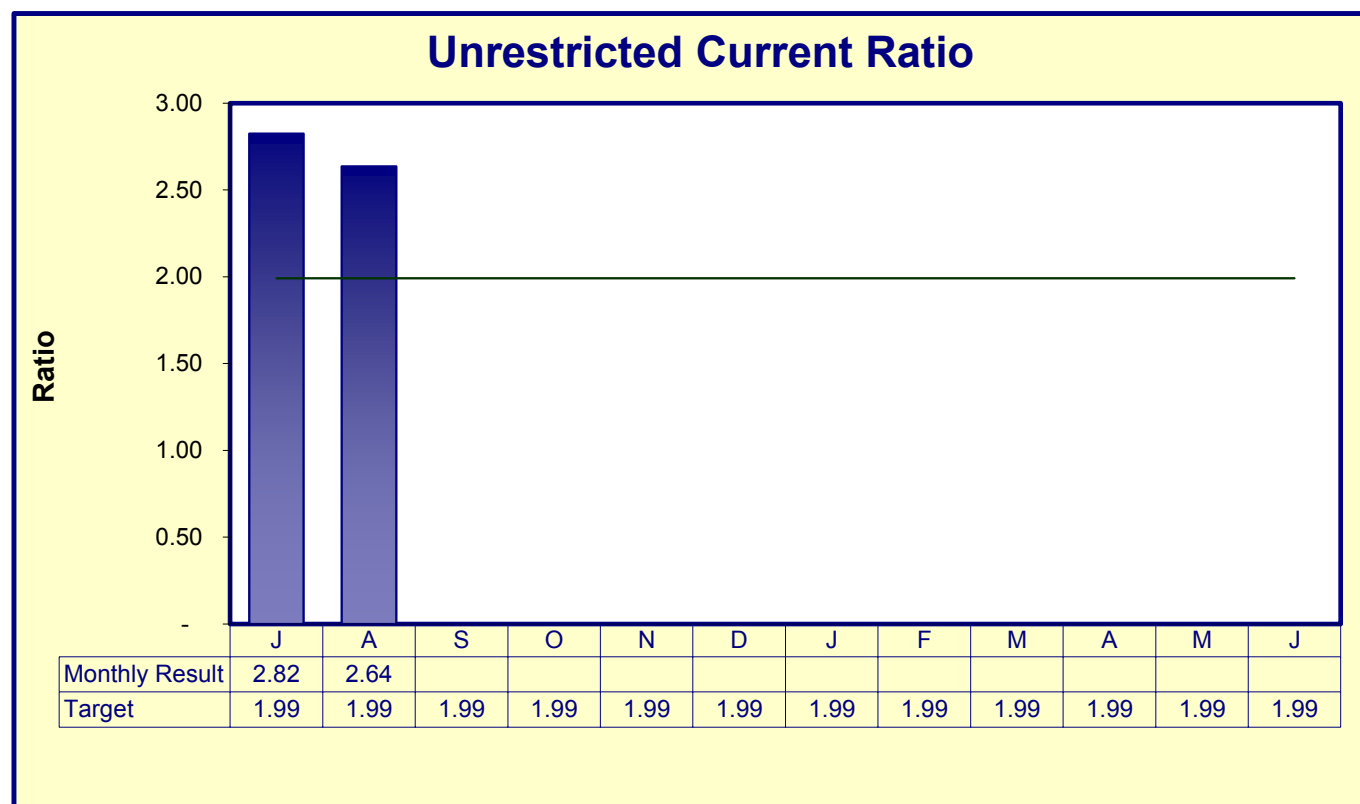
CASH, INVESTMENTS & AVAILABLE FUNDS			
	Actual 2016/17 \$M	Original Budget 2017/18 \$M	Actual Ytd Aug 2017 \$M
Total Cash and Investments	167.6	153.5	152.7
Less Restrictions:			
External	75.8	96.9	75.7
Internal	57.4	49.8	56.3
Total Restrictions	133.2	146.8	132.0
Available Cash	34.4	6.8	20.7
Adjusted for :			
Current payables	(41.6)	(24.3)	(34.2)
Receivables	23.5	23.9	31.3
Other	10.7	11.0	13.1
Net Payables & Receivables	(7.4)	10.6	10.1
Available Funds	27.0	17.3	30.8

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 2017/18 Annual Plan is within Council's Financial Strategy target of 3.5% to 5.5% of Operational Revenue [pre capital] and is between \$9.2M and \$14.4M for the year ending 30 June 2018. The actual Available Funds at 25 August 2017 are impacted by the progress of planned expenditure 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 August 2017, receivables totalled \$31.3M, compared to receivables of \$22.9M at August 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 \$34.2M were owed at August 2017 compared to payables of \$29.1M in August 2016. 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 2017-18 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 \$2.5B of assets are controlled and managed by Council for the community as at 25 August 2017. The 2017-18 capital works program includes projects such as the West Dapto Access strategy, Grand Pacific walk, tramway sea wall and path upgrade, civil asset renewals including roads, car parks and buildings and purchase of library books. As at 25 August 2017, Council had expended \$11.9M or 13% of the approved annual capital budget of \$91.4M.

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 2012-17	Annual Plan 2017-18
Strategy	5 Year Action	Annual Deliverables
4.4.5 Finances are managed effectively to ensure long term financial sustainability	4.4.5.1 Effective and transparent financial management systems are in place	Provide accurate and timely financial reports monthly, quarterly and via the annual financial statement
		Continuous Budget Management is in place, controlled and reported
		Manage and further develop compliance program
		Monitor and review achievement of Financial Strategy

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 August 2017 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 2017 to 25 August 2017			
	2017/18 Original Budget \$'000	2017/18 YTD Budget \$'000	2017/18 Actual YTD \$'000
Income Statement			
Income From Continuing Operations			
Revenue:			
Rates and Annual Charges	190,941	29,299	29,324
User Charges and Fees	35,691	5,131	5,192
Interest and Investment Revenues	4,321	700	758
Other Revenues	9,705	1,515	1,368
Grants & Contributions provided for Operating Purposes	20,838	3,487	3,664
Grants & Contributions provided for Capital Purposes	44,858	6,248	2,914
Profit/Loss on Disposal of Assets	0	(0)	0
Total Income from Continuing Operations	306,353	46,380	43,219
Expenses From Continuing Operations			
Employee Costs	125,906	19,021	17,975
Borrowing Costs	3,849	617	602
Materials, Contracts & Other Expenses	93,150	14,464	12,514
Depreciation, Amortisation + Impairment	64,340	10,929	10,929
Internal Charges (labour)	(15,702)	(2,405)	(1,780)
Internal Charges (not labour)	(1,618)	(261)	(161)
Total Expenses From Continuing Operations	269,926	42,365	40,079
Operating Results From Continuing Operations	36,427	4,015	3,140
Net Operating Result for the Year	36,427	4,015	3,140
Net Operating Result for the Year before Grants & Contributions provided for Capital Purposes	(8,431)	(2,233)	226
NET SURPLUS (DEFICIT) [Pre capital] %	11.9%	8.7%	7.3%
Funding Statement			
Net Operating Result for the Year	36,427	4,015	3,140
Add back :			
- Non-cash Operating Transactions	80,942	13,441	13,484
- Restricted cash used for operations	13,286	2,042	1,349
- Income transferred to Restricted Cash	(63,548)	(9,604)	(6,338)
- Payment of Accrued Leave Entitlements	(12,718)	(1,905)	(1,795)
- Payment of Carbon Contributions	0	0	0
Funds Available from Operations	54,389	7,989	9,839
Borrowings repaid	(7,486)	(359)	(358)
Operational Funds Available for Capital Budget	46,903	7,631	9,481
CAPITAL BUDGET			
Assets Acquired	(91,373)	(12,149)	(11,918)
Contributed Assets	(3,600)	(0)	0
Transfers to Restricted Cash	0	0	0
Funded From :-			
- Operational Funds	46,903	7,631	9,481
- Sale of Assets	1,750	177	0
- Internally Restricted Cash	9,241	1,993	2,031
- Borrowings	0	0	0
- Capital Grants	9,641	1,325	1,838
- Developer Contributions (Section 94)	6,665	764	380
- Other Externally Restricted Cash	5,630	1,199	1,679
- Other Capital Contributions	5,428	408	227
TOTAL FUNDS SURPLUS / (DEFICIT)	(9,715)	1,348	3,718

CAPITAL PROJECT REPORT							
as at the period ended 25 August 2017							
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	2,002	(1,655)	3,005	(2,658)	163	1,002	(1,002)
Public Transport Facilities	290	(120)	290	(120)	29	(0)	0
Roadworks	11,106	(2,280)	11,797	(2,686)	1,002	691	(406)
Bridges, Boardwalks and Jetties	1,500	(50)	1,500	(50)	64	0	0
TOTAL Roads And Related Assets	14,898	(4,105)	16,592	(5,514)	1,257	1,693	(1,408)
West Dapto							
West Dapto Infrastructure Expansion	8,113	(8,113)	8,113	(8,113)	1,524	0	(0)
TOTAL West Dapto	8,113	(8,113)	8,113	(8,113)	1,524	0	(0)
Footpaths And Cycleways							
Footpaths	3,786	(651)	3,738	(603)	341	(48)	48
Cycle/Shared Paths	12,007	(3,639)	12,307	(3,639)	2,993	300	(0)
Commercial Centre Upgrades - Footpaths and Cyclew	3,715	(645)	3,715	(645)	288	(0)	(0)
TOTAL Footpaths And Cycleways	19,508	(4,935)	19,761	(4,888)	3,623	252	48
Carparks							
Carpark Construction/Formalising	675	(265)	605	(265)	5	(70)	0
Carpark Reconstruction or Upgrading	1,758	(73)	1,826	(73)	177	70	0
TOTAL Carparks	2,433	(338)	2,433	(338)	183	0	0
Stormwater And Floodplain Management							
Floodplain Management	2,612	(817)	2,612	(817)	614	0	0
Stormwater Management	3,859	(899)	3,934	(974)	142	75	(75)
Stormwater Treatment Devices	491	(186)	491	(186)	24	(0)	0
TOTAL Stormwater And Floodplain M	6,962	(1,902)	7,037	(1,977)	780	75	(75)
Buildings							
Cultural Centres (IPAC, Gallery, Townhall)	1,360	0	1,360	0	(4)	0	0
Administration Buildings	2,024	(20)	2,024	(20)	30	(0)	0
Community Buildings	9,598	(740)	9,898	(740)	951	300	(0)
Public Facilities (Shelters, Toilets etc.)	615	0	615	0	29	0	0
Carbon Abatement	1,083	(780)	1,139	(804)	329	56	(24)
TOTAL Buildings	14,679	(1,540)	15,035	(1,564)	1,335	356	(24)
Commercial Operations							
Tourist Park - Upgrades and Renewal	750	0	750	0	23	(0)	0
Crematorium/Cemetery - Upgrades and Renewal	300	0	320	0	10	20	0
Leisure Centres & RVGC	150	0	150	0	2	(0)	0
TOTAL Commercial Operations	1,200	0	1,220	0	36	20	0
Parks Gardens And Sportfields							
Play Facilities	1,293	(70)	1,372	(70)	1	79	0
Recreation Facilities	592	(509)	592	(509)	67	(0)	(0)
Sporting Facilities	3,040	(2,153)	1,461	(653)	22	(1,579)	1,500
Lake Illawarra Foreshore	10	0	10	0	0	(0)	0
TOTAL Parks Gardens And Sportfield	4,934	(2,732)	3,434	(1,232)	91	(1,500)	1,500
Beaches And Pools							
Beach Facilities	211	0	211	0	1	(0)	0
Rock/Tidal Pools	1,160	(165)	1,160	(165)	399	0	0
Treated Water Pools	1,368	(72)	1,048	(72)	271	(320)	0
TOTAL Beaches And Pools	2,739	(237)	2,419	(237)	671	(320)	0

CAPITAL PROJECT REPORT							
as at the period ended 25 August 2017							
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	457	(430)	577	(430)	14	120	(0)
TOTAL Natural Areas	457	(430)	577	(430)	14	120	(0)
Waste Facilities							
Whytes Gully New Cells	5,775	(5,775)	5,775	(5,775)	1,759	0	0
Whytes Gully Renewal Works	300	(300)	300	(300)	29	0	0
Helensburgh Rehabilitation	100	(100)	100	(100)	0	(0)	0
TOTAL Waste Facilities	6,175	(6,175)	6,175	(6,175)	1,788	0	0
Fleet							
Motor Vehicles	1,822	(960)	1,822	(960)	1	0	(0)
TOTAL Fleet	1,822	(960)	1,822	(960)	1	0	(0)
Plant And Equipment							
Portable Equipment (Mowers etc.)	220	(67)	220	(67)	12	0	0
Mobile Plant (trucks, backhoes etc.)	3,102	(807)	3,102	(807)	3	0	(0)
Fixed Equipment	340	0	340	0	(0)	0	0
TOTAL Plant And Equipment	3,662	(874)	3,662	(874)	15	0	(0)
Information Technology							
Information Technology	1,170	(10)	1,170	(10)	68	(0)	0
TOTAL Information Technology	1,170	(10)	1,170	(10)	68	(0)	0
Library Books							
Library Books	1,162	(6)	1,162	(6)	318	(0)	0
TOTAL Library Books	1,162	(6)	1,162	(6)	318	(0)	0
Public Art							
Public Art Works	240	(40)	240	(40)	4	(0)	0
Art Gallery Acquisitions	115	0	115	0	12	(0)	0
TOTAL Public Art	355	(40)	355	(40)	16	(0)	0
Emergency Services							
Emergency Services Plant and Equipment	250	0	250	0	186	0	0
TOTAL Emergency Services	250	0	250	0	186	0	0
Land Acquisitions							
Land Acquisitions	100	0	100	0	14	(0)	0
TOTAL Land Acquisitions	100	0	100	0	14	(0)	0
Non-Project Allocations							
Capital Project Contingency	1,898	0	1,161	0	0	(737)	0
Capital Project Plan	10	0	10	0	0	(0)	0
TOTAL Non-Project Allocations	1,908	0	1,171	0	0	(737)	0
GRAND TOTAL	92,529	(32,398)	92,489	(32,358)	11,918	(41)	41

**Manager Project Delivery Division
Commentary on August 2017 Capital Budget Report**

As at 25 August 2017, year to date expenditure was \$11.9M of the approved capital budget of \$92.4M. This value is \$0.2M less than the forecast expenditure of \$12.1M for this period.

The following table summarises the proposed changes to the total Capital Budget by transfer of budget between programs and reduction or introduction of various types of external or loan funding and the transfer of operational budget to capital. These do not change the overall capital budget and it remains \$92.5M.

Program	Major Points of change to Capital Budget
Traffic Facilities	Introduce R.M.S. Blackspots funding for multiple existing and new projects
Roadworks	Introduce R.M.S. Natural Disaster funding for exiting project Relocate budget from Capital Project Contingency to Roadworks Program
Footpaths	Remove funding from existing project
Cycle/Shared Paths	Reallocate budget from Capital Project Contingency to Cycle/Shared Paths Program
Carparks Construction/Formalising	Reallocate budget from Carparks Construction/Formalising program to Carparks Reconstruction or Upgrading Program
Carparks Reconstruction or Upgrading	Reallocate budget from Carparks Construction/Formalising program to Carparks Reconstruction or Upgrading Program
Stormwater Management	Introduce R.M.S. Natural Disaster funding for exiting project
Community Buildings	Relocate budget from Treated Water Pools to Community Buildings
Carbon Abatement	Introduce Carbon Abatement funding for exiting project. Relocate budget from Capital Project Contingency to Carbon Abatement program
Crematorium/Cemetery - Upgrades and Renewal	Relocate budget from Capital Project Contingency to Crematorium/Cemetery - Upgrades and Renewal.
Play Facilities	Relocate budget from Sporting Facilities Program to Play Facilities Program
Sporting Facilities	Rephase funding for Ian McClennan Park Synthetic Football Pitch project. Relocate budget from Sporting Facilities program to Play Facilities Program
Treated Water Pools	Relocate budget from Treated Water Pools to Community Buildings Program and Natural Area Management & Rehabilitation Program
Natural Area Management & Rehabilitation	Relocate budget from Treated Water Pools to Natural Area Management & Rehabilitation Program
Capital Project Contingency	Multiple budget reallocations to and from various programs as detailed above.

WOLLONGONG CITY COUNCIL		
	Actual 2017/18 \$'000	Actual 2016/17 \$'000
Balance Sheet		
Current Assets		
Cash Assets	21,576	23,534
Investment Securities	111,530	119,458
Receivables	31,277	23,532
Inventories	6,098	6,089
Other	13,288	10,680
Assets classified as held for sale	6,381	6,381
Total Current Assets	190,149	189,672
Non-Current Assets		
Non Current Cash Assets	19,585	24,585
Property, Plant and Equipment	2,315,695	2,314,277
Investment Properties	4,775	4,775
Westpool Equity Contribution	1,835	1,835
Intangible Assets	653	653
Total Non-Current Assets	2,342,543	2,346,125
TOTAL ASSETS	2,532,693	2,535,797
Current Liabilities		
Current Payables	34,175	41,617
Current Provisions payable < 12 months	11,516	11,185
Current Provisions payable > 12 months	37,669	37,669
Current Interest Bearing Liabilities	7,513	7,513
Total Current Liabilities	90,873	97,984
Non-Current Liabilities		
Non Current Interest Bearing Liabilities	31,924	32,188
Non Current Provisions	48,452	48,121
Total Non-Current Liabilities	80,376	80,309
TOTAL LIABILITIES	171,249	178,292
NET ASSETS	2,361,444	2,357,505
Equity		
Accumulated Surplus	1,253,947	1,249,603
Asset Revaluation Reserve	975,496	974,736
Restricted Assets	132,000	133,166
TOTAL EQUITY	2,361,444	2,357,505

WOLLONGONG CITY COUNCIL CASH FLOW STATEMENT as at 25 August 2017		
	YTD Actual 2017/18 \$ '000	Actual 2016/17 \$ '000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Receipts:</i>		
Rates & Annual Charges	21,996	192,005
User Charges & Fees	15,000	29,819
Interest & Interest Received	856	5,464
Grants & Contributions	6,144	57,371
Other	1,616	25,559
<i>Payments:</i>		
Employee Benefits & On-costs	(13,772)	(102,866)
Materials & Contracts	(12,150)	(60,479)
Borrowing Costs	(176)	(1,447)
Other	(15,522)	(44,300)
Net Cash provided (or used in) Operating Activities	3,992	101,632
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Receipts:</i>		
Sale of Infrastructure, Property, Plant & Equipment	-	3,220
Deferred Debtors Receipts	-	-
<i>Payments:</i>		
Purchase of Investments	-	-
Purchase of Investment Property	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(18,572)	(90,313)
Purchase of Interests in Joint Ventures & Associates	-	-
Net Cash provided (or used in) Investing Activities	(18,572)	(87,074)
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Receipts:</i>		
Proceeds from Borrowings & Advances	-	5,500
<i>Payments:</i>		
Repayment of Borrowings & Advances	(358)	(7,199)
Repayment of Finance Lease Liabilities	-	-
Net Cash Flow provided (used in) Financing Activities	(358)	(1,699)
Net Increase/(Decrease) in Cash & Cash Equivalents	(14,938)	5,787
plus: Cash & Cash Equivalents and Investments - beginning of year	167,577	161,790
Cash & Cash Equivalents and Investments - year to date	152,639	167,577

WOLLONGONG CITY COUNCIL CASH FLOW STATEMENT as at 25 August 2017		
	YTD Actual 2017/18 \$ '000	Actual 2016/17 \$ '000
Total Cash & Cash Equivalents and Investments - year to date	152,639	167,577
Attributable to:		
External Restrictions (refer below)	75,727	75,788
Internal Restrictions (refer below)	56,273	57,379
Unrestricted	20,639	34,410
	152,639	167,577
External Restrictions		
Developer Contributions	18,810	18,367
RMS Contributions	379	216
Specific Purpose Unexpended Grants	3,857	3,949
Special Rates Levy Wollongong Mall	279	220
Special Rates Levy Wollongong City Centre	50	28
Local Infrastructure Renewal Scheme	18,785	19,373
Unexpended Loans	7,452	7,424
Domestic Waste Management	11,182	11,114
Private Subsidies	4,714	4,905
West Dapto Home Deposit Assistance Program	10,137	10,065
Stormwater Management Service Charge	1,302	1,423
West Dapto Home Deposits Issued	85	85
Carbon Price	685	891
Total External Restrictions	75,727	75,788
Internal Restrictions		
Property Development	3,913	3,912
Property Investment Fund	8,297	8,266
Strategic Projects	30,051	30,179
Future Projects	5,217	5,239
Spots Priority Program	400	362
Car Parking Strategy	1,172	1,124
MacCobb Park Development	1,215	991
Darcy Wentworth Park	171	170
Garbage Disposal Facility	4,634	5,815
Telecommunications Revenue	236	193
West Dapto Development Additional Rates	559	501
Southern Phone Natural Areas	348	388
Lake Berrara Estuary Management Fund	160	185
Total Internal Restrictions	56,273	57,379