

ITEM 18 SEPTEMBER 2017 FINANCIALS

Overall, the result for the period ending 29 September 2017 is favourable compared to phased budget for the key indicators. The Operating Result [pre capital] is favourable by \$3.4M and the Funds Result shows a favourable variance compared to the phased budget of \$4.1M.

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

The reports and variances presented do not include the September Quarterly Review proposals.

Council has expended \$19.8M on its capital works program representing 21.7% of the annual budget. The year to date budget for the same period was \$20.8M.

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 - Connected and Engaged City (Acting)

ATTACHMENTS

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

BACKGROUND

This report presents the Income and Expense Statement, Balance Sheet and Cash Flow Statement for September 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 September, 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
KEY MOVEMENTS		1-Jul	29-Sep	29-Sep	
Operating Revenue	\$M	261.5	64.2	65.5	1.3
Operating Costs	\$M	(269.9)	(67.5)	(65.4)	2.1
Operating Result [Pre Capital]	\$M	(8.4)	(3.3)	0.1	3.4
Capital Grants & Contributions	\$M	44.9	10.0	7.6	(2.4)
Operating Result	\$M	36.4	6.7	7.7	1.0
Funds Available from Operations	\$M	54.4	13.0	14.4	1.4
Capital Works		91.4	20.8	19.8	1.0
Contributed Assets		3.6	-	-	-
Transfer to Restricted Cash		-	-	-	-
Borrowings Repaid	\$M	7.5	1.1	1.1	-
Funded from:					
- Operational Funds	\$M	54.4	13.0	14.4	1.4
- Other Funding	\$M	38.4	8.4	10.1	1.7
Total Funds Surplus/(Deficit)	\$M	(9.7)	(0.6)	3.5	4.1

Financial Performance

The September 2017 Operating Result [pre capital] shows a positive variance compared to budget of \$3.4M.

Funds Result

The Total Funds result as at 29 September 2017 shows a positive variance of \$4.1M compared to phased budget. This includes the positive variation in the funds component of the operating result (\$1.4M), the underspend in capital works (\$1M) and better progress in funded capital works that do not rely on the Funds from Operations (\$1.7M).

Capital Budget

Council has expended \$19.8M on its capital works program representing 21.7% of the annual budget. The year to date budget for the same period was \$20.8M.

Liquidity

Council's cash and investments increased during September 2017 to holdings of \$168.0M compared to \$152.7M at the end of August 2017. This reflects normal trends for this time of the year.

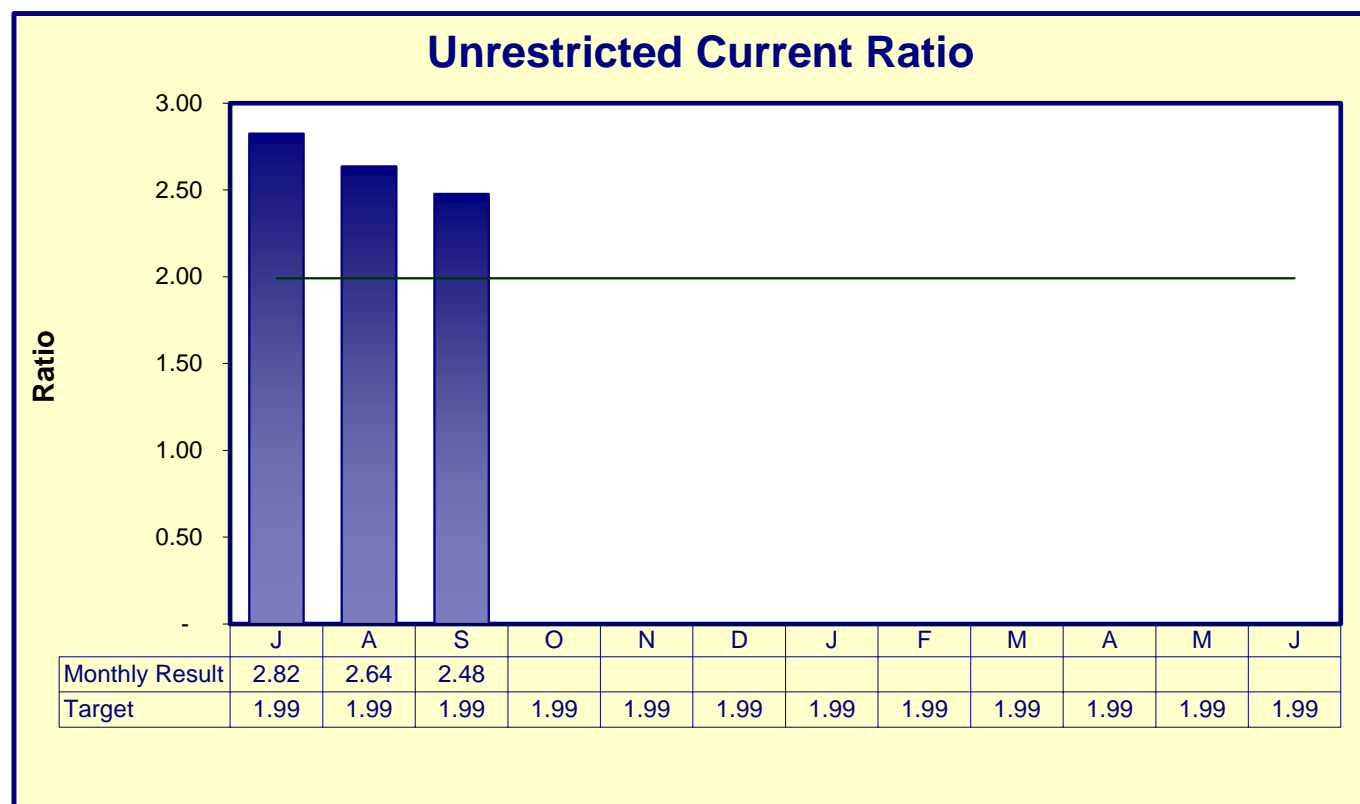
CASH, INVESTMENTS & AVAILABLE FUNDS			
	Actual 2016/17 \$M	Original Budget 2017/18 \$M	Actual Ytd Sep 2017 \$M
Total Cash and Investments	167.6	153.5	168.0
Less Restrictions:			
External	75.8	96.9	78.3
Internal	57.4	49.8	55.6
Total Restrictions	133.2	146.8	133.9
Available Cash	34.4	6.8	34.1
Adjusted for :			
Current payables	(41.6)	(24.3)	(34.2)
Receivables	23.5	23.9	14.9
Other	10.7	11.0	15.7
Net Payables & Receivables	(7.4)	10.6	(3.5)
Available Funds	27.0	17.3	30.6

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 29 September 2017 are impacted by the progress of planned expenditure to date and the early payment of the Financial Assistance Grant in 2016/17.

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 September 2017, receivables totalled \$14.9M, compared to receivables of \$21.0M at September 2016. Fluctuations relate to the timing of revenue and 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 September 2017 compared to payables of \$40.0M in September 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 29 September 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 29 September 2017, Council had expended \$19.8M or 21.7% 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 September 2017 are generally, with the exception of income from developer contributions for West Dapto, 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 29 September 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	47,609	47,725
User Charges and Fees	35,691	8,426	8,591
Interest and Investment Revenues	4,321	1,081	1,384
Other Revenues	9,705	2,282	2,392
Grants & Contributions provided for Operating Purposes	20,838	4,776	5,092
Grants & Contributions provided for Capital Purposes	44,858	10,024	7,585
Profit/Loss on Disposal of Assets	0	0	286
Total Income from Continuing Operations	306,353	74,199	73,055
Expenses From Continuing Operations			
Employee Costs	125,906	31,157	29,327
Borrowing Costs	3,849	961	980
Materials, Contracts & Other Expenses	93,150	23,491	22,406
Depreciation, Amortisation + Impairment	64,340	16,217	16,217
Internal Charges (labour)	(15,702)	(3,906)	(3,270)
Internal Charges (not labour)	(1,618)	(410)	(310)
Total Expenses From Continuing Operations	269,926	67,510	65,352
Operating Results From Continuing Operations	36,427	6,689	7,703
Net Operating Result for the Year	36,427	6,689	7,703
Net Operating Result for the Year before Grants & Contributions provided for Capital Purposes	(8,431)	(3,335)	118
NET SURPLUS (DEFICIT) [Pre capital] %	11.9%	9.0%	10.5%
Funding Statement			
Net Operating Result for the Year	36,427	6,689	7,703
Add back :			
- Non-cash Operating Transactions	80,942	20,260	20,019
- Restricted cash used for operations	13,286	3,521	2,397
- Income transferred to Restricted Cash	(63,548)	(14,698)	(12,571)
- Payment of Accrued Leave Entitlements	(12,718)	(2,802)	(3,133)
Funds Available from Operations	54,389	12,971	14,415
Advances (made by) / repaid to Council	0	0	0
Borrowings repaid	(7,486)	(1,134)	(1,134)
Operational Funds Available for Capital Budget	46,903	11,836	13,281
CAPITAL BUDGET			
Assets Acquired	(91,373)	(20,830)	(19,842)
Contributed Assets	(3,600)	0	0
Transfers to Restricted Cash	0	0	0
Funded From :-			
- Operational Funds	46,903	11,836	13,281
- Sale of Assets	1,750	42	618
- Internally Restricted Cash	9,241	2,887	3,069
- Borrowings	0	0	0
- Capital Grants	9,641	2,327	2,888
- Developer Contributions (Section 94)	6,665	1,217	657
- Other Externally Restricted Cash	5,630	1,781	2,626
- Other Capital Contributions	5,428	178	198
TOTAL FUNDS SURPLUS / (DEFICIT)	(9,715)	(561)	3,494

Item 18 - Attachment 2 - Capital Project Report - September 2017

CAPITAL PROJECT REPORT							
as at the period ended 29 September 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	3,005	(2,658)	2,998	(2,646)	416	(6)	11
Public Transport Facilities	290	(120)	290	(120)	55	0	(0)
Roadworks	11,797	(2,686)	11,890	(2,784)	2,365	93	(98)
Bridges, Boardwalks and Jetties	1,500	(50)	2,300	(50)	239	800	(0)
TOTAL Roads And Related Assets	16,592	(5,514)	17,478	(5,600)	3,075	887	(87)
West Dapto							
West Dapto Infrastructure Expansion	8,113	(8,113)	8,113	(8,113)	2,569	0	0
TOTAL West Dapto	8,113	(8,113)	8,113	(8,113)	2,569	0	0
Footpaths And Cycleways							
Footpaths	4,158	(1,023)	4,158	(1,023)	863	0	(0)
Cycle/Shared Paths	12,307	(3,639)	12,307	(3,639)	4,215	0	(0)
Commercial Centre Upgrades - Footpaths and Cyclew	3,715	(645)	3,715	(645)	588	(0)	(0)
TOTAL Footpaths And Cycleways	20,181	(5,308)	20,181	(5,308)	5,666	0	(0)
Carparks							
Carpark Construction/Formalising	605	(265)	595	(265)	8	(10)	(0)
Carpark Reconstruction or Upgrading	1,838	(73)	1,848	(73)	274	10	(0)
TOTAL Carparks	2,443	(338)	2,443	(338)	282	(0)	(0)
Stormwater And Floodplain Management							
Floodplain Management	2,612	(817)	2,612	(817)	664	(0)	(0)
Stormwater Management	3,934	(974)	3,934	(974)	356	(0)	0
Stormwater Treatment Devices	491	(186)	491	(186)	36	0	(0)
TOTAL Stormwater And Floodplain M	7,037	(1,977)	7,037	(1,977)	1,055	(0)	(0)
Buildings							
Cultural Centres (IFAC, Gallery, Townhall)	1,360	0	1,360	0	52	(0)	0
Administration Buildings	2,024	(20)	2,024	(20)	54	(0)	0
Community Buildings	9,898	(740)	9,898	(740)	1,763	(0)	0
Public Facilities (Shelters, Toilets etc.)	615	0	615	0	106	0	0
Carbon Abatement	1,139	(804)	1,160	(825)	448	21	(21)
TOTAL Buildings	15,035	(1,564)	15,056	(1,585)	2,422	21	(21)
Commercial Operations							
Tourist Park - Upgrades and Renewal	750	0	750	0	53	0	0
Crematorium/Cemetery - Upgrades and Renewal	320	0	320	0	18	(0)	0
Leisure Centres & RVGC	150	0	150	0	3	(0)	0
TOTAL Commercial Operations	1,220	0	1,220	0	74	(0)	0
Parks Gardens And Sportfields							
Play Facilities	1,372	(70)	1,372	(70)	29	(0)	0
Recreation Facilities	592	(509)	645	(562)	86	54	(54)
Sporting Facilities	1,461	(653)	1,461	(653)	69	(0)	0
TOTAL Parks Gardens And Sportfield	3,424	(1,232)	3,478	(1,285)	183	54	(54)
Beaches And Pools							
Beach Facilities	211	0	211	0	25	0	0
Rock/Tidal Pools	1,160	(165)	1,160	(165)	518	(0)	0
Treated Water Pools	1,048	(72)	996	(72)	426	(53)	0
TOTAL Beaches And Pools	2,419	(237)	2,367	(237)	969	(53)	0

CAPITAL PROJECT REPORT							
as at the period ended 29 September 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	157	(10)	210	(10)	27	52	0
TOTAL Natural Areas	157	(10)	210	(10)	27	52	0
Waste Facilities							
Whytes Gully New Cells	5,775	(5,775)	6,235	(6,235)	2,505	460	(460)
Whytes Gully Renewal Works	300	(300)	300	(300)	62	(0)	0
Helensburgh Rehabilitation	100	(100)	100	(100)	14	0	0
TOTAL Waste Facilities	6,175	(6,175)	6,635	(6,635)	2,582	460	(460)
Fleet							
Motor Vehicles	1,822	(960)	1,822	(960)	76	0	0
TOTAL Fleet	1,822	(960)	1,822	(960)	76	0	0
Plant And Equipment							
Portable Equipment (Mowers etc.)	220	(67)	220	(67)	13	(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)	16	(0)	0
Information Technology							
Information Technology	1,170	(10)	1,170	(10)	149	(0)	0
TOTAL Information Technology	1,170	(10)	1,170	(10)	149	(0)	0
Library Books							
Library Books	1,162	(6)	1,162	(6)	429	(0)	(0)
TOTAL Library Books	1,162	(6)	1,162	(6)	429	(0)	(0)
Public Art							
Public Art Works	240	(40)	20	0	41	(220)	40
Art Gallery Acquisitions	115	0	115	0	37	(0)	0
TOTAL Public Art	355	(40)	135	0	78	(220)	40
Emergency Services							
Emergency Services Plant and Equipment	250	0	250	0	175	(0)	0
TOTAL Emergency Services	250	0	250	0	175	(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	1,161	0	361	0	0	(800)	0
Capital Project Plan	10	0	10	0	1	(0)	0
TOTAL Non-Project Allocations	1,171	0	371	0	1	(800)	0
GRAND TOTAL	92,489	(32,358)	92,890	(32,939)	19,842	401	(581)

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

As at 29 Sept 2017, year to date expenditure was \$19.8M of the approved capital budget of \$91.4M. This value is \$1.0M less than the forecast expenditure of \$20.8M 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 capital budget to operational budget. These changes result in a net increase of \$0.4M in the overall capital budget.

Program	Major Points of change to Capital Budget
Traffic Facilities	Rephase (correct error) Fed Govt. 'Black Spots' funding - for existing project. Reallocate budget from Roadworks program to Traffic Facilities program
Roadworks	Reallocate budget from Roadworks program to Traffic Facilities program Introduce RMS Natural Disaster funding for an existing project
Bridges, Boardwalks & Jetties	Reallocate budget from Capital Budget contingency to accelerate 18/19 project to construct in 17/18.
Carparks Construction/Formalising	Reallocate budget from Carparks Reconstruction or Upgrading Program to Carparks Construction/Formalising Program,
Carparks Reconstruction or Upgrading	Reallocate budget from Carparks Reconstruction or Upgrading Program to Carparks Construction/Formalising Program,
Carbon Abatement	Introduce the remainder of the Carbon Abatement funding into this program,
Recreation Facilities	Introduce State govt. funding from Port Kembla Community Infrastructure Fund plus funds from MM Metals for construction of outdoor exercise Equipment on Gloucester Blvde Pt Kembla.
Treated Water Pools	Reallocate budget from Treated Water Pools program to Natural Area Management & Rehabilitation program.
Natural Area Management & Rehabilitation	Reallocate budget from Treated Water Pools program to Natural Area Management & Rehabilitation program.
Whytes Gully New Cells	Introduce Waste Service levy funding for multiple existing construction projects
Public Art Works	Relocate two projects from Capital to Operational accounts
Capital Project Contingency	Reallocate budget from Capital Budget contingency to accelerate 18/19 project to construct in 17/18.

WOLLONGONG CITY COUNCIL		
	Actual 2017/18 \$'000	Actual 2016/17 \$'000
Balance Sheet		
Current Assets		
Cash Assets	30,316	23,534
Investment Securities	111,091	119,458
Receivables	14,931	23,532
Inventories	6,110	6,089
Other	15,787	10,680
Assets classified as held for sale	6,381	6,381
Total Current Assets	184,615	189,672
Non-Current Assets		
Non Current Cash Assets	26,585	24,585
Property, Plant and Equipment	2,323,961	2,314,277
Investment Properties	4,775	4,775
Westpool Equity Contribution	1,835	1,835
Intangible Assets	554	653
Total Non-Current Assets	2,357,710	2,346,125
TOTAL ASSETS	2,542,325	2,535,797
Current Liabilities		
Current Payables	34,168	41,617
Current Provisions payable < 12 months	11,501	11,185
Current Provisions payable > 12 months	37,669	37,669
Current Interest Bearing Liabilities	7,513	7,513
Total Current Liabilities	90,850	97,984
Non-Current Liabilities		
Non Current Interest Bearing Liabilities	31,195	32,188
Non Current Provisions	48,618	48,121
Total Non-Current Liabilities	79,813	80,309
TOTAL LIABILITIES	170,664	178,292
NET ASSETS	2,371,661	2,357,505
Equity		
Accumulated Surplus	1,256,571	1,249,603
Asset Revaluation Reserve	981,188	974,736
Restricted Assets	133,902	133,166
TOTAL EQUITY	2,371,661	2,357,505

WOLLONGONG CITY COUNCIL CASH FLOW STATEMENT as at 29 September 2017		
	YTD Actual 2017/18	Actual 2016/17
	\$ '000	\$ '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts:		
Rates & Annual Charges	55,770	162,005
User Charges & Fees	18,627	39,819
Interest & Dividend Received	1,707	5,454
Grants & Contributions	11,881	67,074
Other	3,396	25,859
Payments:		
Employee Benefits & Dividends	(24,577)	(102,881)
Materials & Contracts	(14,529)	(69,429)
Borrowing Costs	(341)	(1,447)
Other	(23,900)	(44,300)
Net Cash provided (or used in) Operating Activities	28,604	101,632
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts:		
Sale of Infrastructure, Property, Plant & Equipment	818	3,299
Deferred Debitors Recapture	-	-
Payments:		
Purchase of Investments	-	-
Purchase of Investment Property	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(27,675)	(80,313)
Purchase of Interests in Joint Ventures & Associates	-	-
Net Cash provided (or used in) Investing Activities	(27,055)	(87,074)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts:		
Proceeds from Borrowings & Advances	-	5,500
Payments:		
Repayment of Borrowings & Advances	(1,134)	(2,109)
Repayment of Finance Lease Liabilities	-	-
Net Cash Flow provided (used in) Financing Activities	(1,134)	(1,659)
Net Increase/(Decrease) in Cash & Cash Equivalents	815	5,787
Cash & Cash Equivalents and Investments - beginning of year	167,577	161,790
Cash & Cash Equivalents and Investments - year to date	167,992	167,577

WOLLONGONG CITY COUNCIL CASH FLOW STATEMENT as at 29 September 2017		
	YTD Actual 2017/18	Actual 2016/17
	\$ '000	\$ '000
Total Cash & Cash Equivalents and Investments - year to date	167,992	167,577
Attributable to:		
External Restrictions (refer below)	78,286	75,788
Internal Restrictions (refer below)	55,616	57,378
Unrestricted	34,090	34,410
Total External Restrictions	78,286	75,788
External Restrictions		
Developer Contributions	20,320	16,307
RMS Contributions	201	216
Specific Purpose Unexpended Grants	3,374	3,049
Special Rates Levy Wollongong Mall	281	278
Special Rates Levy Wollongong City Centre	28	26
Local Infrastructure Renewal Scheme	17,925	15,973
Unexpended Loans	7,482	7,434
Domestic Waste Management	11,584	11,134
Private Subsidies	4,920	4,905
West Dapto Home Deposit Assistance Program	10,164	10,085
Sewerage Management Service Charge	1,362	1,423
West Dapto Home Deposits Trust	88	35
Carbon Price	507	691
Total External Restrictions	78,286	75,788
Internal Restrictions		
Property Development	3,913	5,972
Property Investment Fund	8,313	8,288
Strategic Projects	29,942	30,175
Future Projects	6,315	5,288
Sports Priority Program	401	362
Car Parking Strategy	1,178	1,124
McCabe Park Development	1,608	861
Daisy Watership Park	171	170
Garbage Disposal Facility	4,062	5,915
Telecommunications Revenue	239	193
West Dapto Development Additional Rates	659	801
Southern Phone Network Assets	141	395
Lake Basson Estuary Management Fund	155	165
Total Internal Restrictions	55,616	57,378