

ITEM 21 FEBRUARY 2021 FINANCIALS

The financial results for February 2021 compared to phased budget are favourable over the key performance indicators. The Operating Result [pre-capital] and the Funds Available from Operations show favourable variances of \$9.1M and \$2.2M respectively while the Funds Result shows a favourable variance of \$3.6M.

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

Council has expended \$42.8M on its capital works program representing 46% of the annual budget. The year to date budget for the same period was \$47.4M.

RECOMMENDATIONS

- 1 The financials be received and noted.
- 2 Council approves the proposed changes to the Capital Budget.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer

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

ATTACHMENTS

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

BACKGROUND

This report presents the Financial Performance of the organisation for February 2021. The below table provides a summary 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	26-Feb	26-Feb	26-Feb	
Operating Revenue	269.0	271.8	182.1	183.7	1.6
Operating Costs	(291.0)	(293.7)	(193.5)	(186.0)	7.5
Operating Result [Pre Capital]	(22.0)	(21.9)	(11.4)	(2.3)	9.1
Capital Grants & Contributions	35.5	29.2	11.2	13.5	2.3
Operating Result	13.4	7.3	(0.2)	11.2	11.4
Funds Available from Operations	56.9	56.7	39.7	41.9	2.2
Capital Works	93.4	93.9	47.4	42.8	4.7
Contributed Assets	11.6	11.6	0.0	0.0	-
Transfer to Restricted Cash	1.4	3.9	3.5	3.5	(0.0)
Borrowings Repaid	5.2	5.2	3.6	3.6	-
Funded from:					
- Operational Funds	56.9	56.7	39.7	41.9	2.2
- Other Funding	45.6	46.2	17.6	14.3	(3.3)
Total Funds Surplus/(Deficit)	(9.1)	(11.8)	2.8	6.4	3.6

FINANCIAL PERFORMANCE

The February 2021 Operating Result [pre-capital] shows a favourable variance compared to phased budget of \$9.1M that is largely due to lower expenditure trends across a range of areas (\$7.5M).

The Operating Result of \$11.2M shows a positive variance of \$11.4M compared to phased budget. This includes the net variation above increased by a higher level of capital income of \$2.3M. This is mainly due to the timing of developer contributions.

The Funds Available from Operations indicate a favourable variation of \$2.2M. This result excludes variations in non-cash transactions and transfers to and from Restricted Assets but includes the cash payments impact of Employee Entitlements to represent the operational budget variations that may impact our funding.

At the end of February, the capital program shows an expenditure of \$42.8M compared to a phased budget of \$47.4M.

The Total Funds result as at 26 February 2021 shows a favourable variance of \$3.6M compared to phased budget.

FINANCIAL POSITION

Cash, Investments & Available Funds

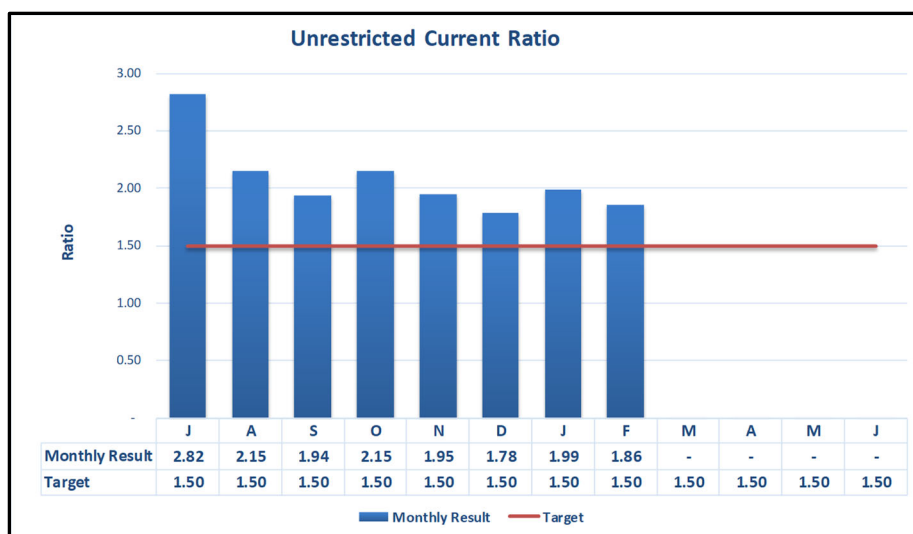
Council's cash and investments increased during February 2021 to holdings of \$170.3M compared to \$157.7M at the end of January 2021. A significant portion of these funds are subject to restriction meaning they can only be utilised for specific purposes. As a result, Council's true cash position is more accurately depicted by considering available funds that are uncommitted and not subject to restriction.

CASH, INVESTMENTS & AVAILABLE FUNDS				
	Actual 2019/20 \$M	Original Budget 2020/21 \$M	December QR 2020/21 \$M	Actual YTD February 2021 \$M
Total Cash and Investments	157.5	114.2	118.9	170.3
Less Restrictions:				
External	74.7	73.7	67.9	81.0
Internal	62.7	39.0	46.5	57.7
Total Restrictions	137.4	112.7	114.4	138.6
Available Cash	20.1	1.6	4.5	31.7
Adjusted for :				
Payables	(30.6)	(26.2)	(26.4)	(40.8)
Receivables	21.7	23.7	23.5	30.6
Other	14.2	12.5	10.8	8.5
Net Payables & Receivables	5.3	10.1	7.9	1.8
Available Funds	25.4	11.6	12.4	29.9

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. Further details on the internal and external restrictions can be found in the Cash Flow Statement (Attachment 1).

The cash and investments have increased since January 2021 in line with the due dates for the third quarter rates instalment. As a result, Council's available funds position is significantly higher than the Financial Strategy target range of 3.5% to 5.5% of operational revenue (pre-capital).

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.



Borrowings

Council continues to have financial strength in its low level of borrowing. 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 February 2021 is currently in line with the Local Government benchmark of greater than two times.

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.

Infrastructure, Property, Plant & Equipment

The Statement of Financial Position shows that \$2.7B of assets (written down value) are controlled and managed by Council for the community as at 26 February 2021. The 2020-2021 capital works program includes projects such as the West Dapto Infrastructure Expansion, civil asset renewals including roads, car parks and buildings and purchase of library books. Council has expended \$42.8M on its capital works program representing 46% of the annual budget. The year to date budget for the same period was \$47.4M.

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 Strategy	Delivery Program 2018-2022 4 Year Action	Operational Plan 2020-2021 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 financial result at the end of February is positive across the key performance indicators.

WOLLONGONG CITY COUNCIL					
1 July 2020 to 26 February 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	208,445	208,774	137,848	138,090	242
User Charges and Fees	27,034	30,228	20,654	19,987	(667)
Interest and Investment Revenues	2,343	2,343	1,557	1,432	(126)
Other Revenues	9,498	2,227	2,724	4,222	1,498
Rental Income	0	6,192	4,071	4,117	46
Grants & Contributions provided for Operating Purposes	21,679	22,003	15,207	15,792	585
Grants & Contributions provided for Capital Purposes	35,460	29,223	11,190	13,491	2,300
Profit/Loss on Disposal of Assets	0	0	0	42	42
Total Income from Continuing Operations	304,459	300,990	193,252	197,172	3,921
Expenses From Continuing Operations					
Employee Costs	140,635	142,819	93,848	93,591	256
Borrowing Costs	2,374	2,131	1,407	1,382	25
Materials, Contracts & Other Expenses	104,493	105,286	69,169	61,748	7,421
Depreciation, Amortisation + Impairment	63,702	63,702	42,410	40,005	2,405
Internal Charges (labour)	(18,432)	(18,509)	(12,221)	(9,749)	(2,473)
Internal Charges (not labour)	(1,733)	(1,740)	(1,156)	(1,013)	(143)
Total Expenses From Continuing Operations	291,038	293,689	193,455	185,964	7,491
Operating Result	13,421	7,301	(203)	11,208	11,411
Operating Result [pre capital]	(22,039)	(21,922)	(11,394)	(2,283)	9,111
Funding Statement					
Net Operating Result for the Year	13,421	7,301	(203)	11,208	11,411
Add back :					
- Non-cash Operating Transactions	82,363	82,399	55,235	52,033	(3,202)
- Restricted cash used for operations	29,815	29,538	19,610	15,052	(4,559)
- Income transferred to Restricted Cash	(54,169)	(48,017)	(24,285)	(26,375)	(2,091)
- Payment of Accrued Leave Entitlements	(14,533)	(14,533)	(10,662)	(9,986)	676
Net Share Joint Venture using Equity Method	0	0	0	0	0
Funds Available from Operations	56,897	56,688	39,696	41,932	2,236
Borrowings repaid	(5,242)	(5,242)	(3,620)	(3,620)	(0)
Advances (made by) / repaid to Council	0	0	0	0	0
Operational Funds Available for Capital Budget	51,655	51,446	36,076	38,311	2,235
CAPITAL BUDGET					
Assets Acquired	(93,359)	(93,898)	(47,434)	(42,760)	4,674
Contributed Assets	(11,562)	(11,562)	(16)	(16)	0
Transfers to Restricted Cash	(1,447)	(3,947)	(3,455)	(3,456)	(0)
Funded From :-					
- Operational Funds	51,655	51,446	36,076	38,311	2,235
- Sale of Assets	1,801	1,801	468	821	354
- Internally Restricted Cash	13,371	11,296	4,682	4,077	(605)
- Borrowings	0	0	0	0	0
- Capital Grants	4,762	5,373	2,245	2,114	(132)
- Developer Contributions (Section 94)	11,931	12,928	7,705	4,894	(2,810)
- Other Externally Restricted Cash	1,170	2,096	1,682	1,705	22
- Other Capital Contributions	12,559	12,670	840	731	(109)
TOTAL FUNDS SURPLUS / (DEFICIT)	(9,119)	(11,797)	2,793	6,421	3,628

WOLLONGONG CITY COUNCIL		
as at 26 February 2021		
	YTD Actual 2020/21 \$'000	Actual 2019/20 \$'000
Statement of Financial Position		
Current Assets		
Cash Assets	64,720	56,050
Investment Securities	91,578	97,422
Receivables	30,589	21,668
Inventories	430	381
Current Contract Assets	3,718	5,669
Other	7,857	10,572
Total Current Assets	198,892	191,761
Non-Current Assets		
Non Current Cash Assets	14,000	4,000
Non-Current Inventories	5,972	5,972
Property, Plant and Equipment	2,657,446	2,655,487
Investment Properties	5,000	5,000
Westpool Equity Contribution	3,484	3,484
Intangible Assets	187	254
Right-Of-Use Assets	1,790	1,790
Total Non-Current Assets	2,687,879	2,675,987
TOTAL ASSETS	2,886,771	2,867,748
Current Liabilities		
Current Payables	40,800	30,592
Current Contract Liabilities	2,776	3,571
Current Lease Liabilities	341	341
Current Provisions payable < 12 months	14,303	13,272
Current Provisions payable > 12 months	47,811	47,811
Current Interest Bearing Liabilities	5,260	5,260
Total Current Liabilities	111,291	100,848
Non-Current Liabilities		
Non Current Interest Bearing Liabilities	8,819	12,439
Non Current Lease Liabilities	1,519	1,519
Non Current Provisions	40,767	39,775
Total Non-Current Liabilities	51,106	53,734
TOTAL LIABILITIES	162,397	154,582
NET ASSETS	2,724,374	2,713,166
Equity		
Accumulated Surplus	1,370,932	1,360,922
Asset Revaluation Reserve	1,214,797	1,214,858
Restricted Assets	138,645	137,386
TOTAL EQUITY	2,724,374	2,713,166

WOLLONGONG CITY COUNCIL		
CASH FLOW STATEMENT		
as at 26 February 2021		
	YTD Actual 2020/21 \$ '000	Actual 2019/20 \$ '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts:		
Rates & Annual Charges	146,902	203,414
User Charges & Fees	19,383	29,485
Interest & Interest Received	2,052	4,130
Grants & Contributions	31,661	68,993
Other	8,480	25,886
Payments:		
Employee Benefits & On-costs	(82,983)	(118,396)
Materials & Contracts	(40,239)	(73,390)
Borrowing Costs	(390)	(910)
Other	(21,630)	(46,162)
Net Cash provided (or used in) Operating Activities	63,236	93,050
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts:		
Sale of Investments	-	-
Sale of Infrastructure, Property, Plant & Equipment	821	958
Deferred Debtors Receipts	-	-
Payments:		
Purchase of Infrastructure, Property, Plant & Equipment	(47,613)	(83,558)
Purchase of Interests in Joint Ventures & Associates	-	-
Net Cash provided (or used in) Investing Activities	(46,792)	(82,600)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts:		
Proceeds from Borrowings & Advances	-	-
Payments:		
Repayment of Borrowings & Advances	(3,620)	(7,935)
Repayment of Finance Lease Liabilities	-	(312)
Net Cash Flow provided (used in) Financing Activities	(3,620)	(8,247)
Net Increase/(Decrease) in Cash & Cash Equivalents	12,824	30,865
plus: Cash & Cash Equivalents and Investments - beginning of year	157,475	126,610
Cash & Cash Equivalents and Investments - year to date	170,299	157,475

WOLLONGONG CITY COUNCIL		
CASH FLOW STATEMENT		
as at 26 February 2021		
	YTD Actual 2020/21 \$ '000	Actual 2019/20 \$ '000
Total Cash & Cash Equivalents and Investments - year to date	170,299	157,475
Attributable to:		
External Restrictions (refer below)	82,956	75,470
Internal Restrictions (refer below)	57,653	62,675
Unrestricted	29,690	19,330
Total External Restrictions	82,956	75,470
External Restrictions		
Developer Contributions	41,255	35,099
RMS Contributions	855	350
Specific Purpose Unexpended Grants	6,295	3,568
Special Rates Levy Wollongong Mall	189	214
Special Rates Levy Wollongong City Centre	2	49
Local Infrastructure Renewal Scheme	277	274
Unexpended Loans	1,024	2,686
Domestic Waste Management	13,893	14,216
Private Subsidies	5,856	6,167
West Dapto Home Deposit Assistance Program	11,084	10,987
Stormwater Management Service Charge	2,226	1,860
Total External Restrictions	82,956	75,470
Internal Restrictions		
Property Investment Fund	5,598	7,889
Strategic Projects	38,031	42,900
Sports Priority Program	1,122	938
Car Parking Strategy	1,463	2,195
MacCabe Park Development	1,539	1,440
Darcy Wentworth Park	171	171
Garbage Disposal Facility	2,458	561
West Dapto Development Additional Rates	6,653	6,067
Southern Phone Natural Areas	173	173
Lake Illawarra Estuary Management Fund	445	341
Total Internal Restrictions	57,653	62,675

Manager Project Delivery Division Commentary on February 2021 Capital Budget Report

On 29 June 2020, Council approved a Capital budget for 2020-2021 of \$93.4M. As at the end of February 2021, the approved Capital Budget has been decreased from the previously adjusted \$93.9M to \$92.8M due primarily to rephasing of projects which are supported by the following funding:

- Local Roads & Community Infrastructure Program
- West Dapto Interest Free Loan
- Section 7.11
- Garbage Disposal Facility

Council achieved expenditure at the end of February 2021 of \$42.8M compared to the phased budget expenditure of \$47.4M. A review of the budget has indicated that most of this gap in phased expenditure is due to:

- 1 Delay in finalisation of land acquisitions
- 2 Major procurement due to delay in processing orders or delay in delivery of products. This is being addressed.

Program	Major Points of change to Capital Budget
Traffic Facilities	Substitute Section 7.11 funding with Federal State Stimulus Funding Road Safety Program for an existing project. Reallocate budget from Traffic Facilities program to Roadworks Program.
Roadworks	Reallocate budget from Traffic Facilities program to Roadworks Program. Reallocate budget from Capital Contingency to Roadworks Program. Rephase Local Roads & Community Infrastructure Program funding into future years program.
West Dapto Infrastructure Expansion	Rephase Section 7.11 funding into future years program. Rephase West Dapto Interest Free Loan funding into future years program.
Footpaths	Introduce Strategic Projects Reserve funding for an existing project.
Cycle/Shared Paths	Substitute Section 7.11 funding with Federal State Stimulus Funding Road Safety Program for an existing project. Rephase Streets as Shared Spaces Funding into future years program.
Stormwater Management	Reallocate budget from Stormwater Treatment Devices Program to Stormwater Management Program.
Stormwater Treatment Devices	Reallocate budget from Stormwater Treatment Devices Program to Stormwater Management Program.
Administration Buildings	Reallocate budget from Administration Buildings to Capital contingency.
Community Buildings	Rephase Local Roads & Community Infrastructure Program funding into future years program. Rephase Strategic Projects Reserve funding into future years program. Reallocate budget from Community Buildings program to Capital Contingency. Reallocate budget from Community Buildings program to Play Facilities Program. Reallocate budget from Community Buildings Program to Sporting Facilities Program.

Program	Major Points of change to Capital Budget
	Reallocate budget from Community Buildings Program to Treated Water Pools Program
Play Facilities	Reallocate budget from Community Buildings program to Play Facilities Program.
Recreation Facilities	Introduce NSW Showground Stimulus funding for an existing project. Reallocate budget from Recreational Facilities Program to Sporting Facilities Program.
Sporting Facilities	Reallocate budget from Community Buildings Program to Sporting Facilities Program. Reallocate budget from Recreational Facilities Program to Sporting Facilities Program.
Treated Water Pools	Reallocate budget from Community Buildings Program to Treated Water Pools Program
Whytes Gully New Cells	Rephase Garbage Disposal Facility Funding into future years program.
Capital Project Contingency	Reallocate budget to and from Capital Project Contingency to and from multiple program areas as detailed above.

CAPITAL PROJECT REPORT							
as at the period ended 26 February 2021							
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	2,189	(1,307)	2,033	(1,421)	798	(138)	(114)
Public Transport Facilities	335	0	335	0	55	0	0
Roadworks	12,249	(2,072)	12,899	(1,572)	7,898	450	500
Bridges, Boardwalks and Jetties	2,080	0	2,080	0	777	0	0
TOTAL Roads And Related Assets	16,834	(3,380)	17,148	(2,994)	9,326	314	386
West Dapto							
West Dapto Infrastructure Expansion	7,403	(7,403)	6,962	(6,962)	3,971	(441)	441
TOTAL West Dapto	7,403	(7,403)	6,962	(6,962)	3,971	(441)	441
Footpaths And Cycleways							
Footpaths	7,745	(2,800)	7,837	(2,892)	4,170	92	(92)
Cycle/Shared Paths	5,777	(3,342)	5,778	(3,343)	2,161	1	(1)
Commercial Centre Upgrades - Footpaths and Cycleways	3,959	(1,504)	3,951	(1,498)	1,948	(8)	8
TOTAL Footpaths And Cycleways	17,481	(7,645)	17,566	(7,730)	8,280	85	(85)
Carparks							
Carpark Construction/Formalising	915	(400)	915	(400)	459	0	(0)
Carpark Reconstruction or Upgrading	1,465	(280)	1,465	(280)	1,010	0	(0)
TOTAL Carparks	2,380	(680)	2,380	(680)	1,468	0	(0)
Stormwater And Floodplain Management							
Floodplain Management	1,393	(133)	1,393	(133)	410	(0)	(0)
Stormwater Management	4,204	0	4,259	0	2,205	55	0
Stormwater Treatment Devices	85	0	30	0	8	(55)	0
TOTAL Stormwater And Floodplain Management	5,682	(133)	5,682	(133)	2,623	(0)	(0)
Buildings							
Cultural Centres (IPAC, Gallery, Townhall)	1,420	0	1,420	0	473	(0)	0
Administration Buildings	1,815	0	1,815	0	327	(200)	0
Community Buildings	13,027	(1,715)	12,137	(1,320)	6,345	(890)	395
Public Facilities (Shelters, Toilets etc.)	230	0	230	0	2	0	0
TOTAL Buildings	16,492	(1,715)	15,402	(1,320)	7,147	(1,090)	395
Commercial Operations							
Tourist Park - Upgrades and Renewal	870	0	870	0	719	0	0
Crematorium/Cemetery - Upgrades and Renewal	285	0	285	0	144	0	0
Leisure Centres & RVGC	170	0	170	0	37	0	0
TOTAL Commercial Operations	1,305	0	1,305	0	899	0	0
Parks Gardens And Sportfields							
Play Facilities	2,068	(308)	2,108	(308)	141	40	0
Recreation Facilities	2,400	(1,882)	2,845	(1,945)	384	248	(284)
Sporting Facilities	2,335	(670)	2,393	(670)	799	58	(0)
Lake Illawarra Foreshore	10	0	10	0	0	(0)	0
TOTAL Parks Gardens And Sportfields	6,813	(2,660)	7,157	(2,924)	1,323	344	(264)

CAPITAL PROJECT REPORT							
as at the period ended 26 February 2021							
ASSET CLASS PROGRAMME	\$'000		\$'000		YTD EXPENDITURE	\$'000	
	CURRENT BUDGET		WORKING BUDGET			VARIATION	
	EXPENDITURE	OTHER FUNDING	EXPENDITURE	OTHER FUNDING		EXPENDITURE	OTHER FUNDING
Beaches And Pools							
Beach Facilities	628	0	628	0	166	0	0
Rock/Tidal Pools	1,120	0	1,120	0	967	0	0
Treated Water Pools	1,030	0	1,045	0	583	15	0
TOTAL Beaches And Pools	2,777	0	2,792	0	1,717	15	0
Waste Facilities							
Whytes Gully New Cells	2,965	(2,965)	2,693	(2,693)	1,541	(272)	272
TOTAL Waste Facilities	2,965	(2,965)	2,693	(2,693)	1,541	(272)	272
Fleet							
Motor Vehicles	1,700	(949)	1,700	(949)	482	0	0
TOTAL Fleet	1,700	(949)	1,700	(949)	482	0	0
Plant And Equipment							
Mobile Plant (trucks, backhoes etc.)	4,380	(853)	4,380	(853)	1,182	(0)	(0)
TOTAL Plant And Equipment	4,380	(853)	4,380	(853)	1,182	(0)	(0)
Information Technology							
Information Technology	2,134	0	2,134	0	246	0	0
TOTAL Information Technology	2,134	0	2,134	0	246	0	0
Library Books							
Library Books	1,251	0	1,251	0	843	(0)	0
TOTAL Library Books	1,251	0	1,251	0	843	(0)	0
Public Art							
Art Gallery Acquisitions	100	0	100	0	53	0	0
TOTAL Public Art	100	0	100	0	53	0	0
Emergency Services							
Emergency Services Plant and Equipment	20	0	20	0	6	(0)	0
TOTAL Emergency Services	20	0	20	0	6	(0)	0
Land Acquisitions							
Land Acquisitions	3,966	(3,916)	3,966	(3,916)	1,622	(0)	0
TOTAL Land Acquisitions	3,966	(3,916)	3,966	(3,916)	1,622	(0)	0
Non-Project Allocations							
Capital Project Contingency	188	0	78	0	0	(110)	0
Capital Project Plan	26	0	36	0	31	10	0
TOTAL Non-Project Allocations	214	0	114	0	31	(100)	0
GRAND TOTAL	93,898	(32,299)	92,753	(31,153)	42,760	(1,146)	1,146