

ITEM 10 AUGUST 2021 FINANCIALS

The financial results for August 2021 compared to phased budget are favourable across the three key performance indicators. The Operating Result [pre-capital] is a favourable variance of \$2.7M, the Funds Available from Operations is favourable by \$0.9M and the Funds Result has a favourable variance of \$4.4M.

The operating and funds results are being negatively impacted by the COVID-19 health restrictions that have reduced operations and revenue across a range of services for July and August 2021.

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

Council has expended \$9.9M on its capital works program representing 9% of the annual budget. The year to date budget for the same period was \$12.4M.

RECOMMENDATION

- 1 The financials be received and noted.
- 2 Council endorse the proposed changes to the Capital Budget for August 2021 including the reallocation of \$0.8M from capital to operating.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer

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

ATTACHMENTS

- 1 Financial Statements – August 2021
- 2 Capital Project Report – August 2021

BACKGROUND

This report presents the Financial Performance of the organisation for August 2021. The below table provides a summary of the organisation's overall financial results for the year.

FORECAST POSITION	Original Budget	YTD Forecast	YTD Actual	Variation
	\$M	\$M	\$M	\$M
KEY MOVEMENTS	1-Jul	27-Aug	27-Aug	
Operating Revenue	281.9	43.9	43.7	(0.3)
Operating Costs	(291.1)	(47.1)	(44.1)	3.0
Operating Result [Pre Capital]	(9.2)	(3.2)	(0.5)	2.7
Capital Grants & Contributions	32.1	4.9	4.1	(0.8)
Operating Result	22.9	1.7	3.6	1.9
Funds Available from Operations	58.5	7.7	8.6	0.9
Capital Works	107.1	12.4	9.9	2.6
Contributed Assets	8.4	-	-	-
Transfer to Restricted Cash	1.9	0.3	0.3	-
Borrowings Repaid	5.5	0.9	0.4	0.5
Funded from:				
- Operational Funds	58.5	7.7	8.6	0.8
- Other Funding	54.6	3.3	3.8	0.5
Total Funds Surplus/(Deficit)	(9.7)	(2.6)	1.8	4.4

FINANCIAL PERFORMANCE

The August 2021 Operating Result [pre-capital] deficit of \$0.5M is a favourable variance of \$2.7M compared to the phased budget deficit of \$3.2M. This favourable variance is mainly related to lower levels of expenditure on funded projects (\$1.2M), centralised studies/plans (\$0.7M) and other services offset by the negative impact of the COVID-19 lockdown on a number of operational areas.

The Operating Result of \$3.6M is a favourable variance of \$1.9M compared to phased budget. This includes the net variation above as well as a lower level of capital grants and contributions of \$0.8M.

The Funds Available from Operations indicates a favourable variation of \$0.9M. This result excludes non-cash variations and transfers to and from Restricted Assets but includes the variation in cash payments for Employee Entitlements. This result best represents the operational budget variations that impact our funding position and current financial capacity.

The current budget was adopted by Council in late June, prior to the significant escalation of the COVID-19 crisis into the new financial year. Council has already made provision for actions that are being implemented to support our ratepayers, community and businesses through the difficulties currently being experienced. Council is also aware that health restrictions will significantly impact Council's operations during the year. While the depth and breadth of impacts continue to evolve, experiences of the past periods provide reasonable insight to make provisions for the future based on refined assumptions. Council will consider variations to its budget required to reflect COVID-19 impacts at the September Quarterly Review. It is anticipated at this stage that the additional measures being introduced to support others, as well as the direct impacts on Council's revenue and expenses will be able to be managed within Council's existing capacity. Council achieved a budget savings in 2020-2021 of \$15.6M that allowed repayment of internal borrowings and additional cash holdings of \$10.6M (held as restricted assets) that will be available to address current COVID-19 costs.

At the end of August, the Capital Works Program had an expenditure of \$9.9M compared to a phased budget of \$12.4M. The August capital report recommends an increase to the program of \$2.7M of fully funded works and a reduction of \$0.8M that is being transferred from capital to operating. Due to changes in Information Management Technology services away from physical assets and towards cloud-based solutions, \$0.6M is proposed to be transferred from the capital program to the operational budget to reflect and support the commitment to recurrent payments of services. An additional \$0.2M is proposed to be transferred to the operational budget to support the critical asset requirements through the building fire safety compliance program. The outcome of this program may require additional capital works on Council buildings to ensure compliance with the fire safety requirements in future periods.

The Total Funds result as at 27 August 2021 is a favourable variance of \$4.4M compared to phased budget. This includes the favourable variance in the capital works program of \$2.5M.

FINANCIAL POSITION

Cash, Investments & Available Funds

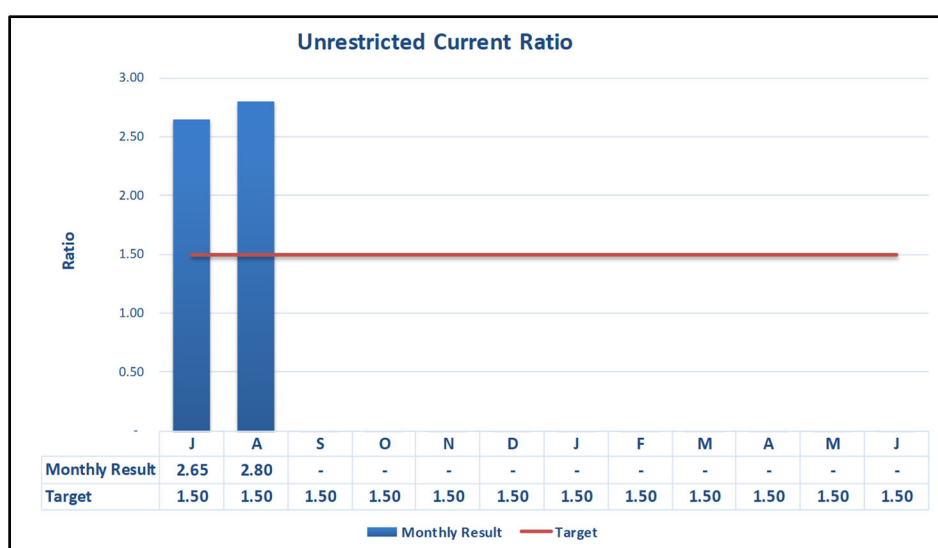
Council's cash and investments increased during August 2021 to holdings of \$176.8M compared to \$155.5M at the end of July 2021. The variation year on year does reflect the improved cashflow from rates due to the later instalment date in 2020-2021 (30 September). A significant portion of these funds 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	Actual YTD August 2021 \$M
Total Cash and Investments	172.0	105.4	176.8
Less Restrictions:			
External	78.1	59.9	78.5
Internal	70.7	41.7	70.7
CivicRisk Investment	2.7		3.2
Total Restrictions	151.5	101.6	152.4
Available Cash	20.5	3.8	24.3
Adjusted for :			
Payables	(28.2)	(26.2)	(16.8)
Receivables	21.9	24.5	8.7
Other	9.3	10.9	8.8
Net Payables & Receivables	2.9	9.2	0.7
Available Funds	23.4	13.0	25.1

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 cash flows related to the first rates instalment for the year. Although an extension has been provided on the payment of rates due to COVID-19, there has been a higher than anticipated level of rates income received.

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 August 2021 exceeds 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 \$2.69B of assets (written down value) are controlled and managed by Council for the community as at 27 August 2021. Council has expended \$9.9M on its capital works program representing 9% of the annual budget. The year to date budget for the same period was \$12.4M.

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 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 August is positive across the three key performance indicators.

WOLLONGONG CITY COUNCIL					
1 July 2021 to 27 August 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	215,858	34,304	34,445	140
User Charges and Fees	31,493	30,689	4,578	3,206	(1,372)
Interest and Investment Revenues	3,167	3,017	493	360	(133)
Other Revenues	5,737	5,737	627	1,604	977
Rental Income	6,326	6,260	983	865	(118)
Grants & Contributions provided for Operating Purposes	19,325	19,325	2,929	2,853	(76)
Grants & Contributions provided for Capital Purposes	32,091	32,091	4,920	4,165	(754)
Profit/Loss on Disposal of Assets	0	0	0	256	256
Total Income from Continuing Operations	313,998	312,978	48,834	47,755	(1,080)
Expenses From Continuing Operations					
Employee Costs	144,255	144,255	22,990	23,046	(56)
Borrowing Costs	1,954	1,954	311	86	224
Materials, Contracts & Other Expenses	101,873	101,873	16,259	13,837	2,422
Depreciation, Amortisation + Impairment	64,652	64,652	10,982	10,116	866
Internal Charges (labour)	(19,309)	(19,309)	(3,068)	(2,612)	(456)
Internal Charges (not labour)	(2,339)	(2,339)	(372)	(356)	(16)
Total Expenses From Continuing Operations	291,087	291,087	47,102	44,117	2,985
Operating Result	22,911	21,891	1,732	3,637	1,905
Operating Result [pre capital]	(9,180)	(10,200)	(3,187)	(528)	2,659
Funding Statement					
Net Operating Result for the Year	22,911	21,891	1,732	3,637	1,905
Add back :					
- Non-cash Operating Transactions	81,892	81,892	13,773	12,492	(1,281)
- Restricted cash used for operations	15,807	16,827	2,674	1,445	(1,228)
- Income transferred to Restricted Cash	(48,130)	(48,130)	(8,011)	(6,645)	1,366
- Payment of Accrued Leave Entitlements	(14,018)	(14,018)	(2,464)	(2,313)	151
Funds Available from Operations	58,462	58,462	7,704	8,618	914
Borrowings repaid	(5,482)	(5,482)	(871)	(417)	454
Advances (made by) / repaid to Council	0	0	0	0	0
Operational Funds Available for Capital Budget	52,980	52,980	6,833	8,200	1,368
CAPITAL BUDGET					
Assets Acquired	(107,093)	(109,405)	(12,446)	(9,895)	2,551
Contributed Assets	(8,358)	(8,358)	0	0	(0)
Transfers to Restricted Cash	(1,854)	(1,854)	(295)	(295)	0
Funded From :-					
- Operational Funds	52,980	52,980	6,833	8,200	1,368
- Sale of Assets	1,854	1,854	31	331	300
- Internally Restricted Cash	8,675	8,755	668	452	(216)
- Borrowings	0	0	0	0	0
- Capital Grants	20,069	21,760	1,528	1,850	321
- Developer Contributions (Section 94)	13,035	13,576	1,094	1,159	65
- Other Externally Restricted Cash	0	0	0	1	1
- Other Capital Contributions	10,958	10,958	5	7	2
TOTAL FUNDS SURPLUS / (DEFICIT)	(9,735)	(9,735)	(2,581)	1,810	4,391

WOLLONGONG CITY COUNCIL		
as at 27 August 2021		
	YTD Actual 2021/22 \$'000	Actual 2020/21 \$'000
Statement of Financial Position		
Current Assets		
Cash Assets	69,090	53,920
Investment Securities	92,499	103,334
Receivables	8,711	21,859
Inventories	486	463
Current Contract Assets	4,251	4,707
Other	10,535	6,682
Assets classified as held for sale	111	111
Total Current Assets	185,683	191,076
Non-Current Assets		
Non Current Cash Assets	12,000	12,000
Non Current Investment Securities	3,199	3,199
Non-Current Inventories	5,972	5,972
Property, Plant and Equipment	2,690,016	2,690,088
Investment Properties	4,600	4,600
Intangible Assets	140	152
Right-Of-Use Assets	1,411	1,471
Total Non-Current Assets	2,717,338	2,717,482
TOTAL ASSETS	2,903,021	2,908,558
Current Liabilities		
Current Payables	16,813	28,222
Current Contract Liabilities	10,493	8,177
Current Lease Liabilities	307	377
Current Provisions payable < 12 months	14,423	14,015
Current Provisions payable > 12 months	45,373	45,373
Current Interest Bearing Liabilities	5,497	5,497
Total Current Liabilities	92,906	101,662
Non-Current Liabilities		
Non Current Interest Bearing Liabilities	6,525	6,942
N/C Lease Liabilities	1,194	1,194
Non Current Provisions	39,314	39,314
Total Non-Current Liabilities	47,033	47,451
TOTAL LIABILITIES	139,939	149,113
NET ASSETS	2,763,082	2,759,445
Equity		
Accumulated Surplus	1,394,138	1,392,527
Asset Revaluation Reserve	1,223,744	1,223,744
Restricted Assets	145,199	143,174
TOTAL EQUITY	2,763,082	2,759,445

WOLLONGONG CITY COUNCIL			
CASH FLOW STATEMENT			
as at 27 August 2021			
	YTD Actual 2021/22 \$ '000	Actual 2020/21 \$ '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Receipts:</i>			
Rates & Annual Charges	43,304	214,468	
User Charges & Fees	7,229	30,198	
Interest & Interest Received	595	2,269	
Grants & Contributions	6,297	58,978	
Bonds, deposits and retention amounts received	-	755	
Other	5,517	24,061	
<i>Payments:</i>			
Employee Benefits & On-costs	(20,099)	(125,163)	
Materials & Contracts	(14,246)	(87,653)	
Borrowing Costs	(87)	(691)	
Bonds, deposits and retention amounts refunded	-	(2,637)	
Other	(6,327)	(20,275)	
Net Cash provided (or used in) Operating Activities	22,183	94,309	
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Receipts:</i>			
Sale of Investments	11,016	56,040	
Sale of Infrastructure, Property, Plant & Equipment	331	1,531	
<i>Payments:</i>			
Purchase of Investments	(362)	(69,745)	
Purchase of Infrastructure, Property, Plant & Equipment	(17,509)	(78,658)	
Net Cash provided (or used in) Investing Activities	(6,526)	(90,832)	
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Payments:</i>			
Repayment of Borrowings & Advances	(417)	(5,260)	
Repayment of Finance Lease Liabilities	(70)	(348)	
Net Cash Flow provided (used in) Financing Activities	(487)	(5,608)	
Net Increase/(Decrease) in Cash & Cash Equivalents	15,170	(2,131)	
plus: Cash & Cash Equivalents - beginning of year	53,920	56,051	
plus: Investments on hand - end of year	107,698	118,533	
Cash & Cash Equivalents and Investments - year to date	176,788	172,453	

WOLLONGONG CITY COUNCIL			
CASH FLOW STATEMENT			
as at 27 August 2021			
	YTD Actual 2021/22 \$ '000	Actual 2020/21 \$ '000	
Total Cash & Cash Equivalents and Investments - year to date	176,788	172,453	
<i>Attributable to:</i>			
External Restrictions (refer below)	78,511	78,088	
Internal Restrictions (refer below)	70,735	70,676	
Unrestricted	27,542	23,689	
	176,788	172,453	
External Restrictions			
Developer Contributions	39,331	38,719	
RMS Contributions	186	115	
Specific Purpose Unexpended Grants	9,080	9,687	
Special Rates Levy Wollongong Mall	342	282	
Special Rates Levy Wollongong City Centre	69	59	
Local Infrastructure Renewal Scheme	277	277	
Unexpended Loans	964	965	
Domestic Waste Management	10,752	10,746	
Private Subsidies	5,444	5,420	
Housing Affordability	9,641	9,640	
Stormwater Management Service Charge	2,425	2,178	
Total External Restrictions	78,511	78,088	
Internal Restrictions			
Property Investment Fund	9,389	9,388	
Strategic Projects	45,969	46,558	
Sports Priority Program	993	943	
Car Parking Strategy	1,110	1,051	
MacCabe Park Development	1,614	1,590	
Darcy Wentworth Park	171	171	
Garbage Disposal Facility	3,737	3,415	
West Dapto Development Additional Rates	7,143	6,951	
Southern Phone Natural Areas	173	173	
Lake Illawarra Estuary Management Fund	436	436	
Total Internal Restrictions	70,735	70,676	

Manager Project Delivery Division Commentary on August 2021 Capital Budget Report

On 29 June 2021, Council approved a Capital budget for 2021-2022 of \$107.1M that was increased to \$109.4M through the July capital review process. As at the end of August 2021, the approved Capital Budget is proposed to increase by a further \$1.9M bringing this to \$111.3M primarily from the introduction of additional funding for both new and existing projects that are supported by the following funding:

- State and Federal Government Safer Roads Programs
- Federal Government COVID-19 Stimulus Local Roads & Community Infrastructure (LR&CI) Funding Program
- State Government Resources for Regions funding
- State Government Greater Cities Sports Facility funding
- State Government Restart NSW grant funding
- Developer contributions

Council achieved expenditure at the end of August 2021 of \$9.9M compared to the most recently adjusted phased budget expenditure of \$9.9M and an original phased budget of \$13.3M. A review of the expenditure compared to phased budget has identified that the majority of this delay in achieving phased expenditure is due to:

- Impact of the two week shutdown of construction sites during the month of July due to COVID-19 related public health orders.

Program	Major Points of change to Capital Budget
Traffic Facilities	Remove grant from Federal Government (administered by NSW Government) Safer Roads and Pedestrian Safety Around Schools funding program for recently introduced project and replace it with Strategic Projects Reserve funding.
Roadworks	Reallocate City Wide Developer Contributions funding from Recreation Facilities Program to the Roadworks program for Factory Road, Unanderra, road upgrade project to support new Criterium Track project. Introduce Federal Government Black Safer Roads (Blackspots) Funding for existing project
West Dapto	Introduce remaining Resources for Regions Funding for Wongawilli Road/culvert Upgrade project.
Footpaths	Reallocate City Wide Developer Contributions funding from Recreation Facilities Program to the Footpaths Program for Factory Road, Unanderra, new shareway project, to support new Criterium Track project. Introduce Local Roads and Community Infrastructure funding for existing project. Introduce Public Spaces Legacy funding for new project.
Cycle/Shared Paths	Introduce (substitute) Local Roads and Community Infrastructure Funding for existing project and remove City Wide Developer Contributions funding. Introduce Wollongong 2022 Legacy partnership Funding for shared path network signposting project. Reduce the amount of Local Roads and Community Infrastructure Funding for existing project.

Program	Major Points of change to Capital Budget
Administration Buildings	<p>Reallocate budget from Administration Building's Capital budget to Operational Budget - Community Buildings Maintenance.</p> <p>Reallocate budget from Administration Buildings Program to Community Buildings program.</p>
Community Buildings	<p>Reallocate budget from Administration Buildings Program to Community Buildings Program.</p> <p>Reallocate budget from Community Buildings Program to Recreation Facilities Program</p>
Tourist Parks – Upgrades and Renewal	Reallocate budget from Tourist Parks – Upgrades and Renewal Program to Crematorium/Cemetery – Upgrades and Renewal Program
Crematorium/Cemetery – Upgrades and Renewal	Reallocate budget from Tourist Parks – Upgrades and Renewal program to Crematorium/Cemetery – Upgrades and Renewal Program.
Recreation Facilities	<p>Reallocate City Wide Developer Contributions from Recreation Facilities program to both Roadworks program and to Footpaths program for new projects to support Lindsay Mayne Park Criterium track project.</p> <p>Introduce Fed Govt. Saluting Their Service funding for public art/war memorial project at Hill 60.</p> <p>Reallocate budget from Capital Budget Contingency to Recreation Facilities for a new project.</p>
Sporting Facilities	<p>Introduce additional Sports Priority Reserve funding for new projects.</p> <p>Introduce two separate grants from Greater Cities Sports Facilities Funding program for existing projects at Beaton Park Tennis club and Fred Finch Park Netball courts.</p>
Treated Water Pools	Introduce funding from South 32 for shade structure at Western Suburbs Pool
Information Technology	Transfer budget out of Capital Budget for transfer to Operational projects.
Land Acquisitions	<p>Introduce Restart NSW for land purchase related to the completed Fowlers Rd to Fairwater Drive bridge and road extension.</p> <p>Introduce City Wide Developer Contributions funding as a deposit for potential land purchase at 51-53 Walker Street, Helensburgh</p>
Capital Project Contingency	Reallocate budget to multiple program areas as detailed above.

CAPITAL PROJECT REPORT							
as at the period ended 27 August 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	1,888	(843)	1,888	(843)	12	0	0
Recreation Facilities	4,743	(4,205)	4,453	(3,825)	431	(290)	380
Sporting Facilities	3,227	(2,620)	5,286	(4,679)	225	2,059	(2,059)
TOTAL Parks Gardens And Sportfields	9,858	(7,668)	11,627	(9,347)	668	1,769	(1,679)
Beaches And Pools							
Beach Facilities	750	(500)	750	(500)	8	(0)	(0)
Rock/Tidal Pools	350	0	350	0	13	0	0
Treated Water Pools	2,770	0	2,802	(32)	183	32	(32)
TOTAL Beaches And Pools	3,870	(500)	3,902	(532)	205	32	(32)
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	2,255	(2,255)	2,255	(2,255)	95	(0)	(0)
TOTAL Waste Facilities	2,255	(2,255)	2,255	(2,255)	95	(0)	(0)
Fleet							
Motor Vehicles	1,830	(979)	1,830	(979)	57	0	0
TOTAL Fleet	1,830	(979)	1,830	(979)	57	0	0
Plant And Equipment							
Mobile Plant (trucks, backhoes etc.)	4,200	(905)	4,200	(905)	363	(0)	0
TOTAL Plant And Equipment	4,200	(905)	4,200	(905)	363	(0)	0
Information Technology							
Information Technology	1,050	0	1,050	0	137	(600)	0
TOTAL Information Technology	1,050	0	1,050	0	137	(600)	0
Library Books							
Library Books	1,283	0	1,283	0	261	(0)	0
TOTAL Library Books	1,283	0	1,283	0	261	(0)	0
Public Art							
Art Gallery Acquisitions	137	0	137	0	0	0	0
TOTAL Public Art	137	0	137	0	0	0	0
Land Acquisitions							
Land Acquisitions	250	(250)	918	(918)	0	668	(668)
TOTAL Land Acquisitions	250	(250)	918	(918)	0	668	(668)
Non-Project Allocations							
Capital Project Contingency	1,205	0	1,113	0	0	(92)	0
TOTAL Non-Project Allocations	1,205	0	1,113	0	0	(92)	0
GRAND TOTAL	109,405	(46,157)	111,282	(48,834)	9,895	1,877	(2,677)