

ITEM 13 APRIL 2020 FINANCIALS

The actual results for April are the first compared against the phased budget adjusted at the March Quarterly Review inclusive of the anticipated impacts of COVID-19. The results at this stage are favourable over the key performance indicators, although this is in keeping with results prior to the adjustments and will in part reflect the timing of delivery against phased budgets, rather than significant positive results expected at year end.

The Operating Result [pre-capital] and the Funds Available from Operations show favourable variances of \$4.8M and \$4.3M respectively, while the Funds Result shows a favourable variance of \$4.3M.

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

Council has expended \$68.6M on its capital works program representing 69% of the annual budget. The year to date budget for the same period was \$73.5M.

RECOMMENDATION

- 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 Income and Funding Statement - April 2020
- 2 Capital Project Report - April 2020
- 3 Balance Sheet - April 2020
- 4 Cash Flow Statement - April 2020

BACKGROUND

This report presents the Income and Expense Statement, Balance Sheet and Cash Flow Statement for April 2020. Council's current budget has a Net Funding (cash) deficit of \$18.6M, an Operating Deficit [pre capital] of \$18.2M and a capital expenditure of \$99.4M.

The following table provides a summary view 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	24-Apr	24-Apr	24-Apr	
Operating Revenue	273.0	265.7	221.3	220.5	(0.8)
Operating Costs	(282.4)	(283.9)	(234.3)	(228.8)	5.5
Operating Result [Pre Capital]	(9.4)	(18.2)	(13.0)	(8.2)	4.8
Capital Grants & Contributions	42.9	30.4	19.0	13.1	(5.8)
Operating Result	33.5	12.2	6.0	4.9	(1.1)
Funds Available from Operations	56.7	48.8	41.4	45.7	4.3
Capital Works	99.8	99.4	73.5	68.6	4.9
Contributed Assets	6.7	6.7	-	-	-
Transfer to Restricted Cash	1.4	5.4	5.3	5.3	-
Borrowings Repaid	7.9	7.9	6.7	6.7	-
Funded from:					
- Operational Funds	56.7	48.8	34.7	39.0	4.3
- Other Funding	49.5	52.1	34.0	29.1	(4.9)
Total Funds Surplus/(Deficit)	(9.7)	(18.6)	(10.2)	(5.9)	4.3

Financial Performance

In response to the anticipated impact of COVID-19, budget adjustments have been proposed as part of the March Quarterly Review to recognise the potential impacts on Council's forecasts for the remaining quarter of this financial year. Impacts are primarily in income with a forecast reduction for the quarter of \$6.23M in User Charges & Fees and Other Revenue, interest on overdue rates \$0.3M that are partially offset by a reduction in associated expenditure (EPA levy at Waste Facility) of \$0.5M.

The April 2020 Operating Result [pre-capital] shows a favourable variance compared to phased budget of \$4.8M that is largely due to lower than anticipated expenditure trends across a range of areas (\$6.8M) and depreciation (\$1.8M). These positive variations are partially offset by lower levels of operational labour applied to capital that reflects as an under recovery of internal charges of \$3.0M and loss on disposal of assets (\$0.7M).

The Operating Result shows a negative variance of \$1.1M compared to budget. This includes the net variation above decreased by a lower level of capital income of \$5.8M. This is mainly due to receipts relating to West Dapto Developer Contributions and the timing of invoices for Local Infrastructure Grant Scheme Funding. \$6.6M has been approved for payment and raised in the May reporting period.

The Funds Available from Operations indicate a favourable variation of \$4.3M. This result excludes variations in non-cash transactions and transfers to and from Restricted Assets but includes the cash payments for Employee Entitlements to represent the operational budget variations that may impact our funding.

Funds Result

The Total Funds result as at 24 April 2020 shows a favourable variance of \$4.3M compared to phased budget.

Capital Budget

At the end of April, the capital program shows an expenditure of \$68.6M compared to a phased budget of \$73.5M. The April review of capital proposes a reduction of \$2.1M that largely relates to the timing of works and is fully offset by a corresponding decrease in funding.

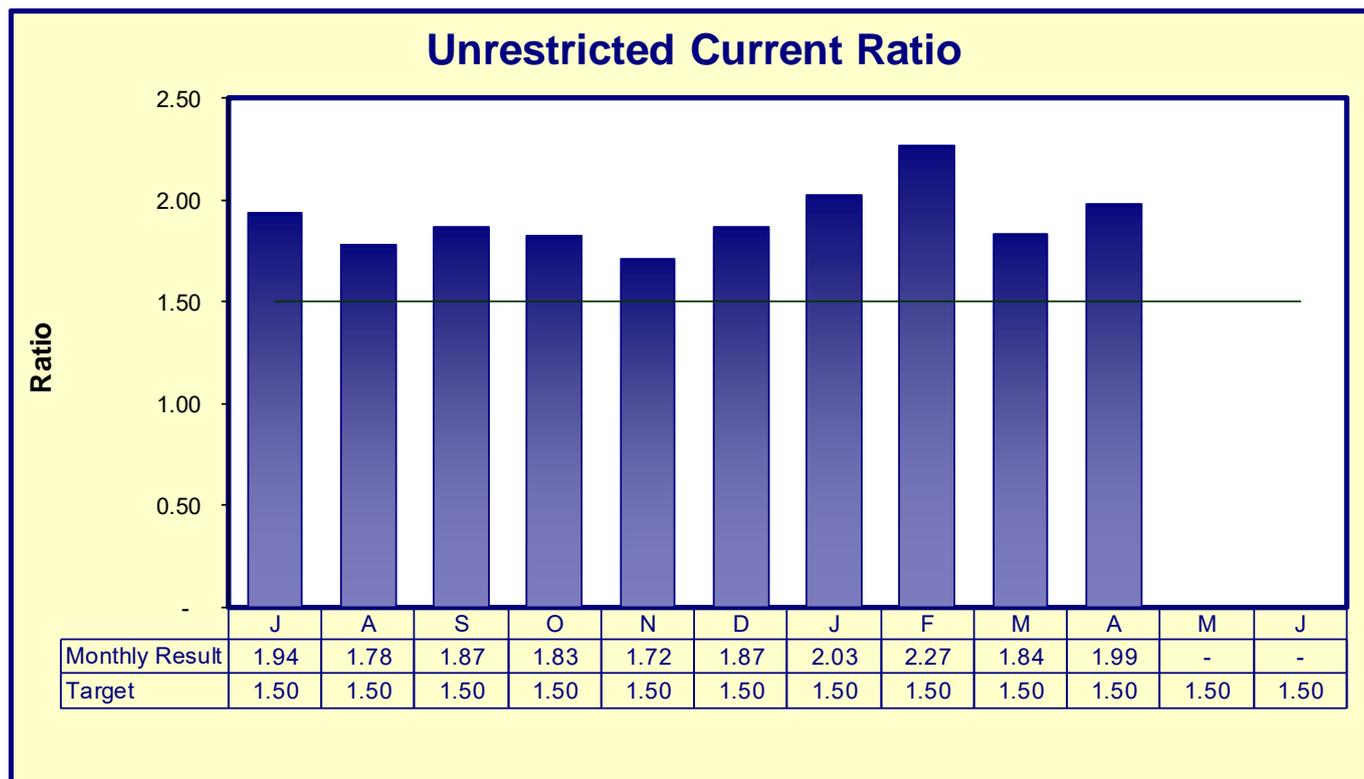
Available Cash

CASH, INVESTMENTS & AVAILABLE FUNDS				
	Original Budget 2019/20	December QR 2019/20	March QR 2019/20	Actual Ytd April 2020
	\$M	\$M	\$M	\$M
Total Cash and Investments	130.0	138.1	129.0	137.7
Less Restrictions:				
External	78.0	78.8	70.8	68.5
Internal	46.7	54.3	57.0	64.6
Total Restrictions	124.7	133.1	127.9	133.1
Available Cash	5.3	5.0	1.1	4.6
Adjusted for :				
Payables	(25.4)	(25.7)	(25.5)	(26.6)
Receivables	24.6	23.8	23.1	33.4
Other	11.2	12.2	12.2	12.3
Net Payables & Receivables	10.5	10.3	9.7	19.0
Available Funds	15.7	15.3	10.9	23.6

Council's cash and investments decreased during April 2020 to holdings of \$137.7M compared to \$157.7M at the end of March 2020. This reflects general trends for this time of the year and whilst the level of cash holding is normally increased at the end of May with the final rate instalment, the proposed COVID-19 relief package allowing rate payers to postpone this payment will result in lower levels of cash holdings than previous years.

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.

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 exceeds the Local Government Benchmark of >1.5:1.



Receivables

Receivables are the amount of money owed to Council or funds that Council has paid in advance. At April 2020, receivables totalled \$33.4M compared to receivables of \$27.4M at March 2020.

Payables

Payables (the amount of money owed to suppliers) of \$26.6M were owed at April 2020 compared to payables of \$39.7M at March 2020. The decrease in the amount payables relates to some degree to earlier payment of goods and services delivered and due to monthly accounting treatments for payments in advance for rates and 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 are 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). 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 2019-2020 is a 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 \$2.8B of assets (written down value) are controlled and managed by Council for the community as at 24 April 2020. The 2019-2020 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. Council has expended \$68.6M on its capital works program representing 69% of the Annual Budget. The year to date budget for the same period was \$73.5M.

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 2018-2021 3 Year Action	Operational Plan 2019-20 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 April is positive across the leading indicators. Included in this is recognition of the impact of the COVID-19 pandemic and the resultant suspension of income generating services, closure of facilities and proposed relief package.

WOLLONGONG CITY COUNCIL					
1 July 2019 to 24 April 2020					
	2019/2020 Original Budget \$'000	2019/2020 Current Budget \$'000	2019/2020 YTD Budget \$'000	2019/2020 Actual YTD \$'000	2019/2020 Variance \$'000
Income Statement					
Income From Continuing Operations					
Revenue:					
Rates and Annual Charges	202,991	202,996	165,836	166,002	167
User Charges and Fees	33,665	27,039	25,075	25,565	489
Interest and Investment Revenues	4,882	3,512	3,047	2,732	(315)
Other Revenues	10,598	10,044	8,622	8,871	249
Grants & Contributions provided for Operating Purposes	20,840	22,423	19,059	18,464	(595)
Grants & Contributions provided for Capital Purposes	42,927	30,358	18,969	13,117	(5,853)
Profit/Loss on Disposal of Assets	0	(347)	(347)	(1,094)	(747)
Total Income from Continuing Operations	315,903	296,026	240,261	233,657	(6,604)
Expenses From Continuing Operations					
Employee Costs	134,742	136,823	112,846	111,497	1,349
Borrowing Costs	2,722	3,012	2,461	2,515	(54)
Materials, Contracts & Other Expenses	97,916	101,429	83,218	77,803	5,416
Depreciation, Amortisation + Impairment	66,276	62,198	51,831	49,986	1,845
Internal Charges (labour)	(17,558)	(17,901)	(14,624)	(11,814)	(2,810)
Internal Charges (not labour)	(1,694)	(1,696)	(1,386)	(1,219)	(167)
Total Expenses From Continuing Operations	282,404	283,864	234,347	228,768	5,580
Operating Results From Continuing Operations	33,499	12,161	5,914	4,890	(1,024)
Net Operating Result for the Year	33,499	12,161	5,914	4,890	(1,024)
Net Operating Result for the Year before Grants & Contributions provided for Capital Purposes	(9,429)	(18,197)	(13,055)	(8,227)	4,828
NET SURPLUS (DEFICIT) [Pre capital] %	10.6%	4.1%	2.5%	2.1%	15.5%
Funding Statement					
Net Operating Result for the Year	33,499	12,161	5,914	4,890	(1,024)
Add back:					
- Non-cash Operating Transactions	84,272	84,559	70,984	69,549	(1,435)
- Restricted cash used for operations	16,491	19,653	15,260	14,843	(417)
- Income transferred to Restricted Cash	(63,420)	(53,238)	(39,086)	(32,165)	6,921
- Payment of Accrued Leave Entitlements	(14,162)	(14,331)	(11,708)	(11,453)	255
Net Share Joint Venture using Equity Method					
Funds Available from Operations	56,680	48,804	41,364	45,663	4,300
Borrowings repaid	(7,913)	(7,913)	(6,653)	(6,653)	0
Advances (made by) / repaid to Council	0	0	0	0	0
Operational Funds Available for Capital Budget	48,767	40,892	34,711	39,011	4,300
CAPITAL BUDGET					
Assets Acquired	(99,795)	(99,398)	(73,536)	(68,644)	4,892
Contributed Assets	(6,726)	(6,726)	0	0	0
Transfers to Restricted Cash	(1,431)	(5,431)	(5,312)	(5,312)	0
Funded From :-					
- Operational Funds	48,767	40,892	34,711	39,011	4,300
- Sale of Assets	1,292	2,078	1,569	665	(904)
- Internally Restricted Cash	14,029	9,060	4,888	3,649	(1,239)
- Borrowings	0	0	0	0	0
- Capital Grants	7,353	9,393	6,663	6,142	(521)
- Developer Contributions (Section 94)	16,867	21,463	17,698	15,500	(2,198)
- Other Externally Restricted Cash	3,490	3,872	2,147	2,103	(44)
- Other Capital Contributions	6,483	6,215	1,000	1,021	21
TOTAL FUNDS SURPLUS / (DEFICIT)	(9,672)	(18,582)	(10,171)	(5,865)	4,306

Manager Project Delivery Division Commentary on April 2020 Capital Budget Report

On 24 June 2019, Council approved a Capital budget for 2019-2020 of \$98.8M which has been adjusted each month since then as previously reported. As of the end of April 2020, the approved Capital Budget has been decreased from previously adjusted \$99.4M to \$97.3M due primarily to the re-phasing funding and budget from 2019-2020 till 2020-2021 in the Footpaths Program and Waste Services Capital Projects Program. Council achieved expenditure at the end of April 2020 of \$68.6M compared to the phased budget expenditure of \$73.5M.

Program	Major Points of change to Capital Budget
Traffic Facilities	Reallocate budget from Traffic Facilities Programs to Capital Budget Contingency. Rephase funding for existing project till 20/21.
Roadworks	Reallocate budget from Cycle/Shared Paths Program to Roadworks Program. Rephase Section 94 funding till 20/21.
West Dapto Infrastructure Expansion	Reallocate Loan Infrastructure Funding and Sect 94 West Dapto funding to Property Acquisition Program for proposed land parcel acquisitions from Wollongong Coal.
Bridges, Boardwalks & Jetties	Reallocate budget from Bridges, Boardwalks & Jetties Program to Roadworks Program and Capital Budget Contingency.
Footpaths	Rephase Strategic Projects Reserve funding and budget from 2019/20 till 2020/21.
Cycle/Shared Paths	Rephase budget and Strategic Projects Reserve funding for existing projects in Cycle/Shared Paths Program from 19/20 to 20/21.
Commercial Centre Upgrades – Footpaths and Cycleways	Rephase Strategic Projects Reserve funding for existing project.
Carpark Construction/ Formalising	Reallocate budget from Carpark Construction/Formalisation Programs to Carpark Reconstruction or Upgrading.
Carpark Reconstruction or Upgrading	Reallocate budget from Carpark Reconstruction or Upgrading Program to Carpark Construction/Formalisation Program.
Floodplain Management	Rephase OEH funding for existing project till 20/21.
Stormwater Management	Rephase Stormwater Management Services Levy funding for existing projects to 20/21.
Community Buildings	Reallocate budget from Community Buildings Program to Capital Budget Contingency. Rephase Section 94 funding for existing project till 20/21.
Play Facilities	Reallocate budget from Play Facilities Program to Capital Budget Contingency.
Recreation Facilities	Reallocate Budget from Recreation Facilities Program to Capital Budget Contingency. Reallocate Sports Priority Reserve funding from Sporting Facilities Program for new project.
Sporting Facilities	Reallocate Sports Priority Reserve funding from Sporting Facilities Program to Recreation Facilities Program for new project.
Whytes Gully New Cells	Rephase Waste Reserve Funding for existing projects till 20/21.
Whytes Gully Renewal works	Rephase Waste Reserve Funding for existing projects till 20/21.
Land Acquisitions	Reallocate Loan Infrastructure Funding and Sect 94 West Dapto funding from West Dapto Infrastructure Expansion Program to Property Acquisition Program for proposed land parcel acquisitions from Wollongong Coal.
Contingency	Reallocate budget from various Capital programs detailed above to Capital Budget Contingency.

WOLLONGONG CITY COUNCIL		
	Actual 2019/20 \$'000	Actual 2018/19 \$'000
Balance Sheet As at 24 April 2020		
Current Assets		
Cash Assets	23,409	25,187
Investment Securities	108,249	114,579
Receivables	33,365	36,620
Inventories	392	337
Other	12,687	11,879
Assets classified as held for sale	0	0
Total Current Assets	178,101	188,602
Non-Current Assets		
Non Current Cash Assets	6,000	15,000
Non Current Investment Securities	0	56
Non-Current Receivables	0	0
Non-Current Inventories	5,948	5,948
	0	0
Property, Plant and Equipment	2,575,846	2,565,095
Investment Properties	6,998	5,000
Westpool Equity Contribution	2,929	2,929
Intangible Assets	285	440
Total Non-Current Assets	2,598,005	2,594,468
TOTAL ASSETS	2,776,106	2,783,070
Current Liabilities		
Current Payables	26,621	35,020
Current Provisions payable < 12 months	16,489	14,697
Current Provisions payable > 12 months	43,517	43,517
Current Interest Bearing Liabilities	7,934	7,934
Total Current Liabilities	94,560	101,168
Non-Current Liabilities		
Non Current Payables	0	385
Non Current Interest Bearing Liabilities	11,013	17,497
Non Current Provisions	48,670	47,054
Total Non-Current Liabilities	59,683	64,936
TOTAL LIABILITIES	154,243	166,104
NET ASSETS	2,621,863	2,616,966
Equity		
Accumulated Surplus	1,329,466	1,324,988
Asset Revaluation Reserve	1,159,325	1,153,123
Restricted Assets	133,072	138,856
TOTAL EQUITY	2,621,863	2,616,966

WOLLONGONG CITY COUNCIL CASH FLOW STATEMENT as at 24 April 2020		
	YTD Actual 2019/20 \$ '000	Actual 2018/19 \$ '000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Receipts:</i>		
Rates & Annual Charges	160,797	198,536
User Charges & Fees	23,925	35,009
Interest & Interest Received	3,460	4,859
Grants & Contributions	40,769	74,808
Other	8,270	28,663
<i>Payments:</i>		
Employee Benefits & On-costs	(98,101)	(116,018)
Materials & Contracts	(46,652)	(76,382)
Borrowing Costs	(730)	(1,096)
Other	(27,247)	(34,751)
Net Cash provided (or used in) Operating Activities	64,491	113,628
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Receipts:</i>		
Sale of Investments	730	-
Sale of Infrastructure, Property, Plant & Equipment	665	1,920
Deferred Debtors Receipts	-	-
<i>Payments:</i>		
Purchase of Investments	-	-
Purchase of Investment Property	(1,997)	-
Purchase of Infrastructure, Property, Plant & Equipment	(74,400)	(110,976)
Purchase of Interests in Joint Ventures & Associates	-	-
Net Cash provided (or used in) Investing Activities	(75,002)	(109,056)
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Receipts:</i>		
Proceeds from Borrowings & Advances	-	-
<i>Payments:</i>		
Repayment of Borrowings & Advances	(6,653)	(7,715)
Repayment of Finance Lease Liabilities	-	-
Other Financing Activity Payments	-	-
Net Cash Flow provided (used in) Financing Activities	(6,653)	(7,715)
Net Increase/(Decrease) in Cash & Cash Equivalents	(17,164)	(1,304)
plus: Cash & Cash Equivalents and Investments - beginning of year	154,822	156,126
Cash & Cash Equivalents and Investments - year to date	137,658	154,822

WOLLONGONG CITY COUNCIL CASH FLOW STATEMENT as at 24 April 2020		
	YTD Actual 2019/20 \$ '000	Actual 2018/19 \$ '000
Total Cash & Cash Equivalents and Investments - year to date	137,658	154,822
<i>Attributable to:</i>		
External Restrictions (refer below)	68,456	77,657
Internal Restrictions (refer below)	64,616	61,203
Unrestricted	4,586	15,962
Total	137,658	154,822
External Restrictions		
Developer Contributions	26,993	36,768
RMS Contributions	57	46
Specific Purpose Unexpended Grants	4,820	3,354
Special Rates Levy Wollongong Mall	214	135
Special Rates Levy Wollongong City Centre	(11)	40
Local Infrastructure Renewal Scheme	790	1,867
Unexpended Loans	2,788	3,470
Domestic Waste Management	14,093	13,763
Private Subsidies	5,752	5,761
West Dapto Home Deposit Assistance Program	10,943	10,785
Stormwater Management Service Charge	2,017	1,668
West Dapto Home Deposits Issued	-	-
Carbon Price	-	-
Total External Restrictions	68,456	77,657
Internal Restrictions		
Property Investment Fund	8,505	8,416
Strategic Projects	43,961	44,015
Sports Priority Program	1,007	644
Car Parking Strategy	2,037	1,629
MacCabe Park Development	1,415	1,290
Darcy Wentworth Park	171	171
Garbage Disposal Facility	789	(638)
West Dapto Development Additional Rates	6,173	5,076
Southern Phone Natural Areas	186	267
Lake Illawarra Estuary Management Fund	372	333
Total Internal Restrictions	64,616	61,203