

ITEM 13 FEBRUARY 2023 FINANCIALS

The financial result for February 2023 compared to phased budget is favourable for the Operating Result [pre-capital] \$4.2M. Funds Available from Operations were unfavourable compared to phased budget \$4.6M as were Total Funds Result \$1.7M compared to phased budget.

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

Council has expended \$57.9M on its capital works program representing 55% of the annual budget. The year to date budget for the same period was \$61.7M.

RECOMMENDATIONS

- 1 The financials be received and noted.
- 2 Council endorse the proposed changes to the Capital Budget for February 2023.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer

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

ATTACHMENTS

- 1 Financial Statements - February 2023
- 2 Capital Project Report – February 2023

BACKGROUND

This report presents the Financial Performance of the organisation for February 2023. The below table provides a summary of the organisation's overall financial results for the year.

Wollongong City Council	Original	Revised	YTD	YTD	
24 February 2023	Budget	Budget	Forecast	Actual	Variation
Forecast Position	\$M	\$M	\$M	\$M	\$M
	1-Jul	24-Feb	24-Feb	24-Feb	
Operating Revenue	283.2	291.9	190.1	198.3	8.2
Operating Costs	(308.0)	(321.3)	(208.9)	(212.8)	(3.9)
Operating Result [Pre Capital]	(24.8)	(29.5)	(18.8)	(14.5)	4.2
Capital Grants & Contributions	40.4	42.2	20.5	21.2	0.7
Operating Result	15.6	12.7	1.7	6.7	5.0
Funds Available from Operations	52.2	51.1	35.1	30.4	(4.6)
Capital Works	101.9	106.1	61.7	57.9	3.8
Contributed Assets	10.1	10.1	-	-	-
Transfer to Restricted Cash	2.4	2.4	1.5	1.5	-
Borrowings Repaid	3.7	3.7	2.5	2.6	(0.1)
Funded from:					
- Operational Funds	52.2	51.1	35.1	30.4	(4.7)
- Other Funding	48.9	53.3	25.9	25.1	(0.8)
Total Funds Surplus/(Deficit)	(16.9)	(17.1)	(4.8)	(6.5)	(1.7)

FINANCIAL PERFORMANCE

The February 2023 Operating Result [pre-capital] deficit of \$14.5M is a favourable variance compared to the phased budget deficit of \$18.8M.

The Operating Result surplus of \$6.7M is a favourable variance of \$5.0M compared to phased budget. Capital Grants and Contributions were favourable to budget of \$0.7M at \$21.2M.

The Funds Available from Operations result is unfavourable by \$4.7M compared to phased budget. 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 Total Funds result as at 24 February 2023 is an unfavourable variance of \$1.7M compared to phased budget.

At the end of February, the Capital Works Program had an expenditure of \$57.9M compared to a phased budget of \$61.7M.

FINANCIAL POSITION

Cash, Investments & Available Funds

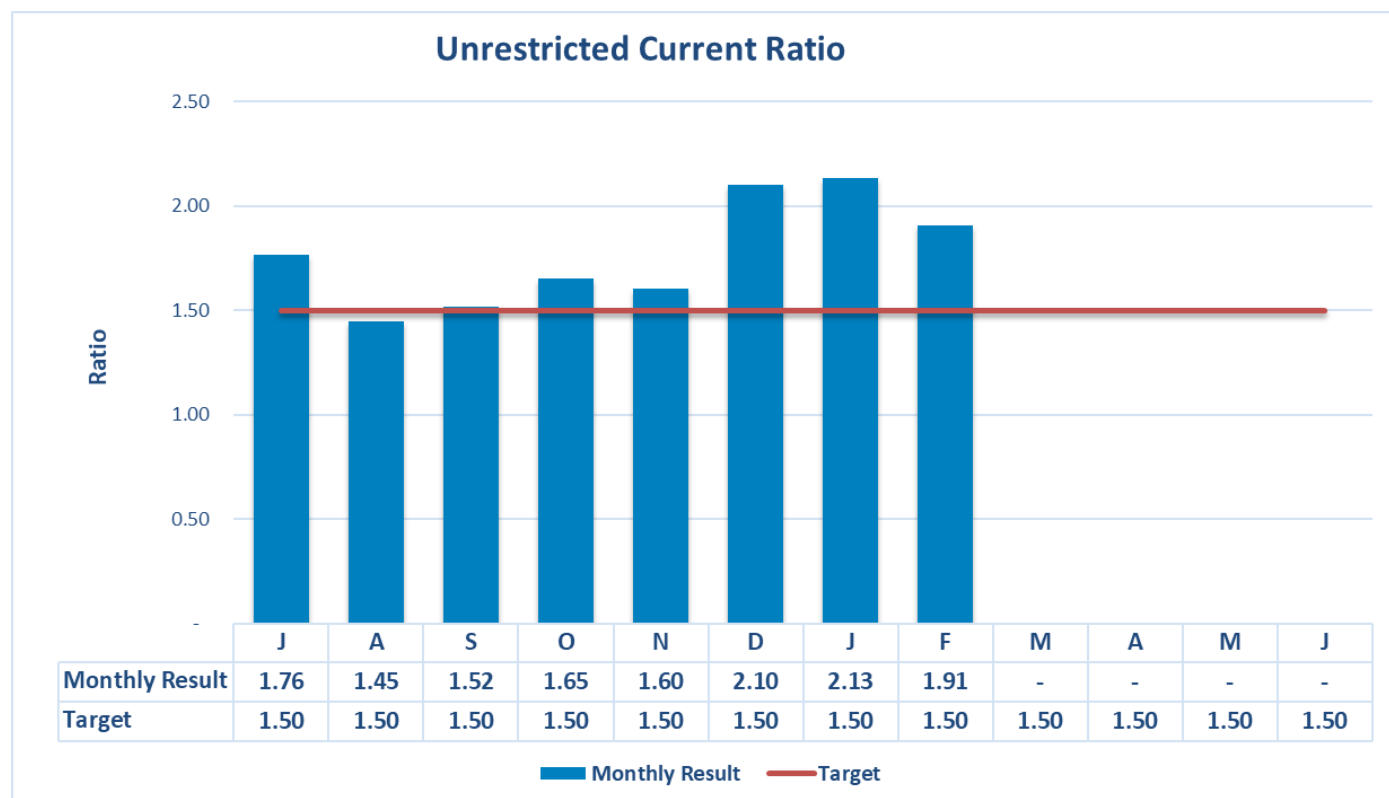
Council's cash and investments increased during February 2023 to holdings of \$161M compared to \$147M at the end of January 2022. A significant portion of these funds are subject to restriction meaning they can only be utilised for specific purposes. As a result, Council's true available cash position is more accurately depicted by considering available funds that are uncommitted and not subject to restriction.

Wollongong City Council 24 February 2023 Cash, Investments and Available Funds				
	Actual 2021/22	Original Budget 2022/23	September QR 2022/23	Actuals YTD February 2023
	\$M	\$M	\$M	\$M
Total Cash and Investments	162.0	130.9	134.5	161.3
Less Restrictions:				
External	75.3	75.1	73.6	97.5
Internal	62.9	48.4	56.7	61.5
CivicRisk Investment	2.5			2.5
Total Restrictions	140.8	123.5	130.3	161.5
Available Cash	21.3	7.4	4.1	(0.2)
Adjusted for :				
Payables	(27.4)	(27.9)	(28.1)	(31.2)
Receivables	24.7	34.0	25.5	40.1
Other	13.0	0.0	13.1	15.5
Net Payables & Receivables	10.3	6.1	10.5	24.5
Available Funds	31.6	13.5	14.7	24.3

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 decrease in cash and investments is in line with anticipated cash flows.

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. 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.

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 24 February 2023 exceeds the Local Government benchmark of greater than two times.

Infrastructure, Property, Plant & Equipment

The Statement of Financial Position shows that \$3.35B of assets (written down value) are controlled and managed by Council for the community as at 24 February 2023.

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Our Wollongong Our Future 2032 Goal 4 "We are a connected and engaged community". It specifically delivers on the following:

Community Strategic Plan 2032		Delivery Program 2022-2026
Strategy		Service
4.8	Council's resources are managed effectively to ensure long term financial sustainability.	Financial Services

CONCLUSION

The financial result at the end of February is positive across one of the three key performance indicators.

Wollongong City Council

1 July 2022 to 24 February 2023

Income Statement

	2022/23 Original Budget \$'000	2022/23 Current Budget \$'000	2022/23 YTD Budget \$'000	2022/23 Actual YTD \$'000	Variance \$'000
	23GLBUD Period 0	23GLBUD Period 3	23GLPHAS	23GLACT	
Income From Continuing Operations					
Revenue:					
Rates and Annual Charges	221,315	222,064	145,406	145,059	(347)
User Charges and Fees	33,841	36,339	24,087	26,319	2,232
Interest and Investment Revenues	2,333	4,390	2,918	3,120	202
Other Revenues	5,977	6,154	3,745	3,926	181
Rental Income	5,874	5,868	3,852	3,859	7
Grants & Contributions provided for Operating Purposes	13,818	17,039	9,840	15,660	5,819
Grants & Contributions provided for Capital Purposes	40,442	42,210	20,453	21,224	770
Profit/Loss on Disposal of Assets	0	0	307	307	0
Total Income from Continuing Operations	323,601	334,065	210,610	219,474	8,864
Expenses From Continuing Operations					
Employee Costs	145,502	149,883	96,345	98,378	(2,033)
Borrowing Costs	242	609	399	414	(16)
Materials & Services	88,796	93,348	61,447	57,011	4,435
Other Expenses	19,155	20,975	13,760	16,457	(2,696)
Depreciation, Amortisation + Impairment	75,642	77,977	51,059	51,152	(92)
Labour Internal Charges	(19,578)	(19,549)	(12,801)	(9,650)	(3,150)
Non-Labour Internal Charges	(1,795)	(1,927)	(1,262)	(952)	(310)
Total Expenses From Continuing Operations	307,964	321,316	208,948	212,810	(3,862)
Operating Result	15,637	12,748	1,662	6,665	5,003
Operating Result [pre capital]	(24,806)	(29,462)	(18,791)	(14,559)	4,232
Funding Statement					
Net Operating Result for the Year	15,637	12,748	1,662	6,665	5,003
Add back :					
- Non-cash Operating Transactions	92,764	95,883	62,379	62,225	(154)
- Restricted cash used for operations	15,710	20,239	13,632	11,429	(2,203)
- Income transferred to Restricted Cash	(57,120)	(62,841)	(32,721)	(37,806)	(5,085)
Leases Repaid	(413)	(413)	(270)	(220)	50
Terminations	(14,354)	(14,562)	(9,626)	(11,871)	(2,245)
Funds Available from Operations	52,224	51,054	35,055	30,421	(4,634)
Loans Repaid	(3,702)	(3,702)	(2,613)	(2,613)	0
Advances (made by) / repaid to Council	0	0	0	0	0
Operational Funds Available for Capital Budget	48,522	47,352	32,442	27,808	(4,634)
Capital Budget Statement					
Assets Acquired	(101,916)	(106,145)	(61,706)	(57,865)	3,841
Contributed Assets	(10,056)	(10,056)	0	0	0
Transfers to Restricted Cash	(2,367)	(2,367)	(1,550)	(1,550)	0
Funded From :-					
- Operational Funds	48,522	48,214	32,442	27,808	(4,634)
- Sale of Assets	1,885	1,885	479	726	246
- Internally Restricted Cash	6,310	7,148	4,285	4,155	(131)
- Borrowings	0	0	0	0	0
- Capital Grants	22,825	22,184	13,265	11,771	(1,495)
- Developer Contributions (Section 94)	6,834	10,936	7,809	6,218	(1,591)
- Other Externally Restricted Cash	0	0	0	0	0
- Other Capital Contributions	11,031	11,134	207	2,267	2,060
TOTAL FUNDS SURPLUS / (DEFICIT)	(16,931)	(17,066)	(4,768)	(6,471)	(1,703)

WOLLONGONG CITY COUNCIL

Statement of Financial Position
as at 24 February 2023

	YTD Actual 2022/23 \$'000	Actual 2021/22 \$'000
Current Assets		
Cash Assets	56,085	34,118
Investment Securities	86,468	88,184
Receivables	40,144	24,673
Inventories	513	461
Current Contract Assets	10,390	9,711
Other	9,037	6,881
Assets classified as held for sale	65	65
Total Current Assets	202,702	164,094
Non-Current Assets		
Non Current Cash Assets	16,200	37,200
Non Current Investment Securities	2,530	2,530
Non-Current Inventories	5,972	5,972
Property, Plant and Equipment	3,354,670	3,347,444
Investment Properties	5,600	5,600
Intangible Assets	26	76
Right-Of-Use Assets	847	1,094
Total Non-Current Assets	3,385,844	3,399,915
TOTAL ASSETS	3,588,547	3,564,008
Current Liabilities		
Current Payables	31,187	27,377
Current Contract Liabilities	22,914	5,491
Current Lease Liabilities	148	403
Current Provisions payable < 12 months	15,021	16,005
Current Provisions payable > 12 months	39,591	39,591
Current Interest Bearing Liabilities	3,569	3,569
Total Current Liabilities	112,430	92,437
Non-Current Liabilities		
Non Current Interest Bearing Liabilities	761	3,374
N/C Lease Liabilities	788	788
Non Current Provisions	28,928	28,671
Total Non-Current Liabilities	30,476	32,832
TOTAL LIABILITIES	142,907	125,269
NET ASSETS	3,445,640	3,438,739
Equity		
Accumulated Surplus	1,443,393	1,440,236
Asset Revaluation Reserve	1,862,274	1,862,283
Restricted Assets	139,973	136,221
TOTAL EQUITY	3,445,640	3,438,739

WOLLONGONG CITY COUNCIL Cash Flows and Investments as at 24 February 2023		
	YTD Actual 2022/23 \$ '000	Actual 2021/22 \$ '000
Cash Flows From Operating Activities		
Receipts		
Rates & Annual Charges	144,318	215,632
User Charges & Fees	32,386	31,914
Interest & Interest Received	3,294	1,549
Grants & Contributions	52,764	64,618
Bonds, deposits and retention amounts received	-	1,201
Other	5,916	21,387
Payments		
Employee Benefits & On-costs	(90,012)	(131,464)
Materials & Contracts	(62,715)	(86,914)
Borrowing Costs	(157)	(442)
Bonds, deposits and retention amounts refunded	-	(755)
Other	(23,227)	(28,808)
Net Cash provided (or used in) Operating Activities	62,565	87,918
Cash Flows From Investing Activities		
Receipts		
Sale of Investments	28,016	54,491
Sale of Investment Property		
Sale of Real Estate Assets		
Sale of Infrastructure, Property, Plant & Equipment	726	2,161
Payments:		
Purchase of Investments	(6,119)	(59,990)
Purchase of Investment Property	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(60,353)	(96,906)
Net Cash provided (or used in) Investing Activities	(37,730)	(100,244)
Cash Flows From Financing Activities		
Payments:		
Repayment of Borrowings & Advances	(2,613)	(5,496)
Repayment of Finance Lease Liabilities	(255)	(380)
Net Cash Flow provided (used in) Financing Activities	(2,868)	(5,876)
Net Increase/(Decrease) in Cash & Cash Equivalents	21,967	(18,202)
plus: Cash & Cash Equivalents - beginning of year	34,118	52,320
plus: Investments on hand - end of year	105,198	127,915
Cash & Cash Equivalents and Investments - year to date	161,283	162,033

WOLLONGONG CITY COUNCIL Cash Flows and Investments as at 24 February 2023		
	YTD Actual 2022/23 \$ '000	Actual 2021/22 \$ '000
Total Cash & Cash Equivalents and Investments - year to date	161,283	162,033
Attributable to:		
External Restrictions (refer below)	97,457	75,344
Internal Restrictions (refer below)	61,489	62,886
Unrestricted	2,337	23,803
	161,283	162,033
External Restrictions		
Developer Contributions	43,174	40,065
RMS Contributions	1,065	205
Specific Purpose Unexpended Grants	26,891	8,378
Special Rates Levy Wollongong Mall	509	407
Special Rates Levy Wollongong City Centre	63	88
Local Infrastructure Renewal Scheme	-	-
Unexpended Loans	913	907
Domestic Waste Management	6,578	7,604
Private Subsidies	6,924	5,708
Housing Affordability	8,330	9,604
Stormwater Management Service Charge	3,010	2,378
Total External Restrictions	97,457	75,344
Internal Restrictions		
Property Investment Fund	9,450	9,388
Strategic Projects	29,502	34,962
Flood Mitigation Works	(76)	-
Sports Priority Program	636	671
Car Parking Strategy	1,363	1,189
MacCabe Park Development	1,838	1,740
Darcy Wentworth Park	171	171
Garbage Disposal Facility	8,662	5,831
West Dapto Development Additional Rates	9,375	8,281
Natural Areas	173	173
Lake Illawarra Estuary Management Fund	395	480
Total Internal Restrictions	61,489	62,886

Notes to the Financial Statements:

While reviewing the information presented through this report, it should be noted that Council has elected to process additional transactions that vary from the accounting standards applied to year end reports to ensure the information at monthly intervals provides support to the decision-making and monitoring process. These transactions are summarised below:

- Timing of the recognition of Rates income – under AASB 1058, the Rates income is required to be recognised when it is raised. Through the monthly financial reports, the income has been spread across the financial year.
- Timing of the recognition of Financial Assistance Grant – under AASB 1058, the Financial Assistance Grant is required to be recognised on receipt. Through these financial reports, the income is spread across the financial year.

Commentary on February 2023 Capital Budget Report

On 27 June 2022, Council approved a capital budget for 2022-2023 of \$102.91M which has subsequently increased at monthly reviews as previously reported to \$105.12M. At the end of February 2023, the budget was reduced by \$1.68M to \$103.44M because of multiple funding budget adjustments.

The largest funding adjustments in February 2023 were:

- Rephasing of Transport for NSW Funding for multiple existing traffic and pedestrian safety facilities projects to 2024-2025.
- Rephasing of NSW Government (Department of Planning and the Environment) funding for existing flood mitigation project at Holy Spirit College Bellambi.

Council achieved expenditure at the end of February 2023 of \$57.89M which is 94% of the adjusted phased budget for February 2023 of \$61.71M.

Listed below is a summary of the reasons for budget changes for February which resulted in changes to the 2022-2023 capital budget.

Program	Commentary on Significant Variations
Traffic Facilities	Transfer Transport for NSW funding for existing project from Capital to Operational - to be reported in 3rd Qtr QR. Rephase Transport for NSW Funding for multiple existing traffic and pedestrian safety facilities projects from 23/24 construction to 24/25 due to delays in obtaining required design approvals and/or community engagement. Reallocate budget from Traffic Facilities Program to Bridges, Boardwalks and Jetties Program.
Public Transport Facilities	Reallocate budget from Public Transport Facilities Program to Bridges, Boardwalks and Jetties Program.
Roadworks	Rephase Federal Government Roads to Recovery funding due to existing project completion costs being less than current year budget. Remove assumed NSW Government Natural Disaster funding following funding program remittance and reduction in eligible funding claim.
Bridges, Boardwalks and Jetties	Reallocate budget to Bridges, Boardwalks and Jetties Program from Traffic Facilities Program and Public Transport Facilities Program.
West Dapto	Introduce additional Housing Acceleration Funding for existing project - West Dapto Road Upgrade. Introduce additional Section 7.11 Developer contributions funding for existing project - Wongawilli Road and Culvert Project.
Cycle/Shared Paths	Return Section 7:12 Developer contributions funding and Strategic Projects funding to reserve from projects completed below estimate.
Car Park Construction/Formalising	Reallocate budget from Car Park Construction/Formalising Program to Car Park Reconstruction or Upgrading Program.
Car Park Reconstruction or Upgrading	Reallocate budget to Car Park Reconstruction or Upgrading Program from Car Park Construction/Formalising Program.
Floodplain Management	Rephase NSW Government (Department of Planning and the Environment) funding for existing flood mitigation project at Holy Spirit College, Bellambi to allow time for tender negotiations.

Program	Commentary on Significant Variations
Recreation Facilities	Reallocate budget to Recreation Facilities Program from Sporting Facilities Program. Reallocate budget to Recreation Facilities Program from Treated Water Pools Program.
Sporting Facilities	Reallocate budget from Sporting Facilities Program to Recreation Facilities Program.
Treated Water Pools	Reallocate budget from Treated Water Pools Program to Recreation Facilities Program.
Whytes Gully New Cells	Rephase Waste Services levy funding for new landfill cell at Whytes Gully due to delays in finalising design details and project approvals and extended tender process to include a pre-tender EOI stage.
Motor Vehicles	Reallocate budget from Motor Vehicles Program to Capital Budget Contingency due to changes in vehicle replacement policy (useful life of assets) and switch to lower carbon emissions vehicles. Rephase assumed vehicle replacement funding arising from sale of used vehicles.
Mobile Plant (trucks, backhoes etc)	Reallocate budget from Mobile Plant (trucks, backhoes, etc) Program to Capital Budget Contingency due to delays in delivery of some items of Mobile Plant.
Contingency	Reallocate budget to and from the Capital Budget Contingency to/from various capital programs detailed above.

CAPITAL PROJECT REPORT							
as at the period ended 24 February 2023							
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	3,693	(2,731)	2,878	(2,067)	1,058	(814)	664
Public Transport Facilities	370	0	320	0	151	(50)	0
Roadworks	17,515	(6,180)	17,242	(5,907)	15,000	(273)	273
Bridges, Boardwalks and Jetties	1,875	(40)	2,075	(40)	1,171	200	0
TOTAL Roads And Related Assets	23,453	(8,951)	22,515	(8,014)	17,379	(937)	937
West Dapto							
West Dapto Infrastructure Expansion	8,641	(8,641)	8,884	(8,884)	6,280	243	(243)
TOTAL West Dapto	8,641	(8,641)	8,884	(8,884)	6,280	243	(243)
Footpaths And Cycleways							
Footpaths	13,998	(4,164)	14,011	(4,177)	9,381	13	(13)
Cycle/Shared Paths	5,182	(3,557)	5,145	(3,520)	2,531	(37)	37
Commercial Centre Upgrades - Footpaths and Cyclewa	3,051	(411)	3,051	(411)	1,348	(0)	0
TOTAL Footpaths And Cycleways	22,231	(8,132)	22,207	(8,108)	13,260	(24)	24
Carparks							
Carpark Construction/Formalising	340	0	240	0	224	(100)	0
Carpark Reconstruction or Upgrading	1,060	0	1,160	0	291	100	0
TOTAL Carparks	1,400	0	1,400	0	515	(0)	0
Stormwater And Floodplain Management							
Floodplain Management	2,375	(650)	2,075	(350)	162	(300)	300
Stormwater Management	4,500	(75)	4,500	(75)	1,654	0	(0)
Stormwater Treatment Devices	120	0	120	0	21	(0)	0
TOTAL Stormwater And Floodplain Mar	6,995	(725)	6,695	(425)	1,837	(300)	300
Buildings							
Cultural Centres (IPAC, Gallery, Townhall)	11,100	(2,421)	11,100	(2,421)	5,606	0	0
Administration Buildings	360	0	360	0	246	0	0
Community Buildings	6,800	(1,450)	6,800	(1,450)	3,235	(0)	(0)
Public Facilities (Shelters, Toilets etc.)	150	0	150	0	22	0	0
TOTAL Buildings	18,410	(3,871)	18,410	(3,871)	9,108	0	(0)
Commercial Operations							
Tourist Park - Upgrades and Renewal	175	0	175	0	171	(0)	0
Crematorium/Cemetery - Upgrades and Renewal	195	0	195	0	79	0	0
Leisure Centres & RVGC	100	0	100	0	132	(0)	0
TOTAL Commercial Operations	470	0	470	0	382	(0)	0
Parks Gardens And Sportfields							
Play Facilities	1,990	(800)	1,990	(800)	254	(0)	0
Recreation Facilities	2,022	(1,342)	2,235	(1,340)	1,610	213	2
Sporting Facilities	6,326	(2,941)	6,226	(2,941)	2,494	(100)	0
TOTAL Parks Gardens And Sportfields	10,337	(5,083)	10,450	(5,080)	4,359	113	2
Beaches And Pools							
Beach Facilities	649	(600)	649	(600)	591	(0)	0
Rock/Tidal Pools	102	0	102	0	105	(0)	0
Treated Water Pools	825	0	710	0	633	(115)	0
TOTAL Beaches And Pools	1,576	(600)	1,461	(600)	1,329	(115)	0
Waste Facilities							
Whyles Gully New Cells	1,640	(1,640)	1,240	(1,240)	570	(400)	400
TOTAL Waste Facilities	1,640	(1,640)	1,240	(1,240)	570	(400)	400

CAPITAL PROJECT REPORT							
as at the period ended 24 February 2023							
ASSET CLASS PROGRAMME	\$'000		\$'000		YTD EXPENDITURE	\$'000	
	CURRENT BUDGET		WORKING BUDGET			VARIATION	
	EXPENDITURE	OTHER FUNDING	EXPENDITURE	OTHER FUNDING		EXPENDITURE	OTHER FUNDING
Fleet							
Motor Vehicles	1,800	(949)	1,300	(685)	429	(500)	263
TOTAL Fleet	1,800	(949)	1,300	(685)	429	(500)	263
Plant And Equipment							
Mobile Plant (trucks, backhoes etc.)	3,800	(937)	2,900	(937)	578	(900)	0
TOTAL Plant And Equipment	3,800	(937)	2,900	(937)	578	(900)	0
Information Technology							
Information Technology	1,350	0	1,350	0	319	(0)	0
TOTAL Information Technology	1,350	0	1,350	0	319	(0)	0
Library Books							
Library Books	1,315	0	1,315	0	780	(0)	0
TOTAL Library Books	1,315	0	1,315	0	780	(0)	0
Public Art							
Art Gallery Acquisitions	100	0	100	0	42	(0)	0
TOTAL Public Art	100	0	100	0	42	(0)	0
Land Acquisitions							
Land Acquisitions	846	(587)	846	(587)	725	(0)	0
TOTAL Land Acquisitions	846	(587)	846	(587)	725	(0)	0
Non-Project Allocations							
Capital Project Contingency	759	0	1,896	0	0	1,137	0
TOTAL Non-Project Allocations	759	0	1,896	0	0	1,137	0
GRAND TOTAL	105,122	(40,115)	103,438	(38,430)	57,891	(1,684)	1,684