

ITEM 11 SEPTEMBER 2024 FINANCIALS

The financial result for September 2024 compared to budget is unfavourable for the Operating Result [pre-capital] \$0.6M. Funds Available from Operations was unfavourable compared to budget \$0.9M and the Total Funds Result, unfavourable \$0.8M compared to budget.

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

Council has expended \$23.6M on its capital works program representing 22.3% of the annual budget. The budget for the same period was \$27.1M. The first Quarter Capital Budget adjustments will be approved through the September Quarterly Review process.

RECOMMENDATION

The financials be received and noted.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer

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

ATTACHMENTS

- 1 Financial Statements - September 2024

BACKGROUND

This report presents the Financial Performance of the organisation as at September 2024 against the Original Budget adopted in June. Significant transactions including the early payment of the Financial Assistance Grant \$19.4M (paid before 30 June) and the revaluation of infrastructure assets at year-end, that will now generate additional depreciation in 2024-2025, are currently impacting results and will require budget adjustment at the September Quarterly Review.

The below table provides a summary of the organisation's overall financial results for the year to date.

Wollongong City Council 27 September 2024 Forecast Position	Original Budget \$M 1-Jul	Revised Budget \$M 27-Sep	YTD Forecast \$M 27-Sep	YTD Actual \$M 27-Sep	Variation \$M
Operating Revenue	368.2	368.2	81.2	82.3	1.1
Operating Costs	(354.2)	(354.2)	(87.7)	(89.4)	(1.7)
Operating Result [Pre Capital]	14.0	14.0	(6.5)	(7.1)	(0.6)
Capital Grants & Contributions	27.4	27.4	4.9	6.3	1.4
Operating Result	41.3	41.3	(1.6)	(0.8)	0.8
Funds Available from Operations	66.3	66.3	13.8	12.9	(0.9)
Capital Works	106.0	106.0	27.1	23.6	3.5
Contributed Assets	7.0	7.0	0.0	-	0.0
Transfer to Restricted Cash	2.6	2.6	0.5	0.5	-
Borrowings Repaid	0.7	0.7	0.7	0.7	-
Funded from:					
- Operational Funds	66.3	66.3	13.8	12.9	(0.9)
- Other Funding	49.2	49.2	9.9	6.5	(3.4)
Total Funds Surplus/(Deficit)	(0.8)	(0.8)	(4.6)	(5.4)	(0.8)

FINANCIAL PERFORMANCE

The September 2024 Operating Result [pre-capital] deficit of \$7.1M is an unfavourable variance of \$0.6M compared to the budget deficit of \$6.5M.

The Operating Result deficit of \$0.8M is a favourable variance of \$0.8M compared to budget.

The Funds Available from Operations result is unfavourable by \$0.9M compared to phased budget. This result excludes the 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 27 September 2024 is an unfavourable variance of \$0.8M compared to phased budget.

At the end of September, the Capital Works Program had an expenditure of \$23.6M compared to a budget of \$27.1M.

FINANCIAL POSITION

Cash, Investments & Available Funds

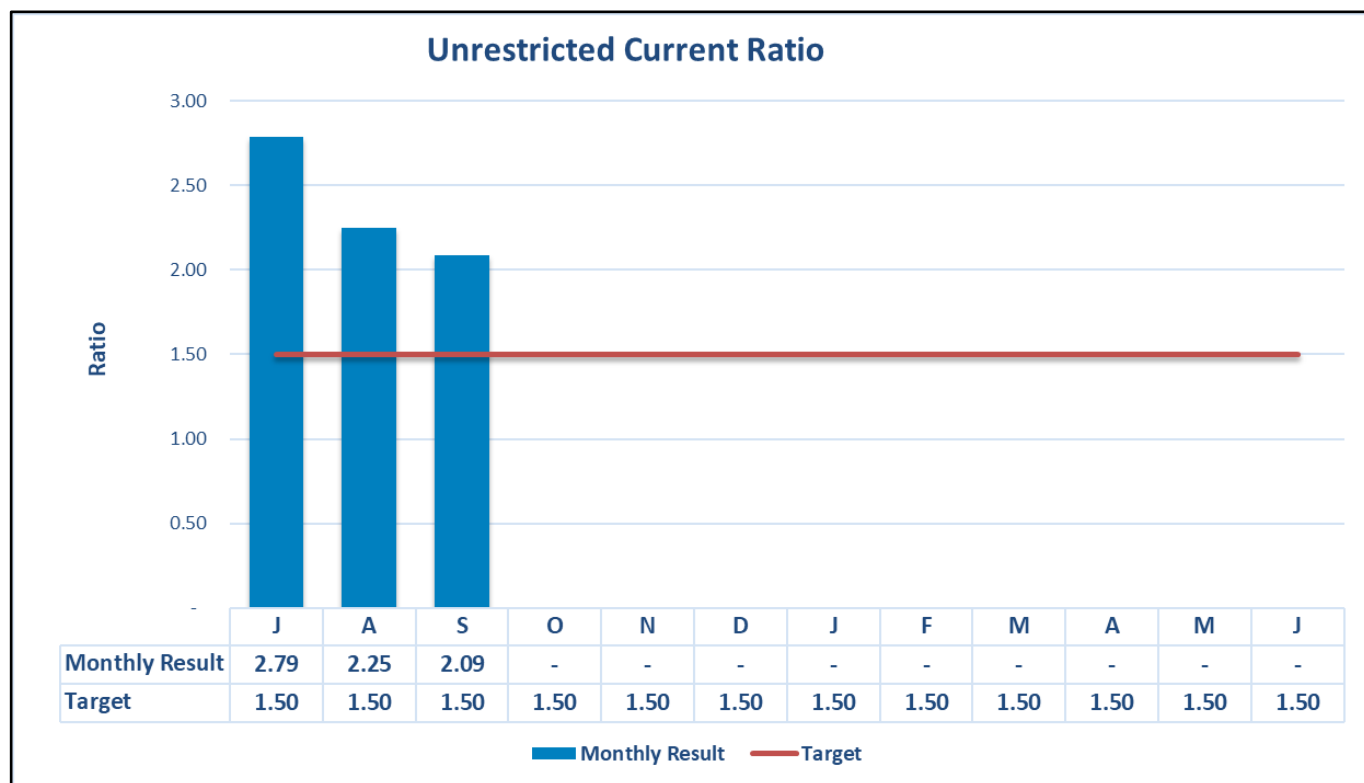
Council's cash and investments decreased during September 2024 to holdings of \$199.0M compared to \$201.2M at the end of August 2024. A significant portion of these funds are subject to restriction meaning they can only be utilised for specific purposes. As a result, Council's true available cash position is more accurately depicted by considering available funds that are uncommitted and not subject to restriction.

Wollongong City Council 27 September 2024 Cash, Investments and Available Funds				
	Actual 2023/24	Original Budget 2024/25	Current Budget 2024/25	Actuals YTD September 2024
	\$M	\$M	\$M	\$M
Total Cash and Investments	179.5	186.1	186.1	199.0
Less Restrictions:				
External	86.9	80.0	80.0	93.8
Internal	68.7	86.6	86.6	67.5
CivicRisk Investment	3.1			3.1
Total Restrictions	158.7	166.6	166.6	164.5
Available Cash	20.8	19.5	19.5	34.6
Adjusted for :				
Payables	(22.3)	(29.3)	(29.3)	(46.5)
Receivables	32.4	28.6	28.6	36.9
Other	10.5	(2.4)	(2.4)	11.6
Net Payables & Receivables	20.6	(3.1)	(3.1)	2.0
Available Funds	41.4	16.4	16.4	36.5

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 still above the Financial Strategy target range of 3.5% to 5.5% of operational revenue (pre-capital) due to the impact of the early payment of the Financial Assistance Grant. 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 has no outstanding loans as at 27 September 2024, having repaid all loan balances. 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 \$4.06B of assets (written down value) are controlled and managed by Council for the community at 27 September 2024.

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 impacted key financial indicators at the end of September through an unfavourable result for *Total Funds Result Budget versus Actual*.

Wollongong City Council 1 July 2024 to 27 September 2024 Income Statement					
	2024/25 Original Budget \$'000	2024/25 Current Budget \$'000	2024/25 YTD Budget \$'000	2024/25 Actual YTD \$'000	Variance \$'000
Income From Continuing Operations					
Revenue:					
Rates and Annual Charges	247,048	247,048	60,239	60,333	94
User Charges and Fees	39,990	39,990	9,032	9,407	375
Interest and Investment Revenues	6,197	6,197	1,544	2,888	1,344
Other Revenues	6,074	6,074	1,445	1,825	380
Rental Income	7,028	7,028	1,644	2,143	498
Grants & Contributions provided for Operating Purposes	33,212	33,212	7,326	5,637	(1,689)
Grants & Contributions provided for Capital Purposes	27,454	27,454	4,860	6,338	1,478
Other Income:	0	0	0	0	0
Profit/Loss on Disposal of Assets	28,516	28,516	10	10	0
Total Income from Continuing Operations	395,519	395,519	86,100	88,581	2,480
Expenses From Continuing Operations					
Employee Costs	164,095	164,095	41,279	39,179	2,100
Borrowing Costs	557	557	136	265	(129)
Materials & Services	102,189	102,189	25,388	23,175	2,214
Other Expenses	24,257	24,257	5,934	6,869	(936)
Depreciation, Amortisation + Impairment	87,113	87,113	21,241	24,072	(2,831)
Labour Internal Charges	(21,690)	(21,690)	(5,699)	(3,773)	(1,926)
Non-Labour Internal Charges	(2,323)	(2,323)	(566)	(440)	(126)
Total Expenses From Continuing Operations	354,198	354,198	87,713	89,346	(1,634)
Operating Result	41,322	41,322	(1,612)	(766)	847
Operating Result [pre capital]	13,868	13,868	(6,472)	(7,103)	(631)
Funding Statement					
Net Operating Result for the Year	41,322	41,322	(1,612)	(766)	847
Add back :					
- Non-cash Operating Transactions	106,241	106,241	26,262	28,623	2,361
- Restricted cash used for operations	14,601	14,601	3,852	4,291	439
- Income transferred to Restricted Cash	(79,972)	(79,972)	(10,582)	(14,615)	(4,033)
Leases Repaid	(132)	(132)	(32)	(127)	(95)
Payment of Employee Entitlements	(15,763)	(15,763)	(4,112)	(4,547)	(435)
Funds Available from Operations	66,297	66,297	13,775	12,860	(916)
Loans Repaid	(656)	(656)	(657)	(657)	(0)
Advances (made by) / repaid to Council	0	0	0	0	0
Operational Funds Available for Capital Budget	65,642	65,642	13,118	12,203	(916)
Capital Budget Statement					
Assets Acquired	(105,995)	(105,995)	(27,115)	(23,639)	3,477
Contributed Assets	(7,014)	(7,014)	(0)	0	0
Transfers to Restricted Cash	(2,607)	(2,607)	(515)	(518)	(3)
Funded From :-					
- Operational Funds	65,642	65,642	13,118	12,203	(916)
- Sale of Assets	3,550	3,550	601	10	(590)
- Internally Restricted Cash	13,920	13,920	3,739	2,830	(909)
- Borrowings	0	0	0	0	0
- Capital Grants	15,875	15,875	2,909	2,148	(761)
- Developer Contributions (Section 94)	5,135	5,135	1,555	665	(890)
- Other Externally Restricted Cash	1,547	1,547	490	244	(245)
- Other Capital Contributions	9,161	9,161	617	663	46
TOTAL FUNDS SURPLUS / (DEFICIT)	(788)	(788)	(4,601)	(5,394)	(793)

WOLLONGONG CITY COUNCIL

Statement of Financial Position
as at 27 September 2024

		YTD Actual 2024/25 \$'000	Actual 2023/24 \$'000
Current Assets			
Cash Assets		44,518	44,900
Investment Securities		132,383	116,457
Receivables		36,863	32,372
Inventories		6,549	6,524
Current Contract Assets		5,860	10,771
Other		9,326	3,561
Assets classified as held for sale		0	0
Total Current Assets		235,499	214,585
Non-Current Assets			
Non Current Cash Assets		19,000	15,000
Non Current Investment Securities		3,117	3,117
Non-Current Inventories		0	0
Property, Plant and Equipment		4,055,429	4,056,151
Investment Properties		5,100	5,100
Intangible Assets		0	0
Right-Of-Use Assets		1,218	1,332
Total Non-Current Assets		4,083,864	4,080,700
TOTAL ASSETS		4,319,363	4,295,285
Current Liabilities			
Current Payables		46,536	22,273
Current Contract Liabilities		13,895	12,543
Current Lease Liabilities		343	460
Current Provisions payable < 12 months		18,459	18,706
Current Provisions payable > 12 months		42,119	42,119
Current Interest Bearing Liabilities		0	657
Total Current Liabilities		121,352	96,758
Non-Current Liabilities			
Non Current Interest Bearing Liabilities		0	0
N/C Lease Liabilities		963	963
Non Current Provisions		49,936	49,685
Total Non-Current Liabilities		50,900	50,648
TOTAL LIABILITIES		172,252	147,406
NET ASSETS		4,147,111	4,147,879
Equity			
Accumulated Surplus		1,529,576	1,534,631
Asset Revaluation Reserve		2,466,356	2,466,361
Restricted Assets		151,179	146,887
TOTAL EQUITY		4,147,111	4,147,879

WOLLONGONG CITY COUNCIL		
Cash Flows and Investments		
as at 27 September 2024		
	YTD Actual 2024/25 \$ '000	Actual 2023/24 \$ '000
Cash Flows From Operating Activities		
Receipts		
Rates & Annual Charges	79,353	232,873
User Charges & Fees	14,156	42,526
Interest & Interest Received	3,008	8,575
Grants & Contributions	20,581	68,654
Bonds, deposits and retention amounts received	86	886
Other	1,789	29,432
Payments		
Employee Benefits & On-costs	(35,780)	(142,434)
Materials & Contracts	(25,721)	(138,853)
Borrowing Costs	(14)	(127)
Bonds, deposits and retention amounts refunded	-	(1,352)
Other	(11,034)	1,578
Net Cash provided (or used in) Operating Activities	46,424	101,758
Cash Flows From Investing Activities		
Receipts		
Sale of Investments	6,778	37,813
Sale of Investment Property		
Sale of Real Estate Assets		
Sale of Infrastructure, Property, Plant & Equipment	10	848
Payments:		
Purchase of Investments	(27,407)	(38,090)
Purchase of Investment Property	-	
Purchase of Infrastructure, Property, Plant & Equipment	(25,412)	(98,797)
Net Cash provided (or used in) Investing Activities	(46,031)	(98,226)
Cash Flows From Financing Activities		
Payments:		
Repayment of Borrowings & Advances	(657)	(2,572)
Repayment of Finance Lease Liabilities	(117)	(431)
Net Cash Flow provided (used in) Financing Activities	(774)	(3,003)
Net Increase/(Decrease) in Cash & Cash Equivalents	(382)	529
plus: Cash & Cash Equivalents - beginning of year	44,900	44,371
plus: Investments on hand - end of year	154,500	134,574
Cash & Cash Equivalents and Investments - year to date	199,018	179,474

WOLLONGONG CITY COUNCIL		
Cash Flows and Investments		
as at 27 September 2024		
	YTD Actual 2024/25 \$ '000	Actual 2023/24 \$ '000
Total Cash & Cash Equivalents and Investments - year to date	199,018	179,474
<u>Attributable to:</u>		
External Restrictions (refer below)	93,820	86,881
Internal Restrictions (refer below)	67,529	68,674
Unrestricted	37,669	26,564
	199,018	179,474
External Restrictions		
Developer Contributions	61,581	55,949
RMS Contributions	1,620	422
Specific Purpose Unexpended Grants	11,191	11,730
Special Rates Levy Wollongong Mall	1,010	962
Special Rates Levy Wollongong City Centre	94	94
Local Infrastructure Renewal Scheme	-	-
Unexpended Loans	937	924
Domestic Waste Management	5,534	5,321
Private Subsidies	7,176	6,943
Housing Affordability	3,063	3,029
Stormwater Management Service Charge	1,614	1,507
Total External Restrictions	93,820	86,881
Internal Restrictions		
Property Investment Fund	5,476	5,396
Strategic Projects	32,588	32,991
Sports Priority Program	760	524
Car Parking Strategy	1,310	1,223
MacCabe Park Development	2,077	2,040
Darcy Wentworth Park	18	18
Garbage Disposal Facility	9,278	10,854
West Dapto Development	15,306	14,927
Natural Areas	173	173
Lake Illawarra Estuary Management Fund	543	528
Total Internal Restrictions	67,529	68,674

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.