

REF: CM176/09

AUGUST 2009 FINANCIALS

Report of Manager Finance (TR) 10/09/09

12.01.01.001

PRECIS

At the end of August Council has recorded a Deficit [pre capital] of \$3.0M against a year to date forecast deficit of \$4.8M (favourable variance of \$1.8M). The variance is mainly attributable to timing issues relating to commencement and progress of projects, the impact of phasing of budget expenses and income, impact of the prepayment of the Federal Assistance Grant in the previous financial year and the improved performance of investment markets.

RECOMMENDATION

The report be received and noted.

BACKGROUND

This report presents the Income and Expense Statement, Balance Sheet and Cash Flow Statement for August 2009. The August Income and Expense Statement indicates a positive pre capital financial result against budget of \$1.8M.

With reference to the Income and Expense Statement for August (refer to Year to Date Variance VAR column) key issues are explained below. Amounts are indicated as either Favourable (F) or Unfavourable (U).

- Employee Costs \$290K (F). A range of items have contributed to the favourable variance including vacancy savings, finalisation of skills and performance outcomes, lower use of casual labour and overtime and reduced level of training compared to phased budget.
- Contracts, Materials and Other Expenses \$1.8M (F). This variance is in the main attributable to timing issues relating to commencement of projects and the impact of phasing of the budget. As a general rule most budget items have been phased using a fairly simplistic approach with the majority of items spread evenly over the year or number of labour weeks. In some instances prior year patterns or specific timing, where available, has been used. This may not reflect actual expenditure patterns and can create some distortion particularly in the early months of the year. These patterns will be refined through the coming months.
- Internal Charges \$183K (F). This is attributable to increased recovery against capital projects against phased budget. A review of application of internal charges to capital works is in progress
- User Charges and Fees \$330K (U). The variation relates primarily to the income from the Commercial Waste and Property & Recreation of \$200K (U) and \$58K (U) respectively against phased budget. Heated pools, sportsfields and tourist park income is currently tracking approximately \$100K below phased budget and this is offset by increased income from the crematorium of \$53K (F). At this stage of the year these results do not represent reliable trends and will be monitored in future periods.
- Interest & Investment Revenue \$338K (F). Investment returns continue to be boosted by strong performance from Council's equity investments and improved valuation of most securities during the period. The average weighted return for August was 5.10% compared to the benchmark return of 3.46% A more comprehensive analysis is provided in the monthly Statement of Investments report.

- Other Revenues \$408K (F). The major variations in this area are sale of land easement \$219K, proceeds from prior year insurance claims \$93K that is partially offset by associated legal costs, and penalty proceeds for non compliance of \$65K from a prior year event that will need to be applied to rectification works.
- Grants and Contributions – Operating \$820K (U). The prepayment of the Federal Assistance Grant at the end of June 2009 has resulted in a shortfall against phased budget of \$577K at the end of August. An adjustment to the current year budget will be made during the September Quarterly Review for the full year impact of the prepaid grant. The remaining variance is attributable to progress of projects and timing of RTA grants against phased budget.
- Capital Expenditure \$1.7M (F). A review of the capital works program and phasing of projects to better reflect planned delivery dates is in progress and will be reflected in future reports.

Cash Flow Statement

The Cash Flow Statement reveals a year to date net cash and investments decrease of \$8.6M and a closing balance at 31 August 2009 of \$40.0M. At 31 August, externally restricted assets equate to \$34.8M resulting in unrestricted cash of \$5.1M.

CONCLUSION

The pre capital result indicates a positive outcome for the period ending 31 August 2009 against the forecast result. An adjustment to income and expenditure projections will be required at the September Quarterly Review to recognise the impact of the prepayment of the 2009/10 Federal Assistance Grant and reintroduction of externally funded projects that were in progress at 30 June 2009. Depreciation is currently under review as an assessment is being made of the impact of revaluation of building and transport assets and the outcome of this will be reported during September. Strategies for achieving savings targets for 2009/10 have been developed and implementation of these has commenced.

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Author:	
Tana Ramsden	Corporate Accounting Manager
Authorised by:	
Brian Jenkins	Manager Finance
Illana Halliday	Director Corporate + Community Services
David Farmer	General Manager

ATTACHMENTS

1. Income + Expense Statement - August 2009
2. Balance Sheet - August 2009
3. Cash Flow Statement - August 2009

INCOME & EXPENSE STATEMENT					31 AUGUST 2009				COUNCIL CONSOLIDATED				PERIOD 2			
	\$000				MONTH				YEAR TO DATE				FULL YEAR			
	ACTUAL	FCAST	VAR	PREV YR	ACTUAL	FCAST	VAR	PREV YR	BUDGET	FCAST	VAR	PREV YR				
EXPENSES																
Employee Costs	6,588	6,631	42	7,538	13,932	14,222	290	13,124	87,050	87,036	14	82,923				
Borrowing Costs	165	167	2	18	330	359	29	325	2,176	2,176	-	1,954				
Contracts, Materials & Other Expenses	5,790	5,858	68	5,406	10,899	12,690	1,791	12,362	74,046	74,060	(14)	69,270				
Depreciation, Amortisation + Impairment	4,647	4,468	(179)	3,817	9,612	9,612	0	7,664	58,574	58,574	-	45,331				
Internal Charges	(637)	(527)	110	(271)	(1,300)	(1,117)	183	(609)	(6,435)	(6,435)	-	(9,087)				
Total Expenses	16,553	16,596	43	16,508	33,474	35,767	2,293	32,866	215,410	215,410	-	190,391				
INCOME																
Rates and Annual Charges	10,891	10,898	(6)	10,141	21,805	21,829	(24)	20,302	131,060	131,060	-	121,872				
User Charges and Fees	2,005	1,936	69	1,618	3,853	4,183	(330)	3,326	27,959	27,801	(158)	22,298				
Interest and Investment Revenues	413	202	211	578	763	424	338	866	2,567	2,567	-	2,116				
Other Revenues	528	457	71	780	1,391	983	408	1,620	5,804	5,962	158	6,475				
Grants & Contributions - Operating	1,330	1,627	(297)	1,764	2,658	3,478	(820)	3,704	21,819	21,819	-	27,118				
Profit/Loss on Disposal of Assets	-	13	(13)	(35)	-	28	(28)	(43)	167	167	-	111				
Income [pre capital]	15,167	15,133	35	14,845	30,470	30,925	(455)	29,775	189,376	189,376	-	179,990				
SURPLUS (DEFICIT) [pre capital]	(1,385)	(1,463)	78	(1,663)	(3,003)	(4,841)	1,838	(3,091)	(26,035)	(26,035)	0	(10,401)				
Capital Grants & Contributions - Existing Assets	465	367	98	161	834	789	45	524	4,789	4,789	-	12,644				
NET SURPLUS (DEFICIT)	(921)	(1,096)	175	(1,502)	(2,169)	(4,052)	1,883	(2,567)	(21,245)	(21,245)	0	2,243				
CAPITAL EXPENDITURE	3,545	4,270	(725)	2,492	7,191	8,929	(1,737)	3,999	53,958	53,958	-	73,577				

WOLLONGONG CITY COUNCIL		
	Actual 2009/10 \$'000	Actual 2008/09 \$'000
BALANCE SHEET		
	as at end of period 2	as at 30/6/08
CURRENT ASSETS		
Cash Assets	26,026	31,208
Investment Securities	13,931	17,384
Receivables	7,957	15,430
Inventories	8,881	8,873
Other	3,962	1,549
Assets classified as held for sale	2,329	2,329
Total Current Assets	63,085	76,773
NON-CURRENT ASSETS		
Non Current Cash Assets	0	0
Non Current Investment Securities	0	0
Non-Current Receivables	2,781	3,449
Non-Current Inventories	0	0
Property, Plant and Equipment	1,568,440	1,571,393
Investment Properties	3,688	3,688
Total Non-Current Assets	1,574,910	1,578,530
TOTAL ASSETS	1,637,994	1,655,303
CURRENT LIABILITIES		
Current Payables	10,492	25,808
Current Provisions payable < 12 months	12,780	12,496
Current Provisions payable > 12 months	16,863	16,863
Current Interest Bearing Liabilities	1,365	1,365
Total Current Liabilities	41,500	56,532
NON-CURRENT LIABILITIES		
Non Current Interest Bearing Liabilities	839	1,249
Non Current Provisions	35,924	35,621
Total Non-Current Liabilities	36,763	36,870
TOTAL LIABILITIES	78,263	93,402
NET ASSETS	1,559,731	1,561,901
EQUITY		
Accumulated Surplus	1,113,600	1,116,587
Asset Revaluation Reserve	411,311	411,311
Restricted Assets	34,820	34,003
TOTAL EQUITY	1,559,731	1,561,901

WOLLONGONG CITY COUNCIL		
CASH FLOW STATEMENT		
as at 31 August 2009		
	YTD Actual 2009/10 \$ '000	Actual 2008/09 \$ '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts:		
Rates & Annual Charges	30,380	121,020
User Charges & Fees	3,226	25,264
Interest & Interest Received	857	2,290
Grants & Contributions	3,140	41,704
Other	1,519	12,236
Payments:		
Employee Benefits & On-costs	(12,559)	(72,195)
Materials & Contracts	(10,734)	(53,286)
Borrowing Costs	(27)	(240)
Other	(7,026)	(25,426)
Net Cash provided (or used in) Operating Activities	8,776	51,367
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts:		
Sale of Infrastructure, Property, Plant & Equipment	-	1,240
Deferred Debtors Receipts	4	6,104
Payments:		
Purchase of Infrastructure, Property, Plant & Equipment	(17,005)	(63,802)
Purchase of Real Estate Assets	-	-
Net Cash provided (or used in) Investing Activities	(17,001)	(56,458)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments:		
Repayment of Borrowings & Advances	-	(260)
Repayment of Finance Lease Liabilities	(410)	(1,229)
Net Cash Flow provided (used in) Financing Activities	(410)	(1,489)
Net Increase/(Decrease) in Cash & Cash Equivalents	(8,635)	(6,580)
plus: Cash & Cash Equivalents and Investments - beginning of year	48,592	55,172
Cash & Cash Equivalents and Investments - year to date	39,957	48,592

WOLLONGONG CITY COUNCIL		
CASH FLOW STATEMENT (cont.)		
as at 31 August 2009		
	YTD Actual 2009/10 \$ '000	Actual 2008/09 \$ '000
Total Cash & Cash Equivalents and Investments - year to date	39,957	48,592
Attributable to:		
External Restrictions (refer below)	35,297	34,307
Internal Restrictions (refer below)	(478)	-
Unrestricted	5,138	14,285
	39,957	48,592
External Restrictions		
Developer Contributions	13,356	12,653
RTA Contributions	70	70
Specific Purpose Unexpended Grants	10,557	10,998
Domestic Waste Management	8,800	8,152
Private Subsidies	2,282	2,211
Stormwater Management Service Charge	232	223
Total External Restrictions	35,297	34,307
Internal Restrictions		
Community Infrastructure Fund	(4,741)	(5,839)
Future Projects / Property Development	-	1,108
Employee/Superannuation Reserve	2,719	3,263
Sports Priority Program	406	381
MacCabe Park Development	625	600
Darcy Wentworth Park	119	115
Telecommunications Revenue	394	372
Total Internal Restrictions	(478)	-