

REF: CM193/09

**SEPTEMBER 2009 FINANCIALS**

**Report of Manager Finance (TR) 8/10/09**

**12.01.01.001**

**PRECIS**

At the end of September Council has recorded a Deficit [pre capital] of \$4.1M against the year to date forecast deficit of \$6.0M (favourable variance of \$1.9M). The variance is predominately attributable to the timing of commencement and progress of projects against the phasing of budget expenses and income. At this point in time there is little quantitative evidence reported to suggest that savings will be achieved against the annual budget.

**RECOMMENDATION**

**This report be received and noted.**

**BACKGROUND**

This report presents the Income and Expense Statement, Balance Sheet and Cash Flow Statement for September 2009. The September Income and Expense Statement indicates a positive pre capital financial result against budget of \$1.9M.

With reference to the Income and Expense Statement for September (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 \$60K (F). Overall there is a minor favourable variance resulting from a range of items including vacancy savings, lower use of casual labour and overtime and a lower level of training compared to phased budget. Workers' compensation associated expenses are tracking in excess of phased budget and will need to be monitored as the year progresses.
- Contracts, Materials and Other Expenses \$2.2M (F). This variance is mainly attributable to progress of projects and general expenditure patterns compared to phased budget.
- Internal Charges \$232K (F). This is a result of higher than budgeted recovery against capital projects compared to phased budget. It is mainly attributable to the recovery of internal labour for design and project management from capital projects that were not included in the original budget. A proposed adjustment of \$1.9M for this will be included in the September Quarterly Review.
- User Charges and Fees \$353K (U). The variation relates primarily to the income from the Commercial Waste of \$356K (U) against phased budget. Heated pools, sportsfields and tourist park income is currently tracking approximately \$123K below phased budget and this is offset by increased income from the crematorium and cemeteries of \$65K (F) and road restoration income of \$175K (F). A proposal to reduce income from building industry waste will be submitted as part of the September Quarterly Review. Other areas discussed above will continue to be monitored through the second quarter.
- Interest & Investment Revenue \$269K (F). Investment revenues reported in this statement do not include market valuations for the September period as this information is not available at the time of completion of monthly financial reports. Information relating to valuation changes in investments will be included in the monthly Statement of Investments report.

- Other Revenues \$635K (F). The major variations in this area are sale of land easement \$219K, increased level of infringement notices \$100K compared to phased budget, proceeds from prior year insurance claims \$150K that are partially offset by associated legal costs, and penalty proceeds for non compliance of \$99K from a prior year events that may need to be applied to rectification works.
- Grants and Contributions – Operating \$1.2M (U). The prepayment of the Federal Assistance Grant at the end of June 2009 has resulted in a shortfall against phased budget of \$784K at the end of September. An adjustment to the current year budget will be submitted as part of 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 Grants and Contributions \$244K (F). Variation is attributable to improved level of S94 receipts \$84K, and timing of grants against phased budget.
- Capital Expenditure \$22K (F). The capital works program planned delivery dates were reviewed during September and the revised phasing of these projects has been incorporated into the financial forecast.

### Cash Flow Statement

The Cash Flow Statement reveals a year to date net cash and investments decrease of \$4.9M and a closing balance at September 2009 of \$43.6M. At September 2009, externally restricted assets equate to \$33.7M resulting in unrestricted cash of \$9.9M.

### CONCLUSION

The pre capital result indicates a positive outcome for the period ending September 2009 against the forecast result. A number of adjustments to income and expenditure projections will be required at the September Quarterly Review including the recognition of the impact of the prepayment of the 2009/10 Federal Assistance Grant, introduction of externally funded projects that were in progress at 30 June 2009, or where funding was received in prior periods and revision of depreciation to reflect the impact of revaluation of building and transport assets. Strategies for achieving savings targets for 2009/10 have been developed and implementation of these has commenced.

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Brian Jenkins	Manager Finance
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David Farmer	General Manager

### ATTACHMENTS

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

INCOME & EXPENSE STATEMENT					25 SEPTEMBER 2009				COUNCIL CONSOLIDATED				PERIOD 3			
	\$000				MONTH				YEAR TO DATE				FULL YEAR			
	ACTUAL	FCAST	VAR	PREV YR	ACTUAL	FCAST	VAR	PREV YR	BUDGET	FCAST	VAR	PREV YR				
<b>EXPENSES</b>																
Employee Costs	6,698	6,606	(92)	6,208	20,656	20,715	60	19,332	87,050	87,036	13	82,923				
Borrowing Costs	163	167	3	190	493	525	32	515	2,176	2,176	-	1,954				
Contracts, Materials & Other Expenses	5,367	5,765	397	4,980	16,268	18,483	2,215	17,342	74,046	73,941	105	69,270				
Depreciation, Amortisation + Impairment	4,467	4,467	(0)	3,696	14,079	14,077	(2)	11,360	58,574	58,574	-	45,331				
Internal Charges	(627)	(536)	91	(303)	(1,905)	(1,673)	232	(912)	(6,435)	(6,418)	(17)	(9,087)				
<b>Total Expenses</b>	<b>16,069</b>	<b>16,468</b>	<b>400</b>	<b>14,770</b>	<b>49,591</b>	<b>52,128</b>	<b>2,536</b>	<b>47,636</b>	<b>215,410</b>	<b>215,309</b>	<b>101</b>	<b>190,391</b>				
<b>INCOME</b>																
Rates and Annual Charges	10,962	10,898	64	10,159	32,767	32,727	40	30,460	131,060	131,060	-	121,872				
User Charges and Fees	1,987	2,008	(22)	1,886	5,840	6,192	(353)	5,212	27,959	27,801	(158)	22,298				
Interest and Investment Revenues	132	202	(70)	179	895	626	269	1,045	2,567	2,567	-	2,116				
Other Revenues	678	455	222	697	2,069	1,434	635	2,318	5,804	5,962	158	6,475				
Grants & Contributions - Operating	1,228	1,626	(398)	1,482	3,886	5,089	(1,203)	5,186	21,819	21,718	(101)	27,118				
Profit/Loss on Disposal of Assets	-	13	(13)	-	-	40	(40)	(43)	167	167	-	111				
<b>Income [pre capital]</b>	<b>14,986</b>	<b>15,202</b>	<b>(216)</b>	<b>14,403</b>	<b>45,456</b>	<b>46,108</b>	<b>(652)</b>	<b>44,178</b>	<b>189,376</b>	<b>189,274</b>	<b>(101)</b>	<b>179,990</b>				
<b>SURPLUS (DEFICIT) [pre capital]</b>	<b>(1,083)</b>	<b>(1,267)</b>	<b>184</b>	<b>(366)</b>	<b>(4,135)</b>	<b>(6,019)</b>	<b>1,884</b>	<b>(3,458)</b>	<b>(26,035)</b>	<b>(26,035)</b>	<b>0</b>	<b>(10,401)</b>				
Capital Grants & Contributions	566	367	199	148	1,400	1,156	244	672	4,789	4,789	-	12,644				
<b>NET SURPLUS (DEFICIT)</b>	<b>(517)</b>	<b>(900)</b>	<b>383</b>	<b>(218)</b>	<b>(2,735)</b>	<b>(4,863)</b>	<b>2,128</b>	<b>(2,786)</b>	<b>(21,245)</b>	<b>(21,245)</b>	<b>0</b>	<b>2,243</b>				
<b>CAPITAL EXPENDITURE</b>	<b>3,711</b>	<b>3,725</b>	<b>(14)</b>	<b>8,701</b>	<b>10,903</b>	<b>10,925</b>	<b>(22)</b>	<b>12,701</b>	<b>53,958</b>	<b>53,959</b>	<b>(1)</b>	<b>73,577</b>				

<b>WOLLONGONG CITY COUNCIL</b>		
	<b>Actual 2009/10 \$'000</b>	<b>Actual 2008/09 \$'000</b>
<b>BALANCE SHEET</b>		
	as at 25/9/09	as at 30/6/09
<b>CURRENT ASSETS</b>		
Cash Assets	29,722	31,208
Investment Securities	13,931	17,384
Receivables	3,759	15,430
Inventories	8,857	8,873
Other	4,466	1,549
Assets classified as held for sale	2,329	2,329
<b>Total Current Assets</b>	<b>63,063</b>	<b>76,773</b>
<b>NON-CURRENT ASSETS</b>		
Non Current Cash Assets	0	0
Non Current Investment Securities	0	0
Non-Current Receivables	2,782	3,449
Non-Current Inventories	0	0
Property, Plant and Equipment	1,567,451	1,571,393
Investment Properties	3,688	3,688
<b>Total Non-Current Assets</b>	<b>1,573,921</b>	<b>1,578,530</b>
<b>TOTAL ASSETS</b>	<b>1,636,983</b>	<b>1,655,303</b>
<b>CURRENT LIABILITIES</b>		
Current Payables	9,801	25,808
Current Provisions payable < 12 months	13,020	12,496
Current Provisions payable > 12 months	16,863	16,863
Current Interest Bearing Liabilities	1,365	1,365
<b>Total Current Liabilities</b>	<b>41,048</b>	<b>56,532</b>
<b>NON-CURRENT LIABILITIES</b>		
Non Current Interest Bearing Liabilities	717	1,249
Non Current Provisions	36,075	35,621
<b>Total Non-Current Liabilities</b>	<b>36,793</b>	<b>36,870</b>
<b>TOTAL LIABILITIES</b>	<b>77,840</b>	<b>93,402</b>
<b>NET ASSETS</b>	<b>1,559,143</b>	<b>1,561,901</b>
<b>EQUITY</b>		
Accumulated Surplus	1,114,160	1,116,587
Asset Revaluation Reserve	411,311	411,311
Restricted Assets	33,671	34,003
<b>TOTAL EQUITY</b>	<b>1,559,143</b>	<b>1,561,901</b>

## WOLLONGONG CITY COUNCIL

### CASH FLOW STATEMENT as at 25 September 2009

	YTD Actual 2009/10 \$ '000	Actual 2008/09 \$ '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Receipts:</b>		
Rates & Annual Charges	45,183	121,020
User Charges & Fees	4,226	25,264
Interest & Interest Received	973	2,290
Grants & Contributions	4,790	41,704
Other	4,059	12,236
<b>Payments:</b>		
Employee Benefits & On-costs	(18,538)	(72,195)
Materials & Contracts	(13,846)	(53,286)
Borrowing Costs	(190)	(240)
Other	(10,584)	(25,426)
<b>Net Cash provided (or used in) Operating Activities</b>	<b>16,073</b>	<b>51,367</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Receipts:</b>		
Sale of Infrastructure, Property, Plant & Equipment	-	1,240
Deferred Debtors Receipts	4	6,104
<b>Payments:</b>		
Purchase of Infrastructure, Property, Plant & Equipment	(20,483)	(63,802)
Purchase of Real Estate Assets	-	-
<b>Net Cash provided (or used in) Investing Activities</b>	<b>(20,479)</b>	<b>(56,458)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Payments:</b>		
Repayment of Borrowings & Advances	-	(260)
Repayment of Finance Lease Liabilities	(533)	(1,229)
<b>Net Cash Flow provided (used in) Financing Activities</b>	<b>(533)</b>	<b>(1,489)</b>
Net Increase/(Decrease) in Cash & Cash Equivalents	(4,939)	(6,580)
plus: Cash & Cash Equivalents and Investments - beginning of year	48,592	55,172
<b>Cash &amp; Cash Equivalents and Investments - year to date</b>	<b>43,653</b>	<b>48,592</b>

## WOLLONGONG CITY COUNCIL

### CASH FLOW STATEMENT (cont.) as at 25 September 2009

	YTD Actual 2009/10 \$ '000	Actual 2008/09 \$ '000
<b>Total Cash &amp; Cash Equivalents and Investments - year to date</b>	<b>43,653</b>	<b>48,592</b>
<b>Attributable to:</b>		
External Restrictions (refer below)	34,641	34,307
Internal Restrictions (refer below)	(969)	-
Unrestricted	9,981	14,285
	<b>43,653</b>	<b>48,592</b>
<b>External Restrictions</b>		
Developer Contributions	13,066	12,653
RTA Contributions	70	70
Specific Purpose Unexpended Grants	9,790	10,998
Domestic Waste Management	9,111	8,152
Private Subsidies	2,343	2,211
Stormwater Management Service Charge	261	223
<b>Total External Restrictions</b>	<b>34,641</b>	<b>34,307</b>
<b>Internal Restrictions</b>		
Community Infrastructure Fund	(4,986)	(5,839)
Future Projects / Property Development	-	1,108
Employee/Superannuation Reserve	2,433	3,263
Sports Priority Program	419	381
MacCabe Park Development	638	600
Darcy Wentworth Park	122	115
Telecommunications Revenue	405	372
<b>Total Internal Restrictions</b>	<b>(969)</b>	<b>-</b>