

ATTACHMENT 1

2019-2022

OPERATIONAL AND CAPITAL BUDGET

ADOPTED 24 JUNE 2019

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INTRODUCTION

Wollongong City Council is committed to the principles of financial sustainability and good financial management. Council will use ratepayers' money, together with other funding available, wisely to provide prioritised services, improve financial sustainability and asset management. Financial Sustainability is defined as where the planned, long term service and infrastructure levels and standards of Council can be met without unplanned increases in rates or disruptive cuts to service.

Financial forecasts are built within the parameters of Council's Financial Strategy (Council Policy) that provides the direction and context for decision making in the allocation, management and use of Council's limited financial resources. The Financial Strategy sets the parameters within which Council plans to operate to provide financial stability, affordability, focus and efficiency or value for money, over the short, medium and longer terms. The key performance indicators outlined in the Financial Strategy are supported by clear targets for these to support continuous measurement of financial sustainability.

The projections contained in the Operational Plan 2019-2020 indicate that Council will continue to meet key performance indicators and targets set in the Financial Strategy. Financial improvements achieved beyond targets set in previous years together with the expectation of continued better than budgeted performance have provided Council with an opportunity to enhance some service deliveries, accelerate a number of planned projects and introduce additional projects during the current annual planning process that are further outlined in this document.

FINANCIAL OVERVIEW

Financial Strategy

The Financial Strategy is reviewed on an ongoing basis and targets modified, over time, to reflect Council's financial sustainability, maturity and evolution. Over time, as Council considers future expectations and direction through its planning process, the parameters and targets that support the Strategy may change. The Financial Strategy should be viewed as an enabling plan that aims to provide financial stability over the short, medium and longer term.

In April 2017, Council adopted its current Financial Strategy which recognised that Council had reached the point targeted in the previous Financial Strategy and reflected the ongoing challenge to maintain a financially sustainable position. The current Financial Strategy has a number of clear objectives that include:

- Council will aim to maintain Available Funds between 3.5% and 5.5% of operational revenue [pre capital].
- Council will plan to maintain a small operational surplus (average over three years) in the future.
- Council's annual allocations to operational and capital budgets will generally not exceed anticipated cash inflows. Where the level of Available Funds is above minimum requirements, consideration will be given to the allocation of funds to investments that reduce future operational costs.
- Council will plan for Funds Available from Operations at least equal to depreciation.
- The full life cost of capital expenditure will be considered before capital projects are approved. Asset renewal, maintenance and operational costs impacting on future budgets will be included in forecasts as part of the capital budgeting process.

- Council will remain a low debt user by maintaining a debt service ratio below 4%.

Key parameters provided by the Financial Strategy that impact and limit budget development are as follows:

Indicator	Target
Operational Funds [pre capital]	Small Surplus (average over 3 years)
Funds Available from Operations	At least equal to depreciation
Available Funds (% of operational revenue)	3.5% - 5.5%
Total Funds Result	Nil
Debt Service Ratio	<4%

Financial Forecasts

The financial forecasts contained in this document provide a financial view that encapsulates the Service levels and outcomes as documented in the Resourcing Strategy 2018-2021 and updated by the revised Delivery Program 2018-2021 and Operational Plan 2019-2020. These forecasts have also been informed by asset management plans, timing of capital program and are supported by a range of underlying indices and assumptions that are discussed throughout this document. The development of these forecasts is part of a continuous budget process that updates forecasts in line with longer term and annual delivery planning, annual resets of assumptions and indices, Quarterly Review changes and one off changes where new information leads to a requirement to alter the forecast. The underlying indices supporting the long term forecasts were revised at the commencement of the 2019-2020 annual planning process to reflect most recent economic indicators.

The current modelling of the potential impacts of West Dapto operations on the key performance indicators is included in these forecasts. It is expected that the West Dapto development will occur over a 40 to 60 year period which is a disproportionately long period in terms of a 10 year Long Term Financial Plan. The implications are that Council is starting to introduce the financial reporting implications in future years, based on extremely broad assumptions for actions that may vary markedly as the future unfolds. A conservative approach is currently being taken to these forecasts that assume a self-funding model for the forecasts contained in the Resourcing Strategy and revised Delivery Program 2018-2021. The financial impacts of West Dapto within the current assumptions and modelling are discussed further throughout this report.

The key financial forecasts are shown in the table below for 2019-2020 to 2021-2022 while forecasts for the key performance indicators for the proposed revised Long Term Financial Plan are shown over the 10 year period in diagrams 2 to 4 later in this document.

All estimates show that Council's short term, medium and longer term financial capacity remains sound and that Council will be able to achieve and maintain results that are within the targets outlined in the key performance indicators in the Financial Strategy. The forecast deficit results for the Operating Result [pre capital] and Total Funds for 2019-2020 is mainly due to early payment of the first two quarters of the 2019-2020 Financial Assistance Grant in the 2018-2019 financial year.

WOLLONGONG CITY COUNCIL			
KEY INCOME & EXPENSE RESULTS			
	2019/20	2020/21	2021/22
	\$M	\$M	\$M
Operating Result [pre capital]	(9.4)	3.7	9.3
Operating Result	33.5	37.0	36.4
Funds Available from Operations	56.7	68.5	70.9
Total Funds Surplus/(Deficit)	(9.7)	(0.1)	0.0

Proposed Projects & Service Enhancements

Financial improvements achieved beyond the targets set in previous years, together with funding planned to be transferred to the Strategic Projects Restricted Asset in future periods, will provide Council with some additional capacity leading into this planning period. As part of the planning process, Council considers the allocation of resources to the improvement or enhancement of services based on community demand or to restraining the cost of Council services to its community. The revised Delivery Program 2018-2021 and Operational Plan 2019-2020 include a proposed acceleration of a number of planned projects, the introduction of a number of additional projects and some service enhancements.

Proposed projects and programs include both capital and operational changes that are non-recurrent or are of a fixed duration. These projects are detailed in the first section of the diagram below and have an estimated cost of \$12.0 million that is planned to be funded from the Strategic Projects restricted asset over a five year period. The Strategic Projects Restricted Asset has \$3.6 million (at 1 July 2019) available for further consideration in future periods. The second part of the diagram below show proposed Service enhancements that may be related to the proposed additional capital projects or other service improvements.

Diagram 1

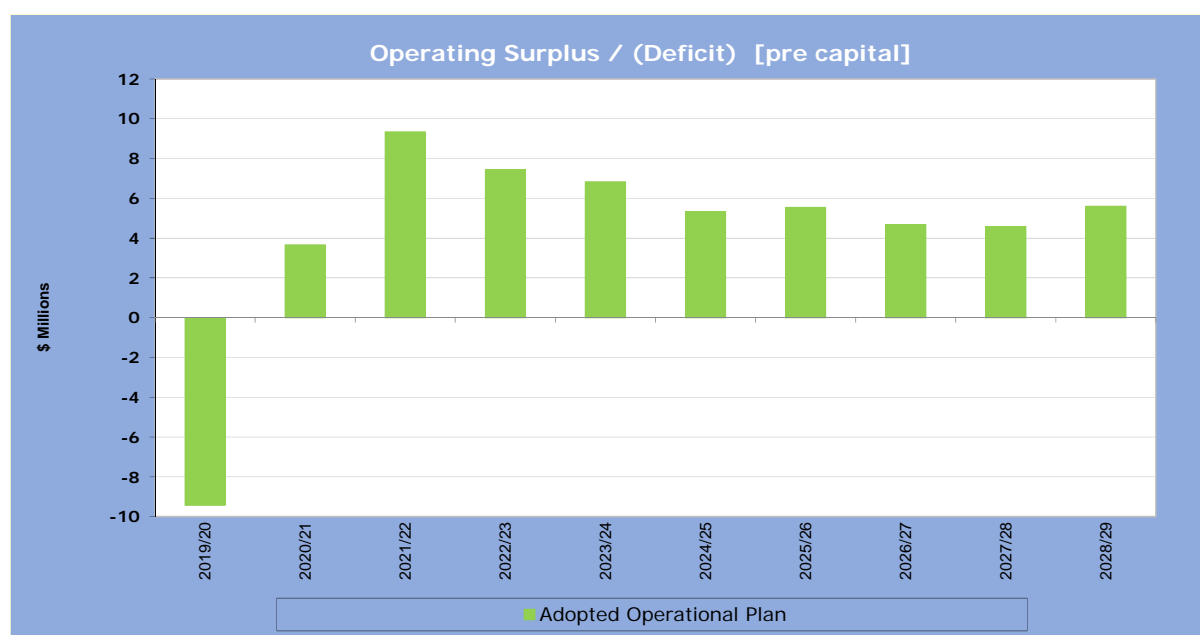
PROPOSED PROJECTS & PROGRAMS					
Funded from Strategic Projects Restricted Cash					
	2019/20	2020/21	2021/22	2022/23	2023/24
	\$000'S	\$000'S	\$000'S	\$000'S	\$000'S
Capital Projects					
Helensburgh Library - allocation of additional funds <i>This brings the total proposed budget for this project to \$10M inclusive of \$1.25M s94 funding.</i>				3,000	
Active Transport - New Footpaths		1,029	1,049	1,071	
Resurfacing Helensburgh Netball Courts	136				
Scribbly Gum Play Space Upgrade	50				
Mobile CCTV Pilot <i>Offset by grant funding</i>	60 (48)				
Outdoor Fitness Equipment Program - additional	100	100	203	205	207
Sports Infrastructure Grants - approved through Sports Reference Group	250				
Expedite delivery of sportsfields lighting projects	300	500	300		
	848	1,629	1,552	4,276	207
Studies & Supporting Documents					
Flood Risk Management Studies Best Practice	487	357	238	157	70
Lake Illawarra Shared Path Masterplan	40	80			
Towradgi Creek Shared Path Feasibility Investigations	20	50			
Suburb/Place Name Signage Strategy	62				
Generic Event DA various sites	70				
Landscape Development Plan - West Dapto Riparian Corridors		120			
Fred Finch Park - Landscape Masterplan (scope to be developed)	35				
Bulli Showground Master Plan Stage 2	22				
Art Gallery Second Entrance Concept	120				
Development of Crown Land Plans of Management <i>Offset by grant funding</i>	120 (40)	124	126		
Offset from Centralised Studies budget		(199)	(238)	(157)	(70)
	936	532	125	0	0
Other non recurrent projects					
Wollongong City Libraries Website Development Project	136				
Illawarra Sports Stadium	50				
Longyan Friendship City Botanic Garden	40				
Sandon Point Interpretive Signage & Indigenous Art Work	50	103			
Conversion of Street Lights to LED	1,555				
	1,831	103	0	0	0
ANNUAL TOTAL	3,615	2,264	1,677	4,276	207
Cumulative total funded from Strategic Projects Restricted Cash					12,039
Service Enhancements (Recurrent) Funded from Operational Capacity					
Library Fines removal	56	57	59	60	62
Innovation Program - initial proposal	100	103	105	108	111
Operating costs for Mobile CCTV	16	16	17	17	17
Sandon Point Interpretive Signage & Indigenous Art			2	2	2
Active Transport - New Footpaths			18	39	61
Outdoor Fitness Equipment Program			6	12	18
Local Grants Scheme Heritage Properties <i>Offset by grant funding</i>	37 (7)	31	31	32	33
TOTAL SERVICE ENHANCEMENTS	202	207	238	270	303

Operational Performance – Operating Result [pre capital]

The Operating Result [pre capital] provides an indication of the long term viability of Council and its capacity to earn sufficient revenue to fund ongoing operations (services) and continue to renew existing assets over the long term. This measure should be viewed over the long term as annual results may be impacted by timing. For example, in the diagrams below, 2019-2020 is a deficit result that is due to the early payment of part of the Financial Assistance Grant for 2019-2020 in 2018-2019. Other timing impacts may result from specific purpose grants received in one year and recognised as income under accounting standards although expended in future years. Similarly, the introduction of operational projects funded from internally restricted assets has the same impact. The forecast Operating Result for the next 10 years indicates that Council will be able to achieve the small annual surplus average over three years' target outlined in the Financial Strategy.

The net result of the introduction of income and expense associated with the West Dapto release has a favourable reporting impact in the earlier years due to rate revenue growth being realised prior to significant additional operating expense. In line with Council's Financial Strategy, the additional funds will be used in the short term to assist in funding the substantial capital budget requirements for infrastructure during that period.

Diagram 2

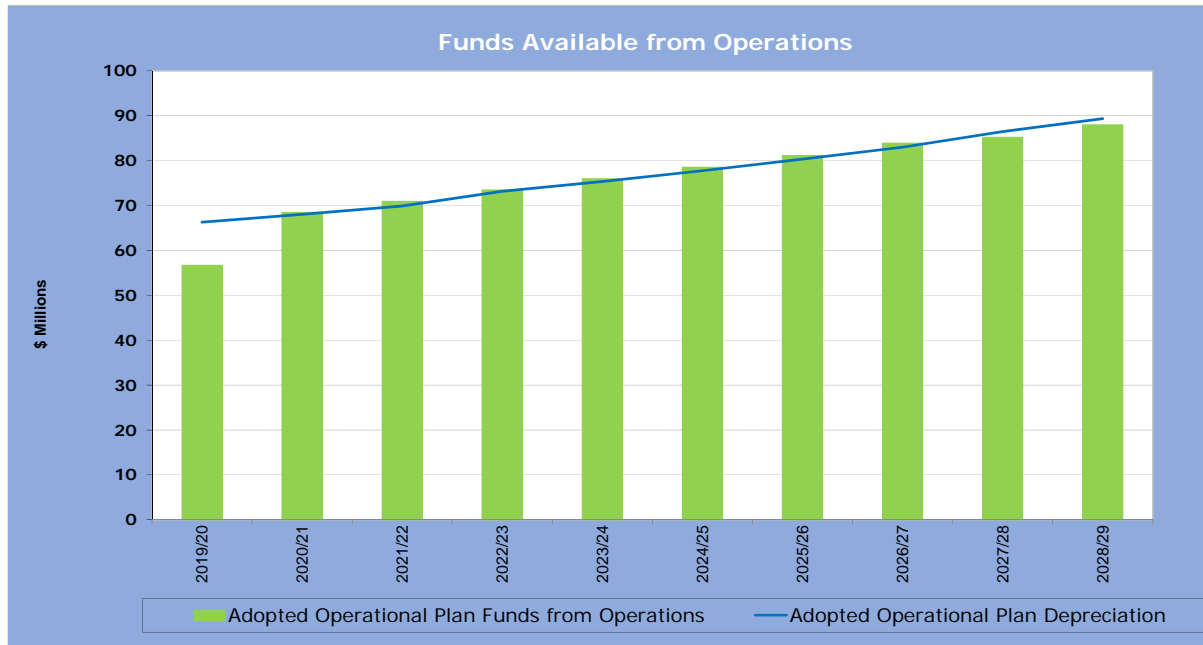


Operational Performance – Funds Available from Operations

The operating result is an accounting result that can vary markedly from year to year and may not best reflect long term financial sustainability. The ultimate 'financial sustainability' goal for Council is to be able to provide services at an agreed level on a continuous basis and to be able to maintain the ability to replace assets used in providing those services on an ongoing basis. Council receives income and elects to spend that money on day to day activities to provide services and operate the organisation. This is reflected in the Income and Expense Statement. The Operating Result [pre capital] disclosed in the Income and Expense Statement includes depreciation and other non-cash expenses so a balanced Operating Result will produce an operating cash surplus. It is this cash surplus that is available to fund the renewal of existing assets that Council considers a more reliable indicator.

The forecast Funds Available from Operations is compared against the level of depreciation as this is the proxy for the long term funding required to renew existing assets at the current level. Council's Financial Strategy over the long term is to maintain a level where the Funds Available from Operations equals depreciation.

Diagram 3

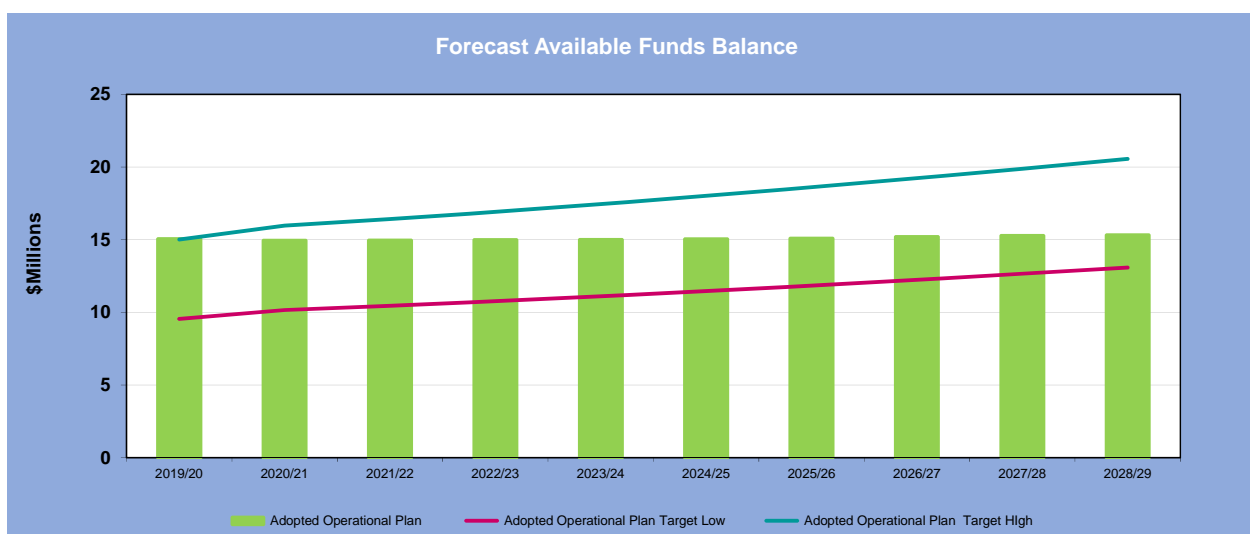


Financial Position - Available Funds

Available Funds are the uncommitted funds of an organisation that assist in meeting the short term cash requirements, provide contingency for unexpected costs or loss of revenue and provide flexibility to take advantage of opportunities that may arise from time to time.

The forecast Available Funds remain within Council's Financial Strategy target of 3.5% to 5.5% of operational revenue [pre capital] over the 10 year period. Council's planned unrestricted cash (Available Funds) provides capacity to manage irregular variations in operational performance and together with the Strategic Projects restricted asset offers the opportunity to review delivery programs or projects in the short term.

Diagram 4



Assets

Council's Statement of Financial Position (page 12) shows the extent of assets managed by Council for the community. Property, Plant and Equipment that make up the large portion of Council's assets is valued at \$2.5 billion. This amount is the current value of assets after allowing for depreciation. These assets have a current replacement value in excess of \$4.1 billion.

The Budget for 2019-2020 includes a capital expenditure program of \$99.8 million and contributed assets of \$6.7 million. These forecasts are inclusive of work and contributed assets for the West Dapto release area of \$16.7 million and \$6.7 million respectively.

Borrowings

Borrowings are considered as part of the Capital budget process in accordance with the Financial Strategy and Asset Management Policy. Council's current forecasts indicate that Council will remain a low debt user and maintain a debt service ratio (principal and interest repayments compared to operational revenue) below 4% for the next 10 years. The progress of the West Dapto release area and timing of infrastructure development for this may have an impact in the years beyond the current forecasts. The current modelling for development and asset requirements indicate that in the latter years of the 10 year plan there is a possibility that some infrastructure assets will need to be built in preparation for development that could precede the payment of developer contributions. If that were to occur, it is anticipated that some level of debt financing would be required that would be repaid by future development contributions and restricted assets created from revenue growth in the West Dapto area. At this stage, the Long Term Financial Plan does not indicate that debt financing will be required, however, this could change as development is realised over the period. The extent of borrowing requirements will be dependent both on timing of infrastructure provision as well as availability of other funding sources such as grants and contributions.

Council currently has a small loan portfolio comprised of an interest free loan from the Department of Planning and a number of loans under the Local Infrastructure Renewal Scheme (LIRS) program which provide a subsidy for borrowing costs.

The interest free loan of \$26.1 million was accepted by Council in 2009-2010 to accelerate construction of the West Dapto Access Strategy. The operating expenses shown in Council's forecasts include a borrowing cost for the interest free loan that Council received in 2009-2010. As this loan is an interest free loan, it is accounted for at fair value. The value of the interest free loan in each period is the Net Present Value (NPV) of the future repayments that will be made over the remaining life of the asset. The \$26.1 million loan was originally recognised as a liability of only \$17.3 million while the difference between that and the actual funds received was treated as income in 2009-2010. There is a notional interest expense recorded each year to reflect the amortisation of this notional income and the increase in the NPV over the life of the loan.

The (LIRS) program was introduced by the State Government as incentive to councils to accelerate infrastructure renewal. Council has been successful in securing subsidies for loans under the three rounds of the LIRS program and has entered into loans of \$20 million in 2012-2013 for Round 1, \$4.3 million in 2013-2014 for Round 2 and \$15 million for Round 3 in 2014-2015. 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 City wide Footpaths, Shared Path Renewal, Missing Links Construction Program, building refurbishment works for Berkeley Community Centre, Corrimall Library and Community Centre, Thirroul Pavilion and Kiosk and to support the West Dapto Access – Fowlers Road project respectively. Council was advised of eligibility for further subsidy under Round 3 and an

additional amount of \$5.5 million was drawn down during 2016-2017 that will also be used to support the West Dapto Access – Fowlers Road project.

These loans will be repaid over 9.5 years and will increase Council's Debt Service Ratio forecast for 2019-2020 to 2021-2022 to approximately 3.3% which remains below Council's current target of 4%.

The loan repayments associated with the West Dapto Access Strategy and LIRS (3) will be funded from a reduction in other capital works, Section 7.11 Developer Contributions (formerly S94) and additional rate revenue from the West Dapto subdivision.

Unbudgeted Supporting Document Initiatives

The terminology Supporting Documents is used at Wollongong City Council in reference to a range of documents that includes plans, strategies or studies that inform future direction and priorities. Council has a large number of Supporting Document initiatives that have not yet been funded through the delivery planning process. The revised Delivery Program 2018-2021 and Operational Plan 2019-2020 and annual budgets are the tools used to allocate the limited resources available to Council and the community to the highest level needs and priorities. The large volume of Supporting Documents provide clear, longer term intent and direction for Council in terms of what it would like to do and what it will endeavour to do with the resources that may be available. These Supporting Documents are important in planning future Council services and are used to identify and respond to opportunities for future external funding and/or an increase or redirection of own source funds available to Council.

One of the major sets of Supporting Documents relate to the West Dapto Release Area. A significant part of Wollongong's population growth is expected to be centered on new residential developments at West Dapto in Wollongong's south-west. Growth in West Dapto will require significant new services supported by a substantial level of new infrastructure. Supporting Documents, such as the West Dapto LEP, Infrastructure Plan, Access Strategy and West Dapto Development Contribution Plans have articulated proposed services, assets and potential future sources of funds to some extent and this has informed the development of a West Dapto release area financial forecast model. The implications of this model have been incorporated into the financial forecasts. The model is based on extremely broad assumptions for actions that may vary markedly as the future unfolds. A conservative approach has been taken that assumes a self-funding model and only includes agreed grant programs in these forecasts. The financial impacts of West Dapto within the current assumptions and modelling are discussed further throughout this report.

There are a number of other potential initiatives or programs that have not been included in the financial estimates at this stage due to the lack of certainty around the timing, funding and/or probability of completion. These include actions such as:

- Longer term capital works and impacts of development and operations for West Dapto
- Foreshore Parking Strategy implications
- Potential development of Council owned land in West Dapto
- Grand Pacific Walk future stages
- Implications of Lake Illawarra
- Greenhouse Park rehabilitation
- 2022 UCI Road World Championships
- Alternate waste technologies

- Affordable Housing partnerships
- Further street lighting alternate lighting technologies
- Implementation of Leading the Way program that focuses on optimising performance through more effective, efficient and innovative service delivery. This will encompass programs such as the review and optimisation of facilities and office accommodation used by Council, implications and outcomes of the Information Management & Technology Strategy, Workforce Strategy and Reward Strategy program

FINANCIAL BUDGET REPORTS

The following budget reports are provided for the revised Delivery Program 2018-2021 and Operational Plan 2019-2020 forecasts.

Whole of Council 3 Year Financial Forecasts:

- Income Statement
- Funding Statement (including Capital Budget)
- Statement of Financial Position
- Cash Flow Statement
- Detailed Service Groups Income Statement 2019-2020

WOLLONGONG CITY COUNCIL			
3 Year Financials			
	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
INCOME STATEMENT			
Income From Continuing Operations			
Revenue:			
Rates and Annual Charges	202,991	209,379	217,019
User Charges and Fees	33,665	34,412	35,170
Interest and Investment Revenues	4,882	6,199	5,861
Other Revenues	10,598	10,809	10,839
Grants and Contributions - Operating	20,840	29,377	29,564
Capital Grants & Contributions	42,927	33,380	27,037
Other Income:			
Share of Interest in Joint Venture	0	0	0
Profit/Loss on Disposal of Assets	0	0	0
Total Income From Continuing Operations	315,903	323,556	325,490
Expenses From Continuing Operations			
Employee Costs	134,742	137,940	139,786
Borrowing Costs	2,722	2,374	2,101
Materials, Contracts & Other Expenses	97,916	97,944	97,746
Depreciation, Amortisation + Impairment	66,276	68,065	69,914
Internal Charges (labour)	(16,834)	(17,329)	(17,892)
Internal Charges (not labour)	(2,418)	(2,481)	(2,539)
Total Expenses From Continuing Operations	282,404	286,513	289,115
Operating Result	33,499	37,044	36,374
Operating Result [pre capital]	(9,429)	3,663	9,338

WOLLONGONG CITY COUNCIL

3 Year Financials

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
FUNDING STATEMENT			
Surplus (Deficit) [Net Operating Result for the Year]	33,499	37,044	36,374
Add back :			
- Non-cash Operating Transactions	84,272	86,311	88,780
- Restricted cash used for operations	16,491	12,241	9,317
- Income transferred to Restricted Cash	(63,420)	(52,741)	(48,686)
- Payment of Accrued Leave Entitlements	(14,162)	(14,358)	(14,840)
- Payment of Carbon Contributions	0	0	0
Net Share Joint Venture using Equity Method	0	0	0
Funds Available from Operations	56,680	68,496	70,945
Borrowings repaid	(7,913)	(5,242)	(5,482)
Advances (made by) / repaid to Council	0	0	0
Operational Funds Available for Capital Budget	48,767	63,253	65,463
CAPITAL BUDGET			
Assets Acquired	(99,795)	(93,609)	(89,796)
Contributed Assets	(6,726)	(11,562)	(8,358)
Transfers to Restricted Cash	(1,431)	(1,849)	(2,266)
Funded From :-			
- Operational Funds	48,767	63,253	65,463
- Sale of Assets	1,292	1,801	1,854
- Internally Restricted Cash	14,029	11,813	6,690
- Borrowings	0	0	0
- Capital Grants	7,353	2,355	2,000
- Developer Contributions	16,867	12,933	15,578
- Other Externally Restricted Cash	3,490	1,635	0
- Other Capital Contributions	6,483	13,115	8,858
TOTAL FUNDS SURPLUS / (DEFICIT)	(9,672)	(114)	22

WOLLONGONG CITY COUNCIL

3 Year Financials

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
STATEMENT OF FINANCIAL POSITION			
CURRENT ASSETS			
Cash Assets	117,019	116,898	124,381
Investment Securities	13,002	12,989	13,820
Receivables	24,640	25,237	25,388
Inventories	306	306	306
Assets held for Sale (previously non-current)	0	0	0
Other	11,244	11,536	11,836
TOTAL CURRENT ASSETS	166,213	166,966	175,732
NON-CURRENT ASSETS			
Non Current Cash Assets	0	0	0
Non Current Investment Securities	0	0	0
Non-Current Receivables	0	0	0
Non-Current Inventories	5,835	5,835	5,835
Investments Accounted for using Equity Method	2,637	2,637	2,637
Investment Property	5,141	5,327	5,517
Intangible Assets	388	388	388
Property, Plant & Equipment	2,457,953	2,485,368	2,508,560
TOTAL NON-CURRENT ASSETS	2,471,954	2,499,555	2,522,938
TOTAL ASSETS	2,638,166	2,666,522	2,698,670
CURRENT LIABILITIES			
Current Payables	25,416	25,786	26,020
Provisions < 12 Months	13,354	13,701	14,057
Provisions > 12 Months	39,755	40,788	41,849
Interest Bearing Liabilities	5,242	5,482	3,702
TOTAL CURRENT LIABILITIES	83,767	85,757	85,629
NON-CURRENT LIABILITIES			
Non Current Current Payables	700	700	700
Non Current Interest Bearing Liabilities	12,502	7,021	3,318
Non Current Provisions	38,377	33,180	32,785
TOTAL NON-CURRENT LIABILITIES	51,579	40,901	36,803
TOTAL LIABILITIES	135,346	126,658	122,432
NET ASSETS	2,502,820	2,539,864	2,576,238
EQUITY			
Accumulated Surplus	(1,379,248)	(1,412,248)	(1,440,782)
Surplus (Deficit) for period	(33,499)	(37,044)	(36,374)
Asset Revaluation Reserve	(965,325)	(965,325)	(965,325)
Restricted Assets	(124,749)	(125,247)	(133,757)
TOTAL EQUITY	(2,502,820)	(2,539,864)	(2,576,238)

WOLLONGONG CITY COUNCIL

3 Year Financials

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
CASH FLOW STATEMENT			
CASH FLOWS FROM OPERATIONS			
Receipts			
Rates and Annual Charges	204,734	208,782	216,868
User Charges & Fees	33,665	34,412	35,170
Investment Incomes	4,882	6,199	5,861
Grants & Contributions	57,041	51,195	48,242
Other Operating Receipts	10,130	10,330	10,349
Payments			
Employee Costs	(115,745)	(118,268)	(119,388)
Materials & Contracts	(94,943)	(95,093)	(94,972)
Borrowing Costs	(870)	(643)	(392)
Other Operating Payments	0	0	0
NET CASH PROVIDED BY (OR USED IN) OPERATIONS	98,895	96,914	101,739
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Sale of Investment securities	752	14	(831)
Proceeds from Sale of Property, Plant & Equip	1,292	1,801	1,854
Repayments from Deferred Debtors	0	0	0
Payments			
Purchase of Property Plant & Equipment	(99,795)	(93,609)	(89,796)
Advances to Deferred Debtors	0	0	0
Purchase of Interest in Joint Ventures			
NET CASH PROVIDED BY (OR USED IN) INVESTING ACTIVITIES	(97,751)	(91,794)	(88,774)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Proceeds from Borrowings and advances	0	0	0
Payments			
Repayments of Borrowings and Advances	(7,913)	(5,242)	(5,482)
Repayment of Lease Finance Liabilities			
NET CASH PROVIDED BY (OR USED IN) FINANCING ACTIVITIES	(7,913)	(5,242)	(5,482)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS HELD	(6,769)	(122)	7,483
Cash at Beginning of Period	123,788	117,019	116,898
CASH & CASH EQUIVALENTS AT EOY	117,019	116,898	124,381
PLUS other investment securities	13,002	12,989	13,820
TOTAL CASH & INVESTMENTS	130,022	129,886	138,201

WOLLONGONG CITY COUNCIL

Detailed Service Group Financials Budget 2019/2020

	Planning & Engagement \$'000	Environment \$'000	Transport Services / Infrastructure \$'000	Community Services & Facilities \$'000	Recreation & Open Space \$'000	Regulatory Services & Safety \$'000	Governance & Internal Services \$'000	Total \$'000
INCOME STATEMENT								
Income from Continuing Operations								
Revenue:								
Rates and Annual Charges	1,185	35,742	0	0	0	0	166,064	202,991
User Charges and Fees	851	10,103	1,286	2,386	12,259	4,267	2,513	33,665
Interest and Investment Revenues	0	0	0	0	0	0	4,882	4,882
Other Revenues	347	591	19	379	316	3,123	5,822	10,598
Grants and Contributions - Operating	414	1,039	3,521	4,524	0	494	10,848	20,840
Capital Grants & Contributions	23,853	700	18,374	0	0	0	0	42,927
Profit/Loss on Disposal of Assets	0	0	0	0	0	0	0	0
Total Income from Continuing Operations	26,650	48,175	23,200	7,289	12,574	7,884	190,129	315,903
Expenses from Continuing Operations								
Employee Costs	25,925	9,895	2,693	16,012	23,066	11,876	45,277	134,742
Borrowing Costs	0	1,649	0	0	0	0	1,073	2,722
Materials, Contracts & Other Expenses	17,924	36,320	10,374	6,847	7,942	5,464	13,045	97,916
Depreciation, Amortisation + Impairment	15,946	11,906	29,647	1,536	4,762	517	1,963	66,276
Internal Charges (labour)	(6,305)	482	2,837	76	433	54	(14,411)	(16,834)
Internal Charges (not labour)	(22,010)	1,837	2,573	9,248	11,236	1,474	(6,776)	(2,418)
Total Expenses from Continuing Operations	31,481	62,089	48,124	33,718	47,438	19,384	40,170	282,404
Operating Result	(4,830)	(13,913)	(24,924)	(26,430)	(34,863)	(11,500)	149,959	33,499
Operating Result [pre capital]	(28,683)	(14,613)	(43,298)	(26,430)	(34,863)	(11,500)	149,959	(9,429)

DEFINITIONS:

Operating Result [pre capital] – The Operating Result [pre capital] is considered to be one of the main indicators of the long term financial viability of Council. In broad terms, a deficit from operations indicates that Council is not earning sufficient revenue to fund its ongoing operations (services) and continue to renew the assets, which are an integral part of that service, when required. The indicator includes accounting and engineering estimates relating to the consumption of long lived assets (depreciation) which is used in determining this result. Council has improved, and will continue to refine, its estimating process to provide even greater accuracy of the result but contend that there is a need to plan based on the best information available at a point in time.

Funds Available from Operations – This indicator demonstrates the capacity to generate sufficient funds from operations to meet asset renewal requirements. The matching of Funds Available from Operations with Council's asset renewal target (currently depreciation over the long term) is a primary target of Council to provide for effective renewal of assets and growth in assets.

Total Funds Result - Short term stability requires the annual budget is affordable and cash is managed to ensure that payments can be made as required. By holding a level of available funds and planning for break-even funds results, this position can be maintained. Until an operating surplus is achieved, additional funds should be directed towards deferred asset renewals or investments that are able to reduce future operational costs.

Available Funds – Available funds are funds that Council has earned but not allocated to specific expenditure in the past or future. They are held as Council's savings and are used to act as a buffer against unanticipated future costs, or can be used to provide flexibility to take advantage of opportunities that may arise.

While the Available Funds balance may fall below the targeted level in a period, the onus on planning is to ensure adequate adjustment is made to restore the balance through future programs, within an acceptable timeframe.

BUDGET 2019-2020

CURRENT ASSUMPTIONS

SERVICE LEVELS

The budget includes service levels as outlined in the revised Delivery Program 2018-2021 and Operational Plan 2019-2020. Estimates for expenses and income in future years have been applied based on existing service levels unless a decision has been made, or a plan is in place, to vary this level. The detail of services proposed to be provided is outlined in the Service Plans. Changes to existing Services or levels of service progressed through the strategic planning process are incorporated into forward estimates as deployment strategies are confirmed. The table below shows the recurrent enhancements to existing service levels that have been proposed through the 2019-2020 planning process.

Diagram 5

RECURRENT SERVICE ENHANCEMENTS					
	2019/20	2020/21	2021/22	2022/23	2023/24
	\$000'S	\$000'S	\$000'S	\$000'S	\$000'S
Library Fines removal	56	57	59	60	62
Innovation Program - initial proposal	100	103	105	108	111
Operating costs for Mobile CCTV	16	16	17	17	17
Sandon Point Interpretive Signage & Indigenous Art			2	2	2
Active Transport - New Footpaths			18	39	61
Outdoor Fitness Program - Additional Equipment			6	12	18
Local Grants Scheme Heritage Properties	37	31	31	32	33
<i>Offset by grant funding</i>	(7)				
TOTAL SERVICE ENHANCEMENTS	202	207	238	270	303

INDEXATION

The financial forecasts are comprised of both recurrent and non-recurrent income and expenditure. The non-recurrent items have specified values and timing of delivery. Recurrent items may be subject to the application of indices, or may be set based on known commitments for expenditure such as loan repayments or may be adjusted for volume impacts or future pricing changes.

Where indices have been used, these are based on information sourced from a number of sources including various bank financial reports and economic reports, ABS reports, Deloitte's Access Economics Economic Brief and KPMG Quarterly Economic Outlook-Australian Outlook. The annual process for the preparation and review of the financial forecasts for the Long Term Financial Plan provides for an initial review of these indices and continuous update through the process for significant changes. Variations in recurrent budget costs in excess of expected indices are considered through the annual planning process and will be included in the budget where agreed.

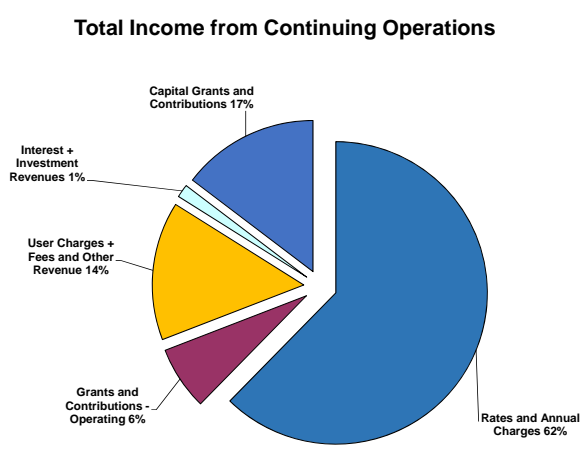
The financial forecasts have been prepared using the following indices where applicable:

	2019/20 Forecast %	2020/21 Forecast %	2021/22+ Forecast %
Rates Increase	2.70	2.68	3.08
Rates Increase - Growth	0.40	0.40	0.40
Rates Increase - West Dapto	0.17	0.25	0.26
Fees and Charges	2.50	3.15	3.30
Interest Rates (90 day bill rate)	2.70	3.70	3.70
Labour	2.50	3.15	3.30
Superannuation Guarantee	9.50	9.50	10.00
Loan Borrowing Rate	3.90	4.50	5.90
CPI - General Expenditure	2.40	2.63	2.67
Utilities			
- Electricity	39.30	3.63	3.67
- Other Utilities	3.40	3.63	3.67
- Street Lighting	23.70	3.63	3.67

The following information, under the headings of Revenue and Expenses, provide additional details on some of the key areas.

REVENUE

Revenue Type	2019/20 Forecast (\$M)
Rates and Annual Charges	203.0
Grants and Contributions - operating	20.8
User Charges + Fees and Other Revenue	44.3
Interest + Investment Revenues	4.9
Capital Grants and Contributions	42.9
Total Income from Continuing Operations	315.9



RATES

Rate revenue projections are based on application of the maximum permissible increase that is advised annually by the Independent Pricing and Regulatory Tribunal (IPART) and an allowance for growth in rateable properties. The recommended IPART increase for 2019-2020 is 2.7%.

Maximum rate increases are set by IPART who use the Local Government Cost Index (LGCI) as a base reference as this is considered a better measure of cost impacts on councils than CPI. The weighting of individual components of the LGCI is reviewed every four years with the next review due in 2019. The most significant components are employee benefits and oncosts at over 40%, with the next most significant group being in the capital area of construction and building works at about 20%.

Forward projections are not available for the LGCI and the rate peg is lagged to reflect the LGCI of the previous year (September of the year before). As publications are not available that provide forecast data on these indices, the Long Term Financial forecasts beyond 2020-2021 for rates have been based on a weighted average of expected labour and CPI increases that are lagged by one year. In past years, the IPART rate peg has also included an 'efficiency dividend' as a way of passing on council improvements to ratepayers. As a general rule, the LGCI has for the most part tracked slightly higher than comparable CPI, averaging 0.4% over the last five years.

There is also an underlying income growth assumption in the Long Term Financial Plan projections that Council rates revenue outside of West Dapto will generally grow by 0.4% per annum. This is based on historical trends and future expectations of growth and equates to approximately 420 additional properties. In addition, growth has also been built into the long term forecasts for expected development at West Dapto and this has been aligned to estimated staging of that release area.

The rate categories and sub-categories are proposed to remain unchanged. These structures have been applied since 1994 when the provisions of the then new Local Government Act came into effect. A change in pricing structure for residential rates to include a base charge was introduced in 2002.

In addition to general rates, Council currently applies two special rates, the Mall Special Rate and the City Centre Special Rate. The Wollongong City Centre Improvement Fund Rate that was applied in 2011-2012 was merged with the Mall Special Rate from 2012-2013.

Together, Special Rates are projected to generate \$1.55 million of revenue for 2019-2020.

The projected rate revenues shown below are based on the current rating structure and property information at February 2019 and these projections will change marginally through the planning process as property information changes. More detailed information relating to the rates and rating policy is provided as part of the Revenue Policy, Fees and Charges.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Rates Revenue			
General Rates			
Ordinary Rates - Residential	119,385	123,192	127,866
Ordinary Rates - Farmland	321	331	343
Ordinary Rates - Mining	938	966	1,000
Ordinary Rates - Business	48,340	49,829	51,563
Rates - Abandonments	(54)	(55)	(57)
Special Rates			
Special Rates - Mall	1,137	1,167	1,203
Special Rates - City Centre	413	424	437
Total Rates Revenue	170,480	175,855	182,356

With the development of new properties in West Dapto, there will be increasing rate revenue for Council over a period of time. This rate of revenue increase will precede operational demand and assets built will require little renewal or maintenance for approximately seven to 15 years, creating a perception of improved financial capacity. Experience in developing councils has shown the long term negative impacts that the delayed expense pattern has if additional rate revenue is built into other recurrent operations.

To assist in managing this, the Financial Strategy requires that increased annual rate revenue created from subdivision in West Dapto will be restricted and only allocated to operational expenditure as the area develops. The annual revenue will be made available to meet infrastructure or planning requirements in the area, or be applied to meet existing infrastructure renewal requirements. In the current three year planning timeframe, this will be directed towards repayments of loans for the West Dapto Access Strategy.

Pensioner Rebates

Council is required to provide a rebate to pensioners under the Local Government Act and has also continued to provide a voluntary rebate to eligible pensioners who were receiving a Council rebate prior to 1994. There is a relatively steady increase in the number of ratepayers who are entitled to the statutory pensioner rebate, while ratepayers still entitled to the Council rebate dwindles slowly as entitlement has been set to only those pensioners who were eligible for the rebate in 1993.

The compulsory pensioner rebate to eligible ratepayers is 50% of rates and annual charges up to \$250. This rebate has not been increased by the State Government since it was introduced over 20 years ago. 55% of this rebate is funded from government subsidy which is included in untied grant revenues. The component funding splits are 50% from the State Government and 5% from the Federal Government.

The voluntary Council rebate is currently indexed annually in line with the rates increase, which will result in a rebate of \$261.04 for 2019-2020.

Pensioner rebates are netted off against rates revenue for reporting purposes (\$3.2 million for Rates and \$0.9 million for Domestic Waste Management based on the current estimates for 2019-2020).

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Pensioner Rebates			
Pensioner Rate Rebate - Statutory s575	2,902	2,932	2,962
Pensioner Rate Rebate - Council s582	329	367	324
Total Pensioner Rates Rebate	3,231	3,298	3,286
Pensioner DWM Rebate - Statutory s575	808	816	823
Pensioner DWM Rebate - Council s582	102	91	79
Total Pensioner DWM Rebate	910	906	903
Total Pensioner Rebates	4,141	4,205	4,188

ANNUAL CHARGES

Domestic Waste Management Charges

The Annual Charges revenue is predominately from Domestic Waste Management. Under the Local Government Act, Council must not apply income from an ordinary rate towards the cost of providing domestic waste management services. Income obtained from charges for Domestic Waste Management must be calculated so as to not exceed the reasonable cost to the Council of providing those services.

The charge calculated is based on the full recovery of the service, including appropriate charge for the domestic waste tipping fees at Whytes Gully. The Waste Facility tipping charge includes pricing for future capital costs associated with the management of the facility and long term site remediation.

Pricing and revenue for Domestic Waste Management are applied on an averaging basis over a period of time to avoid abnormal fluctuations in price. The anticipated revenue for Domestic Waste Management is shown below with more details on the charges set out in the Revenue Policy, Fees and Charges booklet provided under separate cover.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Domestic Waste Management Revenue			
Annual Charges Domestic Waste Management	34,813	35,871	36,973

Stormwater Management Charge

Council levies a Stormwater Management Charge on all parcels of rateable land, other than those exempt under the Local Government Act. The pricing for Stormwater Management charge is to remain unchanged for 2019-2020. The rate has remained static since the original setting by the State Government in April 2006.

Expected revenue from the Stormwater charge is shown below. Details of the charge are included in the Revenue Policy, Fees and Charges booklet that will be provided under separate cover. The income from this charge is transferred to a restricted asset and the projects proposed to be funded from this revenue are detailed by theme in the Revenue Policy, Fees and Charges booklet.

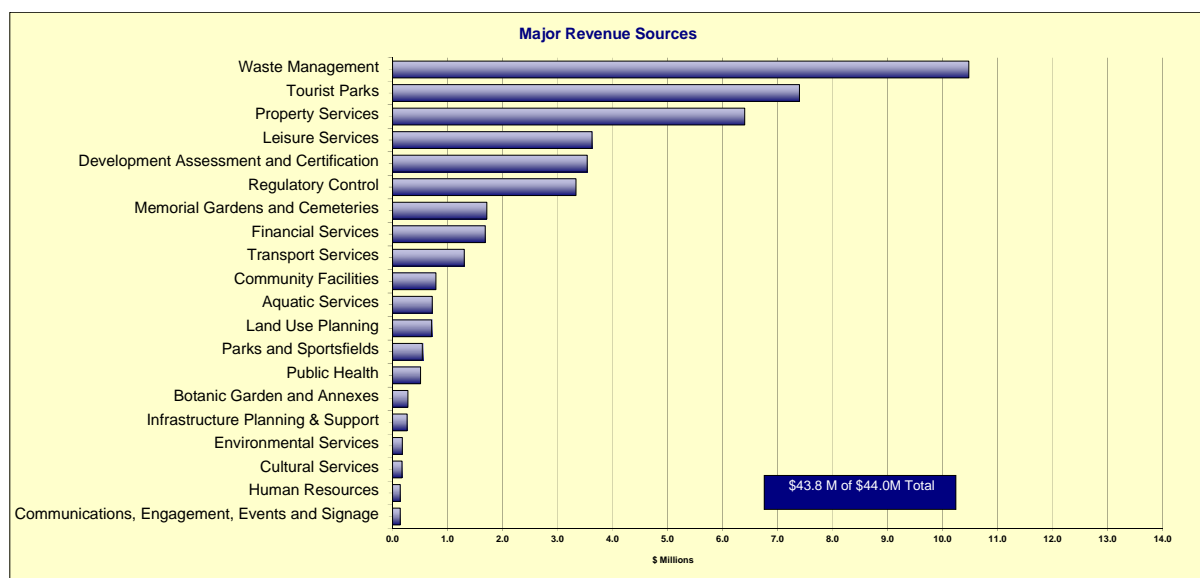
	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Stormwater Management Revenue			
Annual Charges Stormwater Management Service	1,839	1,858	1,878

Waste Management Services – Non-Domestic Premises

Council levies a Waste Management fee on approximately 416 non-residential properties where approved. The operations of this service are currently managed through the kerbside collection contracts and costs have not been separated from Domestic Waste. The fee for this service has historically been set in line with Domestic Waste Management fees to avoid cross subsidisation.

USER FEES, CHARGES AND OTHER REVENUE

User Fees, Charges and Other Revenue account for 16.2% of Council's revenue [pre capital]. The major elements for 2019-2020 are shown in the table below.



The major elements of User Fees Charges and Other Income come from commercial operations of Council's waste facilities (\$10.5 million), tourist parks (\$7.4 million), property management (\$6.4 million), recreation centres, swimming pools and other park facilities (\$5.2 million), planning and building applications (\$4.3 million), ranger and regulatory services including parking infringements (\$3.3 million) and Memorial Gardens and cemeteries (\$1.7 million).

The balance of fees and charges is made up of smaller elements such as hire charges for community halls. It is important to recognise that major parts of these operations represent commercial activities and compete in the market place such as the leisure centres and tourist parks. Revenue pressures will continue to limit growth in these areas.

Council charges a range of fees as proposed in the Revenue Policy, Fees and Charges booklet. The income received from fees reduces the amount of rates and other untied income required for these services. Other charges are generally not for service and include penalty income, leasing, recoveries, sponsorship etc.

Fees for services are set having due consideration to the following factors:

- The cost of providing the service.
- The importance of the service to the community.
- The price fixed by a relevant industry body.
- Any factors specified in the Local Government Act.
- Market rates or pricing.

Council assesses its pricing for services under the following categories which are identified

against individual fees in the Revenue Policy, Fees and Charges booklet.

Pricing Method	Description
Full Cost Pricing	Fees and charges are set to enable the recovery of all direct and indirect costs involved in the provision of a service.
Subsidised Pricing	Fees and charges are set at a level that recovers less than the full cost incurred in service delivery. In effect some level of subsidisation is factored into the price.
Rate of Return Pricing	Fees and charges are set to enable the recovery of all direct and indirect costs involved in the provision of a service plus a profit margin.
Market Pricing	Fees and charges are based on current market fee structures. The market price is usually determined by examining competitors' prices and may have little relationship to the cost of providing the service.
Statutory Pricing	Fees and charges are set to comply with statutory legislation. Council identifies in its Revenue Policy, Fees & Charges Booklet where it adopts the maximum statutory fee.
Rate of Return/Market Pricing	Fees are based on a combination of Rate of Return & Market Pricing and relate mainly to Waste Services currently.

Proposed increases to Fees and Other Revenue has been linked to the Enterprise Agreement/assumed index increase for labour and the initial forward budgets have been prepared on that basis. Some prices vary outside the index based on specific issues impacting the operations, costs or pricing parameters of the particular service. Many of these charges have not been fully indexed in prior years to keep pace with the cost of delivery of services.

INTEREST ON INVESTMENTS

Interest and investment revenues shown in the Income Statement are inclusive of interest on Council's investment portfolio, charges for overdue rates applied at statutory percentage and dividend received from Southern Phones. Investment portfolio income forecasts are based on anticipated cash holdings and projected interest rates. Cash holdings projections are drawn from the budgeted revenues and expenditures in the budget and anticipated internal and external restricted cash balances. Council is required to restrict any interest attributed to Section 7.11 Developer Contributions (formerly S94), Domestic Waste Management and a number of grants.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Interest on Investments and transfers of Interest to Restricted Assets			
Sources			
General Interest	4,231	5,429	5,074
Property Rating	651	668	686
Southern Phones Dividend	0	102	102
	4,882	6,199	5,861
Interest transferred to Restricted Assets	2,427	2,879	2,298
Net General Interest after RA transfers	2,455	3,320	3,563

Forecasts for interest rates are derived from a number of sources including banking sector projections and Council's investment adviser. Projected interest rates are based on forecast 90 day bill rates plus a 0.5% premium to reflect current investment strategies and the continuing performance of Council's investment portfolio compared to this benchmark.

Investments are made in accordance with the current Adopted Policy Guidelines which are compliant with the Department of Local Government Guidelines and the Minister's Investment Order.

SOUTHERN PHONES DIVIDEND

An annual dividend is received from the Southern Phones Company. The Company was formed in 2002 after receiving \$4.77 million in funding from the Australian Government's Networking the Nation scheme. The Company is currently owned by 35 local council shareholders, each of whom owns an equal share. All profits are returned to communities through these councils by way of an annual dividend. 20% of profit is split equally among all 35 shareholders and 80% is paid according to the amount of business generated in the council area. The dividend may fluctuate from year to year with an average annual payment of \$0.25 million to our Council over the last four years. The payment for 2018-2019 has declined to \$0.10 million due to NBN and other market factors and the company has advised that it is unlikely that a dividend will be paid in 2019-2020. The lower level of dividend payment is expected to continue over the life of the Operational Plan beyond 2019-2020. These funds are held as internally restricted cash and are applied to specific projects for natural areas annually in arrears.

OPERATIONAL GRANTS

Financial Assistance Grant

The Financial Assistance Grant (FAG) is a general purpose annual grant funded by the Federal Government through the States. Although the Grant has two components, general purpose and roads component, it is an unconditional Grant. The general purpose component is distributed to the States based on population whilst the road component is distributed based on a fixed share of the national pool.

The NSW Local Government Grants Commission is responsible for the distribution of the Grant to councils within the State. Distribution criteria include population changes, changes in standard costs, disability measures, local roads and bridge lengths and changes in property values. The distribution methodology is currently under review and may have an impact on future receipts. Income for 2019-2020 has been impacted by the early payment of the first two instalments of the 2019-2020 Grant during June 2019.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Financial Assistance (Revenue Sharing) Grant			
General Purpose component	8,556	16,811	17,164
Roads component	1,231	2,503	2,555
Total Financial Assistance Grant	9,787	19,314	19,720

Better Waste and Recycling Program

The State Government introduced the Waste Less, Recycle More initiative in 2013-2014 as a four year program to provide funding to Local Government to enable councils to work with their communities to increase recycling and reduce illegal dumping and littering. The State Government has recently announced the extension of the program with further funding to be provided over four years from 2017-2021 to continue the work already underway. As yet, no specific forward funding figures have been provided. This income and corresponding expenditure have been recognised in the financial projections. Proposed expenditure is currently held centrally pending final confirmation of payments and eligible projects.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Better Waste and Recycling Program	217	217	0

Specific Purpose Operational Grants

There is a small range of Specific Purpose Operational Grants that are recurrent in nature and form part of Council's ongoing budget. The budget and forecast amounts for ongoing funding is provided below by service.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Specific Purpose Operating Grants			
Aged and Disability Services	3,129	2,670	2,741
Community Facilities	20	21	22
Community Programs	215	192	194
Cultural Services	70	70	70
Emergency Management	494	496	499
Environmental Services	217	217	0
Financial Services	693	515	330
Human Resources	4	4	4
Infrastructure Planning & Support	392	0	0
Libraries	499	512	526
Natural Area Management	56	34	33
Stormwater Services	233	233	233
Transport Services	115	118	121
Youth Services	38	39	40
Total Specific Purpose Operating Grants	6,175	5,121	4,811

The Financial Strategy states that Council will actively pursue grant funding and other contributions to assist in the delivery of core services.

State and Federal Government planning and the announcement of one off specific purpose grants does not generally align with Council's planning cycle. It is anticipated that Council will become aware of, and make application for, a range of grants during the next reporting period that are not budgeted at this stage. Where grants are provided, the budget will be updated to make allowance for the additional income and expense of the program as approved.

Operational grant forecasts include annual funding from Federal and State sources for community transport and social support programs. Council has been delivering these services to the community for over 20 years and, in the last five years, those services have been operating at cost neutral to Council. The Federal Government has commenced a reform of Aged and Disability Services that will impact on how these services may be delivered in the future and what Council's role may be. Funding has been confirmed for Social Support Services until June 2020. Council has recently received advice that there is intent for funding for this program to be extended until 2022, however, this has not been included in financial projections at this stage as this has not been confirmed. As the delivery model for Community Transport has not been finalised, Council's long term financial projections are premised on continuation of the existing arrangement.

It should be noted the current service model recovers all operational costs associated with this service delivery from external funding including accommodation costs, administrative support, use of IT facilities, etc. In the event that Council no longer provides this service, there may be a negative impact if the operational costs that were attributed to this cannot be recovered from other sources or be removed.

CAPITAL INCOME

Capital income refers to revenue that is specifically for additional assets acquired by Council. The funding may be in the form of cash contributions or may represent the value of assets dedicated to Council by land developers or other levels of Government. Capital income is inconsistent from one period to another and is also difficult to predict due to the nature of the transactions.

Wollongong City Council eliminates capital income from its key financial measures and discussions as it is not income that can be used to fund the day to day operations of the Council or generally be used to replace existing assets. Capital income is, however, important to the Council and its community as it is a source of funds that allow increased assets that can improve services and/or provide new services to growing areas such as roads, bridges, drains and playing fields in a new release area such as West Dapto. The operation of these assets will be reflected in Council's operating costs in future years and will form part of the operating financial measures at that time.

Any changes in the quantum or timing in the availability of these grants and contributions will have a direct impact on the capital program. Impacts may include changes in timing of projects pending as alternate sources of funding or substitution of Council funding which may result in a delay in non-funded projects.

SHARE OF INTEREST IN JOINT VENTURE

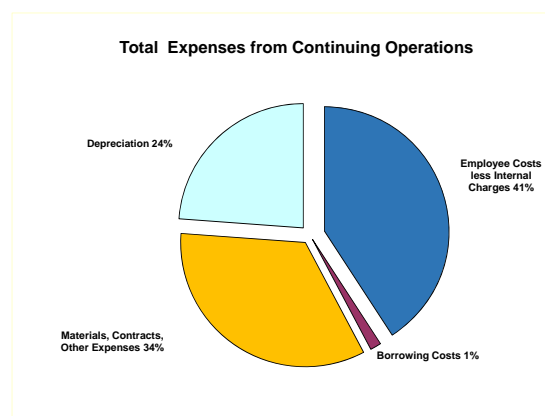
Council is a member of the Civic Risk West (formerly Westpool) and Civic Risk Mutual (formerly United Independent Pools) Self Insurance pools. These pools are valued annually and each member receives a share of the profit or loss and other comprehensive income of the pools for that year. Amounts are generally advised in August and are included in the Annual Financial Statements. As there are many unknown elements that impact on this item, definitive trend information is not available and budget is not provided for this.

PROFIT/LOSS ON DISPOSAL OF ASSETS

A budget is not provided for the impact of asset disposals as the underlying assumption is that depreciation estimates should sufficiently recognise the asset value diminution over time.

EXPENSES

Expense Type	2019/20 Forecast (\$M)
Employee Costs less Internal Charges	117.9
Borrowing Costs	2.7
Materials, Contracts, Other Expenses	95.5
Depreciation	66.3
Total Expenses from Continuing Operations	282.4



The next section of this document discusses the key expense items of Council.

EMPLOYEE COSTS

Employee costs are inclusive of labour on costs such as superannuation, workers' compensation costs, parental leave, annual leave, provision for long service leave and payroll tax, where applicable. Superannuation expenditure forecasts are determined by fund membership as well as expected wage increases. Employee costs are indexed in accordance with the Enterprise Agreement rates with estimated indexation for years beyond the current Enterprise Agreement.

Salary & Wages

Labour and associated employee costs are based on position complement required to deliver current service levels. Additional labour costs related to specific non-recurrent projects (where identified) are also included. Labour costs are budgeted in accordance with the Enterprise Agreement rates with anticipated indexation for increases beyond the current Enterprise Agreement. The current Enterprise Agreement for 2018-2019 to 2020-2021 set increases for the three years commencing 1 July 2018. Increase for 2018-2019 and 2019-2020 were agreed at 2.5% with the final increase conditioned on the outcome of the next NSW Local Government (State) Award (being the higher of 2.5% or State Award increase). There is no indication of any future Enterprise Agreement or State Award outcomes. The third and future years are currently premised on an increase that is more closely aligned to economic forecasts provided by a number of external bodies.

Recurrent casual and overtime budgets are maintained to match the service and structure levels required for 2019-2020 to 2021-2022. It is usual that some of these budgets are exceeded during the year as additional employee resources are used for projects that are planned but not allocated to labour in the first instance, or for new projects introduced with funding.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Salaries & Wages			
Salaries and Wages	100,332	102,468	105,525
Superannuation	10,281	10,546	11,261
Defined Scheme Superannuation Top Up	1,828	1,868	0
Workers' Compensation Insurance	2,089	2,124	2,059
Fringe Benefits Tax	172	177	181
Payroll Tax	50	51	53
Training Costs (excluding Salaries)	1,365	1,401	1,438
Protective Clothing	294	302	310
Labour Hire	34	35	36
Other Employee Costs	1,971	2,267	1,575
Change in Workers Comp Provision	250	258	267
Direct Labour Oncosts	16,076	16,443	17,081
Total Employee Salaries & Wages	134,742	137,940	139,786
Capitalised & Distributed Employee Costs	16,834	17,329	17,892
Total Operational Employee Salaries & Wages	117,909	120,611	121,895

The amount shown as Other Employees costs in future years is largely the result of projects or activities that are planned to be delivered by additional labour resources where these positions have not been sufficiently defined at this point in time to be recognised through the labour budget process.

Superannuation

Superannuation projections are based on employee establishment, casual labour estimates and superannuation scheme membership.

Council employees belong either to a Defined Benefits Scheme, which ceased taking new members in 1991, or various accumulation schemes. Defined Benefits Scheme expenses are tied to employee contributions while Accumulation Scheme contributions are calculated as a pre-determined percentage of the employees' salary charged at the current Superannuation Guarantee Levy rate of 9.5%.

As part of the 2014 Federal Budget negotiations, the freeze on Superannuation Guarantee increases will now pause until 2021-2022. Then a series of 0.5% increases from 2021-2022 to 2025-2026 will bring the total levy to 12% by 1 July 2025.

Estimates for Defined Benefit Scheme members are based on Council contributing 1.9 times the employee's contribution plus a 'basic benefit' charge of 2.5% of salary or wages. Defined Benefit Scheme members who are at full contribution points, who are in the 'award' phase for contributions, are covered by a percentage reflecting the Superannuation Guarantee levels (basic benefit % + award %), similar to an Accumulation Scheme. Currently, approximately 20% of the workforce is in the Defined Benefits Scheme.

Councils have been required to make an additional annual contribution to the Defined Benefits Scheme initially for a period of 10 years to address funding requirements for remaining participants in the Scheme. The final payment of this top up was originally expected to be in 2018-2019 based on discussion with the Superannuation Board in 2014-2015 year. The requirement for an extension of the additional payment was subsequently extended until 2020-2021. Council's forecasts include a budget of \$1.8 million annually for the 2019-2020 to 2020-2021 periods. Further extensions or revision of the amount payable may also occur, depending on market conditions and fund performance.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Superannuation			
Superannuation (regular)	10,281	10,546	11,261
Defined Scheme Superannuation Top Up	1,828	1,868	0

Parental Leave

The current Enterprise Agreement provides for parental leave at full pay of 12 weeks for maternity leave and nine weeks paternity leave. This is paid from a central provision and the cost of this is distributed as part of the labour oncosts.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Parental Leave	247	252	259

The Federal Government paid parental leave scheme (FGPPLS) does not impact this element of Council's oncost. The FGPPLS funds the additional time through our payroll process, but Council does not incur any further entitlement impacts (ie additional accrual of leave) as employees on the Federal scheme are effectively on 'leave without pay' from Council.

Workers' Compensation

Council has maintained a self-insurance license for workers' compensation for over 20 years. Conditions for self-insurance include the requirement of an annual reassessment of liability by a qualified actuary. The value of the liability must be supported either by restricted cash or a bank guarantee. Council currently supports this liability through a bank guarantee.

Under this arrangement, Council meets all workers' compensation related costs including salary and wages, medical and associated costs up to \$750 thousand on any individual claim. Claims beyond this are supported by an external insurance policy. This policy is reviewed annually.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Workers Compensation			
Total Payments	2,089	2,124	2,059
Increase/(Decrease) in Provision	250	258	267

During 2018, Council commenced a Work Health and Safety Behavioural Program that is expected to result in significant improvements in this risk area with a net cost improvement in the vicinity of \$2.4 million over the next 10 years.

Salary & Wages Recovery

The cost of employees working on capital or other division's projects is allocated to the specific projects as work is completed (through work order costing). This includes design, survey, project management and supervision, community consultation and construction or maintenance staff. The Employee Cost budget includes labour costs for all employees and an estimate for the annual employee allocation required to be recovered from capital works or other divisions. This recovery is shown in Internal Charges as a negative expense which reduces the operating cost to the correct level. Under this structure, the capital budget is required to include sufficient works to employ these resources and, where other divisional work is intended, it should be negotiated and provided for in advance.

Learning & Development

The Learning & Development budget is held centrally in the Human Resources Division with a portion held for corporate programs and the remainder allocated to divisions. The following budget is for external provision of training and does not include programs that are delivered internally or labour costs.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Learning & Development			
Training, Conferences & Seminars	1,365	1,401	1,438

Cadets, Apprentices & Trainees

Council has a commitment to providing training opportunities through its cadet, apprentices and trainee program. The following budget includes payments to employees under this scheme, other supporting expenses such as reimbursement of study expenses as well as allocation of support salary staff that administer the program. This is recognised as a corporate initiative with the budget held in a central area.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Cadets & Apprentices	2,224	2,272	2,336

Fringe Benefits Tax

Council incurs a range of fringe benefit costs, some of which are recovered through salary packaging. Fringe benefit costs for motor vehicle have been reduced through the pricing and management of motor vehicle use. The majority of costs shown below are associated with housing benefits for staff that are required to reside on site.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Fringe Benefits Tax	172	177	181

BORROWING COSTS (FINANCING)

Borrowings are considered as part of the Capital Budget process in accordance with the adopted Financial Strategy and Asset Management Policy. The current adopted Financial Strategy indicates Council will remain a low debt user by maintaining a debt service ratio (principal and interest repayments compared to operational revenue) below 4%.

In 2009-2010, Council accepted a \$26.1 million interest free loan from the Department of Planning to accelerate construction of the West Dapto Access Strategy. The operating expenses shown in Council's forecasts include a notional interest expense to reflect the amortisation of the notional income benefit recognised at the time of entering into the loan arrangement.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Borrowing Cost on Interest Free Loan			
Recognise interest on interest free loan	203	0	0

The introduction of the Local Infrastructure Renewal Scheme (LIRS) by the State Government provided an incentive to councils to accelerate infrastructure renewal through a subsidised loan program. Council has also been successful in securing subsidies for loans under the three rounds of the LIRS program and has entered into loans of \$20 million in 2012-2013 for Round 1, \$4.3 million in 2013-2014 for Round 2 and \$15 million for Round 3 in 2014-2015. The LIRS program provides a loan subsidy of 4% for Round 1 and 3% for the subsequent rounds. Council was advised of eligibility for further subsidy under Round 3 and an additional amount of \$5.5 million was drawn down during 2016-2017 that will also be used to support the West Dapto Access – Fowlers Road project. These loans are planned to be generally repaid over a 10 year period.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Borrowing Cost on LIRS			
Interest	868	641	390
Recognise interest on loan funds associated with Local Infrastructure Renewal Scheme [LIRS] (excludes subsidy)			

MATERIALS, CONTRACTORS & OTHER EXPENSES

Forecasts for materials, contracts and other expenses are either specifically budgeted or based on existing service level resourcing plus indexation. The following provides background on key items in this category.

EPA Levy

The EPA levy is applicable to waste and cover materials going to landfill. Rates applicable are determined by the Department of Environment and Climate Change based on geographic location, with Wollongong classified as being within the Extended Regulated Area. The estimated cost of the levy for 2019-2020 is \$144.59 per ton. Application of the levy to cover materials was introduced in March 2007. The projected cost of the EPA levy applicable to waste material going into landfill is based on modelling that forecast disposal tonnages based on population growth and historical trends. These tonnages are reviewed on an annual basis to reflect updated trends.

A portion of the levy relates to Domestic Waste which is recovered through the Domestic Waste Management Charge.

Application of the levy to cover materials was introduced in March 2007. At Council's current landfill site, there are two types of cover materials in use - slag and VENM (Virgin Excavated Natural Material). The quantity of cover material required is impacted by tonnages of waste that are processed to landfill. During the current financial year some operational improvements have been achieved at the waste facility which has allowed a reduction in the cover material ratio. The current model is based on slag cover ratio of 0.15 and VENM ratio of 0.25 (previously 0.25 and 0.3 respectively) to waste tonnages. Both slag and VENM incur the EPA levy, however, VENM attracts a 10% pricing discount. Where cover materials are site sourced, these do not attract the levy. Current operational expenditure forecasts and fee structures propose that Council will be able to source an amount of cover materials on site to reduce the overall cost of this levy. A recent review of potential site sourced material availability has indicated a capacity to site source 100% of VENM requirements for the next five years and then 50% for the ensuing five years. Again, these projections are reviewed annually both in terms of waste tonnages, availability of site sourced materials as well as changes in practices that may impact on quantity of material required.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
EPA Levy			
EPA Levy - Council	673	697	758
EPA Levy - Commercial	3,254	3,267	3,282
EPA Levy - Domestic	7,259	7,557	7,870
EPA Levy on Landfill	1,704	1,755	1,810
TOTAL EPA Levy	12,890	13,277	13,720

Street Lighting

Street lighting is charged by Council's current suppliers Endeavour Energy (infrastructure) and ERM (electricity consumption). A rebate on street lighting is paid through the account resulting in a net cost to Council. Existing contracts for electricity supply ended in December 2018. These have been extended for twelve months at current market conditions which indicate a significant increase in this cost. Council will be working with Local Government Procurement to secure new contracts in the coming year. Mitigation strategies are also currently being evaluated and budgets will be amended to reflect the outcome of these investigations. During May 2019, Council approved a project to convert a number of street lights to LED at a cost of \$1.6 million that is funded from internally restricted asset for Strategic Projects. It is expected that this will contribute to a reduction in electricity consumption and financial benefits realised to be transferred back to the Strategic Projects restricted asset.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Street Lighting	3,405	3,203	3,313
Street Lighting Subsidy	(711)	(728)	(747)

Emergency Services

Emergency services operations are contributed to by Council as below:

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Emergency Services contributions			
Rural Fire Service	462	477	483
State Emergency Services	321	330	335
NSW Fire Brigade	3,224	3,318	3,146
Total Emergency Services contributions	4,007	4,125	3,964

Early in 2013, the State Government commenced a review of the way emergency services, including Fire and Rescue NSW, the NSW Rural Fire Service and the NSW State Emergency Service, are funded with a view of making this funding less complicated and more equitable and efficient. Under current arrangements, the bulk of funding (73.7%) is provided by a tax on insurance companies, while the remainder of the funds is provided by local governments (11.7%) and the State Government (14.6%). At that time, the State Government had advised that a wide range of alternative revenue sources were being considered and there had been considerable discussion of a property based levy in place of current arrangements similar to the approach used by some of the other Australian states.

A working group that included representatives from the State and Local Government was

formed during 2016-2017 and preliminary investigation into the collection of the levy by councils as an element on the Property Rates notices commenced. The State Government has deferred the final determination of this change pending further consultation with the broader community. Councils were reimbursed for the costs of investigation into implementing the deferred levy and no further impacts have been foreshadowed on the contributions side at this stage.

Contributions for 2019-2020 and 2020-2021 have been increased by \$0.2 million each beyond anticipated indexation increases in line with the recent announcement that additional funds are required to fund health issues for workers and volunteers.

Insurance

Council joined the Civic Risk West (formerly Westpool) and Civic Risk Mutual (formerly United Independent Pools) Self Insurance pools on 31 October 2010. The pools are comprised of a number of Sydney councils. The advantages of joining a mutual pool include savings through bulk purchasing power, access to learning and networking across other councils, reducing exposure to market fluctuations through better management of claims and retention of equity in the pool.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Insurances			
ISR Property Insurance	781	792	820
Motor Vehicle/Plant Insurance	283	293	301
Statutory Liability/CDO Insurance	121	124	95
Public Liability/Professional Indemnity Insurance	1,199	1,578	1,625
Crime/Fidelity Guarantee Insurance	113	75	76
Fine Arts	18	21	20
Other	21	21	21
Total Insurance Premiums	2,536	2,904	2,957

Legal Costs

The following expenditure represents payments to external professional providers for legal services as well as in house lawyers who have been directly employed by Council since their introduction in the middle of 2010-2011. The use of internal legal professionals has resulted in a decrease in external costs in both legal costs and other associated fields and improved services to the organisation, as a whole, by providing this expertise on a readily available rather than ad hoc basis.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Legal Expenses			
External Legal Costs	659	676	694
"In House" Legal expenditures including employees	1,010	1,043	1,081

Fuel

Fuel is subject to fluctuation in global oil pricing and currency valuations and due to this volatility is subject to an annual review rather than an application of indices.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Fuel & Oil	1,743	1,751	1,759

Affiliates Contributions

This represents the direct financial support to these organisations and does not include in kind support like asset use charges such as building occupancy.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Affiliates Contributions			
Tourism Support & Contributions	1,409	1,446	1,484
Performing Arts Centre	715	734	753
TOTAL Affiliates Contributions	2,124	2,179	2,238

Other Contributions, Donations & Subsidies

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Gong Shuttle Contribution	350	350	0
Neighbourhood Youth Program	118	121	124
IRIS Contribution	95	98	100
Sponsorship Fund	95	97	100
Illawarra Shoalhaven Joint Organisation	82	84	86
Natural Area Management	65	67	69
Illawarra Surf Lifesaving Contribution	56	57	59
Business Development	55	57	58
Illawarra Escarpment - Geotech. Researc	54	54	54
Community Arts Programme - Public Art S	41	42	43
City Centre - Events & Marketing	38	41	44
Illawarra Institute Sport Contribution	37	38	39
Business Investment & Attraction	32	32	33
Scholarships	14	14	15
Cultural Centres Operations	11	12	12
Neighbourhood Small Grants Program	10	11	11
Aboriginal Activities	10	10	10
State Emergency Services Support	9	9	10
Public Bands Contribution	9	9	9
Smith Street C.C.C.	7	7	8
Life Education Illawarra Contribution	7	7	8
WCC Social Club	4	4	4
Minor Donations	3	4	4
Personnel Administration	2	2	2
TOTAL Other Contributions, Donations and Subsidies	1,204	1,227	900

Councillors' Expenses

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Councillor support costs	16	17	17
Councillors	559	576	595
Net Councillor expenses	575	593	613

Council Elections

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Council Elections	0	869	0

Telephone

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Telephone - Central Admin budget	103	105	108
Telephone - other areas budget	116	119	123
Total Telephone	219	225	231

Mobile Phone

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Mobile Telephone	176	181	186

Postage

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Postage - Central Admin budget	211	217	223
Postage - other areas budget	307	315	323
Total Postage	518	531	546

Council Rates

This budget represents the costs of Council owned or controlled properties used for commercial purposes or that are currently under lease agreements to other parties.

	2019/2020 Budget \$'000	2020/2021 Forecast \$'000	2021/2022 Forecast \$'000
Council Rates Expense (Council owned properties)	360	370	381

Supporting Documents - Planning Studies & Investigations

Supporting Documents may be in the form of plans, strategies or studies that inform future direction and priorities. These Supporting Documents are important in planning future Council services and are used to identify and respond to opportunities for future external funding and/or an increase or redirection of own source funds available to Council. The resources for undertaking the development of these documents are represented at Service level with indicative amounts allocated to specific projects within those Services as shown below.

Supporting Documents - Planning Studies & Investigations			
Service & Project	2019/20 Budget \$000's	2020/21 Forecast \$000's	2021/22 Forecast \$000's
Corporate Strategy	0	0	228
Centralised Studies & Plans			228
Land Use Planning	527	730	567
West Dapto Review	262	271	281
Tourism Accommodation Review Planning Controls	25	25	
Industrial Land Planning Controls Review		50	
Windang Town Centre Planning Study		10	
Helensburgh Town Centre Planning Study	10		
Fairy Meadow Town Centre Planning Study			61
Bulli Town Centre Planning Study	10	30	
City Centre Planning Review	100		
City Wide LEP Review		100	100
Development of Crown Land Plans of Management	120	124	126
Landscape development plan for West Dapto - for riparian cor		120	
Communications, Engagement, Events and Signage	70		
Generic Event DA various sites	70		
Stormwater Services	1,179	707	588
Floodplain Management Studies	200	350	350
Review of Towradgi Creek FRMS - 2015/16	150		
Review of Hewitts Creek FRMS - 2015/16	155		
Review of Flood Studies & Floodplain Risk Mgmt Plans	101		
Review of Allans Creek Flood Study	6		
Review of Fairy Cabbage Tree Creek Flood Study	70		
Kully Bay Flood Study	10		0
Flood Risk Management Studies Best Practice	487	357	238

Supporting Documents - Planning Studies & Investigations <i>(cont)</i>			
Service & Project	2019/20 Budget \$000's	2020/21 Forecast \$000's	2021/22 Forecast \$000's
Transport Services	444	335	135
Accessible Car Parking and Bus Stops audit	50		
City Centre Parking Surveys - EMS Report	67		69
Integrated Transport Strategy		50	51
City Centre Parking Strategy	40	40	
Bellambi Foreshore Precinct Plan	150	100	
Wollongong LGA Feasibility Studies	15	15	15
Lake Illawarra Shared Path Masterplan	40	80	
Towradgi Creek Shared Path Feasibility Investigations	20	50	
Suburb/Place Name Signage Strategy	62		
Community Facilities	73		
Social Infrastructure Supporting Document	30		
Integrated Facilities Planning	9		
Facilities Planning Development	34		
Cultural Services	120		
Art Gallery 2nd Entrance Design	120		
Leisure Services	97		
Beaton Park Precinct Masterplan	97		
Parks and Sportsfields	316		
Hill 60 CMP and Aboriginal HIL	50		
Blue Mile Masterplan - update	46		
Fred Finch Park - Landscape Masterplan	35		
Cringila Park Playground Design and Consultation	185		
Property Services	44		
Bulli Showground Masterplan	22		
Bulli Showground Master Plan Stage 2	22		
Total Expenditure *	2,871	1,772	1,519
<i>*Expenditure shown above is for full project cost. A number of projects are supported from external grant funds or internal restrictions</i>			

Housing Affordability Program

In June 2012, Council entered into a funding agreement with the Department of Families, Housing, Community Services and Indigenous Affairs for the Building Better Regional Cities Program. The funding agreement provided Council with \$9.2 million to establish a program to improve affordability of housing in the area for low to moderate income earners. The program allowed for assistance to be provided to approved applicants in the form of a Council held security deposit of 20% of the value of the property. The deposit was intended to allow the vendor to borrow without requiring a deposit and to allow the lending authority to waive mortgage insurance fees. Interest earned on the deposit would also be paid against the applicant's loan. It was originally expected that 123 packages would be offered over a two year period commencing in the 2015-2016 financial year. The program was adversely impacted by a particularly strong property market which created a strong demand in the area while reducing the need for developers to tailor a product to meet niche demand such as smaller dwellings for lower income earners. The initial agreement between Council and the Commonwealth Government that supports the Program expired on 31 March 2017.

Council has now entered into a Memorandum of Understanding with the Government that has allowed Council to retain the funding to develop a program that continues to facilitate the delivery of affordable housing in the region.

At its meeting on 10 December 2018, Council provided a range of guidelines for the development of alternate approach. Guidelines include a focus on innovative, energy efficient and sustainable solutions, the ability for proposals to generate income streams that will support a continuation or expansion of the program into the future and support for schemes that target (but are not limited) to single women aged over 50 years. Council also resolved that existing funds be equally committed to affordable housing delivery proposals from not for profit organisations and an affordable home ownership scheme for low to moderate income earners to enter the housing market that could be combined with land owned by Council in the West Dapto release area. Final progress report along with recommendations is planned for August 2019.

Centrally Held Budget Capacity

The operational expense budget also includes centrally held amounts that are intended to be distributed to specific Services throughout the year. These fall into two categories:

Rates Growth

The growth in rateable assessments leads to additional impacts on some services and the need for additional resources to meet those demands. The Rates Growth provision provides resourcing for these extra impacts from increased ratepayer numbers by drawing from the additional rate income. An indicative allocation model based on the assessment of the impacts of increased population on services has been devised to be used in the forward estimates. While some Services are directly or indirectly impacted by growth, other areas are not, thereby creating natural economies of scale that lead to increased capacity. Council's initial modelling indicates that 40% of the rates increase is required to maintain existing service levels due to a broader population in the short to medium term. The remaining 60% is equally allocated to support the additional cost of enhanced assets replacements used in improving those services and to be allocated to additional or improved service levels. The Operational Plan 2019-2020 proposes the allocation of \$300 thousand recurrently for enhanced services

The following table provides funding allocation and availability forecasts.

RATES GROWTH			
	2019/20 Budget \$000's	2020/21 Forecast \$000's	2021/22 Forecast \$000's
Balance	1,128	1,761	2,389
Comprised of provision for:			
Volume Increase impacts	751	1,013	1,282
Asset Enhancement impacts	181	367	558
Economies of Scale*	197	381	549
<i>* remaining balance after allowing for proposed service enhancements</i>			

Operational Contingency

The Operational Plan 2019-2020 proposes a reinstatement of a recurrent annual Operational Contingency of \$1 million from anticipated operational improvements. In past years an Operational Contingency budget has been held centrally in the Corporate Strategy Service that was intended to support non-recurrent or unplanned projects and events or to address short term issues that may arise from time to time. This has been relatively small compared to Council's overall operating expense budget with an indicative target of around \$1.0 million pa. Access to these funds has generally been through the strategic planning process including Impact Statements, Business Proposals, Service Reviews, Pricing Adjustments or, as otherwise directed by the Executive Management Committee. This was notionally removed through the development of the Adopted Operational Plan 2018-2019 with the intent that future budget improvements could be used to rebuild the Operational Contingency levels as funding became available.

DEPRECIATION

Depreciation represents 23.5% of the operating expenses budget. While depreciation is not cash expenditure, it is an important part of the real cost of maintaining Council services. Depreciation represents the consumption of an asset over its life. This deterioration in value of assets occurs through use, ageing or obsolescence.

The cost of depreciation has changed during the past several prior years reporting periods as classes of assets have been moved from historical cost to fair valuation. In 2009-2010 particularly, the valuation of roads and bridges was changed to fair value which had a significant impact on depreciation amounts. All assets are now moved to fair value or acceptable approximations of fair value and significant change is not anticipated in the future.

Council's maturity in asset management is improving and, as new information becomes available, changes may occur, particularly to asset lives and valuation information. Depreciation forecasts in the long term financial projections include provision for additional assets that are included in the capital program and conservative estimates for expected growth through revaluation. Estimates for contributed assets and ensuing impacts have been provided through the preliminary modelling undertaken for the West Dapto release area. As there is less definitive information on other contributions that may occur from developments outside of the West Dapto release area or from other levels of government, these will be introduced as Council becomes aware of these.

WEST DAPTO KEY ASSUMPTIONS

West Dapto Development

The residential development at West Dapto in Wollongong's south-west will be the largest stand-alone growth for this City. The development commenced in 2011-2012 and is expected to add in the vicinity of 19,794 new dwellings and increase the local government area population by 57,433 over a 40 to 60 year period. The development has extensive infrastructure requirements and poses some challenges due to the geographic and environmental factors as well as uncertain development patterns and timing due to disaggregated land ownership.

Council has invested significant resources in planning for the construction of infrastructure and analysing potential financial impacts. The Long Term Financial forecasts are based on the most recent plans and data, however, these projections may need to be modified over time as the underlying assumptions that support these changes.

Revenue

The main income streams from this development will be from developer contributions and rates.

Developer contributions are based on pricing that is contained in the West Dapto Section 7.11 Developer Contributions (formerly S94) Plan that was adopted in 2017 and expected lot release timing. The developer contributions income is inclusive of funds that are expected to be provided to Council by the State Government through the Local Infrastructure Growth Scheme as support for the gap between projected infrastructure costs and the level of the State capped developer contributions that will be applicable until 2019-2020 when the cap is no longer applicable. The Section 7.11 Developer Contributions (formerly S94) contributions shown in the Long Term Financial Model are based on this agreement and are reflected in the Capital Grants & Contributions part of the Income Statement. Section 7.11 Developer Contributions (formerly S94) income projections in the Operational Plan 2019-2020 have been reduced to reflect the discounted rates applicable to industrial land. These contributions will be held as restricted cash and are planned to be used to support the capital program and loan repayments.

Rates income estimates are aligned to estimated staging of the release area. It is expected that the rate revenue increase will precede operational demand and assets built will require little renewal or maintenance in the initial years of the Long Term Financial Plan, creating an improved cash position through increased Funds Available from Operations. Experience in developing councils has shown the long term negative impacts that the delayed expense pattern has if additional rate revenue is built into other non-related recurrent operations. Under the Financial Strategy, this income will be restricted and only allocated to operational expenditure as the area develops. The annual revenue in the early stages of development will be made available to meet infrastructure or planning requirements in the area, or be applied to meet existing infrastructure renewal requirements and repayments of loans for the West Dapto Access Strategy.

Capital Programs

Some aspects of the West Dapto Release Area have been progressed to a stage where they have been introduced into Council's forward capital program as specific projects.

Specific projects include the Princes Highway/Fowlers Road to Fairwater Drive extension and Wongawilli Road. These works are to be funded from Section 7.11 developer contributions (formerly S94), interest free loan from Department of Planning, grant funds including Building Better Regional Cities, National Stronger Regions Fund (\$10 million),

Resources for Regions (\$2.4 million), Restart NSW, Illawarra Infrastructure funding (\$22.5 million), loans under LIRS (3) (\$20.5 million). Stage 1 of the Fowlers Road extension project, construction of the initial earthworks, utilities and flood channel bridge construction is complete. Stage 2, the construction of the major bridge over Mullet Creek, road and intersection works is well underway. The forecast year shows a significant increase in conceptual and detailed civil designs supporting the West Dapto Access Strategy. These designs allow Council to continue to deliver the roll out of road and bridge projects across Stage 1 and 2 and the planning of Stage 3.

In addition to these specific projects, forward projections also include capital budgets at an aggregated level that will become specific projects as the scope and design for these are further developed. The Long Term Financial Plan includes an assumption that these projects, where possible, will be funded from accumulated Section 7.11 (formerly S94) funds, net restricted additional rate revenue cash holdings and any remaining loan balances in the first instance.

Contributed Assets

Financial projections for the West Dapto release area recognise that a level of infrastructure requirements will be provided by developers. This includes works in kind where the developer will complete elements of infrastructure that are contained in the Section 7.11 Developer Contributions (formerly S94) West Dapto Plan in lieu of contributions, as well as contributed assets that are normally associated with new subdivisions. The value of these assets is reflected in the financial projections as capital income and contributed assets based on expected timing of receipt of these. Future depreciation, operating and maintenance cost for these have been included in forecast operational expenses.

Operational Expenses

The Long Term Financial forecasts includes depreciation, operating and maintenance costs associated with services that will be required by the new population in that area such as community, library and open space facilities that are aligned to population growth. These estimates are based on planned asset construction and cost of providing these services to our existing population. As the development progresses, revenue from the area will be used to fund the maintenance and operation of new assets and services as part of Council's overall budget. Operational costs also include additional staff costs for the introduction of a dedicated West Dapto development team and expected cost for the delivery of services as the population grows. Service delivery costs are currently held centrally at this stage and will be distributed to relevant service delivery areas when timing and requirements can be better defined.

Loans

Council currently has two loans that are applicable to the West Dapto release area. In 2009-2010, Council accepted a \$26.1 million interest free loan from the Department of Planning to accelerate construction of the West Dapto Access Strategy. The operating expenses shown in Council's forecasts include a notional interest expense to reflect the amortisation of the notional income benefit recognised at the time of entering into the loan arrangement.

Loan repayments for the West Dapto Access loan have been set by the Department of Planning over a 10 year period with the last repayment due in 2019-2020. Council has loaned a further \$20.5 million under Round 3 of the Local Infrastructure Renewal Scheme (LIRS) that will also be used to support the West Dapto Access – Fowlers Road project. The final payment for these loans is due in 2024-2025. It is intended that for the most part, the loan repayment will be funded by future Section 7.11 Developer Contributions (formerly S94) contributions and rates revenue from West Dapto. Funding has been applied to debt repayments over the first 10 years.

OTHER KEY ASSUMPTIONS

Restricted Revenue

The level of available or untied cash is expressed as cash and investment holdings after allowance for restricted assets. Assets, generally cash, may be externally or internally restricted. External restrictions are usually imposed by an external or legislative requirement that funds be spent for a specific purpose. This may include unspent grant funds that have been provided to Council for the delivery of a particular project or service, funds collected as developer contribution under Section 7.11 Developer Contributions (formerly S94) or surpluses achieved in the delivery of domestic waste. In some of these instances, Council is also required to restrict investment earnings that are generated by these cash holdings. Internal restrictions are funds that Council has determined will be used for a specific future purpose such as the future replacement of waste facilities.

Strategic Projects Internally Restricted Asset

At the commencement of the current planning cycle, the Strategic Projects internally restricted assets holds a total balance of \$42.5 million that is the result of prior year financial improvements that exceeded planned targets, along with a number of non-recurrent windfall gains such as the proceeds from the settlement of a long term litigation matter and the sale of the Flinders Street property. The Operational Plan 2019-2020 includes \$38.9 million that has been committed through prior year or proposed through the current year planning process, for projects that are planned to be delivered over the next 10 years. The remaining unallocated funds of \$3.6 million are currently available to support initiatives such as the 2022 UCI Road World Championships or new projects. The Strategic Projects restricted asset forecast balance also includes a series of planned transfers over the ensuing years that are the result of anticipated improved performance that exceeds the upper level of the Available Funds target outlined in the Financial Strategy. The achievement of these transfers may be impacted by a range of factors such as changes in the underlying assumptions that the financial forecasts are based on and future decisions.

Waste Disposal Facilities Internally Restricted Cash

The Waste Disposal Facilities Restricted Asset is held for the development and renewal of assets within Council's waste facilities and for the rehabilitation of the sites at the end of their lives. The waste facility fee structure includes a component for future replacement of facilities that is transferred to this restricted asset and applied to expenditure as this is incurred. The nature of asset construction and renewal is 'lumpy' and can result in periods when this restricted asset becomes 'overdrawn' as can be seen in the schedules below. As assets tend to be long lived, it is expected that this position will be recovered over time. During the current planning cycle, operating improvements at the facility have provided an opportunity to partly address this shortfall through proposed additional transfers to this restriction without impacting on the gate fee pricing.

The following table shows anticipated restrictions and the subsequent table outlines the nature of funding and purpose of the current internally restricted asset funds.

3YEAR RESTRICTED ASSETS SUMMARY											
		2019/2020 Budget \$'000			2020/2021 Forecast \$'000			2021/2022 Forecast \$'000			
PURPOSE OF RESTRICTED ASSET	Opening Balance 1/07/19	Transfer		Balance 30/06/20	Transfer		Balance 30/06/21	Transfer		Balance 30/06/22	
		In	Out		In	Out		In	Out		
Internally Restricted Assets											
Strategic Projects	38,949		15,189	23,760		5,891	17,869		3,283	14,585	
Strategic Projects (unallocated)**	3,587	1,563		5,150	965		6,116	4,016		10,132	
Property Investment Fund	8,390	667	113	8,945	601	115	9,430	307	119	9,619	
MacCabe Park Development	1,290	150		1,440	150		1,590	150		1,740	
City Parking Strategy	1,692	582	107	2,167	565	1,389	1,343	548	646	1,245	
Sports Priority Program	533	553	450	636	307	300	643	312	300	655	
Natural Areas Fund	269		94	175	102	96	181	102	99	184	
West Dapto Rates (additional)	4,545	1,431	573	5,403	1,849	711	6,541	2,266	734	8,073	
Lake Illawarra Estuary Management Fund	236	165	165	236	165	165	236	165	165	236	
Darcy Wentworth Park	171			171			171			171	
Waste Disposal Facilities ***	(471)	4,177	5,087	(1,381)	4,405	8,040	(5,017)	4,561	3,394	(3,850)	
Total Internal Restricted Assets	59,192	9,288	21,778	46,702	9,110	16,708	39,104	12,427	8,740	42,791	
Externally Restricted Assets											
Section 94	31,525	19,899	17,237	34,187	20,015	13,313	40,889	17,210	15,970	42,129	
Planning Agreements	145			145			145			145	
Grants	(3,523)	25,478	14,328	7,627	9,044	8,360	8,310	8,158	6,749	9,719	
Loan Repayment	3,915	128	2,900	1,143	51	300	894	(32)		862	
Domestic Waste Management	13,768	388		14,156	210		14,366	142		14,508	
Contributed Assets		5,109	5,109		11,562	11,562		8,358	8,358		
External Service Charges to Restricted Assets	60	61		121	63		184	65		249	
Other Contributions	5,564	689	553	5,700	669	693	5,676	673	333	6,017	
Special Rates Levies - City Centre + Mall	101	1,551	1,598	53	1,592	1,638	8	1,641	1,679	(30)	
Housing Affordability Program	10,754	282		11,036	397		11,433	412		11,845	
Local Infrastructure Renewal Scheme	1,556	139		1,695	19		1,714	20		1,734	
Stormwater Management	1,555	1,839	1,210	2,184	1,858	1,518	2,524	1,878	614	3,789	
Total External Restricted Assets	65,419	55,563	42,935	78,047	45,481	37,384	86,144	38,525	33,703	90,965	
Grand Total	124,611	64,851	64,713	124,749	54,590	54,092	125,247	50,952	42,443	133,757	
** Strategic Projects. The unallocated balance of \$10.1 million shown at the end of 2021-2022 includes proposed future transfers in of \$6.5 million that reflect projected capacity improvements in future results. As these results are premised on a range of underlying assumptions such indices etc. that can be impacted by many factors, these improvements are only allocated to projects in arrears. This means that the underlying unallocated capacity at the beginning of this planning cycle is \$3.6 million .											
*** The Waste Disposal Facilities Restricted Asset is held for the development and renewal of assets within Council's waste facilities and for the rehabilitation of the sites at the end of their lives. Council's Waste Strategy and Master Plan for facilities is currently being reviewed and will potentially change the life and capital requirements of the facilities. While this review is being progressed the forward capital works program only includes specific works that are not impacted by a revised strategy. Adjustments to the works program will be made where necessary following completion of the review program. Cash collections have been estimated in accordance with the current program.											

3 YEAR S94 RESTRICTED ASSETS SUMMARY

		2019/2020 Budget \$'000			2020/2021 Forecast \$'000			2021/2022 Forecast \$'000		
PURPOSE OF RESTRICTED ASSET	Opening Balance 1/07/19	Transfer		Balance 30/06/20	Transfer		Balance 30/06/21	Transfer		Balance 30/06/22
		In	Out		In	Out		In	Out	
Developer Contributions - Externally Restricted Assets										
West Dapto	10,152	18,309	15,052	13,409	18,271	10,506	21,174	15,594	13,148	23,620
Calderwood	353	9		362	13		375	13		388
City Centre	837	(8)		829	(27)		802	(33)		769
City Wide	20,183	1,589	2,185	19,587	1,758	2,807	18,538	1,635	2,822	17,352
Total Developer Contributions Restricted Assets	31,525	19,899	17,237	34,187	20,015	13,313	40,889	17,210	15,970	42,129

Internally Restricted Assets

City Parking Strategy

Purpose

To fund future parking, transport and pedestrian access, bicycle and public transport projects in the city Centre.

Source of Funds

Net surplus of the Inner City Parking Strategy.

Darcy Wentworth Park

Purpose

Upgrading sporting facilities in the local ward. On completion of these facilities, the additional funds to be allocated to the Sports Facilities Reference Group, to embellish sporting facilities across the city.

Source of Funds

This restriction was funded from an arrangement that provided for payment of rent for parking facilities from an adjacent property in lieu of a planning arrangement. The new owner of the adjacent property has successfully challenged this arrangement and no further rental is applicable.

Lake Illawarra Estuary Management Fund

Purpose

Wollongong and Shellharbour Council now share the responsibility for the management of Lake Illawarra and it's surroundings after the State Government disbanding the Lake Illawarra Authority in July 2014.

Source of Funds

Funding for the LIEM Fund will be initially in the proportion of 2/3rds Wollongong to 1/3rd Shellharbour. Shellharbour's portion will come as an external contribution. The initial Memorandum of Understanding (MOU) set the contribution per annum at \$165,000 for Wollongong and \$85,000 for Shellharbour. The funding may be allocated over multiple years, so unspent funds are retained in this restricted asset and the external contributions restricted asset.

MacCabe Park Development

Purpose

To accumulate cash for the acquisition of properties adjacent to MacCabe Park, as and when they are offered to Council in accordance with the planning provisions, to achieve the objectives of extending MacCabe Park.

Source of Funds

Recurring annual allocation made by Council.

Natural Areas Fund

Purpose

To provide funding for natural area projects.

Source of Funds

Proceeds from dividend payment from Southern Phones that are allocated to specific projects annually in arears. The value of the dividend will vary from year to year and Council is advised of the amount generally in December.

Property Investment Fund

Purpose

To provide funding for investment in longer term income generating activities.

Source of Funds

Proceeds of property sales (excluding those already identified through the property rationalisation program), investment income on accumulated funds held and dividends from investments funded from this source.

Sports Priority Program

Purpose

To provide funding for projects recommended by the Sports & Facilities Reference Group.

Source of Funds

Recurring annual allocation made by Council and telecommunications licence fees (50% Fernhill & Woonona soccer clubs, and Berkeley Sports & Social Club grounds and 100% of other sports ground, including North Dalton Park and Beaton Park).

Internally Restricted Assets (con't)

Sports Priority Program

Purpose

To provide funding for projects recommended by the Sports & Facilities Reference Group.

Source of Funds

Recurring annual allocation made by Council and telecommunications licence fees (50% Fernhill & Woonona soccer clubs, and Berkeley Sports & Social Club grounds and 100% of other sports ground, including North Dalton Park and Beaton Park).

Strategic Projects

Purpose

Support for future strategic projects to be approved by Council. Accumulated funds will provide an opportunity to invest in enhanced asset renewal and other initiatives.

Source of Funds

Non recurrent improvements resulting in Council exceeding the upper level Available Funds target outlined in the Financial Strategy. Improved results in prior years, proceeds from the settlement of a long term litigation matter associated with investment advice provided to Council and proceeds on sale of Flinders Street property have contributed to this balance.

As part of the December 2017 review of internal restrictions, the former Future Programs internal restriction (that was created from pre Securing Our Future budget improvements) has been amalgamated into the Strategic Projects internal restriction for more effective administration and planning purposes.

Waste Disposal Facilities

Purpose

The Waste Facilities Restricted asset is held for the development and renewal of assets within Council's waste facilities and for the rehabilitation of the sites at the end of their lives.

Source of Funds

A proportion of the annual waste fee is allocated for the estimated future development and rehabilitation of waste facilities. This estimate is included in the annual calculation of the waste fees.

West Dapto Rates

Purpose

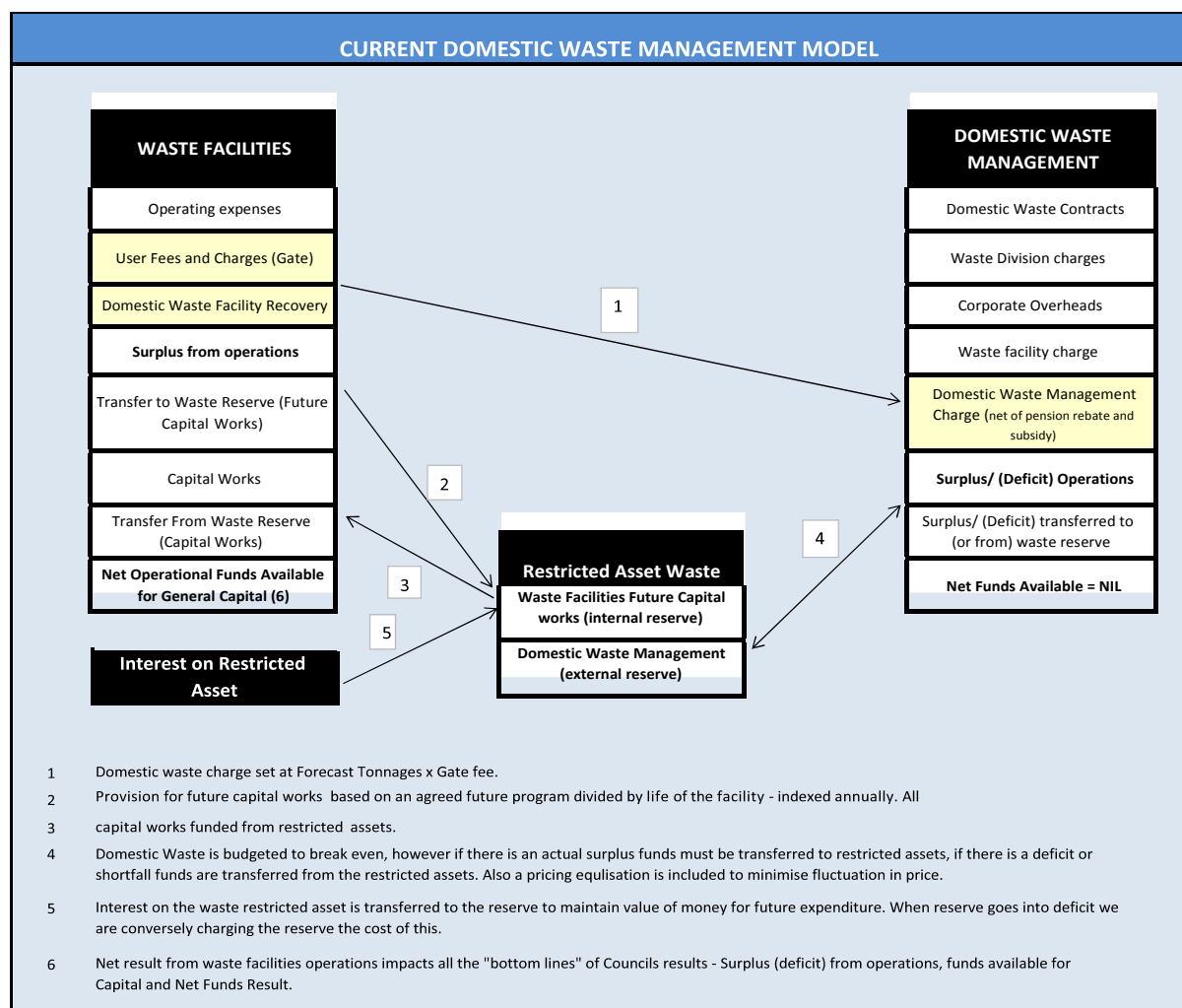
Increased annual rate revenue created from subdivision in West Dapto will be restricted and only allocated to operational expenditure as the area develops. In the interim period, the annual revenue should be made available to meet infrastructure or planning requirements in the area and support loan repayments.

Source of Funds

Increased annual rate revenue created from sub divisions in West Dapto and legacy funds from the former Property internal restriction.

During the preparation of the 2014-15 Annual Plan it was determined that accumulated funds in this restriction would be applied towards capital works in the West Dapto release area. These funds have been transferred to West Dapto Rates internal restriction as this has a similar expenditure intent and amalgamation allows for improved management and planning.

OVERVIEW OF DOMESTIC WASTE MODEL



SUMMARY OF OPERATING RESULT [PRE CAPITAL] BY SERVICE

OPERATING BUDGETS			
2019/2020			
DESCRIPTION	EXPENSES Forecast Budget \$'000	REVENUE Forecast Budget \$'000	Net
Corporate Strategy	(5,817)	(365)	(6,182)
City Centre Management	(2,872)	1,632	(1,240)
Economic Development	(3,184)	0	(3,184)
Infrastructure Planning & Support	(12,550)	678	(11,872)
Land Use Planning	(4,309)	712	(3,597)
Communications, Engagement, Events & Signage	(2,749)	140	(2,609)
Stormwater Services	(14,550)	2,108	(12,442)
Environmental Services	(2,387)	397	(1,990)
Natural Area Management	(2,796)	142	(2,653)
Waste Management	(42,356)	44,829	2,473
Transport Services	(48,124)	4,826	(43,298)
Aged and Disability Services	(3,530)	3,529	(1)
Community Facilities	(5,807)	809	(4,998)
Community Programs	(2,258)	305	(1,953)
Memorial Gardens and Cemeteries	(2,167)	1,717	(450)
Cultural Services	(7,273)	261	(7,011)
Libraries	(11,420)	627	(10,793)
Youth Services	(1,263)	41	(1,222)
Aquatic Services	(13,769)	722	(13,047)
Botanic Garden and Annexes	(3,807)	283	(3,524)
Leisure Services	(4,848)	3,626	(1,221)
Parks and Sportsfields	(19,089)	545	(18,545)
Tourist Parks	(5,925)	7,398	1,474
Development Assessment and Certification	(7,703)	3,541	(4,162)
Emergency Management	(5,659)	494	(5,165)
Public Health	(1,157)	513	(644)
Regulatory Control	(4,865)	3,336	(1,529)
Integrated Customer Service	(5,267)	12	(5,254)
Financial Services	(7,207)	183,478	176,271
Governance and Administration	(8,716)	91	(8,625)
Human Resources	(8,078)	144	(7,933)
Information and Communications Technology	(6,421)	0	(6,421)
Internal Charges Service	11	0	11
Property Services	(4,493)	6,404	1,910
Grand Total - Operational	(282,404)	272,975	(9,429)

BUDGET LIMITATIONS/DEVELOPMENT

The current financial information has a number of recognised limitations as follows that will require adjustment over a period of time:

Indices

The financial forecasts are comprised of both recurrent and non-recurrent income and expenditure. The non-recurrent items have specified values and timing of delivery. Recurrent items may be subject to the application of indices, or may be set based on known commitments for expenditure such as loan repayments or may be adjusted for volume impacts or future pricing changes. Indices are derived from a number of publications including long term economic projections published by the Federal Government including the Federal Government Budget Reports and Australian Bureau of Statistics (ABS), various banks, KPMG Quarterly Economic Outlook - Australian Outlook, the Quarterly Economic Brief from Deloitte Access Economics and IPART recommendations for rates pegging as well as anticipated levels for utilities from Council's longer term supplier contracts.

Variation in actual prices and cost to Council compared to these indices will impact financial results. The extent of this impact will depend on the size of the income or expenditure that is subject to the indices, the extent of variation and the degree to which Council is able to actively mitigate the variation. Council reviews its indices at least annually and analyses the impacts of these changes. Significant changes are addressed as they become known.

Utility Cost

Projected increases for utility costs are generally based on the Independent Pricing and Regulatory Tribunal (IPART) publications, where applicable, other than for electricity which also includes recognition of specific negotiated contracts that are in place for street lighting and Council Buildings and Facilities Large Sites and Small Sites. Street lighting is subject to separate contracts for infrastructure and electricity. Contracts for provision of electricity for street lighting and large sites ended in December 2018. During this time Council has not been significantly impacted by the rising cost of electricity prices in the market. These contracts have been renewed for 12 months at current market rates pending renewal negotiations that will be progressed with Local Government Procurement (LGP). Council also currently has individual contracts for smaller sites that are also due for renewal in December 2019. A centrally held amount has been included in the Operational Plan 2019-2020 and long term forecasts. In addition to this, expenditure has been indexed at CPI plus 1.0% to allow for current pricing and supply issues but will need to continue to be monitored with changing market conditions.

Asset Management – Valuation and Asset Lives

As an industry, Local Government has recognised a need to provide for ongoing asset replacement. The consumption of these assets is represented by depreciation which is based on expected asset lives, condition assessments and valuations. While the maturity of this information is improving, many of the assumptions are unproven due to the nature of this exercise. For example, it is difficult to estimate asset lives in relatively new cities, such as Wollongong, where there may not be historical data available or comparability with other cities due to differing environmental factors and construction approaches. In addition, changing technologies may impact on renewal and maintenance costs. Ongoing refinement of these forecasts may result in revised useful lives which would impact on depreciation expenditure in either direction.

Lake Illawarra

This area was previously managed by the Lake Illawarra Authority (LIA) and Council provided

an annual contribution in the vicinity of \$500 thousand as part of its operational budget. All former LIA lands have been transferred to the Department of Trade and Investment (Crown Lands Division) or to Government Property. Council continues to liaise with Crown Lands regarding the ongoing management of these lands. It is possible that Council could ultimately inherit responsibility for approximately \$6 million of assets with an estimated annual depreciation expense of \$200 thousand and similar annual maintenance costs. Should this occur, it is expected that the existing budget would be sufficient to address ongoing maintenance but would not allow funding of the expansion, upgrade or improvement to assets. No adjustment has been made to the current budget or long term projections as the proposal has not been finalised.

Internal Charging

There have been continuing efforts to better reflect the costs of capital and services by distributing the cost of internal assets and services. There are existing charges for buildings, plant, vehicles, desktop computing, marketing, printing, waste tipping fees, insurances, Fringe Benefits Tax (FBT), cost of capital (plant and vehicles only) and internal labour services. There has been some change in the current plan to provide greater levels of service cost understanding by increasing the use of internal charging to include other asset classes where assets are used in specific services but are managed and maintained by another area. This has included such things as roads, bridges and footpaths in parks, tourist parks, cemeteries and recreation assets that were not previously captured against that service.

Contributed Assets

Council's estimates do not currently provide fully for potential assets that may be contributed or donated to Council over time. Improvements to Council's Asset Management Plans identify an objective to 'Improve the information, processes and systems supporting the management of our assets'.

Section 7.11 Income (excluding West Dapto)

Section 7.11 (formerly S94) income projections are based on the adopted Plan and anticipated timing of receipts. The recent economic climate has had a significant impact on projected income. There are a range of projects that have been included in the revised Delivery Program 2018-2021 and Operational Plan 2019-2020 to 2020-2021 that are dependent on funding from this source. The timing and capacity to deliver these will need to be monitored in the context of ability to achieve income projections.

Property Sales and Investment

While Council is actively pursuing the sale of some properties, a decision has been made not to forecast sale dates or values due to uncertainty in delivery. As property sales become more certain, they will be added to budgeted sources of funding. Consideration of advancing existing projects or investing in new assets to be funded from sales will be given at that time.

Climate Change

Local Government is considered to be on the frontline facing the impact of climate change on communities. The Federal Government has indicated that councils have a role in early planning to identify and prepare for the risk from climate change and help protect the wellbeing of communities, local economies and the built and natural environment and to contribute to a low pollution future. In addition to a planning role, councils also own or directly manage a range of assets that potentially will be impacted by climate change. Increased emphasis on climate change related activities may require a redirection of funding.

SECTION 2: CAPITAL PROGRAM AND BUDGET 2018-2021

Section 2 of this report sets out Council's four year Capital Works Budget for the renewal, upgrade and creation of new infrastructure assets to meet the existing and future needs of the City. The significant drivers for this program are:

- Community input and strategic directions stated in the Wollongong Community Strategic Plan
- Council's Asset Management Policy and Strategies
- Economic, tourism and growth factors including West Dapto
- Availability of funding

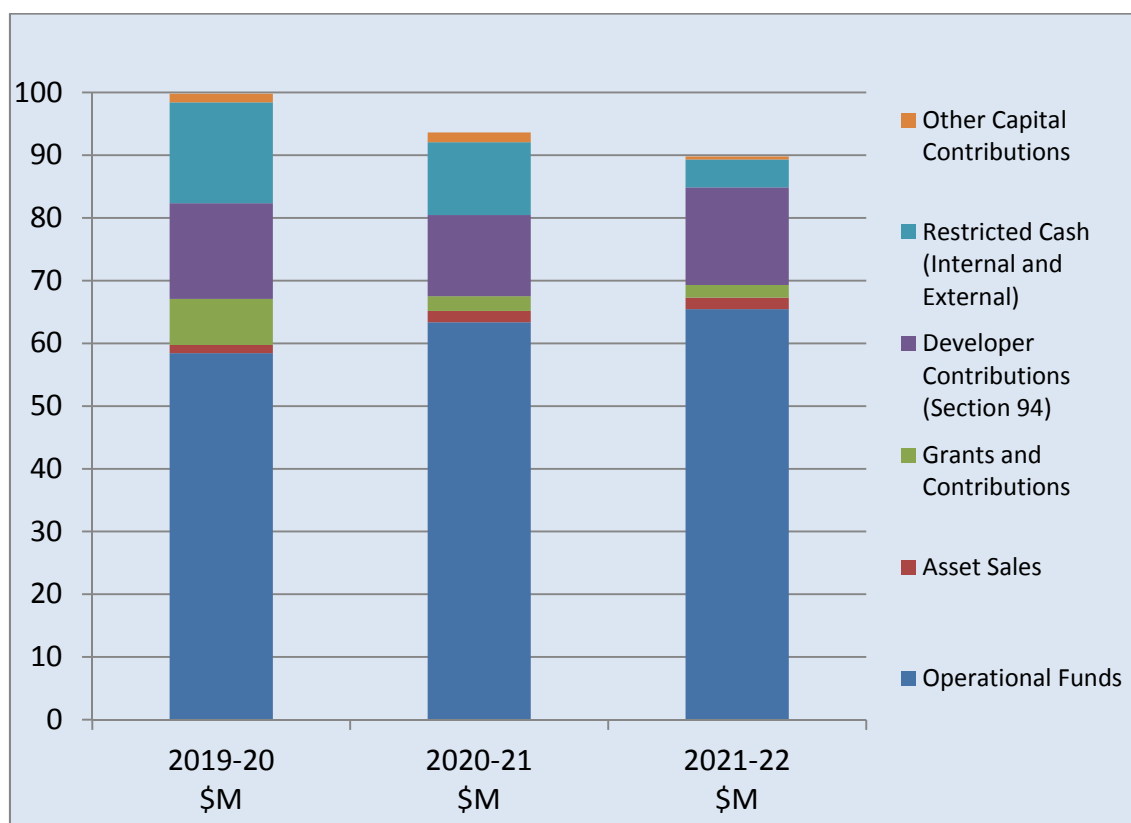
The Capital Works Program is structured to provide a significant amount of renewal funding to community assets such as Roads, Footpaths, Cycleways, Buildings, Stormwater, Recreation, Sporting and Aquatic facilities using inputs from both the community and Council's Asset Management Plans.

Capital Budget Funding 2019-2020 – 2021-2022

In 2019-2020, \$99.8 million will be allocated for capital works – much of which will go towards improving the condition of existing community assets, with a focus on replacing failing assets. The total Capital Budget for 2019-2020 is derived from the allocation of operational funds (including contributions from operational savings), asset sales, contributions from restricted assets, allocations from Section 7.11 Developer Contributions (formerly S94) funds and funding from State and Federal Government grants.

In 2019-2020, Council will continue to expend funds on the Fowlers Road extension project using State and Federal Grant funding and an interest subsidised loan received under the State Government's Local Infrastructure Renewal Scheme, Round 3.

Capital Budget Funding Sources – Summary Graph (\$M)



Capital Budget Funding Sources – Table (\$M)

REVENUE TYPE	2019-20 \$M	2020-21 \$M	2021-22 \$M
Operational Funds	58.44	63.37	65.44
Asset Sales	1.29	1.80	1.85
Grants and Contributions	7.35	2.36	2.00
Developer Contributions (Section 94)	15.25	12.93	15.58
Restricted Cash (Internal and External)	16.09	11.60	4.42
Other Capital Contributions	1.37	1.55	0.50
TOTAL	99.80	93.61	89.80

Council will also continue to pursue further grants for major refurbishment and improvement works in Wollongong including the construction of infrastructure for the new development areas of West Dapto, expansion of the cycleway and shared path network and construction of road safety facilities.

CAPITAL BUDGET BY ASSETS 2019-2020 – 2021-2022

A breakdown of the Capital budget by asset class for the next four years is outlined in the following table:

ASSET CLASS	2019-20 \$M	2020 21 \$M	2021 22 \$M
Roads And Related Assets	17.19	17.62	15.76
West Dapto	16.71	8.34	10.19
Footpaths And Cycleways	14.94	15.65	16.06
Carparks	1.82	2.58	1.43
Stormwater And Floodplain	6.12	5.00	6.06
Buildings	11.33	15.70	16.94
Commercial Operations	1.79	2.07	1.26
Parks Gardens And Sportfields	4.22	5.30	4.13
Beaches And Pools	5.57	3.35	3.18
Natural Areas	0.25	0.18	0.28
Waste Facilities	5.84	8.04	3.34
Fleet	1.70	1.80	1.80
Plant And Equipment	3.02	3.48	3.68
Information Technology	1.01	1.00	1.01
Library Books	1.22	1.25	1.28
Public Art	0.10	0.10	0.14
Emergency Services	0.00	0.00	0.00
Land Acquisitions	4.50	0.30	0.10
Non-Project Allocations	2.49	1.86	3.15
TOTAL	99.80	93.61	89.80

Upcoming Capital Projects in 2019-2020

During 2019-2020, Council plans to undertake the key capital projects listed below.

PROJECTS – PLANNING AND DESIGN

- Warrawong CBD streetscapes and traffic improvements
- Future road designs in West Dapto such as the Cleveland Road Upgrade
- Designs for 25 road reconstruction and resurfacing projects
- Designs for six debris control devices to decrease flooding impacts from creeks in the foothills of Fairy Meadow, Balgownie, Russell Vale, and Figtree
- Beaton Park Masterplan designs
- North Wollongong Surf Club renewal
- Northern cycleway upgrade; Ursula Road to Farrell Road Bulli
- Grand Pacific Walk future stages

PROJECTS – COMMENCING CONSTRUCTION

- Cringila CBD streetscape upgrade, Stage 2
- Corrimal CBD streetscape upgrade, Stage 1
- Construction of 46 road reconstruction and resurfacing projects
- New Sports field lighting at Figtree Oval and Wiseman Park
- Construction of 39 new footpaths across the city
- Complete upgrade of the streetscape at Central Road, Unanderra between the Princes Highway and Blackman Parade, with full width paving and improved pedestrian crossings
- Repairs to Uralba Street bridge over Byarong Creek, Figtree
- Rehabilitation of the old Helensburgh tip
- Replacement of air conditioning system in the IPAC
- Resurfacing Helensburgh Netball Courts
- New traffic signals at Bong Bong Road and Station Street, Dapto
- Footpath upgrade of Crown Street, from Wollongong train station up to Wollongong hospital

CONTINUATION OF WORKS

- Fowlers Road extension to Fairwater Drive, Dapto
 - Wongawilli Road and West Dapto Road upgrades
 - Design of the Warrawong and Helensburgh Library projects
 - Repair works of Austinmer Beach pool amenities building
 - Whytes Gully New Cell Stage 2
 - New roundabout at the 5-way intersection of Maidstone Street and The Ridge, Helensburgh
 - Retaining Wall replacement Princes Highway, Russell Vale
 - Russell Vale Community Hall
 - Reconstruction of Bellambi Rock pool
 - Reconstruction of Thirroul Pool saltwater intake
 - Corrimal CBD streetscape upgrade, Stage 2
-

CAPITAL BUDGET 2019-2020 TO 2021-2022

CAPITAL BUDGET 2019/20 to 2021/22 \$'000									
Asset Class	2019/2020			2020/2021			2021/2022		
	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding
Roads And Related Assets									
Traffic Facilities	1,220	(630)	590	2,378	(1,248)	1,130	1,900	(600)	1,300
Public Transport Facilities	430	(50)	380	345	(20)	325	320	(20)	300
Roadworks	13,642	(1,775)	11,867	12,362	(2,310)	10,052	11,290	(1,300)	9,990
Bridges, Boardwalks and Jetties	1,895	0	1,895	2,530	0	2,530	2,250	0	2,250
Total Roads And Related Assets	17,187	(2,455)	14,732	17,615	(3,578)	14,037	15,760	(1,920)	13,840
West Dapto									
West Dapto Infrastructure Expansion	16,709	(16,709)	(0)	8,340	(8,340)	0	10,190	(10,490)	(300)
Total West Dapto	16,709	(16,709)	(0)	8,340	(8,340)	0	10,190	(10,490)	(300)
Footpaths And Cycleways									
Footpaths	8,535	(3,743)	4,792	6,247	(1,784)	4,463	6,801	(2,549)	4,252
Cycle/Shared Paths	3,065	(1,165)	1,900	3,040	(500)	2,540	3,300	(400)	2,900
Commercial Centre Upgrades - Footpaths and	3,340	(30)	3,310	6,360	(1,619)	4,741	5,960	(1,377)	4,583
Total Footpaths And Cycleways	14,940	(4,938)	10,002	15,647	(3,903)	11,744	16,061	(4,326)	11,735
Carparks									
Carpark Construction/Formalising	350	(190)	160	1,015	(200)	815	225	(200)	25
Carpark Reconstruction or Upgrading	1,470	0	1,470	1,565	(280)	1,285	1,200	0	1,200
Total Carparks	1,820	(190)	1,630	2,580	(480)	2,100	1,425	(200)	1,225
Stormwater And Floodplain Management									
Floodplain Management	1,829	(160)	1,669	2,600	(775)	1,825	3,341	(400)	2,941
Stormwater Management	3,790	(340)	3,450	1,995	(535)	1,460	2,270	0	2,270
Stormwater Treatment Devices	505	(290)	215	405	(250)	155	450	0	450
Total Stormwater And Floodplain Management	6,124	(790)	5,334	5,000	(1,560)	3,440	6,061	(400)	5,661

Asset Class	2019/2020			2020/2021			2021/2022		
	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding
Stormwater And Floodplain Management									
Floodplain Management	1,829	(160)	1,669	2,600	(775)	1,825	3,341	(400)	2,941
Stormwater Management	3,790	(340)	3,450	1,995	(535)	1,460	2,270	0	2,270
Stormwater Treatment Devices	505	(290)	215	405	(250)	155	450	0	450
Total Stormwater And Floodplain Management	6,124	(790)	5,334	5,000	(1,560)	3,440	6,061	(400)	5,661
Buildings									
Cultural Centres (IPAC, Gallery, Townhall)	2,861	0	2,861	3,685	0	3,685	2,100	0	2,100
Administration Buildings	1,807	(50)	1,757	980	0	980	1,540	0	1,540
Community Buildings	6,097	(399)	5,698	10,404	(980)	9,424	12,701	(1,000)	11,701
Public Facilities (Shelters, Toilets etc.)	570	0	570	630	0	630	600	0	600
Carbon Abatement	0	0	0	0	0	0	0	0	0
Total Buildings	11,335	(449)	10,886	15,699	(980)	14,719	16,941	(1,000)	15,941
Commercial Operations									
Tourist Park - Upgrades and Renewal	1,240	0	1,240	1,680	0	1,680	800	0	800
Crematorium/Cemetery - Upgrades and Renewal	265	0	265	215	0	215	260	0	260
Leisure Centres & RVGC	280	0	280	170	0	170	200	0	200
Total Commercial Operations	1,785	0	1,785	2,065	0	2,065	1,260	0	1,260
Parks Gardens And Sportfields									
Play Facilities	1,240	(200)	1,040	2,734	(354)	2,380	1,303	(100)	1,203
Recreation Facilities	401	(136)	265	875	0	875	410	0	410
Sporting Facilities	2,564	(1,165)	1,399	1,690	(800)	890	2,415	(600)	1,815
Lake Illawarra Foreshore	10	0	10	0	0	0	0	0	0
Total Parks Gardens And Sportfields	4,215	(1,501)	2,714	5,299	(1,154)	4,145	4,128	(700)	3,428
Beaches And Pools									
Beach Facilities	384	0	384	853	0	853	580	0	580
Rock/Tidal Pools	3,580	0	3,580	1,000	0	1,000	900	0	900
Treated Water Pools	1,603	0	1,603	1,500	0	1,500	1,700	0	1,700
Total Beaches And Pools	5,567	0	5,567	3,353	0	3,353	3,180	0	3,180
Natural Areas									
Environmental Management Program	0	0	0	0	0	0	0	0	0
Natural Area Management and Rehabilitation	250	0	250	180	0	180	280	0	280
Total Natural Areas	250	0	250	180	0	180	280	0	280

Asset Class	2019/2020			2020/2021			2021/2022		
	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding
Waste Facilities									
Whytes Gully New Cells	2,170	(1,420)	750	2,790	(2,790)	0	3,194	(3,194)	0
Whytes Gully Renewal Works	1,375	(1,325)	50	150	(100)	50	150	(150)	0
Helensburgh Rehabilitation	2,292	(2,292)	0	5,100	(5,100)	0	0	0	0
Total Waste Facilities	5,837	(5,037)	800	8,040	(7,990)	50	3,344	(3,344)	0
Fleet									
Motor Vehicles	1,700	(517)	1,183	1,800	(949)	851	1,800	(949)	851
Total Fleet	1,700	(517)	1,183	1,800	(949)	851	1,800	(949)	851
Plant And Equipment									
Portable Equipment (Mowers etc.)	125	(63)	63	178	(27)	151	182	(27)	155
Mobile Plant (trucks, backhoes etc.)	2,890	(738)	2,153	3,300	(826)	2,474	3,500	(878)	2,622
Fixed Equipment	0	0	0	0	0	0	0	0	0
Total Plant And Equipment	3,015	(800)	2,215	3,478	(853)	2,625	3,682	(905)	2,777
Information Technology									
Information Technology	1,005	(60)	945	1,000	0	1,000	1,011	0	1,011
Total Information Technology	1,005	(60)	945	1,000	0	1,000	1,011	0	1,011
Library Books									
Library Books	1,221	0	1,221	1,251	0	1,251	1,283	0	1,283
Total Library Books	1,221	0	1,221	1,251	0	1,251	1,283	0	1,283
Public Art									
Public Art Works	0	0	0	0	0	0	0	0	0
Art Gallery Acquisitions	100	0	100	100	0	100	137	0	137
Total Public Art	100	0	100	100	0	100	137	0	137

Asset Class	2019/2020			2020/2021			2021/2022		
	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding
Emergency Services									
Emergency Services Plant and Equipment	0	0	0	0	0	0	0	0	0
Total Emergency Services	0	0	0	0	0	0	0	0	0
Land Acquisitions									
Land Acquisitions	4,496	(4,196)	300	300	0	300	100	0	100
Total Land Acquisitions	4,496	(4,196)	300	300	0	300	100	0	100
Non-Project Allocations									
Capital Project Contingency	2,469	0	2,469	1,841	0	1,841	3,134	0	3,134
Capital Project Plan	20	0	20	20	0	20	20	0	20
Total Non-Project Allocations	2,489	0	2,489	1,861	0	1,861	3,154	0	3,154
Loans									
West Dapto Loan	0	(2,900)	(2,900)	0	0	0	0	0	0
LIRS Loan	0	(2,245)	(2,245)	0	(2,304)	(2,304)	0	(2,388)	(2,388)
Total Loans	0	(5,145)	(5,145)	0	(2,304)	(2,304)	0	(2,388)	(2,388)
Not Applicable									
Not Applicable	6,726	(6,726)	0	11,562	(11,562)	0	8,358	(8,358)	0
Total Not Applicable	6,726	(6,726)	0	11,562	(11,562)	0	8,358	(8,358)	0
TOTAL	106,521	(49,513)	57,008	105,171	(43,652)	61,519	98,154	(34,980)	63,175
NET REVENUE FUNDED	57,008			61,519			63,175		

Note: The Total budget shown above includes an estimate for 'Not Applicable'. These are Contributed Assets – such as from sub-divisions assets handed to Council. This amount is not included in Councils construction program.