



BUSINESS PAPER

ORDINARY MEETING OF COUNCIL

To be held at 6.00 pm on

Monday 31 October 2016

Council Chambers, Level 10,
Council Administration Building, 41 Burelli Street, Wollongong

Order of Business

- 1 Acknowledgement of Traditional Owners
- 2 Civic Prayer
- 3 Apologies
- 4 Disclosures of Pecuniary Interest
- 5 Petitions and Presentations
- 6 Confirmation of Minutes - Ordinary Meeting
of Council 10/10/2016
- 7 Public Access Forum
- 8 Call of the Agenda
- 9 Lord Mayoral Minute
- 10 Urgent Items
- 11 Notice of Motions
- 12 Agenda Items

Members

Lord Mayor –
Councillor Gordon Bradbery OAM (Chair)
Deputy Lord Mayor –
Councillor John Dorahy
Councillor Michelle Blicavs
Councillor David Brown
Councillor Leigh Colacino
Councillor Chris Connor
Councillor Bede Crasnich
Councillor Vicki Curran
Councillor Janice Kershaw
Councillor Ann Martin
Councillor Jill Merrin
Councillor Greg Petty
Councillor George Takacs

QUORUM – 7 MEMBERS TO BE PRESENT

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MINUTES

ORDINARY MEETING OF COUNCIL

at 6.00 pm

Monday 10 October 2016

Present

Lord Mayor – Councillor Bradbery OAM (in the Chair), Councillors Kershaw, Connor (until 9.27 pm), Brown, Takacs, Martin, Merrin, Blicavs, Dorahy, Colacino, Crasnich (until 9.29 pm), Curran (until 10.27 pm) and Petty

In Attendance

General Manager – D Farmer, Director Corporate and Community Services – Creative, Engaged and Innovative City – G Doyle, Director Infrastructure and Works – Connectivity, Assets and Liveable City – M Hyde, Director Planning and Environment – Future, City and Neighbourhoods – A Carfield, Manager Governance and Information – K Cowgill, Manager Finance – B Jenkins, Manager Property and Recreation – P Coyte, Manager Environmental Strategy and Planning – R Campbell, Manager Infrastructure Strategy and Planning – M Dowd, Manager Project Delivery – G Whittaker, Manager City Works and Services – M Roebuck, Manager Community Cultural and Economic Development – K Hunt and Manager Library and Community Services (Acting) – L Scioscia

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DISCLOSURES OF INTERESTS

Councillor Connor declared a non-pecuniary conflict of interest in Item 15 as one of the items in the report relate to his place of work. Councillor Connor advised that he would depart the meeting during debate and voting on the matter.

Councillor Petty declared a non-significant, non-pecuniary conflict of interest in Item 2 as he lives in Helensburgh and he is also a Team Leader of NSW Fire Brigade Community Fire Unit MH80 and a guest speaker tonight who is a landowner in the area, was previously a member of the same Unit.

Councillor Petty also declared a non-significant, non-pecuniary interest in Item 4 as he is a Director/Shareholder of a company that imports road-marking material and he is a representative of the Roadmarking Industry Association of Australia on the Australian Standard MS49 Committee which is the reflective devices and traffic control under Australian Standard AS4049. Councillor Petty said that he declared his interest in Item 4 as non-pecuniary because of the nature of the matter being discussed and although it may become a pecuniary interest at some point, at this stage it is not.

Councillor Martin declared a non-significant, non-pecuniary conflict of interest in Item 2 insofar as the matter relates to a Planning Proposal that will find its way to her employer, the Department of Planning and Environment. However, Councillor Martin advised that as she does not work on any Wollongong Local Government area matters, she will remain at the meeting during debate and voting on the matter.

Councillor Dorahy declared a non-significant, non-pecuniary interest in Item 8 as he is a member of Collegians Rugby League Football Club.

Councillor Curran declared a non-significant, non-pecuniary conflict of interest in Item 11 as a family member is employed by one of the tenderers. Councillor Curran advised that she would leave the Chamber during debate and voting on the matter.

PETITION – ‘SAVE OUR WOLLONGONG FRIDAY MARKETS’

Councillor Blicavs tabled a petition signed by over 2,120 people demanding that Council reverse its decision in relation to the ‘sell-off’ of the Friday Markets and return the Friday Markets to the rightful managers and the local people who have been enjoying the markets for the past 14 years.

CONFIRMATION OF MINUTES OF ORDINARY MEETING OF COUNCIL HELD ON MONDAY, 5 SEPTEMBER 2016

- 111 COUNCIL'S RESOLUTION** - RESOLVED UNANIMOUSLY on the motion of Councillor Brown seconded Councillor Colacino that the Minutes of the Ordinary Meeting of Council held on Monday, 5 September 2016 (a copy having been circulated to Councillors) be taken as read and confirmed.

CONFIRMATION OF MINUTES OF CLOSED COUNCIL SESSION HELD ON MONDAY, 5 SEPTEMBER 2016

- 112 COUNCIL'S RESOLUTION** – RESOLVED UNANIMOUSLY on the motion of Councillor Brown seconded Councillor Colacino that the Minutes of the Closed Council Session held on Monday, 5 September 2016 (a copy having been circulated to Councillors) be taken as read and confirmed.

PUBLIC ACCESS FORUM - REDUCTION IN GREENHOUSE GAS EMISSIONS - COUNCIL ACTIVITIES

Mr I Knight spoke in support of the Notice of Motion to reduce Council's greenhouse gas emissions. He said that two everyday indicators of climate change, surface temperatures and sea levels, have been accurately measured for some time. The hiatus in warming, seized upon by sceptics in the last few years has gone. In terms of temperatures, 2014 and 2015 were record years.

Sea levels are also on an indisputable upward trend, with the tide gauge records by the CSIRO showing sea levels have risen by 160mm in the last 100 years. Sea level rises and temperature rises are closely related as 90% of the extra heat gained due to greenhouse gases are absorbed by the oceans. The major component of sea level rise is due to thermal expansion, with glacial melt making up the balance. In conclusion, Mr Knight said that everybody knows that climate change is here and now is the time to reduce emissions.

DEPARTURE OF COUNCILLOR

During questions of Mr Knight, Councillor Connor departed and returned to the meeting, the time being from 6.15 pm. Councillor Connor returned to the meeting at 6.19 pm, during Mr Lloyd's address.

PUBLIC ACCESS FORUM - PLANNING PROPOSAL FOR LAND ACQUISITION RESERVATION OTFORD ROAD, LLOYD PLACE, OTFORD AND 3 UNDOLA ROAD, HELENSBURGH - POST EXHIBITION

Mr T Lloyd requested that Council remove Lots 1, 2 and 3 Lloyd Place from the land acquisition proposal as the land was an integral part of his family's farming operations and, without access to these lots, his farming operations and his residence would be land locked. He said that Council had approved the land in question as part of his family's farming operations in 1982 and the consent included the current access road through the Lloyd Place lots, together with parking. Telephone and internet services for both his residence and business run underground through Lots 1 and 2 Lloyd Place. The electricity service provider requires access through the lots to maintain the poles and transformer. Government agencies such as State Rail and the Bush Fire Brigade use Lots 1 and 2. Lot 3 is also important as an access to the property on the western side of the Hacking River in times of flooding and bushfires.

Mr Lloyd had commissioned a town planning consulting firm and a detailed submission was prepared and lodged during the notification period. He said that it was concerning that the submission was not addressed in the report. In conclusion, he asked Council to consider the issues contained in his submission carefully prior to including Lots 1, 2 and 3 in the acquisition proposal.

Mr R Shoveller advised that he had purchased his land 46 years ago. Being experienced in firefighting, his particular lot and adjacent lots were low risk fire areas. At the time of purchasing this land, he was unaware that Council had approached State Planning Authorities some 15 months earlier seeking a change to the minimum lot size from 5 acres to 50 acres. Mr Shoveller said that the confusing part was that after he and others had purchased the land, they received 342AS Certificates which indicated that they were building lots and owners were charged full residential rates, which were 400% higher than Residential A, until the rating charge was changed by a Commission of Inquiry in 1994.

His land, a 5 acres lot, was made worthless not long after the purchase of the property, and he now hoped that any settlement with Council would be of benefit to his grandchildren.

- 113 COUNCIL'S RESOLUTION** – RESOLVED UNANIMOUSLY on the motion of Councillor Brown seconded Councillor Merrin that all speakers be thanked for their presentation and invited to table their notes.

CALL OF THE AGENDA

- 114 COUNCIL'S RESOLUTION** – RESOLVED UNANIMOUSLY on the motion of Councillor Brown seconded Councillor Blicavs that staff recommendations for Items 6, 8 to 10, and 12 to 14 inclusive, be adopted as a block.

RETIREMENT OF DIRECTOR – INFRASTRUCTURE AND WORKS

The Lord Mayor advised of the impending retirement of Mike Hyde, Director of Infrastructure and Works. Mr Hyde had been responsible for many of Council's capital works and infrastructure programs.

On behalf of Council and more specifically, the community, the Lord Mayor moved a vote of thanks to Mr Hyde for his contributions to the City.

A vote of thanks was moved by acclamation.

DEPARTURE OF COUNCILLOR

During debate and prior to voting on Item B, Councillor Crasnich departed and returned to the meeting, the time being from 6.59 pm to 7.01 pm.

ITEM B - LORD MAYORAL MINUTE - WOLLONGONG HARBOUR PRECINCT

- 115 COUNCIL'S RESOLUTION** - RESOLVED UNANIMOUSLY on the motion of Councillor Bradbery that Wollongong City Council, through the Office of the Lord Mayor –

- 1 Urgently contact the appropriate Government Department to instigate the funding needed to reinstate the use of the ramp/slipway and the refuelling component.
- 2 Coordinate a joint approach with the Wollongong Harbour Stakeholders and Users Group, to seek a commitment from the Department of Industry (Lands) to allocate resources and progress the master planning of the precinct as a matter of priority.
- 3 Request that once the Master Plan has been produced, that funding for the works associated with the Plan be prioritised.

Variation The variation moved by Councillor Kershaw (the addition of Parts 1 and 3) was accepted by the mover.

DEPARTURE OF COUNCILLOR

During debate and prior to voting on Item A, Councillor Blicavs departed and returned to the meeting, the time being from 7.11 pm to 7.13 pm.

ITEM A - NOTICE OF MOTION - COUNCILLOR TAKACS - REDUCTION IN GREENHOUSE GAS EMISSIONS - COUNCIL ACTIVITIES

MOVED by Councillor Takacs seconded Councillor Merrin that Wollongong City Council –

- 1 Adopt a policy target of reducing CO₂ equivalent greenhouse gas emissions from its own operations, including energy and landfill, to 50% below 2015-2016 levels by 2030.
- 2 Develop an action plan to achieve these goals.
- 3 Report annually on progress toward achieving these goals.
- 4 Review these goals annually, giving consideration to the potential to tighten them.

Variation The variation moved by Councillor Martin (the addition of the word 'policy' to Part 1) was accepted by the mover and seconder.

At this stage, Councillor Brown FORESHADOWED a MOTION should Councillor Takac's Motion be defeated.

An AMENDMENT was MOVED by Councillor Curran seconded Councillor Petty that Wollongong City Council write to the Minister for Local Government and the Office of Local Government seeking permission for Council to –

- 1 Adopt a policy target of reducing CO₂ equivalent greenhouse gas emissions from its own operations, including energy and landfill, to 50% below 2015-2016 levels by 2030.
- 2 Develop an action plan to achieve these goals.
- 3 Report annually on progress toward achieving these goals.
- 4 Review these goals annually, giving consideration to the potential to tighten them.

A PROCEDURAL MOTION was MOVED by Councillor Connor seconded Councillor Crasnick that the motion be put. The PROCEDURAL MOTION on being PUT to the VOTE was LOST.

Following further debate, Councillor Curran's AMENDMENT was PUT to the VOTE and was LOST.

In favour Councillor Curran

Against Councillors Kershaw, Connor, Brown, Martin, Takacs, Merrin, Blicavs, Dorahy, Colacino, Crasnick, Petty and Bradbery

Councillor Takac's MOTION on being PUT to the VOTE was LOST.

In favour Councillors Martin, Takacs, Merrin, Curran and Petty

Against Councillors Kershaw, Connor, Brown, Blicavs, Dorahy, Colacino, Crasnick and Bradbery

Following the defeat of the AMENDMENT and MOTION, Councillor Brown's FORESHADOWED MOTION became the MOTION.

MOVED by Councillor Brown seconded Councillor Dorahy that a report be prepared for the next term of Council that scopes the measures needed to quantify and reduce Council's CO₂ equivalent greenhouse gas emissions for a range of targets, including 50% below 2015-16 levels.

The MOTION on being PUT to the VOTE was LOST.

In favour Councillors Connor, Brown, Martin, Takacs, Dorahy and Bradbery

Against Councillors Kershaw, Merrin, Blicavs, Colacino, Crasnick, Curran and Petty

ITEM 1 - ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

116 COUNCIL'S RESOLUTION – RESOLVED UNANIMOUSLY on the motion of Councillor Brown seconded Councillor Blicavs that -

- 1 The Annual Financial Statements be endorsed and an opinion be formed in the prescribed format (as per Attachments 2 and 3 of the report) on the General Purpose Financial Statement and the Special Purpose Financial Statement.
- 2 The audited Financial Statements, together with the Auditor's Report and Financial Commentary (Attachment 5 of the report) be presented to the public at the 31 October 2016 Council meeting.
- 3 Mr Banicevic be thanked for his presentation.

DEPARTURE OF COUNCILLORS

During debate and prior to voting on 2, the following Councillors departed and returned to the meeting –

- Councillor Dorahy from 8.33 pm to 8.35 pm;
- Councillor Curran from 9.03 pm to 9.05 pm; and,
- Councillor Connor from 9.19 pm to 9.23 pm.

ITEM 2 - PLANNING PROPOSAL FOR LAND ACQUISITION RESERVATION OTFORD ROAD, LLOYD PLACE, OTFORD AND NO. 3 UNDOLA ROAD HELENSBURGH POST EXHIBITION

The following PROCEDURAL MOTIONS were CARRIED –

- Councillor Dorahy seconded Councillor Kershaw that Councillor Martin be granted an additional three minutes to address the meeting.
- Councillor Curran seconded Councillor Blicavs that Councillor Petty be granted an additional five minutes to address the meeting.

MOVED by Councillor Brown seconded Councillor Crasnich that -

- 1 The draft Planning Proposal to identify 21 lots within the Lloyd Place, Otford precinct, and 1 lot within the Camp Gully Precinct Undola Road sub-precinct (No. 3 Undola Road) on the Wollongong LEP 2009 – Land Reservation Acquisition Map as Local Open Space, be progressed by:
 - a Referring the final Planning Proposal to the NSW Department of Planning and Environment for the making of arrangements for drafting to give effect to the final proposal; and
 - b Noting that the General Manager will thereafter proceed to exercise his delegation issued by the NSW Department of Planning and Environment under Section 69 in relation to the final proposal.
- 2 Requests for acquisition of properties within the precinct be reported to Council for determination.

MOTION OF DISSENT

Councillor Petty MOVED a MOTION OF DISSENT from the Lord Mayor's ruling that Councillor Colacino's additional point to the above motion should be treated as an Amendment. The MOTION OF DISSENT on being PUT to the VOTE was LOST.

117 COUNCIL'S RESOLUTION – An AMENDMENT was MOVED by Councillor Colacino seconded Councillor Blicavs that -

- 1 The draft Planning Proposal to identify 21 lots within the Lloyd Place, Otford precinct, and 1 lot within the Camp Gully Precinct Undola Road sub-precinct (No. 3 Undola Road) on the Wollongong LEP 2009 – Land Reservation Acquisition Map as Local Open Space, be progressed by:
 - a Referring the final Planning Proposal to the NSW Department of Planning and Environment for the making of arrangements for drafting to give effect to the final proposal; and
 - b Noting that the General Manager will thereafter proceed to exercise his delegation issued by the NSW Department of Planning and Environment under Section 69 in relation to the final proposal.
- 2 Requests for acquisition of properties within the precinct be reported to Council for determination.
- 3 Lots 1, 2 and 3 DP 242135 Lloyd Place be excluded from the Planning Proposal.

Councillor Colacino's AMENDMENT on being PUT to the VOTE was CARRIED.

In favour Councillors Kershaw, Brown, Martin, Blicavs, Dorahy, Colacino, Crasnich, Curran and Petty
Against Councillors Connor, Takacs, Merrin and Bradbery

Councillor Colacino's AMENDMENT then became the MOTION.

The MOTION on being PUT to the VOTE was CARRIED UNANIMOUSLY.

DEPARTURE OF COUNCILLORS

During debate on Item 3, Councillors Connor and Crasnich departed the meeting, the times being 9.27 pm and 9.29 pm, respectively.

During debate and prior to voting on Item 3, Councillor Colacino departed and returned to the meeting, the time being 9.29 pm to 9.31 pm.

ITEM 3 - WOLLONGONG BOTANIC GARDEN PLAN OF MANAGEMENT, GLENIFFER BRAE CONSERVATION MANAGEMENT PLAN AND DRAFT PLANNING PROPOSAL

118 COUNCIL'S RESOLUTION – MOVED by Councillor Brown seconded Councillor Blicavs that -

- 1 The Draft 2016 Amendments to the Plan of Management for the Wollongong Botanic Garden (including Gleniffer Brae and Kooloobong Oval), Keiraville (Attachment 2 of the report) be exhibited for a minimum period of 42 days.
- 2 The Gleniffer Brae, Keiraville Conservation Management Plan Review by Architectural Projects Pty Limited August 2016 (Attachment 3 of the report) be exhibited concurrently with the Draft Amendments to the Plan of Management.
- 3 The draft Planning Proposal to add 'Function Centre' as a permissible use in the RE1 Public Recreation zone for the Gleniffer Brae site (Attachment 4 of the report) be exhibited concurrently with the draft amendments to the Plan of Management and revised Conservation Management Plan.
- 4 A Public Meeting and a Gleniffer Brae Open Day be held during the exhibition period.
- 5 Following the exhibition period a report on submissions be presented to Council to enable the draft Plan of Management, Conservation Management Plan Review and draft Planning Proposal to be finalised.

An AMENDMENT was MOVED by Councillor Takacs seconded Councillor Merrin that –

- 1 The Draft 2016 Amendments to the Plan of Management for the Wollongong Botanic Garden (including Gleniffer Brae and Kooloobong Oval), Keiraville (Attachment 2 of the report) be exhibited for a minimum period of 42 days.
- 2 The Gleniffer Brae, Keiraville Conservation Management Plan Review by Architectural Projects Pty Limited August 2016 (Attachment 3 of the report) be exhibited concurrently with the Draft Amendments to the Plan of Management.
- 3 A Public Meeting and a Gleniffer Brae Open Day be held during the exhibition period.
- 4 Following the exhibition period a report on submissions be presented to Council to enable the draft Plan of Management, Conservation Management Plan Review and draft Planning Proposal to be finalised.

Councillor Takacs's AMENDMENT on being PUT to the VOTE was LOST.

Against All Councillors.

Following the defeat of the AMENDMENT, Councillor Brown's MOTION on being PUT to the VOTE was CARRIED UNANIMOUSLY.

EXTENSION OF MEETING TIME

During the debate on Item 4, a PROCEDURAL MOTION was MOVED by Councillor Petty seconded Councillor Takacs that the meeting time be extended to 10.30 pm.

ITEM 4 - RESULTS OF THE TRAFFIC COMMITTEE REVIEW

MOVED by Councillor Merrin seconded Councillor Takacs that Council -

- 1 Note the outcomes of the Review of the City of Wollongong Traffic Committee.
- 2 Note and endorse process improvement options proposed in this report.
- 3 Adopt membership and delegation improvement Option 2, including adoption of the City of Wollongong Traffic Committee Meeting Charter Option 2.
- 4 Elect the Councillor representative at this meeting.

At this stage, Councillor Kershaw FORESHADOWED a MOTION should Councillor Merrin's Motion be defeated.

Councillor Merrin's MOTION on being PUT to the VOTE was LOST.

In favour Councillors Takacs, Merrin, Blicavs and Curran

Against Councillors Kershaw, Brown, Martin, Dorahy, Colacino, Petty and Bradbery

Following the defeat of Councillor Merrin's Motion, Councillor Kershaw's FORESHADOWED MOTION became the MOTION.

119 COUNCIL'S RESOLUTION – MOVED by Councillor Kershaw seconded Councillor Colacino that Council -

- 1 Note the outcomes of the Review of the City of Wollongong Traffic Committee;
- 2 Note and endorse process improvement options proposed in the report; and
- 3 Adopt membership and delegation improvement Option 1, as follows –
 - a Council staff maintain voting rights and chair the City of Wollongong Traffic Committee.
 - b Council nominate one Councillor per Ward to attend the Committee meetings to

contribute to the meeting, but without voting rights.

- 4 Adopt the Traffic Committee Meeting Charter (Option 1), subject to the Charter being amended to reflect Point 3 (b) above.

In favour Councillors Kershaw, Brown, Martin, Takacs, Merrin, Blicavs, Dorahy, Colacino, Curran and Petty

Against Councillor Bradbery

In accordance with Part 3 (b), nominations were received for Councillors Curran, Blicavs and Merrin to attend the City of Wollongong Traffic Committee meetings, without voting rights, and there being no further nominations, Councillors Curran, Blicavs and Merrin were subsequently elected.

ITEM 5 - INDEPENDENT PRICING AND REGULATORY TRIBUNAL (IPART) REVIEW OF THE LOCAL GOVERNMENT RATING SYSTEM

- 120 COUNCIL'S RESOLUTION** – RESOLVED on the motion of Councillor Curran seconded Councillor Merrin that Council endorse the Draft Submission (Attachment 2 of the report) as Council's response to the call for submissions from IPART, subject to the following amendment:

Page 7 - Part 11 – Exemptions: The first sentence read "Wollongong does not agree that there should be any blanket exemptions and instead would invite all those seeking exemptions to apply".

In favour Councillors Kershaw, Brown, Martin, Takacs, Merrin, Colacino, Curran, Petty and Bradbery

Against Councillors Blicavs and Dorahy

ITEM 6 - COMMUNITY TRANSPORT CONTRACT

The following staff recommendation was adopted as part of the Block Adoption of Items (refer Minute Number 114).

COUNCIL'S RESOLUTION –

- 1 Council endorse acceptance of the new contract offered by the Transport for NSW, for the period 1 October 2016 to 30 June 2018.
- 2 Council's position in relation to future delivery of Community Transport services is clarified during the next term of Council.

ITEM 7 - JOINT ORGANISATION BOUNDARY REVIEW

- 121 COUNCIL'S RESOLUTION** – RESOLVED UNANIMOUSLY on the motion of Councillor Brown seconded Councillor Curran that -

- 1 Council endorse a submission to the NSW Government Joint Organisations: Getting the Boundaries Right discussion paper supporting the proposed boundaries for the Illawarra Joint Organisation.
- 2 The submission reflect Council's previous resolutions on Joint Organisations, that the submission also recommend a process of regular boundary reviews.

ITEM 8 - PROPOSED DEDICATION OF CHARLOTTE STREET, WOLLONGONG AND CLOSURE AND SALE OF PORTION OF CHARLOTTE STREET AND LANE OFF CHARLOTTE STREET

The following staff recommendation was adopted as part of the Block Adoption of Items (refer Minute Number 114).

COUNCIL'S RESOLUTION –

- 1 In accordance with Section 16 of the Roads Act 1993, Council approve the dedication as public road of Charlotte Street, Wollongong, as shown shaded dark grey on the attachment to the report, by the placement of a notice in the NSW Government Gazette.
- 2 Council consent to the closure of the lane on the northern side of Charlotte Street and the portion of Charlotte Street, Wollongong, as shown hatched on the attachment to the report and upon closure, the land be declared Operational land under the Local Government Act 1993.
- 3 Subject to formal closure, Council authorise the sale of the subject portion of Charlotte Street, Wollongong and the lane on the northern side of Charlotte Street, as shown on the attachment to the report, to the adjoining landowner, being Collegians Rugby League Football Club or their nominee, on the following conditions:
 - a Purchase price of \$860,000 (GST exc).
 - b The purchaser be responsible for all costs associated with the closure and sale including valuation, survey, plan lodgement, legal and transfer costs, including Council's reasonable legal fees.
- 4 Authority be granted to affix the Common Seal of Council to the plan of survey and transfer documents and any other documentation required to give effect to this resolution.

ITEM 9 - PROPOSED CONSOLIDATION OF KEIRA OVAL INTO ONE LOT

The following staff recommendation was adopted as part of the Block Adoption of Items (refer Minute Number 114).

COUNCIL'S RESOLUTION –

- 1 Council authorise the consolidation of Lot 11 DP 39404, Lot 38 DP 204570, Lot 82 DP 1153714, Lot 201 DP 1221001, Lot 22 DP 239697 and Lot 75 DP 247362 as shown by heavy outline on the attachment to the report.
- 2 Authority be granted to affix the Common Seal of Council to the plan of consolidation and any other documents required to give effect to this resolution.

ITEM 10 - TENDER IPJ0 - 01/16 - ILLAWARRA PILOT JOINT ORGANISATION - TREE SERVICES PANEL

The following staff recommendation was adopted as part of the Block Adoption of Items (refer Minute Number 114).

COUNCIL'S RESOLUTION –

- 1 In accordance with clause 178(1)(a) of the Local Government (General) Regulation 2005, Council accept the tender listed in the service tables provided for Tree Services, for the term of the tender contract of three years, plus two options to extend for a further duration of one year each exercisable at Council's sole discretion.
- 2 Council delegate to the General Manager the authority to finalise and execute the contract and any other documentation required to give effect to this resolution.
- 3 Council grant authority for the use of the Common Seal of Council on the contract and any other documentation, should it be required, to give effect to this resolution.
- 4 Council delegate to the General Manager the authority to approve any adjustments to the ranking of all services when a Tree Services Provider amends rates in accordance with the specifications of this tender.

DEPARTURE OF COUNCILLOR

During debate and prior to voting on Item 11, Councillor Curran departed the meeting, the time being 10.27 pm.

EXTENSION OF MEETING TIME

During the debate on Item 11, a PROCEDURAL MOTION was MOVED by Councillor Petty seconded Councillor Blicavs that the meeting time be extended to 10.44 pm.

ITEM 11 - TENDER T16/15 - CORRIMAL BEACH DUNE RE-SHAPING

122 COUNCIL'S RESOLUTION – RESOLVED UNANIMOUSLY on the motion of Councillor Kershaw seconded Councillor Brown that -

- 1 In accordance with clause 178(1)(a) of the Local Government (General) Regulation 2005, Council accept the tender of Cleary Bros (Bombo) Pty Ltd for Corrimal Beach Dune Re-Shaping, in the sum of \$190,505.59, excluding GST.
- 2 Council delegate to the General Manager the authority to finalise and execute the contract and any other documentation required to give effect to this resolution.
- 3 Council grant authority for the use of the Common Seal of Council on the contract and any other documentation, should it be required, to give effect to this resolution.

ITEM 12 - TENDER T16/28 - BEATON PARK POOL - INSTALLATION OF FILTRATION EQUIPMENT

The following staff recommendation was adopted as part of the Block Adoption of Items (refer Minute Number 114).

COUNCIL'S RESOLUTION –

- 1 a In accordance with the Local Government (General) Regulation 2005, Clause 178(3)(e), Council resolve to enter into negotiations with one or all of the known industry specialist contractors with a view to entering into a contract in relation to the subject matter of the tender.
- b In accordance with the Local Government (General) Regulation 2005, Clause 178(4), the reason for Council hereby resolving to enter into negotiations with specialist contractors and not inviting fresh tenders is that it is anticipated that a satisfactory outcome can be achieved with one of those specialist contractors who demonstrate a capacity and ability to undertake the works.
- 2 Council delegate to the General Manager the authority to undertake and finalise the negotiations with one or all of the known industry specialist contractors with a view to entering into a contract in relation to the subject matter of the tender.
- 3 Council grant authority for the use of the Common Seal of Council on the contract and any other documentation, should it be required, to give effect to this resolution.

ITEM 13 - AUGUST 2016 FINANCIALS

The following staff recommendation was adopted as part of the Block Adoption of Items (refer Minute Number 114).

COUNCIL'S RESOLUTION –

- 1 The financials be received and noted.
- 2 Proposed changes in the Capital Works Program be approved.

ITEM 14 - STATEMENT OF INVESTMENTS - AUGUST 2016

The following staff recommendation was adopted as part of the Block Adoption of Items (refer Minute Number 114).

COUNCIL'S RESOLUTION – Council receive the Statement of Investments for August 2016.

**ITEM 15 - CITY OF WOLLONGONG TRAFFIC COMMITTEE - MINUTES OF MEETING
HELD 14 SEPTEMBER 2016**

- 123 COUNCIL'S RESOLUTION** – RESOLVED UNANIMOUSLY on the motion of Councillor Blicavs seconded Councillor Kershaw that in accordance with the powers delegated to Council, the minutes and recommendations of the City of Wollongong Traffic Committee Meeting held on 14 September 2016 in relation to the Regulation of Traffic be adopted.

THE MEETING CONCLUDED AT 10.36 PM

Confirmed as a correct record of proceedings at the Ordinary Meeting of the Council of the City of Wollongong held on 31 October 2016.

Chairperson

ITEM A

NOTICE OF MOTION - COUNCILLOR PETTY - WOLLONGONG MALL MARKETS AGREEMENT

Councillor Petty has submitted the following Notice of Motion –

“I formally move that –

Council go into open session to debate the recent Mall Market agreement, compliance with the agreement, effect on non-market businesses, long term aspirations for an invigorated Mall, the effect on existing business operators inside and outside the Mall, Mall patronage and parking.”

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ITEM B

NOTICE OF MOTION - COUNCILLOR CR MERRIN - GENDER PAY EQUITY IN OUR WORKFORCE

Councillor Merrin has submitted the following Notice of Motion –

“I formally move that Council report annually on gender pay equity in our workforce.”

Background provided by Councillor Merrin:

Under the Workplace Gender Equality Act 2012, non-public sector organisations with over 100 employees must report annually against a number of gender equity indicators, including remuneration. While Councils are not required to report, it is a way of assessing our progress towards gender equity in the workforce.

The gender pay gap is the difference between women's and men's average weekly full-time equivalent earnings, expressed as a percentage of men's earnings. Pay equity is achieved when women and men receive equal pay for work of equal or comparable value.

The national gender pay gap is 17.3% and the public sector pay gap is 12% (Workplace Gender Equality Agency, Gender Pay Gap Statistics March 2016).

It has been found that gender equity brings business benefits, with higher overall earnings attained in organisations with more women in senior management and on boards.

In addition, "Research has found that organisations that respect and value the diversity brought by both women and men are better able to attract and retain high performers and improve operational performance" (Local Government Focus, Sept 2016, p12).

"According to the WGEA, the main factors that contribute to the gender pay gap include industrial and job segregation, a lack of women in leadership and senior positions within an organisation, and gender bias" (ibid).

Wollongong City Council is a major employer in the city, and has a commitment to equal opportunity. Measuring our performance on the gender pay gap will allow us to measure and improve our progress towards equal opportunity.

ITEM 1 PESTICIDES NOTIFICATION PLAN - COUNCIL POLICY

The Wollongong City Council Pesticides Notification Plan – Council Policy was last adopted by Council at its meeting of 24 May 2011. A five year scheduled review of the Policy has now occurred in accordance with legislative requirements. The review has confirmed that only minor administrative changes were required to the Policy.

RECOMMENDATION

The revised Pesticides Notification Plan – Council Policy be adopted, noting there were only minor administrative changes required to the Policy.

REPORT AUTHORISATIONS

Report of: Renee Campbell, Manager Environmental Strategy and Planning
Authorised by: Andrew Carfield, Director Planning and Environment - Future City and Neighbourhoods

ATTACHMENTS

- 1 Pesticides Notification Plan - Council Policy

COMPLIANCE WITH OFFICE OF LOCAL GOVERNMENT GUIDELINES ON COUNCIL DECISION MAKING DURING MERGER PROPOSAL PERIODS

The recommendation of this report complies with the requirements of the OLG Guidelines – *Council Decision Making During Merger Proposal Periods*.

BACKGROUND

The Pesticides Notification Plan – Council Policy has been prepared in accordance with the *Pesticides Regulation 2009*. In maintaining public places, Council has an obligation to ensure that pesticides and herbicides are applied in a safe, responsible manner, without harm to the community or the environment and to ensure that the community is notified when and where pesticides are to be applied.

The notification of the use of pesticides is covered by the Pesticides Notification Plan – Council Policy, while the use and application of pesticides is covered by Work Health and Safety procedures.

Regionally, the Councils of Wollongong, Shellharbour and Kiama, along with the Illawarra District Noxious Weeds Authority have developed and used similar Pesticides Notification Plans to ensure that members of the public receive the same level of information and are not confused between jurisdictions.

During 2015, the NSW Environment Protection Authority (EPA) conducted an audit of all Local Government Pesticides Notification Plans and their availability to members of the community in line with the requirements in Part 5 of the *Pesticides Regulation 2009*. The EPA confirmed that Council's Pesticides Notification Policy met the requirements of the *Pesticides Regulation 2009*.

PROPOSAL

As a result of the review and public exhibition period (where no submissions were received), only minor administrative changes have been made to the Policy. It is proposed that Council adopt the revised Policy with the next review scheduled in five years in accordance with legislative requirements.

CONSULTATION AND COMMUNICATION

A notice was placed in the Advertiser newspaper advising of the exhibition period which was held for the full month of September. Hard copies of the Policy were placed in all Council libraries. Council's 'Have your Say' website also contained a copy of the Policy and an ability to comment on-line. The website recorded 39 visits to the page and 19 downloads of the document. There were no submissions received from the exhibition period.

The Pesticides Notification Plan – Council Policy review was also reported to Council's Environment and Sustainability Reference Group.

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Wollongong 2022 goal "We value and protect our environment".

It specifically delivers on core business activities as detailed in the Environmental Services Service Plan 2016-17.

FINANCIAL IMPLICATIONS

Implementation costs of the requirements of the Pesticides Notification Plan – Council Policy are funded by existing operational budgets.

CONCLUSION

Council must comply with the requirements of the Pesticides Notification Plan – Council Policy in all outdoor public place applications of pesticides and herbicides.



ADOPTED BY COUNCIL: [TO BE COMPLETED BY CORP SUPPORT]

WOLLONGONG CITY COUNCIL
2016 PESTICIDES NOTIFICATION PLAN

AREA OF OPERATION

Local Government Area of Wollongong City Council

PLAN PERIOD

<Insert new commencement date and completion date>

1 INTRODUCTION

This Notification Plan has been prepared in accordance with the requirements of the Pesticides Regulation 2009 (the Regulation).

The aim of this Plan is to meet the community's general right to know about pesticides applications made to public places. The Plan allows members of the community to take action to avoid contact with pesticides, if they wish. It does not mean that the community is at any greater risk or harm from pesticides. Wollongong City Council ensures that pesticides are applied to public places in a safe, responsible manner, without harm to the community or the environment.

The Plan sets out how Wollongong City Council will notify members of the community of any pesticide applications made by Council to public places. It describes:

- what public places are covered by the Plan;
- who is most likely to use or access these public places and an estimate of the level of use;
- how and when Wollongong Council will provide the community with information about its pesticide applications (ie what notification arrangements will be used);
- how the community will be informed of the notification arrangements contained in the Plan;
- how future reviews of the Plan will be conducted; and
- contact details for anyone wishing to discuss pesticide notification with Wollongong City Council.

2 PUBLIC PLACES COVERED BY THIS NOTIFICATION PLAN

This notification plan must describe where it operates and the categories of public places it covers. Public places include the following areas that the public is entitled to access:

- Public Reserves, Parks and Gardens
- Playgrounds
- Sporting Fields and Ovals
- Road Verges
- Laneways and Pathways
- Drains and Easements
- Golf courses (owned or controlled by council)
- Caravan/Holiday Parks
- Crematorium and Cemeteries
- Swimming Pool Grounds

A public place also includes any other outdoor property that is leased out but the public is entitled to access.

PESTICIDES NOTIFICATION PLAN

COUNCIL POLICY

3 WHO USES THESE PUBLIC PLACES AND TYPES OF PESTICIDES USED

The main user groups of and types of pesticide use in each of the categories of public place as detailed above are summarised in the following table:

PUBLIC PLACES		REGULAR USER GROUPS	LEVEL OF USE OF PUBLIC PLACE	TYPE OF PESTICIDE USE
a) Public reserves, parks and gardens		General public (families, children, elderly people); recreational users; adjacent residents, visitors to the area	Medium to high	Spot Spraying Herbicides - Non-selective herbicides Selective herbicides Spot Spraying Insecticides Fungicides Broadscale Boom Spraying Vertebrate baits including rodenticides. Bait termiticides.
b) Playgrounds		Children and young families	High	Spot Spraying Herbicides- Non-selective herbicides Spot Spraying Insecticides
c) Sporting fields and ovals		Sporting clubs and associations; school sports groups; general recreational users	High	Spot Spraying Herbicides - Non-selective herbicides Selective herbicides Spot Spraying Insecticides Broadscale Boom spraying Growth regulator Vertebrate baits including rodenticides. Bait termiticides.
d) Road verges	Rural	Local Residents	Low	Spot Spraying Herbicides - Non selective herbicides Selective herbicides Broadscale Boom Spraying Pre-emergent Herbicides Vertebrate baits including rodenticides.
	Urban	General Public	High	
e) Laneways and pathways		Local residents; families; people who work in the area; visitors to the area	Medium to high	Spot Spraying Herbicides– Non-selective herbicides Vertebrate baits including rodenticides
f) Drains and easements accessible to the public		Local residents	Low to Medium	Spot Spraying Herbicides – Non-selective herbicides Vertebrate baits including rodenticides

PESTICIDES NOTIFICATION PLAN

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g) Council Golf Course	Members; community groups; general public	High	Spot Spraying Herbicides - Non-selective herbicides Selective herbicides Pre-emergent herbicides Fungicides Broadscale Insecticides Broadscale Boom Spraying Growth Regulator Vertebrate baits including rodenticides Bait termiticides
h) Caravan Holiday Parks	Visitors to the area; families	Low to High (seasonal)	Spot Spraying Herbicides - Non-selective herbicides Selective herbicides Spot Spraying Insecticides Vertebrate baits including rodenticides Spray ant control Bait termiticides.
i) Crematorium and Cemeteries	General public; visitors to the area	Medium	Spot Spraying Herbicides Non-selective herbicides Selective herbicides Fungicides Pre-emergent Herbicide Vertebrate baits including rodenticides Bait termiticides.
j) Swimming Pool Grounds	General public; visitors to the area	Low to high (seasonal)	Spot Spraying Herbicides Non-selective herbicides Selective herbicides Spot Spraying Insecticides Vertebrate baits including rodenticides Spray ant control Bait termiticides.

4 HOW AND WHEN NOTIFICATION WILL OCCUR

Whenever a pesticide is applied to a public place as identified above, notice will need to be made according to the notification process detailed below.

a) Public Reserves, Parks and Gardens

Whenever a pesticide is applied by Wollongong Council staff to a public reserve, park or garden notice will be provided by:

- prominently displaying signs at the main entrances to the public reserve, park or garden and/or
- displaying pesticide details on the spray vehicle including a contact number; and
- responding to all reasonable requests for information made to Council.

PESTICIDES NOTIFICATION PLAN

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These notification arrangements are based on Council's assessment that:

- 1 The level of usage by members of the public that use public parks and gardens is high.
- 2 Members of the public regularly use these areas.

Whenever a pesticide is applied by Wollongong Council staff to a public reserve, park or garden, notice will be provided:

- During the application of the pesticide Council will ensure that signs are prominently displayed on the spray vehicle **and/or** at the main entrance to the public place **during** the application and removed when the spraying is completed.

b) Playgrounds

Whenever a pesticide is applied by Wollongong Council staff to a public playground notice will be provided by:

- prominently displaying signs at the main entrances to the playground and/or
- displaying pesticide details on the spray vehicle including a contact number; and
- responding to all reasonable requests for information made to Council.

These notification arrangements are based on Council's assessment that:

- 1 Level of usage by members of the public that use public playgrounds is high.
- 2 Members of the public regularly use these areas.

Whenever a pesticide is applied by Wollongong Council staff to a playground, notice will be provided:

- During the application of the pesticide Council will ensure that signs are prominently displayed on the spray vehicle **and/or** at the main entrance to the public place **during** the application and removed when the spraying is completed.

c) Sporting Fields and Ovals

Whenever a pesticide is applied by Wollongong Council staff to a public sporting field or oval notice will be provided by:

- prominently displaying signs at the main entrances to the sporting field or oval and/or
- displaying pesticide details on the spray vehicle including a contact number; and
- responding to all reasonable requests for information made to Council.

Where sporting fields or ovals are to be treated with a ground boom spray application, Council will take the additional step of:

- advising all sporting clubs, associations and other user groups who use the sporting fields on a regular basis, by email, fax or post.

These notification arrangements are based on Council's assessment that:

- 1 Level of usage by members of the public that use sporting fields and ovals is high.
- 2 Members of the public regularly use these areas.

Whenever a pesticide is applied by Wollongong Council staff to a sporting field or oval, notice will be provided:

- During the application of the pesticide Council will ensure that signs are prominently displayed on the spray vehicle **and/or** at the main entrance to the public place **during** the application and removed when the spraying is completed.

Additionally a pesticide applied to a sporting field or oval using ground boom spray application, notice will be provided:

- Five (5) days prior to the application via email, fax or post to all associations/groups who have booked use of the space.

d) Council Laneways and Pathways

Whenever a pesticide is applied by Wollongong Council staff to a laneway or pathway that is maintained or owned by council, notice will be provided by:

- displaying pesticide details on the spray vehicle, including a contact number; and
- responding to all reasonable requests for information made directly to the operator applying the pesticide or to Council itself.

PESTICIDES NOTIFICATION PLAN

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These notification arrangements are based on Council's assessment that:

- 1 Level of usage for public Council laneways and pathways is medium to high.

Whenever a pesticide is applied by Wollongong Council staff to a laneway or pathway that is owned or maintained by Council, notice will be provided:

- During the application of the pesticide Council will ensure that signs are prominently displayed on the spray vehicle **during** the application and removed when the spraying is completed.

e) Council Drains and Easements

Whenever a pesticide is applied by Wollongong Council staff to a drain or easement that is owned or maintained by Council, notice will be provided by:

- displaying pesticide details on the spray vehicle, including a contact number; and
- responding to all reasonable requests for information made to Council.

These notification arrangements are based on Council's assessment that:

- 1 Level of usage for public Council drains is medium to low.

Whenever a pesticide is applied by Wollongong Council staff to a drain or easement that is owned or maintained by Council, notice will be provided:

- During the application of the pesticide Council will ensure that signs are prominently displayed on the spray vehicle **during** the application; and removed when the spraying is completed.

f) Road Shoulders and Verges

Rural Roads - Whenever a pesticide is applied by Wollongong Council staff to a road shoulder or verge on rural roads that are owned or maintained by Council, notice will be provided by:

- displaying pesticide details on the spray vehicle including a contact number; and
- responding to all reasonable requests for information made to Council.

These notification arrangements are based on Council's assessment that:

- 1 Level of usage by walking or driving on road shoulders, verges and reserves on rural roads maintained by Council is low.

Urban Roads - Whenever a pesticide is applied by Wollongong Council staff to a road shoulder or verge on urban roads that are owned or maintained by Council, notice will be provided by:

- displaying pesticide details on the spray vehicle including a contact number; and
- responding to all reasonable requests for information made directly to Council.

These notification arrangements are based on Council's assessment that:

- 1 Level of usage by walking or driving on road shoulders, verges and reserves on urban roads that are owned or maintained by Council medium to high.

Whenever a pesticide is applied by Wollongong Council staff to a drain or easement that is owned or maintained by Council, notice will be provided:

- During the application of the pesticide Council will ensure that signs are prominently displayed on the spray vehicle **during** the application; and removed when the spraying is completed.

g) Council Golf Courses

Whenever a pesticide is applied by golf course staff to a council controlled or owned public golf course, notice will be provided by:

- prominently and permanently displaying signage in the pro shop; and
- responding to all reasonable requests for information made to the Golf Course Superintendent or operator applying the pesticide.

These notification arrangements are based on Council's assessment that:

- 1 The level of usage by members of the public that use public golf courses is high.
- 2 Members of the public regularly use these areas.

PESTICIDES NOTIFICATION PLAN

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Whenever a pesticide is applied by golf course staff to a public golf course, notice will be provided:

- Before, during and after the application of the pesticide the Golf Course superintendent will ensure that signs are permanently displayed within the Pro Shop area outlining the annual spray program and pesticides to be used.

h) Caravan/Holiday Parks

Whenever a pesticide is applied by Wollongong Council staff to a public caravan/holiday park notice will be provided by:

- prominently displaying signage outside the main office to the park; and/or
- displaying pesticide details on the spray vehicle including a contact number; and
- responding to all reasonable requests for information made to the Park Manager or operator applying the pesticide.

These notification arrangements are based on Council's assessment that:

- 1 The level of usage by members of the public that use caravan and holiday parks is low to high (seasonal).
- 2 Members of the public regularly use these areas.

Whenever a pesticide is applied by Wollongong Council staff to a public caravan or holiday park notice will be provided:

- During the application of the pesticide Council will ensure that signs are prominently displayed on the spray vehicle **and/or** outside the main office to the caravan/holiday park **during** the application and removed when the spraying is completed.

i) Crematorium and Cemeteries

Whenever a pesticide is applied by Wollongong Council staff to the crematorium or a public cemetery notice will be provided by:

- prominently displaying signs at the main entrances to the cemetery; and/or
- displaying pesticide details on the spray vehicle including a contact number; and
- responding to all reasonable requests for information made to Council.

These notification arrangements are based on Council's assessment that:

- 1 The level of usage by members of the public that use cemeteries is low to medium.
- 2 Members of the public regularly access these areas.

Whenever a pesticide is applied by Wollongong Council staff to the crematorium or a public cemetery notice will be provided:

- During the application of the pesticide Council will ensure that signs are prominently displayed on the spray vehicle **and/or** at the main entrances to the public place **during** the application and removed when the spraying is completed.

j) Swimming Pool grounds

Whenever a pesticide is applied by Wollongong Council staff to a public swimming pool area notice will be provided by:

- prominently displaying signage at the main entrance to the pool grounds; and
- responding to all reasonable requests for information made directly to the operator applying the pesticide, to pool staff or directly to Council.

These notification arrangements are based on Council's assessment that:

- 1 The level of usage by members of the public that use swimming pools is low to high (seasonal).
- 2 Members of the public regularly use these areas.

Whenever a pesticide is applied by Wollongong Council staff to a public swimming pool area notice will be provided:

- During the application of the pesticide Council will ensure that signs are prominently displayed at the main entrance to the public place **during** the application and removed when the spraying is completed.

PESTICIDES NOTIFICATION PLAN

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k) Other Items

Aerial Boom Spraying - From time to time the Illawarra District Noxious Weeds Authority (IDNWA) and/or Council will implement an aerial spraying program to control heavy and inaccessible infestations of noxious weeds on public reserves within the Wollongong Local Government Area.

Where aerial spraying programs are undertaken the following notification process will need to be followed:

- letterbox dropping of all residents immediately adjoining the proposed spray area.*
- issuing a media release so as to advise residents of the IDNWA annual aerial spray program*
- advising local Councillors and other interested parties as identified, by mail.*
- prominently displaying signs at the helicopter take off and landing site.^
- displaying pesticide details on the spray vehicle including a contact number;^
- responding to all reasonable requests for information made directly to the Authority.

* To be undertaken a minimum of 5 days prior to the proposed spray program.

^ To be undertaken during the application and removed when the spraying is completed.

Vertebrate Pesticides – For vertebrate pesticides covered by a Pesticide Control Order, notification will be as specified in the relevant Order (see Appendix 1 for the notification requirements for 1080, and Appendix 2 for the notification requirement of Pindone). In addition, signs and/or notices will also provide the information required by the Pesticides Regulation as per section 4 of this Plan.

Appendix 1: Pesticide Control (1080 Liquid Concentrate and Bait Products) Order 2010

Appendix 2: Directions for Use of Aqueous Pindone Concentrate

5 PESTICIDES AND USE SITUATIONS NOT COVERED BY THIS NOTIFICATION PLAN

Poisons scheduling is the system used to classify substances based on their potential health risk. The National Drugs and Poisons Schedule Committee assess substances and lists those that are classified as poisons in the Uniform Poisons Standard. States then enforce this classification – the relevant legislation in NSW is the Poisons and Therapeutic Goods Act 1966.

There are four schedules applicable to pesticides:

1. Unscheduled substances are not considered poisons.
2. Schedule 5 (S5) poisons have low toxicity or a low concentration and pose only a low to moderate hazard.
3. Schedule 6 (S6) poisons have moderate to high toxicity and can cause injury if used inappropriately.
4. Schedule 7 (S7) poisons are substances with high to very high toxicity. There are restrictions on the purchase and use of S7 poisons.

For the purposes of this Notification Plan, notification will not be required to be provided in the use of the following pesticides or use situations:

- **Any Unscheduled substance**

The heading on the product label indicates which poison schedule the pesticide belongs to. Material Safety Data Sheets (MSDS) also contain this information. This decision is based on the knowledge that Unscheduled substances pose very low health risk and when applied as per label directions should not pose any serious health or safety risk.

- **Non spray methods**

The application of any pesticide by Cut-stump, Stem Injection or Basal Bark techniques.

- **Small use situations**

Domestic style pesticide use involving knapsack application only.

- **Pesticide use by members of the public**

In some circumstances, members of the public may use pesticides to maintain public places such as laneways and pathways or whilst undertaking environmental remediation works in public reserves. Where Wollongong Council allows such pesticide use notice will not be required.

PESTICIDES NOTIFICATION PLAN

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• **Emergency pesticide use**

In cases where emergency pesticide applications are required to deal with a dangerous pest infestation council will not be required to give notice. Such situations include dealing with biting and dangerous pests or rapidly invasive pest infestations. eg. Couch fly, spiders, wasps and rodents. Council will endeavour however to provide information on the pesticide application on request at council offices or to the person applying the pesticide.

6 SPECIAL NOTIFICATION MEASURES FOR SENSITIVE PLACES.

This notification plan must separately state what notification arrangements will be in place to provide special protection where pesticides are used in public places that are adjacent to sensitive places. Clause 11J of the Pesticides Regulation defines a sensitive place to be any:

- school, preschool, kindergarten or childcare centre
- hospital
- community health centre
- nursing home, or
- any other place to be declared a sensitive place by the Environment Protection Authority by notice in the NSW Government Gazette.

Whenever a pesticide is applied by Wollongong Council staff to any public place (as listed under Section 2 of this Notification Plan) adjacent to a sensitive site, notice will be provided by:

- door-knocking or telephoning the identified sensitive place immediately prior to the spraying being done and advising of the intended application;
- displaying pesticide details on the spray vehicle including a contact number during the application; and
- responding to all reasonable requests for information made directly to Council.

This notification will occur just prior to and during the application process. Notification of sensitive places will not be required to be provided in the use of pesticides or use situations as identified under section 5 of this Plan.

The amended Pesticides Regulation (2009) requires pesticide use on any property within 20 metres of a common boundary with a sensitive place will require the additional requirement of at least 5 working days advance notice being given. This notice will be provided by:

- phone, email, fax, letter box drop or post depending what is most practicable.

This notification will occur at least five working days prior to the application process. Five days advance notification of sensitive places will also be required to be provided in the use of pesticides or use situations as identified under Section 5 of this Plan, with the exception of Emergency Pesticide Use. Notice in this instance however will still need to be given prior to the application process.

7 ARRANGEMENTS GOVERNING PESTICIDE USE BY CONTRACTORS AND LESSEES OF PUBLIC PLACES

To assist with the compliance of this plan, where Council uses contractors to apply pesticides on its behalf, it will require a written commitment that the contractor will use signage and other forms of notification according to the notification requirements of this plan. The Council will require contractors as a condition of their contract to comply with this plan.

The Council will not provide notification on public places over which persons or organisations hold an existing lease on Council land. For these places the Council will not provide notification of pesticide use, but will request the lessee to carry out notification of the lessee's pesticide use in a manner consistent with this plan.

Where possible the Council will require lessees, as a condition of their lease, to comply with this plan.

8 WHAT INFORMATION WILL BE PROVIDED?

In accordance with 11 L (2) (g) of the Pesticides Regulation, the following information will be available from site signs/notices or by contacting the phone number listed on such signs and from Council:

- The Product name of the pesticide used as it is listed on the pesticide label;
- The purpose of the application, including the pest that is being treated;
- The date or date range that the pesticide was or will be applied;
- The place where the pesticide will be used;
- Product specific warnings on the subsequent use of the land (if appropriate); and
- Contact telephone number for Council

PESTICIDES NOTIFICATION PLAN

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In all cases the spray operator will also be able to provide this information.

9 HOW THE COMMUNITY WILL BE INFORMED OF THIS PLAN

Wollongong Council will consult with the community on the draft Notification Plan, including the types of public places covered and the proposed notification methods. The draft Notification Plan will be placed on public display for 28 days and a notice will be published in the local paper advising that the Plan is available for public comment.

Council will consider all comments from the community prior to finalising the Plan.

Council will advise residents of the contents of the final Notification Plan by:

- Making a copy of the Plan available for public viewing in all Council's libraries and at customer service on the ground floor of Council's administration building;
- Placing a copy of the Plan on the Council website; and
- Placing a notice in the NSW Government Gazette and the local paper.

10 FUTURE REVIEWS OF THIS PLAN

The Notification Plan will be reviewed every five (5) years. The review will include:

- Report on progress of implementing the Notification Plan;
- Public consultation on the notification methods outlined in the Notification Plan; and
- Recommendation for alterations (if applicable) to the Notification Plan.

11 CONTACT

Anyone wishing to contact Wollongong Council regarding the Notification Plan or to obtain details of specific details of pesticide applications in public places should:

Phone: 02 4227 7111

Email: council@wollongong.nsw.gov.au

Visit us: 41 Burelli Street Wollongong

Mail: Locked Bag 8821, Wollongong NSW 2500

PESTICIDES NOTIFICATION PLAN

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Appendix 1:

Pesticide Control (1080 Liquid Concentrate and Bait Products) Order 2010

The conditions of use of 1080 for the control of wild dogs (Schedule 1), foxes (Schedule 2), feral pigs (Schedule 3), or rabbits (Schedule 4) in NSW is specified in various Pesticide Control Orders (PCO's) issued under the NSW *Pesticides Act 1999*. Notification of 1080 use by WCC will comply with the requirements specified in the relevant PCO as well as any additional requirements of the *Pesticides Regulation 2009* not included in the PCO (below).

The notification procedure outlined below, addresses the requirements in the Pesticide Control (1080 Liquid Concentrate and Bait Products) Order 2010 and the *Pesticides Regulation 2009*. The numbering below has been extracted from the Pesticide Control (1080 Liquid Concentrate and Bait Products) Order 2010.

Schedule 1 (Wild Dogs):

6 PUBLIC NOTIFICATION

A person authorised to use 1080 wild dog bait under clause 9 of this Order must notify certain persons of the use of 1080 wild dog baits in accordance with the following conditions:

- 6.1 A person must not lay any 1080 wild dog baits on any land unless the person has first given a minimum of three (3) days' notice of the date on which they will lay 1080 wild dog baits. This notice must be given to the occupier, manager or authorised agent of every property which has a property boundary within one (1) kilometre of a baiting location ("notification").
- 6.2 The notification may be given by telephone, email, or in person, or, where this is not possible, by mail (including letter box drop). If notification cannot be made by telephone, email, personal contact or mail, or the number of persons to be notified is more than twenty five (25), then notification may be made by advertisement in a local newspaper. Likewise for large group baiting programs (more than 25 participants) organised or approved by an Authorised Control Officer, notification may be via advertisement in a local newspaper.
- 6.3 The use of 1080 wild dog baits may be conducted for longer than seven (7) days but must commence within ten (10) days of notification otherwise further notification of intended baiting is required.
- 6.4 Where baiting programs are ongoing notification must be given every six (6) months.

7 EMERGENCY BAITING (Ground application only)

A person authorised to use 1080 wild dog bait under clause 9 of this Order may undertake emergency baiting, but only in accordance with the following conditions:

- 7.1 A person whose livestock are being attacked may lay 1080 wild dog baits (by way of ground baiting only) without the need to comply with condition 6.1 (3-day prior neighbour notification). A person who undertakes emergency baiting must, however, notify each landholder whose property boundary lies within one (1) kilometre of a baiting location before laying any 1080 wild dog baits. A person who undertakes emergency baiting may lay up to fifty (50) 1080 wild dog baits but only with the prior approval of an Authorised Control Officer.
- 7.2 A person who undertakes emergency baiting must comply with all requirements in relation to the use of 1080 wild dog baits, except as provided for in condition 7.1.

8 1080 POISONING NOTICES

A person authorised to use 1080 wild dog bait under clause 9 of this Order must erect notices in accordance with the following conditions:

- 8.1 A person who uses 1080 wild dog baits must erect notices before laying 1080 wild dog baits on any land. These notices must remain up for a minimum of four (4) weeks after the last day of baiting. Notices must be placed:
 - (a) at every entry to the baiting location; and
 - (b) at the main entrance to a private property or holding where baiting is undertaken; and
 - (c) at up to five (5) kilometre intervals along all public thoroughfares which border or pass through the baiting location.
- 8.2 The notices must specify the following:
 - (a) that 1080 wild dog baits are being laid on this property; and
 - (b) the dates on which 1080 wild dog baits are first laid or the dates between which baits will be laid; and

PESTICIDES NOTIFICATION PLAN

COUNCIL POLICY

- (c) contact details of the person who will lay the 1080 wild dog baits; and
- (d) a warning that non-target animals may be affected.

8.3 Under the *Pesticides Regulation 2009* (clauses 19 to 23) public authorities have additional public notification obligations that must be complied with. There are also other notification requirements in the Regulation.

8.4 1080 Poison Notices may be obtained from Authorised Control Officers.

Schedule 2 (Foxes):

6 PUBLIC NOTIFICATION

A person authorised to use 1080 fox bait under clause 9 of this Order must notify certain persons of the use of 1080 fox baits in accordance with the following conditions:

- 6.1 A person must not lay any 1080 fox baits on any land unless the person has first given a minimum of three (3) days' notice of the date on which they will lay 1080 fox baits. This notice must be given to the occupier, manager or authorised agent of every property which has a property boundary within one (1) kilometre of a baiting location ("notification").
- 6.2 The notification may be given by telephone, email or in person, or, where this is not possible, by mail (including letter box drop). If notification cannot be made by telephone, email, personal contact or mail, or the number of persons to be notified is more than twenty five (25), then notification may be made by advertisement in a local newspaper. Likewise for large group baiting programs (more than 25 participants) organised or approved by an Authorised Control Officer, notification may be via advertisement in a local newspaper.
- 6.3 The use of 1080 fox baits may be conducted for longer than seven (7) days but must commence within ten (10) days of this notification otherwise further notification of intended baiting is required.
- 6.4 Where baiting programs are ongoing notification must be given every six (6) months.

7 EMERGENCY BAITING (Ground application only)

A person authorised to use 1080 fox bait under clause 9 of this Order may undertake emergency baiting, but only in accordance with the following conditions:

- 7.1 A person whose livestock are being attacked may lay 1080 fox baits (by way of ground baiting only) without the need to comply with condition 6.1 (3-day prior neighbour notification). A person who undertakes emergency baiting must, however, notify each landholder whose property boundary lies within one (1) kilometre of a baiting location before laying any 1080 fox baits. A person who undertakes emergency baiting may lay up to fifty (50) 1080 fox baits but only with the prior approval of an Authorised Control Officer.
- 7.2 A person who undertakes emergency baiting must comply with all requirements in relation to the use of 1080 fox baits, except as provided for in condition 7.1.

8 1080 POISONING NOTICES

A person authorised to use 1080 fox bait under clause 9 of this Order must erect notices in accordance with the following conditions:

- 8.1 A person who uses 1080 fox baits must erect notices before laying 1080 fox baits on any land. These notices must remain up for a minimum of four (4) weeks after the last day of baiting. Notices must be placed:
 - (a) at every entry to the baiting location; and
 - (b) at the main entrance to a private property or holding where baiting is undertaken; and
 - (c) at up to five (5) kilometre intervals along all public thoroughfares which border or pass through the baiting location.
- 8.2 The notices must specify the following:
 - (a) that 1080 fox baits are being laid on this property; and
 - (b) the dates on which 1080 fox baits are first laid or the dates between which baits will be laid; and
 - (c) contact details of the person who will lay the 1080 fox baits; and
 - (d) a warning that non-target animals may be affected.
- 8.3 Under the *Pesticides Regulation 2009* (clauses 19 to 23) public authorities have additional public notification obligations that must be complied with. There are also other notification requirements in the Regulation.

PESTICIDES NOTIFICATION PLAN

COUNCIL POLICY

8.4 1080 Poison Notices may be obtained from Authorised Control Officers.

Schedule 3 (Feral Pigs):

6 PUBLIC NOTIFICATION

A person authorised to use 1080 feral pig bait under clause 9 of this Order must notify certain persons of the use of 1080 feral pig baits in accordance with the following conditions:

- 6.1 A person must not lay any 1080 feral pig baits on any land unless the person has first given a minimum of three (3) days' notice of the date on which they will lay 1080 feral pig baits. This notice must be given to the occupier, manager or authorised agent of every property which has a property boundary within one (1) kilometre of the baiting location ("notification").
- 6.2. The notification may be given by telephone, email, or in person, or, where this is not possible, by mail (including letter box drop). If notification cannot be made by telephone, email, personal contact or mail, or the number of persons to be notified is more than twenty five (25), then notification may be made by advertisement in a local newspaper.
- 6.3 A person must begin using 1080 feral pig bait within ten (10) days of notification and must complete use within fourteen (14) days of notification. Further notification is required for use of 1080 feral pig baits beyond this 14-day period.
- 6.4 Where baiting programs are ongoing notification must be given every six (6) months.

7 1080 POISONING NOTICES

A person authorised to use 1080 feral pig bait under clause 9 of this Order must erect notices in accordance with the following conditions:

- 7.1 A person who uses 1080 feral pig baits must erect notices before laying 1080 feral pig baits on any land. These notices must remain up for a minimum of four (4) weeks after the last day of baiting. Notices must be placed:
 - (a) at every entry to the baiting location; and
 - (b) at the main entrance to a private property or holding where baiting is undertaken; and
 - (c) at up to five (5) kilometre intervals along all public thoroughfares which border or pass through the baiting location.
- 7.2 The notices must specify the following:
 - (a) that 1080 feral pig baits are being laid on this property; and
 - (b) the dates on which 1080 feral pig baits are first laid or the dates between which baits will be laid; and
 - (c) contact details of the person who will lay the 1080 feral pig baits; and
 - (d) a warning that non-target animals may be affected.
- 7.3 Under the *Pesticides Regulation 2009* (clauses 19 to 23) public authorities have additional public notification obligations that must be complied with. There are also other notification requirements in the Regulation.
- 7.4 1080 Poison Notices may be obtained from Authorised Control Officers.

Schedule 4 (Rabbits):

6 PUBLIC NOTIFICATION

A person authorised to use 1080 rabbit bait under clause 9 of this Order must notify certain persons of the use of 1080 rabbit baits in accordance with the following conditions:

- 6.1 A person must not lay any 1080 rabbit baits on any land unless the person has first given a minimum of three (3) days' notice of the date on which they will lay 1080 rabbit baits. This notice must be given to the occupier, manager or authorised agent of every property which has a property boundary within one (1) kilometre of a baiting location ("notification").
- 6.2. The notification may be given by telephone, email, or in person, or, where this is not possible, by mail (including letter box drop). If notification cannot be made by telephone, email, personal contact or mail, or the number of persons to be notified is more than twenty five (25), then notification may be made by advertisement in a local newspaper.

PESTICIDES NOTIFICATION PLAN

COUNCIL POLICY

- 6.3 The use of 1080 rabbit baits may be conducted for longer than seven (7) days but must commence within ten (10) days of notification otherwise further notification of intended baiting is required.

7 1080 POISONING NOTICES

A person authorised to use 1080 rabbit bait under clause 9 of this Order must erect notices in accordance with the following conditions:

- 7.1 A person who uses 1080 rabbit baits must erect notices before laying 1080 rabbit baits on any land. These notices must remain up for a minimum of four (4) weeks after the last day of baiting. Notices must be placed:

- (a) at every entry to the baiting location; and
- (b) at the main entrance to a private property or holding where baiting is undertaken; and
- (c) at up to five (5) kilometre intervals along all public thoroughfares which border or pass through the baiting location.

- 7.2 The notices must specify the following:

- (a) that 1080 rabbit baits are being laid on this property; and
- (b) the dates on which 1080 rabbit baits are first laid or the dates between which baits will be laid; and
- (c) contact details of the person who will lay the 1080 rabbit baits; and
- (d) a warning that non-target animals may be affected.

- 7.3 Under the *Pesticides Regulation 2009* (clauses 19 to 23) public authorities have additional public notification obligations that must be complied with. There are also other notification requirements in the Regulation.

- 7.4 1080 Poison Notices may be obtained from Authorised Control Officers.

PESTICIDES NOTIFICATION PLAN

COUNCIL POLICY

Appendix 2: Directions for Use of Aqueous Pindone Concentrate

Notify Neighbours

Landholders (in NSW) must ensure that at least three days' notice is given to and received by all adjoining neighbours before laying Pindone baits. Notification can be given by telephone or personal contact or where this is not possible, by mail.

The landholder must put up notices specifying the target animal and date of poison application immediately before Pindone poisoning operations start on his/her property. These notices must remain up for at least four weeks and are to be placed at:

- All entrances to the property;
- All entrances to the actual poisoning site; and
- At the extremities of property boundaries fronting a public thoroughfare.

Notices are available from APB (WA), Rural Lands Protection Boards (NSW), your local authority and chemical retailers and Animal Control Technologies.

End.

PESTICIDES NOTIFICATION PLAN

COUNCIL POLICY

SUMMARY SHEET	
Responsible Division	Environment Strategy and Planning
Date adopted by Council	
Date of previous adoptions	
Date of next review	August 2021
Legislative or other requirement for review	5 yearly review required as per the Pesticides Regulation 2009
Responsible Manager	Manager Environment Strategy and Planning
Authorised by	Manager Environment Strategy and Planning

ITEM 2

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 - POST ADVERTISING

This report is provided to formally present Council's Financial Statements for the year ended 30 June 2016, together with the Auditor's Report to the public, in accordance with Section 419 of the Local Government Act 1993 (as amended).

RECOMMENDATION

The audited Financial Statements for the year ended 30 June 2016, together with the Auditor's report, be presented to the public.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Manager Finance

Authorised by: Kerry Hunt, Director Corporate and Community Services - Creative, Engaged and Innovative City (Acting)

ATTACHMENTS

- 1 Annual Financial Statements for the Year Ended 30 June 2016

COMPLIANCE WITH OFFICE OF LOCAL GOVERNMENT GUIDELINES ON COUNCIL DECISION MAKING DURING MERGER PROPOSAL PERIODS

The recommendation of this report complies with the requirements of the OLG Guidelines – *Council Decision Making During Merger Proposal Periods*.

BACKGROUND

Council's Auditors, PricewaterhouseCoopers, addressed the Council meeting of 10 October 2016 outlining the financial result for the year ended 30 June 2016 as reflected in the Financial Statements. Council resolved that the audited Financial Statements and the Auditor's Report be presented to the public at this Council meeting.

Public Notice of the presentation of the audited Financial Statements at this meeting was given in *The Advertiser* on 12 October 2016 and was also on Council's website from 12 October 2016. The Public Notice was in accordance with Section 418 of the Local Government Act 1993 (as amended).

Copies of the audited Financial Statements are available for inspection by members of the public at Council's Administration Building and any person can make written submissions to Council with respect to the Statements within the next seven day period. Any submissions received will be subsequently reported to Council.

PROPOSAL

The audited Financial Statements for the year ended 30 June 2016, together with the Auditor's Report, be presented to the public at this meeting.

CONSULTATION AND COMMUNICATION

The Audit Manager and staff of PricewaterhouseCoopers have been consulted throughout the preparation of the Annual Financial Statements.

Executive, senior managers and relevant senior officers were requested to ensure that all appropriate information with regards to the 2015-16 transactions relating to their area/s of responsibility had either been entered into the financial records or disclosed.

The Annual Financial Statements were presented to the Audit Committee on 20 September 2016 and to Council on 10 October 2016.

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Wollongong 2022 goal 'We are a connected and engaged community'. It specifically delivers on the following:

Community Strategic Plan	Delivery Program 2012-17	Annual Plan 2016-17
Strategy	5 Year Action	Annual Deliverables
4.4.5 Finances are managed effectively to ensure long term financial sustainability	4.4.5.1 Effective and transparent financial management systems are in place	Provide accurate and timely financial reports monthly, quarterly and via the annual financial statement
		Continuous Budget Management is in place, controlled and reported
		Manage and further develop compliance program
		Monitor and review achievement of Financial Strategy

RISK ASSESSMENT

The Annual Financial Statements are required to be prepared in accordance with the Local Government Act 1993 (as amended), the Local Government Code of Accounting Practice and Financial Reporting and the Australian Accounting Standards. Council has professionally qualified staff to ensure compliance with the reporting requirements. Council staff has also undertaken additional training in specialised areas. A higher level of assurance is attained from Council's auditors, PricewaterhouseCoopers.

Further to this, Council's Executive, senior management and relevant senior officers each signed a document giving the necessary assurances that:

- 1 No matters or occurrences have come to their attention in respect to their areas of responsibility that would materially affect the Financial Statements or disclosures therein, or which are likely to materially affect the future results or operations of the Council.
- 2 Should any such matters or occurrences come to their attention after the date of signing the document, the Manager Finance will be immediately advised.

Consequently, there is considered to be a low risk of any material errors or omissions in reporting.

CONCLUSION

The audited Financial Statements for the year ended 30 June 2016, together with the Auditor's Report, are available for presentation to the public at this meeting.



WOLLONGONG CITY COUNCIL

FINANCIAL REPORT

YEAR ENDED 30 JUNE 2016



EXECUTIVE SUMMARY

As General Manager of Wollongong City Council, I present the Annual Financial Statements for 2015-2016. These statements continue to reflect Council's transformation from an organisation that had underlying long-term financial issues to one that is well placed financially to continue to operate at its existing level well into the future. At the end of the reporting period Council is strong and stable in the short, medium and longer term.

Council's 2013-2014 major financial review (Securing our Future) identified long-term issues, including renewal of long-lived assets such as roads, bridges, buildings and recreation facilities. Council at that time, following engagement with the community, implemented a change program that targeted a minimum improvement of \$4.5 million from internal efficiencies, \$1.5 million in service level adjustments, a minimum of \$500,000 in increased fees and charges and a Special Rate Variation for an increase in General Revenue of \$14.5 million. Since this review, Council has been able to maintain budget control and work actively towards these targets which have led to expectations being exceeded in financial terms. This is reflected in Council's 2015-2016 results.

The Income Statement shows a net operating surplus of \$27.8 million compared to a surplus of \$31.6 million in 2014-2015. The net operating result before capital grants and contributions, Council's main indicator of long term financial viability, was a surplus of \$1.3 million. This compares to a surplus of \$9.6 million in 2014-2015 which took in several one-off events, including a \$4.2 million net profit on the sale of assets, a \$1.8 million legal settlement and positive impacts from the timing of the Financial Assistance Grant [\$8.9 million]. The 2013-2014 net operating result of a \$19.2 million deficit highlights progress over subsequent years.

Council's Balance Sheet shows the vast extent of assets managed by Council for the Community. The total value of Council's assets at 30 June 2016 was \$2.46 billion. During 2015-2016, Council completed capital works of \$82.7 million including the construction and acquisition of \$23.4 million of new assets and \$59.3 million for the renewal of existing assets. The program has included projects such as the preliminary design and land acquisition for the extension of Fowlers Road, Berkeley Community Centre upgrade, Thirroul Beach Pavilion refurbishment and Crown Street West upgrade.

Council maintains a strong position in cash and investments, with holdings of \$154 million at 30 June 2016 (\$144.7 million in 2014-2015). \$130.6 million of Council's cash (\$119.6 million in 2014-15) is restricted in its use to specific purposes by external bodies, legislation and Council resolution.

Council's unrestricted current ratio rose slightly from 2.19:1 in 2014-2015 to 2.25:1 in 2015-2016. This ratio, which measures Council's liquidity and ability to satisfy short-term obligations, is above the Local Government Benchmark of >1.5:1. Council's strategy is to better utilise cash and target a lean unrestricted cash ratio, however significant cash assets held for future waste facility requirements are included in this ratio. The measure is expected to increase until payments are required. Rates and Annual Charges outstanding fell from 5.48% in 2014-2015 to 4.79% in 2015-2016 as Council continued to build on its improved debt recovery processes. The result is positive when measured against the industry standard of <5%.

While Council has continued to borrow on attractive and/or subsidised terms for specific works, the relatively low levels of borrowing remain a financial strength of Council and add flexibility in making financial decisions for the future. The 2015-2016 debt service ratio increased to 3.25% compared to 2.73% in 2014-2015 as Council commenced repayments of LIRS 3. This ratio remains positive in comparison to the Local Government benchmark of <10%. Council continues to operate within a ratio of 4% as per its financial strategy.

On 18 December 2015, the NSW Government announced Merger Proposals for a number of councils including the potential merger of Wollongong and Shellharbour City Councils. An ongoing legal challenge by Shellharbour City Council has delayed any possible merger and it is not clear when, or if, a merger will proceed. Council remains well placed for the future with underlying stability and sufficient capacity to manage short-term challenges.

My thanks to all staff and external auditors who worked on the preparation of these Statements.



David Farmer
General Manager
Wollongong City Council



Financial Commentary 2015-2016

2015-2016 Financial Statements

This report provides an overview of Council's 2015-2016 Financial Statements. The Financial Statements are prepared by Council to provide information in relation to Council's financial performance and position. The Statements are prepared in accordance with Australian Accounting Standards, the NSW Local Government Act 1993 and the NSW Local Government Code of Accounting Practice and Financial Reporting (Update N° 24). The Statements are independently audited by PricewaterhouseCoopers, reported to Council, placed on public exhibition and lodged with the Office of Local Government.

The Financial Statements are made up of five key financial reports (Primary Financial Statements) and explanatory notes. The Primary Financial Statements are:

- Income Statement
- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows

2015-2016 Highlights

- | | |
|--|--|
| • Total Assets \$2.46B from \$2.43B (2015) | • Debt Service Ratio at 3.25% (2015: 2.73%) |
| • Capital Program [Renewal] \$59.3M (2015: \$59.4M) | • Net Operating Result \$27.8M Surplus (2015: Surplus \$31.6M) |
| • Capital Program [New] \$23.4M (2015: \$27.4M) | • Net Operating Result before Capital Grants and Contributions \$1.3M Surplus (2015: \$9.6M Surplus) |
| • Recognition of Contributed Assets including Infrastructure \$4.6M (2015: \$1.9M) | • Unrestricted Current Ratio of 2.25:1 (2015: 2.19:1) |
| • Cash Assets of \$154M | • Rates, Annual Charges, Interest and Extra Charges Outstanding 4.79% (2015: 5.48%) |

2015-2016 Financial Overview

The 2015-2016 financial year concludes a defining period, where Council has moved from being financially unsustainable to one that is fit and well placed for long term stability. While the future will be determined by the decisions and delivery of future terms of Council, the position at the end of the reporting period is one that is described as strong and stable in the short, medium and longer term.

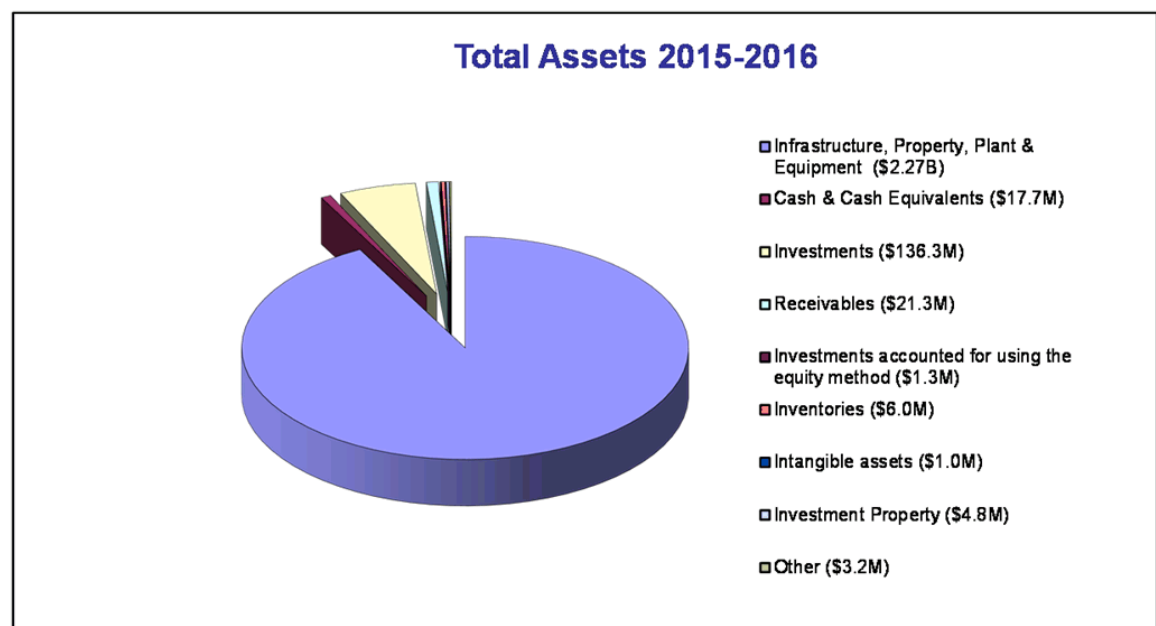
Essential to this result was the adoption of a Revised Delivery Program in 2014 following an extensive community consultation process. This facilitated the development of the 2014-2015 Annual Plan, which included Council's preferred scenario. The preferred scenario included the 'Securing our Future' plan to improve underlying performance by around \$21 million per annum to provide capacity for long-term sustainability. The plan included a revised \$4.5 million operational efficiency target that required a reduction in resources used to provide current levels of services; a \$1.5 million adjustment to existing services that was predominantly achieved by lowering the service expectations of footpath assets; a \$0.5 million increase in other revenue above baseline expectations and increases in rates over a three year period of approximately \$14.5 million per annum.

Council's continued efforts to maintain budget control and work actively towards its Secure Our Future targets have led to expectations being exceeded in financial terms. While Council's delivery of service has remained high and, in some instances, increased over the period, Council has been able to 'bank' one off savings that have been achieved over the time. This has allowed Council to use gains to progress actions that were not funded from annual provisions.

Together with the delivery achievements during this period, key measures of financial performance have been met and exceeded which is exemplified in the operating result for 2015-2016 (Actual: 0.84% Projected: 2.6%). Overall, Council is well placed for the future with underlying stability and sufficient capacity to manage short-term challenges.

Assets

Council's Statement of Financial Position shows the vast extent of assets managed by Council for the Community. The total value of Council's assets at 30 June 2016 was \$2.46 billion. The composition of assets is shown below.



Infrastructure, Property, Plant & Equipment (IPPE)

With a carrying value of \$2.27 billion, Infrastructure, Property, Plant and Equipment (IPPE) is Council's most significant asset and represents 92% of the total value of assets.

During 2015-2016, Council completed a capital works program of \$82.7 million including the construction and purchase of \$23.4 million of new assets and renewal of existing assets of \$59.3 million.

After accounting for annual depreciation expense, the overall value of IPPE increased by \$75.4 million during 2015-2016. The increase was primarily due to asset renewals of \$58.8 million and \$18.1 million as a result of assets transferred in and adjustments made through the discovery of new assets. Further financial details of IPPE are shown at Note 9.

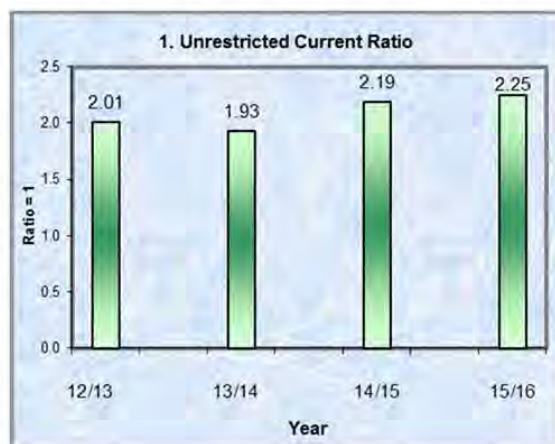
Cash and Investments

In 2015-2016, Council maintained a strong position in cash and investments, with holdings of \$154 million at 30 June 2016. Council's cash and investment positions over recent years are as follows:

CASH, INVESTMENTS & AVAILABLE FUNDS					
		YTD Actual 30 June 2013	YTD Actual 30 June 2014	YTD Actual 30 June 2015	YTD Actual 30 June 2016
Total Cash and Investments	\$M	116.796	117.971	144.656	154.025
Less Restrictions:					
External	\$M	63.961	62.979	77.693	75.276
Internal	\$M	24.383	26.964	41.960	55.377
Available Cash	\$M	28.452	28.028	25.003	23.372
Adjusted for :					
Current payables	\$M	(23.201)	(29.360)	(34.039)	(37.432)
Receivables	\$M	26.205	25.454	26.422	24.487
Available Funds	\$M	31.456	24.122	17.386	10.427

External restrictions are funds held by Council that must be spent for a specific purpose and cannot be used by Council for general operations. Internal restrictions are funds that Council has determined will be used for a specific future purpose. Cash holdings have continued to track higher than anticipated throughout the 2015-2016 financial year. This is predominately due to an increase in net payables [\$5 million] and an improved funds result compared to budget [\$4 million].

At 30 June 2016, Council achieved an available funds position of \$10.4 million. This is reflective of the Financial Strategy target range of \$8.8 million - \$11.7 million.



The Unrestricted Current Ratio measures Council's Cash/Liquidity Position or its ability to satisfy obligations in the short term from the unrestricted activities of Council.

Council's strategy is to maximise the use of available funds and target a lean Unrestricted Current Ratio. Cash Assets held for future waste facility requirements are held in the Unrestricted Ratio. As the requirement to hold funds for the waste facility is significant, the measure is expected to increase until payments are required.

As Council's performance is on par with the Local Government Benchmark of >1.5:1, it is reflective of a deliberate strategy to better utilise cash.

Receivables

Receivables are the amount of money owed to Council or funds that Council has paid in advance. At 30 June 2016, receivables totalled \$21.3 million, a decrease of \$0.8 million compared to the 2014-2015 reporting period. This decrease is mainly due to a reduction in Rates and Annual Charges Outstanding. Full details of receivables are provided in Note 7.

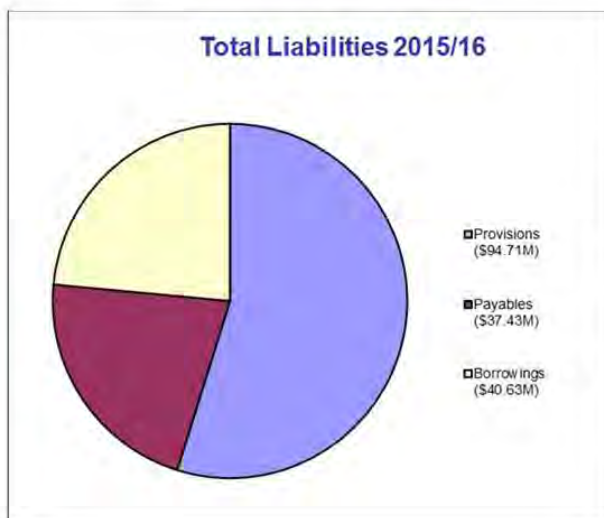


This measure assesses the impact of uncollected rates and other charges on liquidity and the adequacy of recovery efforts.

An improved debt recovery process was implemented in 2013-2014. The process has continued to generate positive implications on the 2015-2016 result. Council's Debt Recovery Policy has produced a result in line with the industry standard of <5%.

Liabilities

At 30 June 2016, Council's Total Liabilities were \$172.8 million. The composition of Council's Total Liabilities is shown below.



Provisions account for 54.8% of Council's Liabilities with the most significant provisions relating to Employee Leave Entitlements [\$47.5 million], Waste Depot Remediation Provision [\$42.7 million] and Workers' Compensation Provision [\$4 million].

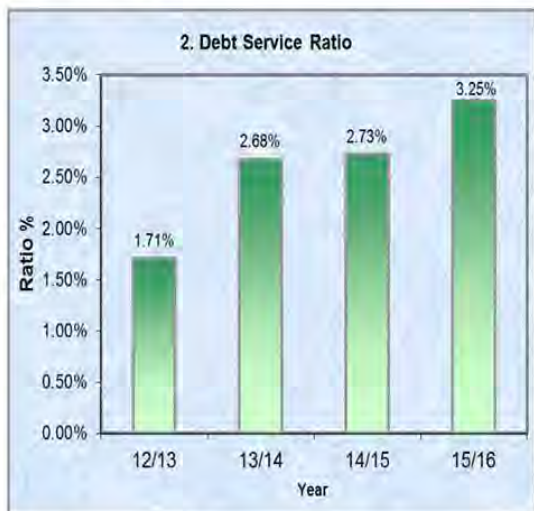
Payables account for 21.7% of Council's Liabilities. The majority of payables relate to goods and services received and capital expenditure incurred but not yet paid for.

Borrowings account for 23.5% of Council's Liabilities and relate to the interest free Infrastructure Loan from the State Government secured in 2010 and the subsidised Local Infrastructure Renewal Scheme loans (1, 2 and 3) secured during the previous three financial years.

Provisions

Provisions increased during 2015-2016 by \$4.7 million. The increase is attributable to increased valuation for future remediation works at Whytes Gully Waste Facility [\$1.7 million], Long Service Leave Provision [\$3.4 million] and a decrease in the Workers' Compensation Provision [\$0.5 million].

Borrowings



Local Government Infrastructure Renewal Scheme which has been used for the renewal and upgrade of the Berkeley and Corrimal Community Centres and Thirroul Pavilion and Kiosk.

Council continued to take advantage of such opportunities throughout the 2014-2015 year, securing a \$15 million subsidised loan under round three of the Local Government Infrastructure Renewal Scheme. This loan is to be repaid over the next eight years at a fixed rate and is to be used for the West Dapto Access Project to construct Fowler's Road to Fairwater Drive. During 2015-2016, Council successfully applied for an additional amount under the LIRS 3 program for \$5.5 million that is expected to be drawn down in the 2016-2017 year.

The Debt Service Ratio measures the proportion of revenues that is required to meet Council's annual loan repayments. A low level of debt is reflected in Council's Debt Service Ratio of 3.25%. This is exceptionally low in comparison to the Local Government benchmark ratio of <10%.

The increased Debt Service Ratio for 2015-2016 is due to the inclusion of a complete year of interest expense attributable to the \$15 million LIRS 3 loan. As the loan was drawn down in February 2015, the 2014-2015 result contained only four months of interest expense. While an increased result compared to last year, Council's financial strategy allows for a ratio of 4% and Council continues to operate within this strategy.

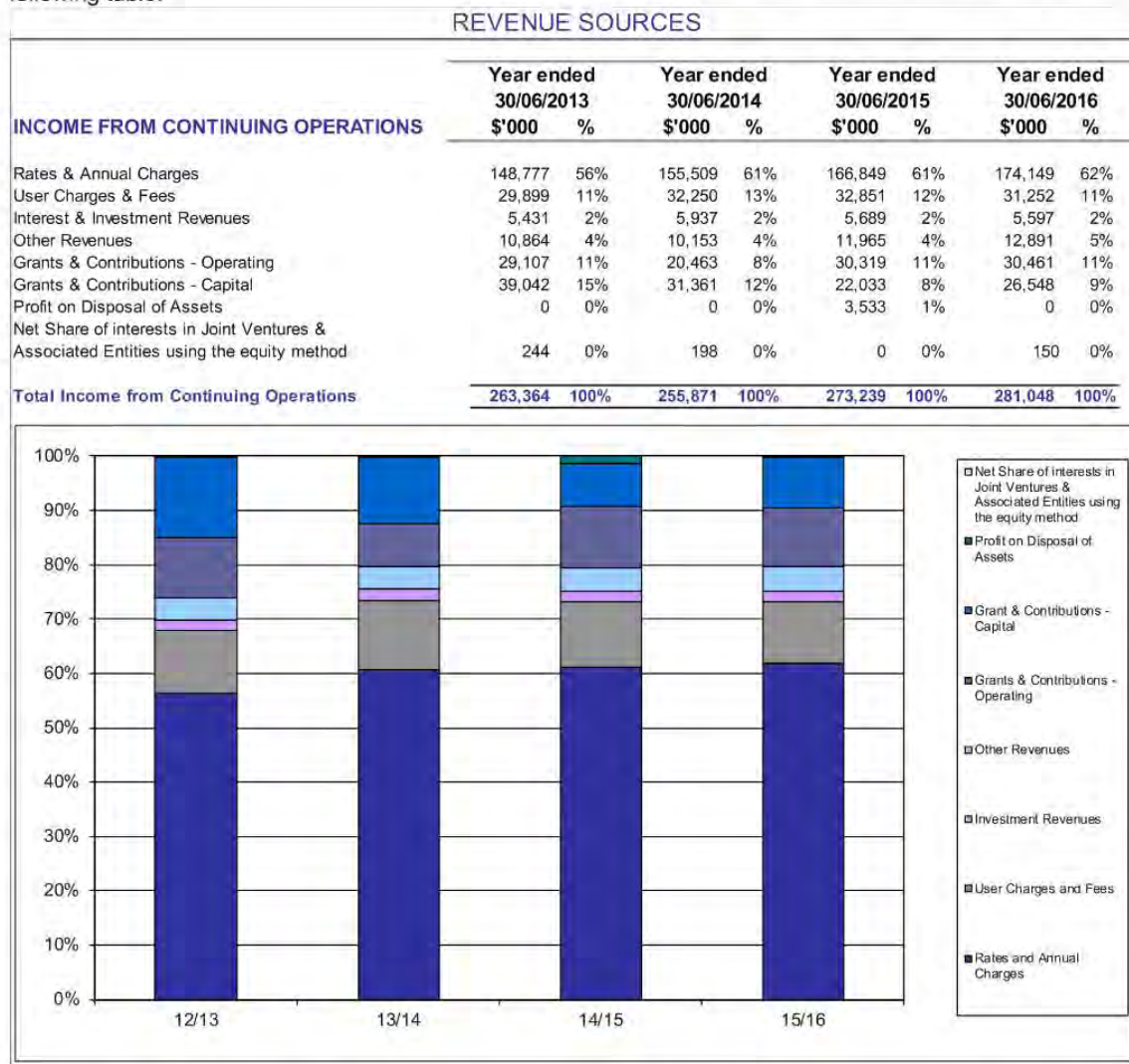
Operational Performance - Income & Expenses

Council's financial performance in 2015-2016 decreased slightly during the reporting period, achieving a Net Operating Surplus from Continuing Operations of \$27.8 million, compared to a prior year Surplus of \$31.6 million. Council's underlying measure of long term operational performance, the Operational Result before Capital Grants and Contributions shows a surplus of \$1.3 million, compared to a surplus of \$9.6 million in 2014-2015. While the 2015-2016 result is lower, it should be noted that the prior year's surplus was attributable to a number of one-off events, which included net profit on the sale of assets [\$4.2 million], a legal settlement [\$1.8 million] and the timing of the receipt of the Financial Assistance Grant [\$8.9 million]. The 2015-2016 result of \$1.3 million is favourable, reflects a positive improvement against budget and is consistent with the longer term direction set in the Securing our Future Program.

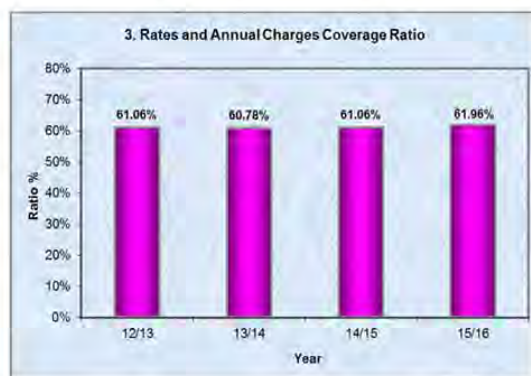
Income

Council's Income from Continuing Operations for 2015-2016 was \$281 million compared to a prior year result of \$273.2 million. The improvement in income is due to an increase in rates and annual charges which is reflective of the Special Rate Variation increase, an improved debt recovery process and an increase in grants and contributions provided for capital purposes.

The other sources of revenue for Council remained steady based on prior financial years, as shown in the following table.



Income from Rates and Annual Charges in 2015-2016 totalled \$174.1 million, an increase of \$7.3 million on the prior year. The increase in 2015-2016 is primarily due to Council being in the second year of a three year Special Rates Variation increase as approved by the Independent Pricing and Regulatory Tribunal.



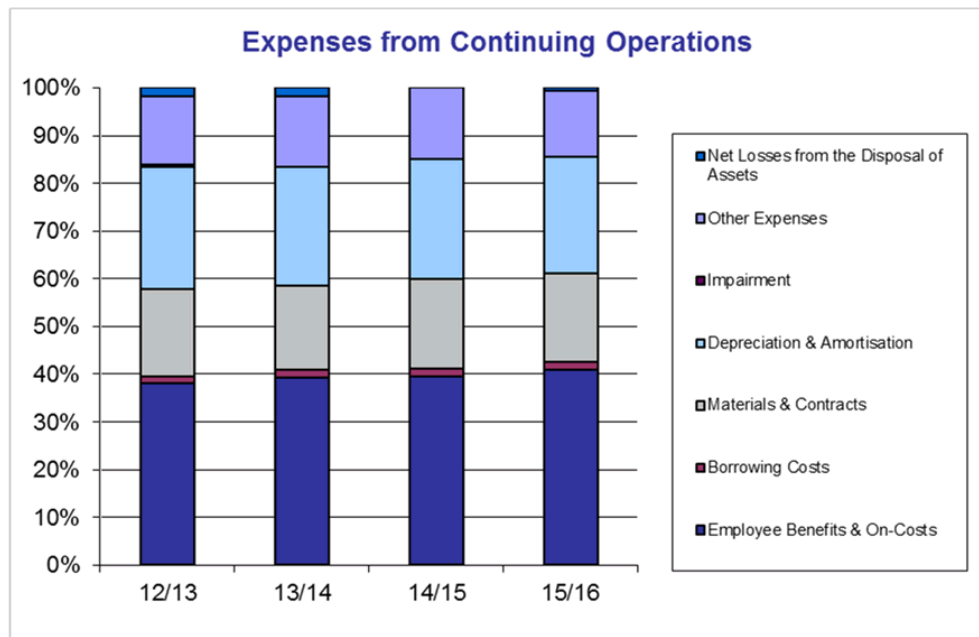
The Rates and Annual Charges Coverage Ratio assesses the degree of Council's dependence upon revenue from rates and annual charges and the security of Council's income.

Interest and Investment Income of \$5.6 million was recognised, representing a consistent result when compared to the prior year result of \$5.7 million. Capital Grant & Contribution income increased throughout the year, primarily attributable to additional funding received for transport purposes. Examples of these include the Roads to Recovery Programme, Restart NSW Illawarra Infrastructure Fund and various Roads and Maritime Services grants and contributions.

Expenses

Council's Expenses from Continuing Operations for 2015-2016 totalled \$253.2 million, compared to prior year expenditure of \$241.6 million. This is largely attributed to an increase in Employee Benefits and On-Costs, being Salary and Wages [\$4.1 million], Long Service Leave Provision [\$3.4 million] offset by a decrease in Workers' Compensation provision by \$0.5 million. During the 2015-2016 financial year, Council has been able to keep costs within expectations.

Material budget variations from the 2015-2016 year for income and expenditure items are detailed in Note 16 of the statements.



Wollongong City Council

Historical Financial Data

Income Statement

		Actual 2012/13 \$'000	Actual 2013/14 \$'000	Actual 2014/15 \$'000	Actual 2015/16 \$'000
	Notes				
Income from Continuing Operations					
Revenue:					
Rates & Annual Charges	3a	148,777	155,509	166,849	174,149
User Charges & Fees	3b	29,899	32,250	32,851	31,252
Interest and Investment Revenue	3c	5,431	5,937	5,689	5,597
Other Revenues	3d	10,864	10,153	11,965	12,891
Grants & Contributions provided for Operating Purposes	3e,f	29,107	20,463	30,319	30,461
Grants & Contributions provided for Capital Purposes (1)	3e,f	39,042	31,361	22,033	26,548
Other Income:					
Net Gains from the Disposal of Assets	5	-	-	3,533	-
Profit from interests in Joint Ventures & Associates	19	-	-	-	-
Entities using the equity method		244	198	-	150
Total Income from Continuing Operations		263,364	255,871	273,239	281,048
Expenses from Continuing Operations					
Employee Benefits & On-Costs					
Employee Benefits & On-Costs	4a	91,043	95,792	95,399	103,547
Borrowing Costs	4b	3,367	3,989	4,037	4,223
Materials & Contracts	4c	43,139	42,685	45,647	47,144
Depreciation & Amortisation	4d	61,240	61,203	60,763	61,882
Impairment	4d	990	-	-	6
Other Expenses	4e	34,135	35,846	35,777	34,782
Net Losses from the Disposal of Assets	5	4,311	4,245	-	1,627
Loss from interests in Joint Ventures & Associates	19	-	-	22	-
Total Expenses from Continuing Operations		238,225	243,760	241,645	253,211
Operating Result from Continuing Operations		25,139	12,111	31,594	27,837
NET OPERATING RESULT FOR THE YEAR		25,139	12,111	31,594	27,837
Less:					
Grants & Contributions provided for Capital Purposes	3e,f	39,042	31,361	22,033	26,548
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(13,903)	(19,250)	9,561	1,289

This Statement is to be read in conjunction with the Notes in the body of the financial statements and with consideration to Note (1) below.

(1) Capital Grants and Contributions increased in 2013 primarily as a result of a significant amount of contributed assets treated as income.

Wollongong City Council

Historical Financial Data

Statement of Financial Position

	Notes	Actual 2012/13 \$'000	Actual 2013/14 \$'000	Actual 2014/15 \$'000	Actual 2015/16 \$'000
ASSETS					
Current assets					
Cash & cash equivalents	6a	99,502	33,299	33,580	17,747
Investments	6b	7,294	63,672	102,076	126,193
Receivables	7	20,481	23,808	22,109	21,280
Inventories	8	8,940	6,037	6,040	6,027
Other	8	885	1,646	4,313	3,207
Assets held for sale (previously non-current)	22	-	1,700	-	-
Total current assets		137,102	130,162	168,118	174,454
Non-current assets					
Cash assets	6a	-	-	-	-
Investments	6b	10,000	21,000	9,000	10,085
Receivables	7	4,839	-	-	-
Inventories	8	-	-	-	-
Infrastructure, property, plant & equipment	9	2,376,962	2,207,842	2,251,343	2,265,413
Investments accounted for using the equity method	19	983	1,181	1,160	1,310
Investment property	14	3,725	2,750	2,750	4,775
Intangible assets	25	364	930	1,220	1,043
Non-current assets classified as 'held for sale'	22	-	-	-	-
Other	8	-	-	-	-
Total non-current assets		2,396,873	2,233,703	2,265,473	2,282,626
TOTAL ASSETS		2,533,975	2,363,865	2,433,591	2,457,080
LIABILITIES					
Current liabilities					
Payables	10	23,201	29,360	34,039	37,432
Interest bearing liabilities	10	3,332	3,908	6,369	6,690
Provisions	10	40,833	42,651	47,487	50,683
Total current liabilities		67,366	75,919	87,895	94,805
Non-current liabilities					
Payables	10	-	4,034	-	-
Interest bearing liabilities	10	31,236	31,459	39,758	33,940
Provisions	10	45,401	45,183	42,554	44,031
Total non-current liabilities		76,637	80,676	82,312	77,971
TOTAL LIABILITIES		144,003	156,595	170,207	172,776
NET ASSETS		\$ 2,389,972	2,207,270	2,263,384	2,284,304
EQUITY					
Retained earnings	20	1,163,160	1,193,467	1,252,318	1,299,521
Revaluation reserves	20	1,226,812	1,013,803	1,011,066	984,783
Council Equity Interest		2,389,972	2,207,270	2,263,384	2,284,304
Minority Equity Interest	19	-	-	-	-
TOTAL EQUITY		\$ 2,389,972	2,207,270	2,263,384	2,284,304

This Statement is to be read in conjunction with the Notes in the body of the financial statements..

Council Amalgamation

On 18 December 2015, the Premier and Minister for Local Government announced the Government's Merger Proposals that included Wollongong City Council to be joined with Shellharbour City Council to form one entity. This proposed amalgamation has been delayed due to an ongoing legal challenge by Shellharbour City Council. On this basis, it is not clear when, or if, the merger will proceed.

Wollongong City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Wollongong City Council

General Purpose Financial Statements for the year ended 30 June 2016

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Wollongong City Council.
- (ii) Wollongong City Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).
- Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;
- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
 - the responsibility for administering regulatory requirements under the LGA and
 - a role in the management, improvement and development of the resources in the area.
- A description of the nature of Council's operations and its principal activities are provided in Note 2(b).
- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 11 October 2016. Council has the power to amend and reissue these financial statements.
-

Wollongong City Council

General Purpose Financial Statements for the year ended 30 June 2016

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

The attached General Purpose Financial Statements have been prepared in accordance with:

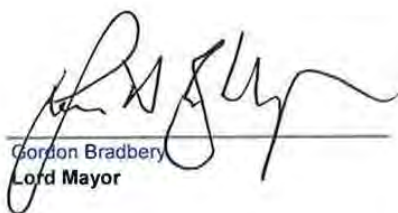
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these financial statements:

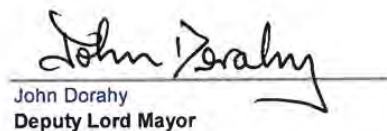
- present fairly the Council's operating result and financial position for the year, and
- accord with Council's accounting and other records.

We are not aware of any matter that would render these statements false or misleading in any way.

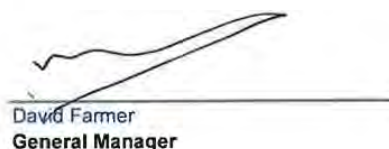
Signed in accordance with a resolution of Council made on 10 October 2016.



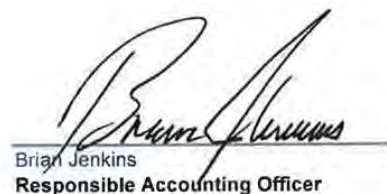
Gordon Bradbery
Lord Mayor



John Dorahy
Deputy Lord Mayor



David Farmer
General Manager



Brian Jenkins
Responsible Accounting Officer

Wollongong City Council

Income Statement

for the year ended 30 June 2016

Budget ¹ 2016	\$ '000	Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
173,254	Rates and annual charges	3a	174,149	166,849
33,194	User charges and fees	3b	31,252	32,851
4,772	Interest and investment revenue	3c	5,597	5,689
9,454	Other revenues	3d	12,891	11,965
28,846	Grants and contributions provided for operating purposes	3e,f	30,461	30,319
14,520	Grants and contributions provided for capital purposes	3e,f	26,548	22,033
Other income:				
–	Net gains from the disposal of assets	5	–	3,533
–	Net share of interests in joint ventures and associates using the equity method	19	150	–
264,040	Total income from continuing operations		281,048	273,239
Expenses from continuing operations				
101,922	Employee benefits and on-costs	4a	103,547	95,399
4,206	Borrowing costs	4b	4,223	4,037
50,013	Materials and contracts	4c	47,144	45,647
62,074	Depreciation and amortisation	4d	61,882	60,763
–	Impairment	4d	6	–
37,717	Other expenses	4e	34,782	35,777
–	Net losses from the disposal of assets	5	1,627	–
–	Net share of interests in joint ventures and associates using the equity method	19	–	22
255,932	Total expenses from continuing operations		253,211	241,645
8,108	Operating result from continuing operations		27,837	31,594
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
8,108	Net operating result for the year		27,837	31,594
8,108	Net operating result attributable to Council		27,837	31,594
–	Net operating result attributable to non-controlling interests		–	–
(6,412)	Net operating result for the year before grants and contributions provided for capital purposes		1,289	9,561

¹ Original budget as approved by Council – refer Note 16

Wollongong City Council

Statement of Comprehensive Income for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		27,837	31,594
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(26,685)	4,034
Adjustment to correct prior period errors	20a	19,768	19,544
Impairment (loss) reversal relating to I,PP&E	20b (ii)	—	942
Total items which will not be reclassified subsequently to the operating result		(6,917)	24,520
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		(6,917)	24,520
Total comprehensive income for the year		20,920	56,114
Total comprehensive income attributable to Council		20,920	56,114
Total comprehensive income attributable to non-controlling interests		—	—

Wollongong City Council

Statement of Financial Position as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	17,747	33,580
Investments	6b	126,193	102,076
Receivables	7	21,280	22,109
Inventories	8	6,027	6,040
Other	8	3,207	4,313
Non-current assets classified as 'held for sale'	22	—	—
Total current assets		174,454	168,118
Non-current assets			
Investments	6b	10,085	9,000
Receivables	7	—	—
Inventories	8	—	—
Infrastructure, property, plant and equipment	9	2,265,413	2,251,343
Investments accounted for using the equity method	19	1,310	1,160
Investment property	14	4,775	2,750
Intangible assets	25	1,043	1,220
Total non-current assets		2,282,626	2,265,473
TOTAL ASSETS		2,457,080	2,433,591
LIABILITIES			
Current liabilities			
Payables	10	37,432	34,039
Borrowings	10	6,690	6,369
Provisions	10	50,683	47,487
Total current liabilities		94,805	87,895
Non-current liabilities			
Payables	10	—	—
Borrowings	10	33,940	39,758
Provisions	10	44,031	42,554
Total non-current liabilities		77,971	82,312
TOTAL LIABILITIES		172,776	170,207
Net assets		2,284,304	2,263,384
EQUITY			
Retained earnings	20	1,299,521	1,252,318
Revaluation reserves	20	984,783	1,011,066
Council equity interest		2,284,304	2,263,384
Non-controlling equity interests		—	—
Total equity		2,284,304	2,263,384

Wollongong City Council

Statement of Changes in Equity for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		1,252,318	1,011,066	2,263,384	—	2,263,384
a. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
Revised opening balance (as at 1/7/15)		1,252,318	1,011,066	2,263,384	—	2,263,384
b. Net operating result for the year		27,837	—	27,837	—	27,837
c. Other comprehensive income						
— Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	(26,685)	(26,685)	—	(26,685)
— Revaluations: other reserves	20b (ii)	—	—	—	—	—
— Transfers to Income Statement	20b (ii)	—	—	—	—	—
— Impairment (loss) reversal relating to I,PP&E	20b (ii)	—	—	—	—	—
— Joint ventures and associates	19b	—	—	—	—	—
— Adjustment to correct prior period errors	20 (c)	19,768	—	19,768	—	19,768
Other comprehensive income		19,768	(26,685)	(6,917)	—	(6,917)
Total comprehensive income (c&d)		47,605	(26,685)	20,920	—	20,920
d. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
e. Transfers between equity		(402)	402	—	—	—
Equity – balance at end of the reporting period		1,299,521	984,783	2,284,304	—	2,284,304

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		1,193,467	1,013,803	2,207,270	—	2,207,270
a. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
Revised opening balance (as at 1/7/14)		1,193,467	1,013,803	2,207,270	—	2,207,270
b. Net operating result for the year		31,594	—	31,594	—	31,594
c. Other comprehensive income						
— Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	4,034	4,034	—	4,034
— Revaluations: other reserves	20b (ii)	—	—	—	—	—
— Transfers to Income Statement	20b (ii)	—	—	—	—	—
— Impairment (loss) reversal relating to I,PP&E	20b (ii)	—	942	942	—	942
— Joint ventures and associates	19b	—	—	—	—	—
— Adjustment to correct prior period errors	20 (c)	19,544	—	19,544	—	19,544
Other comprehensive income		19,544	4,976	24,520	—	24,520
Total comprehensive income (c&d)		51,138	4,976	56,114	—	56,114
d. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
e. Transfers between equity		7,713	(7,713)	—	—	—
Equity – balance at end of the reporting period		1,252,318	1,011,066	2,263,384	—	2,263,384

This statement should be read in conjunction with the accompanying notes.

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Wollongong City Council

Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
<u>Receipts:</u>				
173,632	Rates and annual charges		174,893	166,562
33,194	User charges and fees		33,314	33,505
4,772	Investment and interest revenue received		5,633	5,789
43,366	Grants and contributions		55,323	54,189
–	Bonds, deposits and retention amounts received		2,787	1,381
9,242	Other		19,352	22,528
<u>Payments:</u>				
(100,677)	Employee benefits and on-costs		(100,072)	(92,705)
(86,984)	Materials and contracts		(56,091)	(58,051)
(1,530)	Borrowing costs		(1,547)	(1,311)
–	Bonds, deposits and retention amounts refunded		(2,409)	(797)
–	Other		(34,979)	(41,998)
75,015	Net cash provided (or used in) operating activities	11b	96,203	89,091
Cash flows from investing activities				
<u>Receipts:</u>				
1,560	Sale of investment securities		78,054	57,074
2,008	Sale of infrastructure, property, plant and equipment		919	12,570
–	Deferred debtors receipts		–	10
<u>Payments:</u>				
–	Purchase of investment securities		(103,173)	(83,147)
(86,256)	Purchase of infrastructure, property, plant and equipment		(81,467)	(85,072)
(82,688)	Net cash provided (or used in) investing activities		(105,667)	(98,566)
Cash flows from financing activities				
<u>Receipts:</u>				
–	Proceeds from borrowings and advances		–	15,000
<u>Payments:</u>				
(6,371)	Repayment of borrowings and advances		(6,369)	(5,244)
(6,371)	Net cash flow provided (used in) financing activities		(6,369)	9,756
(14,044)	Net increase/(decrease) in cash and cash equivalents		(15,833)	281
112,708	Plus: cash and cash equivalents – beginning of year	11a	33,580	33,299
98,664	Cash and cash equivalents – end of the year	11a	17,747	33,580
Additional Information:				
plus:	Investments on hand – end of year	6b	136,278	111,076
Total cash, cash equivalents and investments			154,025	144,656

Please refer to Note 11 for additional cash flow information

This statement should be read in conjunction with the accompanying notes.

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Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

(i) Background

These financial statements are general purpose financial statements, which have been prepared in accordance with:

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the *Local Government Act (1993)* and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

(ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

Accordingly, in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the *Local Government Act (LGA)*, Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

There have been no new accounting standards adopted in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets. This standard will apply to annual reporting periods beginning on or after 1 July 2016.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

(v) Basis of accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(vi) Changes in accounting policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20 (d)].

(vii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on Council and that are believed to be reasonable under the circumstances.

Significant accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment,
- (iii) Estimated remediation provisions.

Significant judgements in applying Council's accounting policies

- (i) impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it, and specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it, (i) it is probable that the economic benefits comprising the contribution will flow to the Council and (ii) the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3 (g).

Note 3 (g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and accordingly would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

A detailed note relating to developer contributions can be found at Note 17.

User charges, fees and other income

User charges, fees and other income (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided as at balance date.

Sale of infrastructure, property, plant and equipment

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

Interest and rents

Rental income is accounted for on a straight-line basis over the lease term.

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other income

Other income is recorded when the payment is due, the value of the payment is notified or the payment is received, whichever occurs first.

(c) Principles of consolidation

These financial statements incorporate the assets and liabilities and the operating results of Council and all its controlled entities and Joint Ventures for the financial period ended 30 June 2015.

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *LGA 1993*, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

The Consolidated Fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

(ii) The trust fund

In accordance with the provisions of section 411 of the *Local Government Act 1993* (as amended), a separate and distinct trust fund is maintained to account for all money and property received by the Council in trust that must be applied only for the purposes of or in accordance with the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these statements.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Trust monies and property held by Council but not subject to the control of Council have been excluded from these statements.

A separate statement of monies held in the trust fund is available for inspection at the Council office by any person free of charge.

(iii) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

AASB 11 *Joint Arrangements* defines a joint arrangement as an arrangement of which two or more parties have joint control and classifies these arrangements as either joint ventures or joint operations.

Joint Operations (controlled assets & operations)

Council has no interest in any joint operations.

Joint ventures

Joint Ventures represent operational arrangements where the parties joint control parties have rights to the net assets of the arrangement.

Any interests in Joint Ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement, and its share of movements in retained earnings & reserves are recognised in the Statement of Financial Position.

Detailed information relating to Council's Joint Ventures can be found at Note 19 (b).

(iv) Associates

Council has no interest in any associates.

(v) Unconsolidated structured entities

Unconsolidated structured entities represent 'special vehicles' that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or

associate. Attributes of structured entities include restricted activities.

Detailed information relating to Council's interest in unconsolidated structured entities can be found at Note 19 (d).

(vi) County Councils

Council is not a member of any county councils.

(d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

Finance leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

- cash on hand,
- deposits held at call with financial institutions,
- other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

(f) Investments and other financial assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

Each classification depends on the purpose or intention for which the investment was acquired and at the time it was acquired.

Management determines each investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are "held for trading".

A financial asset is classified in the "held for trading" category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading &/or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables (note 7) in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

In contrast to the "Loans & Receivables" classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

General accounting and measurement of financial instruments:

(i) Initial recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at 'fair value through profit or loss', directly attributable transactions costs.

Purchases and sales of investments are recognised on trade-date – the date on which the Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

(ii) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as '**fair value through profit or loss**' category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as '**available-for-sale**' are recognised in equity in the available-for-sale investments revaluation reserve.

When securities classified as '**available-for-sale**' are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(iii) Investment Policy

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(g) Fair value estimation – financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that Council will not be able to collect all amounts due according to the original terms of each receivable.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

(i) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

costs of completion and the estimated costs necessary to make the sale.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

(j) Infrastructure, property, plant and equipment (IPPE)

Acquisition of assets

Council's non-current assets are continually revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of IPPE were stated at their fair value:

- **Investment Properties** – refer Note 1(p),
- **Operational Land** (External Valuation) [Initial Valuation: 2009, Current Valuation: 2014]
- **Buildings – Specialised/Non Specialised** (External and Internal Valuation) [Initial Valuation: 2009, Current Valuation: 2014]
- **Property Plant & Equipment, Office Equipment & Furniture & Fittings** (as approximated by depreciated historical cost)
- **Library Books** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths** (Internal Valuation) [Initial Valuation: 2010, Current Valuation: 2016]
- **Drainage Assets** (Internal Valuation) [Initial Valuation: 2010, Current Valuation: 2016]
- **Community Land** (Internal Valuation) [Initial Valuation: 2011, Current Valuation: 2016]
- **Other Structures** (Internal Valuation) [Initial Valuation: 2011, Current Valuation: 2016]
- **Other Open Space / Recreational Assets** (Internal Valuation) [Initial Valuation: 2011, Current Valuation: 2016]

Initial recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5-year cycle. The next scheduled revaluation by asset class based on this cycle is outlined in the table below. It is noted that although the schedule provides mandatory revaluation dates Council aims to revalue all asset classes on an annual basis.

Asset Class	Due
Buildings – Non Specialised & Specialised	30 June 2019
Operational Land	30 June 2019
Roads, Bridges, Footpaths & Drainage	30 June 2020
Community Land, Other Open Space / Recreational Assets, Other Structures, Swimming Pools & Land Improvements	30 June 2021

Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following:

Land	
Council land	100% Capitalised
Open space	100% Capitalised
Land under roads (purchases after 30/6/08)	100% Capitalised

Plant and Equipment	
Office Equipment	100% Capitalised
Office Furniture	> \$5,000
Other Plant and Equipment	> \$5,000

Buildings and Land Improvements

Buildings	
Construction/extensions	100% Capitalised
Renovations	> \$5,000
Other Structures	> \$5,000

Stormwater Assets

Drains and Culverts	> \$5,000
Other	> \$5,000

Roads, Bridges and Footpaths

Construction and reconstruction	100% Capitalised
Reseal/Re-sheet and major repairs:	> \$5,000

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method (or describe here any other methods Council uses) in order to allocate an asset's cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's IPP&E include:

Plant and Equipment

Office Equipment	5 to 10 years
Furniture and Fittings	10 to 20 years
Vehicles	5 to 7 years
Earthmoving Equipment	10 to 20 years
Rural Fire Service Equipment	5 to 10 years
Other plant and equipment	5 to 15 years

Other Equipment

Playground equipment	10 to 15 years
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Buildings

Buildings	15 to 50 years
Public Amenities	10 to 50 years

Stormwater Drainage

Stormwater Drainage Infrastructure	75 to 100 years
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Transportation Assets

Roads - Infrastructure	20 to 80 years
Bridges - Concrete	30 to 80 years
Footpaths - Concrete	60 to 80 years
Shared Path - Concrete	30 to 80 years

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Other Infrastructure Assets

Land Improvements	10 to 50 years
Bulk earthworks	Infinite
Land – Council owned	Infinite
Land – Council controlled	Infinite

Other Assets

Swimming Pools	50 years
Library Books	6 years

All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (s) on asset impairment.

Disposal and derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

(k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

This classification of land is disclosed in Note 9 (a).

(l) Land under roads

Land under roads is land under roadways and road reserves, including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

(m) Intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and services, direct payroll and payroll-related costs of employees' time spent on the project.

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

(n) Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council.

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Representations are currently being sought across state and local government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

(o) Rural fire service assets

Under section 119 of the *Rural Fires Act 1997*, 'all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed'.

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these financial statements.

(p) Investment property

Investment property comprises land and/or buildings that are principally held for long-term rental yields, capital gains or both, that is not occupied by Council.

Investment property is carried at fair value, representing an open market value determined annually by external valuers.

Annual changes in the fair value of investment properties are recorded in the Income Statement as part of 'other income'.

Full revaluations are carried out every 3 years with an appropriate index utilised each year in between the full revaluations.

The last full revaluation for Council's investment properties was dated 30/06/2016

(q) Provisions for close down, restoration and for environmental clean-up costs – including tips and quarries

Close down, restoration and remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations that are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, restoration and remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4 (b).

Other movements in the provisions for close down, restoration and remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the balance sheet date.

These costs are charged to the Income Statement.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwind of the discount, which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example, in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Specific information about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

(r) Non-current assets (or disposal groups) 'held for sale' and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either:

- (i) their carrying amount, and
- (ii) fair value less costs to sell,

if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets

were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as non-current assets 'held for sale', an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets 'held for sale' are not depreciated or amortised while they are classified as 'held for sale'.

Non-current assets classified as 'held for sale' are presented separately from the other assets in the balance sheet.

A discontinued operation is a component of Council that has been disposed of or is classified as 'held for sale' and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the Income Statement.

(s) Impairment of assets

All Council's IPP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

possible reversal of the impairment at each reporting date.

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(t) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year that are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(v) Borrowing costs

Borrowing costs are expensed / except to the extent that they are incurred during the construction of qualifying assets.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

(w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events,
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

(x) Employee benefits

(i) Short-term obligations

Short-term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

(ii) Other long-term obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 5 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 5 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined benefit plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme – Pool B'.

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

The Local Government Superannuation Scheme has advised member Council's that it has a deficiency of assets over liabilities. The position has been monitored during the period and the Actuary has estimated that at 30 June 2016 a deficit still exists.

As a result, Local Government Superannuation has asked for higher contributions to recover that deficiency.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Council's share of that deficiency cannot be accurately calculated as the scheme is a mutual arrangement where assets and liabilities are pooled together for all member Councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the scheme require immediate payment to correct the deficiency.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Employee benefit on-costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/16.

(y) Self-insurance

Council has determined to self-insure for various risks, including public liability and professional indemnity.

A provision for self-insurance has been made to recognise outstanding claims the amount of which is detailed in Note 10.

Council also maintains cash and investments to meet expected future claims and these are detailed in Note 6 (c).

(z) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is

given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if it is not expected to be settled within the next 12 months.

In the case of inventories that are 'held for trading', these are also classified as current even if not expected to be realised in the next 12 months.

(aa) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does, however, have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

Goods and Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Cash Flow Statement are on a gross basis, i.e. they are inclusive of GST where applicable.

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

of investing and financing activity cash flows that are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

(ab) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

Apart from the AASB disclosures below, there are no other standards that are 'not yet effective' that are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

AASB 9 – Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value, and

- amortised cost (where financial assets will only be able to be measured at amortised cost when very specific conditions are met).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

AASB 15 – Revenue from Contracts with Customers and associated amending standards

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Council is yet to undertake a detailed assessment of the impact of AASB 15.

AASB ED 260 Income of Not-for-Profit Entities

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard or a date of applicability.

AASB16 – Leases

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council. This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

AASB 2014 – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

(ac) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

(ad) Comparative figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(ae) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Planning and engagement	6,871	15,984	14,927	24,663	23,150	22,035	(17,792)	(7,166)	(7,108)	70	521	266,046	257,630
Environment	42,400	41,175	45,843	60,690	56,970	57,255	(18,290)	(15,795)	(11,412)	1,328	1,925	344,599	343,524
Transport services/infrastructure	11,274	11,631	9,675	42,849	44,536	42,361	(31,575)	(32,905)	(32,686)	12,387	7,271	365,645	366,169
Community services/facilities	7,940	9,917	8,752	29,946	30,133	29,788	(22,006)	(20,216)	(21,036)	5,634	4,575	30,945	30,747
Recreation and open space	10,424	11,057	10,468	43,453	43,825	41,944	(33,029)	(32,768)	(31,476)	–	88	89,947	85,287
Regulatory services and safety	7,684	7,983	8,001	17,295	17,260	16,764	(9,611)	(9,277)	(8,763)	639	529	1,721	1,732
Governance and internal services	10,106	12,909	17,109	37,036	37,337	31,476	(26,930)	(24,428)	(14,367)	1,232	1,136	1,356,867	1,347,342
Contributed Assets	–	4,588	1,909	–	–	–	–	4,588	1,909	–	–	–	–
Total functions and activities	96,699	115,244	116,684	255,932	253,211	241,623	(159,233)	(137,967)	(124,939)	21,290	16,045	2,455,770	2,432,431
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	150	–	–	–	22	–	150	(22)	–	–	1,310	1,160
General purpose income ¹	167,341	165,654	156,555	–	–	–	167,341	165,654	156,555	19,217	19,142	–	–
Operating result from continuing operations	264,040	281,048	273,239	255,932	253,211	241,645	8,108	27,837	31,594	40,507	35,187	2,457,080	2,433,591

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 2(b). Council functions/activities – component descriptions

Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

Planning and Engagement

Infrastructure Planning and Support, City Centre Management, Land Use Planning, Public Relations, Economic Development, Strategy and Planning

Environment

Waste Management, Stormwater Services, Natural Area Management, Environmental Planning and Programs

Transport Services/Infrastructure

Transport Services and Infrastructure works

Community Services/Facilities

Libraries, Cultural Services, Community Facilities, Age and Disability Services, Crematorium and Cemeteries, Community Programs, Youth Services

Recreation and Open Space

Parks and Sports fields, Aquatic Services, Tourist Parks, Leisure Centres, Botanic Gardens

Regulatory Services and Safety

Emergency Management, Development Assessment, Regulatory Control, Public Health

Governance & Internal Services

Governance and Administration, Human Resources, Financial Services, Customer Service, Property Services, Information Technology, Internal Services

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Business		43,490	41,020
Farmland		301	422
Mining		1,007	945
Residential		97,718	90,623
Abandonments ⁽¹⁾		(233)	(32)
Total ordinary rates		142,283	132,978
Special rates			
City centre		399	402
Mall		995	968
Total special rates		1,394	1,370
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		28,698	30,753
Stormwater management services		1,777	1,750
Abandonments – annual charges ⁽¹⁾		(3)	(2)
Total annual charges		30,472	32,501
TOTAL RATES AND ANNUAL CHARGES		174,149	166,849

(1) Abandonments refer to amounts owed to Council that have been written off due to the property being exempted of rates, pensioner interest being waived, voluntary Council rebates, postponed rates and voluntary conservation agreements as per the OLG Rating and Revenue Raising Manual 2007.

Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Waste management services (non-domestic)		8,713	10,993
Total user charges		8,713	10,993
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Contestable building services		333	297
Inspection services		471	536
Planning and building regulation		2,740	2,687
Registration fees		152	230
Section 149 certificates (EPA Act)		613	611
Section 603 certificates (rating certificate)		332	323
Section 611 charges (occupation of land)		227	168
Other		25	29
Total fees and charges – statutory/regulatory		4,893	4,881
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Additional waste services		99	75
Art gallery		15	12
Car parking		797	785
Credit card payment processing fee		152	156
Crematorium and cemeteries		2,352	2,535
Golf Course		517	509
Health inspections		274	265
Hire charges		543	537
Leaseback fees – Council vehicles		716	726
Library		59	55
Marketing		31	33
Outdoor dining		116	86
Parking meters		1,267	1,360
Pre-lodgement meeting fees		98	80
Recreation		3,770	3,610
Road opening permits		266	242
Stallholder Fees		61	40
Tourist parks		6,332	5,684
Tree management requests		101	93
Other		80	94
Total fees and charges – other		17,646	16,977
TOTAL USER CHARGES AND FEES		31,252	32,851

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		557	608
– Interest earned on investments (interest and coupon payment income)		4,957	4,743
Fair value adjustments			
– Fair valuation movements in investments (at fair value or held for trading)		83	331
Amortisation of premiums and discounts			
– Interest free (and interest reduced) loans provided		–	7
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>5,597</u>	<u>5,689</u>

Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	557	608
General Council cash and investments	3,597	3,827

Restricted investments/funds – external:

Development contributions		
– Section 94	436	619
Unexpended infrastructure loan	204	287
Other externally restricted assets	803	348

<u>Total interest and investment revenue recognised</u>	<u>5,597</u>	<u>5,689</u>
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(d) Other revenues

Fair value increments – investment properties	14	2,025	–
Diesel rebate		200	167
Fines		742	767
Fines – parking		1,860	2,368
Insurance claim recoveries		463	480
Legal fees recovery – rates and charges (extra charges)		199	216
Legal settlements		120	1,843
Outgoings reimbursements		337	152
Reimbursements		1,158	327
Rental income – investment properties	14	387	406
Rental income – other council properties		4,320	4,353
Sales – general		612	402
Sponsorship and promotional income		53	57
Other		415	427
<u>TOTAL OTHER REVENUE</u>		<u>12,891</u>	<u>11,965</u>

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance	17,499	17,485	—	—
Pensioners' rates subsidies – general component	1,718	1,657	—	—
Total general purpose	19,217	19,142	—	—
Specific purpose				
Arts and culture	76	73	—	—
Buildings	—	—	25	87
Community development and support	285	326	46	—
Economic development	10	—	—	—
Emergency services	566	484	—	—
Environmental management and enhancement	172	91	—	—
Environmental protection	73	54	—	—
Floodplain and stormwater management	44	23	—	—
Footpaths and cycleways	—	—	475	1,275
HACC community transport	2,436	2,413	744	—
Heritage and cultural	10	9	—	—
Illawarra dementia respite service	145	429	—	—
Information technology	—	—	165	85
Infrastructure renewal	—	456	—	—
Library	472	465	—	—
LIRS subsidy	1,200	979	—	—
Local bus route subsidy	58	82	—	—
Natural area management	142	208	—	—
– Domestic waste management	488	552	—	—
People and learning	33	66	—	—
Recreation and culture	—	63	—	—
Strategic city planning	110	42	—	—
Street lighting	658	645	—	—
Transport (roads to recovery)	—	—	3,750	679
Transport (other roads and bridges funding)	—	—	7,377	4,544
Voluntary purchase scheme	—	—	33	615
Waste performance improvement	433	433	—	—
Wollongong multi service outlet	1,264	867	—	—
Total specific purpose	8,675	8,760	12,615	7,285
Total grants	27,892	27,902	12,615	7,285
Grant revenue is attributable to:				
– Commonwealth funding	20,907	20,994	3,750	749
– State funding	6,985	6,908	8,121	6,536
– Other funding	—	—	744	—
	27,892	27,902	12,615	7,285

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94A – fixed development consent levies	–	–	4,317	8,512
S 94 West Dapto	–	–	4,871	3,021
Total developer contributions	17	–	9,188	11,533
Other contributions:				
Animal control	–	14	–	–
Community development and support	68	90	–	–
Community services and facilities	756	575	–	–
Contributed bushfire assets	–	–	605	–
Contributed transport assets (RMS)	–	–	435	–
Dedications (other than by S94)	–	–	3,548	1,906
Emergency	–	–	100	–
Footpaths and cycleways	–	2	–	–
Parks, gardens and sportsfields	115	46	57	270
People & Learning	9	–	–	–
Pollution minimisation	90	37	–	–
Roads and bridges	34	27	–	1,039
RMS contributions (regional roads, block grant)	1,487	1,459	–	–
Rural fire service operations	–	149	–	–
Strategic city planning	–	17	–	–
Surf life saving NSW	10	1	–	–
Total other contributions	2,569	2,417	4,745	3,215
Total contributions	2,569	2,417	13,933	14,748
TOTAL GRANTS AND CONTRIBUTIONS	30,461	30,319	26,548	22,033

\$ '000	Actual 2016	Actual 2015
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(g) Restrictions relating to grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Unexpended at the close of the previous reporting period	20,089	25,568
Add: grants and contributions recognised in the current period but not yet spent:	6,223	13,584
Less: grants and contributions recognised in a previous reporting period now spent:	(6,065)	(19,063)

Net increase (decrease) in restricted assets during the period **158** **(5,479)**

Unexpended and held as restricted assets **20,247** **20,089**

Comprising:

– Specific purpose unexpended grants	4,655	4,855
– Developer contributions	15,370	15,094
– Other contributions	222	140
	20,247	20,089

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Employee leave entitlements (ELE)		15,461	13,728
Fringe benefit tax (FBT)		222	213
Labour Hire		549	366
Payroll tax		43	35
Protective clothing		272	280
Salaries and wages		86,182	82,120
Superannuation		10,822	10,421
Training costs (other than salaries and wages)		717	668
Workers compensation provision		(470)	(2,159)
Workers compensation – self insurance		1,981	2,057
Other		226	189
Total employee costs		116,005	107,918
Less: capitalised costs		(12,458)	(12,519)
TOTAL EMPLOYEE COSTS EXPENSED		103,547	95,399
Number of 'full-time equivalent' employees (FTE) at year end		1,117	1,056
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		1,547	1,311
Total interest bearing liability costs expensed		1,547	1,311
(ii) Other borrowing costs			
Amortisation of discount on interest free (& favourable) loans to Council		872	1,004
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	1,804	1,722
Total other borrowing costs		2,676	2,726
TOTAL BORROWING COSTS EXPENSED		4,223	4,037

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts			
Auditors remuneration ⁽¹⁾		98	105
Contractor and consultancy costs		64,761	68,447
– Waste Contractor		17,950	16,014
– Road Works Contractor		2,279	2,995
– Building Contractor		1,745	1,669
– Parks Contractor		1,678	1,328
– Cleaning Contractor		862	796
– Security Contractor		1,043	855
– Software Maintenance & Support Contractor		1,830	1,475
– Internal audit		157	145
Legal expenses:			
– Legal expenses: planning and development		–	27
– Legal expenses: other		1,501	1,079
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		100	100
Raw materials and consumables		13,988	15,780
Total materials and contracts		107,992	110,815
Less: capitalised costs		(60,848)	(65,168)
TOTAL MATERIALS AND CONTRACTS		47,144	45,647

1. Auditor remuneration

During the year, the following fees were incurred for services provided by the Council's Auditor:

(i) Audit and other assurance services

– Audit and review of financial statements: Council's Auditor

Remuneration for audit and other assurance services

Total Auditor remuneration

98	105
98	105
98	105

2. Operating lease payments are attributable to:

Other

100	100
100	100

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
Asset reinstatement costs	9 & 26	—	—	221	220
Furniture and fittings		—	—	96	145
Infrastructure:					
– Buildings – non-specialised		—	—	5,791	6,068
– Buildings – specialised		6	—	6,108	6,396
– Other structures		—	—	589	585
– Roads		—	—	21,681	20,994
– Bridges		—	—	1,769	1,635
– Footpaths		—	—	3,822	3,709
– Stormwater drainage		—	—	9,600	9,436
– Swimming pools		—	—	515	597
– Other open space/recreational assets		—	—	3,670	3,303
Office equipment		—	—	899	1,421
Other assets					
– Library books		—	—	1,026	1,031
– Other		—	—	1,360	777
Plant and equipment		—	—	4,201	4,119
Intangible assets	25	—	—	534	327
<u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u>		<u>6</u>	<u>—</u>	<u>61,882</u>	<u>60,763</u>

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Other expenses for the year include the following:			
Advertising		284	314
Bad and doubtful debts		56	(16)
Bank charges		439	447
Carbon tax expense		–	140
Contributions/levies to other levels of government			
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		346	294
– NSW Fire Brigade levy		2,649	2,552
– NSW Rural Fire Service levy		405	310
– Waste and environment levy		12,899	14,662
Councillor expenses – mayoral fee		80	78
Councillor expenses – councillors' fees		355	347
Councillors' expenses (incl. mayor) – other (excluding fees above)		74	71
Donations, contributions and assistance to other organisations (Section 356)			
– City centre management		676	724
– Crown St Facade rejuvenation		50	424
– Illawarra institute of sport		35	35
– Illawarra joint project organisation		50	74
– Illawarra performing arts centre		661	646
– Illawarra regional information service		88	86
– Illawarra surf life saving		50	52
– Neighbourhood youth program		199	199
– Sponsorship fund		66	59
– Tourism		971	960
– Other		549	639
Fair value decrements – I,PP&E	9(a)	1,470	–
Insurance		2,958	3,217
Light, electricity and heating		1,981	2,114
Membership fees		140	174
Postage		432	331
Provision for self insurance claims		(180)	180
Rental agreements		302	245
Royalty Payments		306	272
Sewerage charges		319	230
Street lighting		2,916	3,145
Telephone and communications		677	740
Valuation fees		398	396
Volunteer reimbursements		229	213
Water rates		887	868
Other		1,041	1,347
Total other expenses		34,858	36,569
Less: capitalised costs		(76)	(792)
TOTAL OTHER EXPENSES		34,782	35,777

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2016	Actual 2015
Property (excl. investment property)			
Proceeds from disposal – property		–	9,535
Less: carrying amount of property assets sold/written off		(333)	(4,297)
Net gain/(loss) on disposal		(333)	5,238
Plant and equipment			
Proceeds from disposal – plant and equipment		919	1,490
Less: carrying amount of plant and equipment assets sold/written off		(832)	(1,069)
Net gain/(loss) on disposal		87	421
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		(1,381)	(1,971)
Net gain/(loss) on disposal		(1,381)	(1,971)
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		78,054	57,074
Less: carrying amount of financial assets sold/redeemed/matured		(78,054)	(57,074)
Net gain/(loss) on disposal		–	–
Non-current assets classified as 'held for sale'			
Proceeds from disposal – non-current assets 'held for sale'		–	1,545
Less: carrying amount of 'held for sale' assets sold/written off		–	(1,700)
Net gain/(loss) on disposal		–	(155)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,627)	3,533

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		692	–	1,175	–
Cash-equivalent assets ¹					
– Deposits at call		17,055	–	32,405	–
Total cash and cash equivalents		17,747	–	33,580	–
Investments (Note 6b)					
– Managed funds		1,729	–	1,719	–
– Long term deposits		94,530	10,085	91,030	9,000
– NCD's, FRN's (with maturities > 3 months)		24,543	–	4,013	–
– Mortgage backed securities		1,625	–	1,736	–
– Other long term financial assets		3,766	–	3,578	–
Total investments		126,193	10,085	102,076	9,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		143,940	10,085	135,656	9,000

¹ Those investments where time to maturity (from date of purchase) is < 3 mths.

Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:

Cash and cash equivalents

a. 'At fair value through the profit and loss'	17,747	–	33,580	–
--	---------------	----------	---------------	----------

Investments

a. 'At fair value through the profit and loss'					
– 'Held for trading'	6(b-i)	31,663	–	11,046	–
b. 'Held to maturity'	6(b-ii)	94,530	10,085	91,030	9,000
Investments		<u>126,193</u>	<u>10,085</u>	<u>102,076</u>	<u>9,000</u>

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 6b. investments (continued)

\$ '000	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Note 6(b-i)				
Reconciliation of investments classified as 'at fair value through the profit and loss'				
Balance at the beginning of the year	11,046	—	7,642	—
Revaluations (through the Income Statement)	83	—	331	—
Additions	21,588	—	3,147	—
Disposals (sales and redemptions)	(1,054)	—	(74)	—
Balance at end of year	31,663	—	11,046	—
Comprising:				
– Managed funds	1,729	—	1,719	—
– NCD's, FRN's (with maturities > 3 months)	24,543	—	4,013	—
– Mortgage backed securities	1,625	—	1,736	—
– Other long term financial assets	3,766	—	3,578	—
Total	31,663	—	11,046	—
Note 6(b-ii)				
Reconciliation of investments classified as 'held to maturity'				
Balance at the beginning of the year	91,030	9,000	56,030	21,000
Additions	65,500	16,085	76,000	4,000
Disposals (sales and redemptions)	(77,000)	—	(57,000)	—
Transfers between current/non-current	15,000	(15,000)	16,000	(16,000)
Balance at end of year	94,530	10,085	91,030	9,000
Comprising:				
– Other long term financial assets	94,530	10,085	91,030	9,000
Total	94,530	10,085	91,030	9,000

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 6c. Restricted cash, cash equivalents and investments – details

	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	143,940	10,085	135,656	9,000
attributable to:				
External restrictions (refer below)	65,191	10,085	68,693	9,000
Internal restrictions (refer below)	55,377	–	41,960	–
Unrestricted	23,372	–	25,003	–
	143,940	10,085	135,656	9,000

	2016 Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
\$ '000				

Details of restrictions

External restrictions – other

Developer contributions – general	(A)	15,094	9,624	(9,348)	15,370
RMS (formerly RTA) contributions	(B)	140	2,342	(2,260)	222
Specific purpose unexpended grants	(C)	4,855	17,242	(17,442)	4,655
Domestic waste management	(D)	10,697	503	(1,245)	9,955
Stormwater management	(D)	371	1,757	(740)	1,388
Private contributions		4,821	1,369	(2,252)	3,938
Unexpended loan	(E)	7,020	204	(17)	7,207
Special rates levy – Wollongong mall		201	1,035	(1,104)	132
Special rates levy – city centre		4	395	(393)	6
Carbon price	(G)	4,378	–	(7)	4,371
Local infrastructure renewal scheme round 1	(F)	6,605	–	(3,745)	2,860
Local infrastructure renewal scheme round 2	(F)	2,691	–	(2,691)	–
Local infrastructure renewal scheme round 3	(F)	15,000	297	–	15,297
West Dapto home deposit assistance program		5,816	3,974	–	9,790
West Dapto home deposits issued		–	85	–	85
External restrictions – other		77,693	38,827	(41,244)	75,276
Total external restrictions		77,693	38,827	(41,244)	75,276

- A Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- B RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- C Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- D Domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.
- E State Government interest free loan to be administered on infrastructure as part of the West Dapto development.
- F State Government subsidised loans to be administered on infrastructure projects over the Local Government area.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 6c. Restricted cash, cash equivalents and investments – details (continued)

G Following repeal of the carbon price, future year carbon price liabilities associated with waste deposited during 2012-13 and 2013-14 were extinguished. On 9 November 2015 Council resolved to participate in the Voluntary Waste Protocol. As part of this, Council agreed that \$2.3M of early charges collected through domestic waste management charges would be refunded to rate payers via 2016-17 rate notices. A further \$1.8M was allocated to carbon tax abatement projects that would be implemented over 2016-17 and 2017-18 financial years. A further \$50K is to be retained to meet future audit and compliance costs imposed by the protocol.

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Car parking strategy	253	706	(50)	909
Darcy Wentworth park	164	6	–	170
Future programs	6,941	–	(1,377)	5,564
Strategic projects	11,208	12,675	–	23,883
MacCabe park development	691	150	–	841
Property	4,121	–	–	4,121
Property investment fund	7,845	290	–	8,135
Sports priority program	515	234	(252)	497
Southern phone natural areas	489	279	(292)	476
Telecommunications reserve	118	37	–	155
Waste disposal facility	9,533	3,201	(2,726)	10,008
West Dapto development	82	445	–	527
Beaton Park Athletic Track	–	3	(3)	–
Lake Illawarra Estuary Management Fund	–	165	(74)	91
Total internal restrictions	41,960	18,191	(4,774)	55,377
TOTAL RESTRICTIONS	119,653	57,018	(46,018)	130,653

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		7,512	—	8,256	—
Interest and extra charges		1,335	—	1,455	—
User charges and fees		4,808	—	5,044	—
Accrued revenues					
– Interest on investments		1,613	—	1,612	—
– Other income accruals		2,371	—	2,186	—
Government grants and subsidies		2,291	—	2,791	—
Net GST receivable		1,952	—	1,311	—
Total		21,882	—	22,655	—
Less: provision for impairment					
User charges and fees		(602)	—	(546)	—
Total provision for impairment – receivables		(602)	—	(546)	—
<u>TOTAL NET RECEIVABLES</u>		<u>21,280</u>	<u>—</u>	<u>22,109</u>	<u>—</u>
Externally restricted receivables					
Nil					
Internally restricted receivables					
Nil					
Unrestricted receivables		21,280	—	22,109	—
TOTAL NET RECEIVABLES		21,280	—	22,109	—

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		5,734	—	5,734	—
Stores and materials		293	—	306	—
Total inventories at cost		6,027	—	6,040	—
(ii) Inventories at net realisable value (NRV)					
Nil					
<u>TOTAL INVENTORIES</u>		<u>6,027</u>	<u>—</u>	<u>6,040</u>	<u>—</u>
(b) Other assets					
Prepayments		3,207	—	4,313	—
<u>TOTAL OTHER ASSETS</u>		<u>3,207</u>	<u>—</u>	<u>4,313</u>	<u>—</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 8. Inventories and other assets (continued)

\$ '000	2016		2015	
	Current	Non-current	Current	Non-current
Other disclosures				
(a) Details for real estate development				
Residential	5,734	—	5,734	—
Total real estate for resale	5,734	—	5,734	—
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	5,734	—	5,734	—
Total costs	5,734	—	5,734	—
Total real estate for resale	5,734	—	5,734	—
Movements:				
Real estate assets at beginning of the year	5,734	—	5,734	—
Total real estate for resale	5,734	—	5,734	—

(b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be sold in the next 12 months;

	2016	2015
Real estate for resale	5,734	5,734
	5,734	5,734

(c) Inventories recognised as an expense for the year included:

– Stores and materials	1,252	1,300
------------------------	-------	-------

(d) Inventory write downs

\$8,623 was recognised as an expense relating to the write down of inventory balances held during the year.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period											as at 30/6/2016				
	At cost	At fair value	Accumulated depreciation	Impairment	Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in P/L)	WIP transfers	Adjustments and transfers	Other movements Change of Life	Revaluation decrements to P&L	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated depreciation	Impairment	Carrying value
Capital work in progress	36,811	—	—	—	36,811	28,558	12,814	(158)	—	—	(22,476)	—	—	—	—	—	55,549	—	—	—	55,549
Plant and equipment	—	37,403	17,396	—	20,007	5,334	—	(832)	(4,201)	—	—	—	436	—	—	—	—	40,424	19,680	—	20,744
Office equipment	—	7,036	4,681	—	2,355	927	—	—	(899)	—	—	—	—	—	—	—	—	7,953	5,570	—	2,383
Furniture and fittings	—	1,513	714	—	799	371	—	—	(96)	—	—	—	—	—	—	—	—	1,884	810	—	1,074
Land:																					
— Operational land	—	177,185	—	—	177,185	—	—	—	—	—	—	—	—	—	—	—	—	177,185	—	—	177,185
— Community land	—	374,339	—	—	374,339	—	54	—	—	—	—	—	—	—	(26,101)	—	—	348,292	—	—	348,292
— Land under roads (post 30/6/08)	—	26,789	—	—	26,789	—	3,261	—	—	—	—	—	—	—	—	—	—	30,050	—	—	30,050
Infrastructure:																					
— Buildings – non-specialised	—	201,132	112,019	—	89,113	1,915	320	(307)	(5,791)	—	100	—	450	—	—	—	—	202,193	116,393	—	85,800
— Buildings – specialised	—	304,043	191,464	377	112,202	1,542	258	(24)	(6,108)	(6)	2,268	—	(985)	—	—	—	—	304,499	195,328	24	109,147
— Other structures	—	14,061	7,819	—	6,242	101	17	(2)	(589)	—	35	—	(42)	(398)	—	504	—	13,894	8,026	—	5,868
— Roads	—	1,330,838	799,636	—	531,202	5,162	1,753	(435)	(21,681)	—	15,294	4,721	(3,590)	—	(801)	—	—	1,358,201	826,576	—	531,625
— Bridges	—	124,977	46,672	—	78,305	2,849	967	—	(1,769)	—	3,607	8,014	(183)	—	—	59	—	140,831	48,982	—	91,849
— Footpaths	—	255,062	134,726	—	120,336	5,129	5,378	(2)	(3,822)	—	527	1,184	(1,774)	—	(2,990)	—	—	263,265	139,299	—	123,966
— Stormwater drainage	—	872,896	364,721	—	508,175	2,605	991	—	(9,600)	—	466	2,291	(1,277)	—	—	3,503	—	887,859	380,705	—	507,154
— Swimming pools	—	30,385	25,121	—	5,264	1	—	—	(515)	—	—	—	—	(118)	(6)	—	—	29,832	22,446	—	7,386
— Other open space/recreational assets	—	152,579	49,703	—	102,876	1,527	661	(786)	(3,670)	—	179	1,859	5,730	(936)	(850)	—	—	148,138	41,548	—	106,590
Other assets:																					
— Heritage collections	—	11,961	—	—	11,961	—	304	—	—	—	—	—	—	—	—	—	—	12,265	—	—	12,265
— Library books	—	6,832	2,968	—	3,864	1,153	—	—	(1,026)	—	—	—	298	—	—	—	—	7,985	3,696	—	4,289
— Other	—	41,342	9,073	—	32,269	1,644	761	—	(1,360)	—	—	—	(124)	(18)	(3)	—	—	43,537	10,368	—	33,169
Reinstatement, rehabilitation and restoration assets (refer Note 26):																					
— Tip assets	—	19,738	8,489	—	11,249	—	—	—	(221)	—	—	—	—	—	—	—	—	19,738	8,710	—	11,028
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	36,811	3,990,111	1,775,202	377	2,251,343	58,818	27,539	(2,546)	(61,348)	(6)	—	18,069	1,699	(1,470)	(30,751)	4,066	55,549	4,038,025	1,828,137	24	2,265,413

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 9b. Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	Actual 2016	Actual 2015
(i) Impairment losses recognised in the Income Statement:			
Mt Keira Summit Kiosk		(6)	–
Total impairment losses		(6)	–
IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L	4(d)	(6)	–
(ii) Reversals of impairment losses previously recognised direct to equity (ARR):			
RFS Bushfire control centre		–	5
Mount Keira Road		–	937
Total impairment reversals		–	942
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)	20 (ii)	–	942

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		9,164	–	7,325	–
Goods and services – capital expenditure		11,201	–	10,542	–
Payments received In advance		3,194	–	2,872	–
Accrued expenses:					
– Other expenditure accruals		6,249	–	5,374	–
Security bonds, deposits and retentions		2,944	–	2,566	–
Carbon price		4,174	–	4,174	–
Other		506	–	1,186	–
Total payables		37,432	–	34,039	–
Borrowings					
Loans – secured ¹		6,690	33,940	6,369	39,758
Total borrowings		6,690	33,940	6,369	39,758
Provisions					
Employee benefits:					
Annual leave		8,865	–	8,599	–
Sick leave		188	–	301	–
Long service leave		37,156	381	33,600	537
Other leave		937	–	884	–
Sub-total – aggregate employee benefits		47,146	381	43,384	537
Self insurance – workers compensation		833	3,201	1,222	3,282
Self insurance – claims incurred		235	235	325	325
Asset remediation/restoration (future works)	26	2,469	40,214	2,556	38,410
Total provisions		50,683	44,031	47,487	42,554
TOTAL PAYABLES, BORROWINGS AND PROVISIONS					
		94,805	77,971	87,895	82,312

(i) Liabilities relating to restricted assets

	2016		2015	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Loans	6,690	33,940	6,369	39,758
Carbon price	4,174	–	4,174	–
Liabilities relating to externally restricted assets	10,864	33,940	10,543	39,758
Total liabilities relating to restricted assets	10,864	33,940	10,543	39,758
Total liabilities relating to unrestricted assets	83,941	44,031	77,352	42,554
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	94,805	77,971	87,895	82,312

¹ Loans are secured over the general rating income of Council.

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions (continued)

	Actual 2016	Actual 2015
\$ '000		

(ii) Current liabilities not anticipated to be settled within the next twelve months

The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	35,674	32,458
Payables – security bonds, deposits and retentions	2,326	2,028
	38,000	34,486

Note 10b. Description of and movements in provisions

Class of provision	2015	2016				Closing balance as at 30/6/16
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	8,599	8,265	(8,023)	24	–	8,865
Sick leave	301	–	(117)	4	–	188
Long service leave	34,137	4,897	(3,505)	2,008	–	37,537
Other leave	884	256	(213)	10	–	937
Self insurance	4,504	(470)	–	–	–	4,034
Asset remediation	40,966	1,717	–	–	–	42,683
Other	650	(180)	–	–	–	470
TOTAL	90,041	14,485	(11,858)	2,046	–	94,714

- Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council's being a self insurer up to certain levels of excess. Estimates are derived through a process of assessment undertaken internally by Council's Risk Insurance team.
- Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.
- Workers Compensation - Self Insurance Provision represents Wollongong City Council's liability in respect of its self-insured outstanding claims incurred up to 30 June 2016. Accrual estimates were provided by David A Zaman

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	17,747	33,580
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		17,747	33,580
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		27,837	31,594
Adjust for non-cash items:			
Depreciation and amortisation		61,882	60,763
Net losses/(gains) on disposal of assets		1,627	(3,533)
Non-cash capital grants and contributions		(4,588)	(1,906)
Impairment losses recognition – I,PP&E		6	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(83)	(331)
– Investment properties		(2,025)	–
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council		–	(7)
– Interest exp. on interest-free loans received by Council (previously fair valued)		872	1,004
Unwinding of discount rates on reinstatement provisions		1,804	1,722
Share of net (profits) or losses of associates/joint ventures		(150)	22
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		773	1,516
Increase/(decrease) in provision for doubtful debts		56	180
Decrease/(increase) in inventories		13	(3)
Decrease/(increase) in other assets		1,106	(2,667)
Increase/(decrease) in payables		1,839	(1,320)
Increase/(decrease) in other accrued expenses payable		875	(194)
Increase/(decrease) in other liabilities		20	1,766
Increase/(decrease) in employee leave entitlements		3,606	2,792
Increase/(decrease) in other provisions		(737)	(2,307)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		96,203	89,091

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Non-cash investing and financing activities			
Other dedications		3,548	1,906
Contributed Bush Fire Assets		605	–
Contributed Transport Assets (RMS)		435	–
Total non-cash investing and financing activities		4,588	1,906
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		300	300
Credit cards/purchase cards		835	835
Total financing arrangements		1,135	1,135
Amounts utilised as at balance date:			
– Credit cards/purchase cards		5	60
Total financing arrangements utilised		5	60

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

Loans are secured by a mortgage over future years rate revenue only.

(e) Bank guarantees

Council has provided security to Work Cover for outstanding workers compensation claims liability in the form of a bank guarantee to the sum of \$7,711,000.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		277	3,599
Plant and equipment		—	317
Infrastructure		3,381	1,479
Total commitments		3,658	5,395
These expenditures are payable as follows:			
Within the next year		3,658	5,395
Total payable		3,658	5,395
Sources for funding of capital commitments:			
Unrestricted general funds		3,238	4,074
Sect 64 and 94 funds/reserves		320	220
Unexpended loans		100	1,101
Total sources of funding		3,658	5,395

Details of capital commitments

Buildings include Corrimal Surf Life Saving Club and Keira Cricket Club Pavilion.
Infrastructure includes Farrell Road Pedestrian Bridge, JP Galvin Park Shelters, Stuart Park Boardwalk, Water Quality Facilities Elliotts Road, Debris Control Structure Cosgrove Avenue, Woonona Rock Pool, Darkes, Sheaffes & Cleveland Roadworks, Skate Facilities for Guest & Unanderra Park, Judbooley Parade Seawall, Sublime Point Water Treatment Facility & Towradgi Tidal Pool.

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	100	97
Later than one year and not later than 5 years	400	388
Later than 5 years	799	872
Total non-cancellable operating lease commitments	1,299	1,357

b. Non-cancellable operating leases include the following assets:

Lease of Land for Dapto Ribbonwood Centre

Conditions relating to operating leases:

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2016	Indicator 2016	Prior periods 20152014	
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	2,128	0.84%	2.31%	-6.53%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	252,242			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	221,781	79.55%	80.57%	79.70%
Total continuing operating revenue ⁽¹⁾	278,790			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	103,529	2.25x	2.19x	1.93x
Current liabilities less specific purpose liabilities ^(3, 4)	45,941			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	68,239	6.44x	7.60x	5.87x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	10,592			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	8,847	4.79%	5.48%	5.61%
Rates, annual and extra charges collectible	184,616			
5a. Rates, annual charges, interest and extra charges outstanding percentage (excl. Pensioner arrears)				
Rates, Annual and Extra Charges Outstanding	6,378	3.45%	3.94%	4.21%
Rates, Annual and Extra Charges Collectible	184,616			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	122,362	7.29 mths	8.0 mths	7.1 mths
Payments from cash flow of operating and financing activities	16,789			

Notes

⁽¹⁾ Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

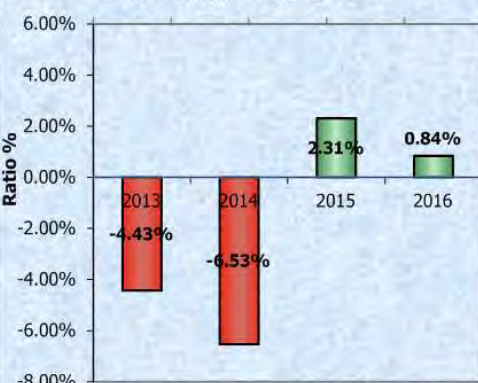


⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

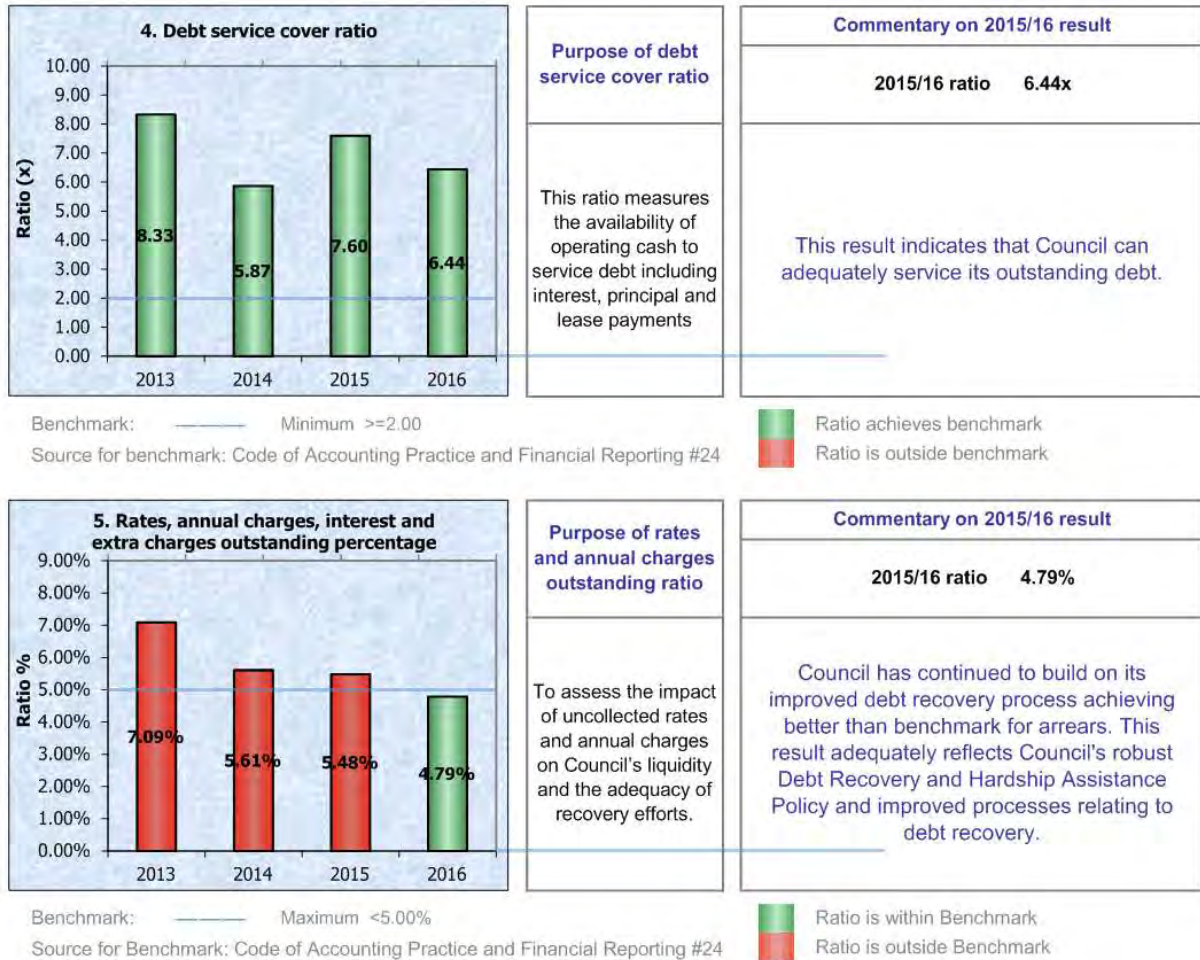
Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p>1. Operating performance ratio</p>  <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 0.84%</p> <p>This positive result reflects a favourable outcome compared to the adopted budget and highlights the achievement of efficiency targets throughout the year. Council continues to review services currently provided in consultation with the community. This work aims to determine service levels, create efficiencies and consider funding levels to improve the underlying result in the short term and create a balanced result in future years.</p> <p>Ratio achieves benchmark Ratio is outside benchmark</p>
<p>2. Own source operating revenue ratio</p>  <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 79.55%</p> <p>This result is consistent with previous reporting periods. It is noted that total revenue includes non-cash contributed assets which fluctuate from year to year and impact this result.</p> <p>Ratio achieves benchmark Ratio is outside benchmark</p>
<p>3. Unrestricted current ratio</p>  <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 2.25x</p> <p>1. Council's strategy is to maximise the use of available funds and target a lean unrestricted ratio. 2. Cash assets held for future waste facility requirements are held in the unrestricted ratio. As the requirements to hold funds for waste facility rehabilitation is significant the measure is expected to increase until payments are required.</p> <p>Ratio achieves benchmark Ratio is outside benchmark</p>

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

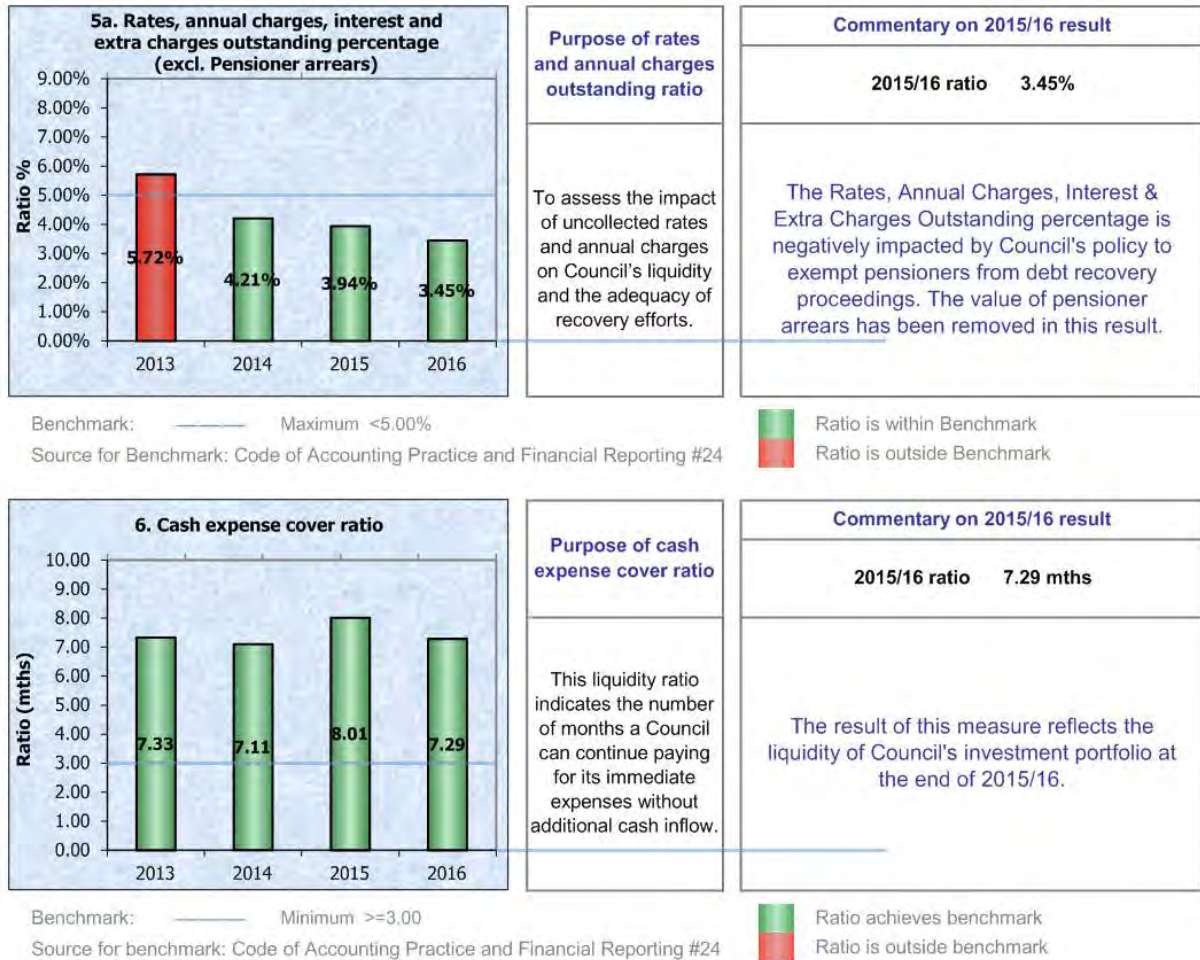
Note 13a(ii). Local government industry indicators – graphs (consolidated)



Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 14. Investment properties

\$ '000	Notes	Actual 2016	Actual 2015
(a) Investment properties at fair value			
<u>Investment properties on hand</u>		<u>4,775</u>	<u>2,750</u>
Reconciliation of annual movement:			
Opening balance		2,750	2,750
– Net gain/(loss) from fair value adjustments		2,025	–
CLOSING BALANCE – INVESTMENT PROPERTIES		<u>4,775</u>	<u>2,750</u>

(b) Valuation basis

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2016 revaluations were based on an independent assessment made by R F Rubin Certified Practising Valuer.

(c) Contractual obligations at reporting date

Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.

(d) Leasing arrangements

Details of leased investment properties are as follows;

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	259	287
Later than 1 year but less than 5 years	599	391
Total minimum lease payments receivable	<u>858</u>	<u>678</u>

(e) Investment property income and expenditure – summary

Rental income from investment properties:		
– Minimum lease payments	387	406
Direct operating expenses on investment properties:		
– that generated rental income	(120)	(123)
Net revenue contribution from investment properties	<u>267</u>	<u>283</u>
plus:		
Fair value movement for year	<u>2,025</u>	<u>–</u>
Total income attributable to investment properties	<u>2,292</u>	<u>283</u>

Refer to Note 27. Fair value measurement for information regarding the fair value of investment properties held.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 15. Financial risk management

\$ '000

Risk management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's finance section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	17,747	33,580	17,747	33,580
Investments				
– 'Held for trading'	31,663	11,046	31,663	11,046
– 'Held to maturity'	104,615	100,030	104,615	100,030
Receivables	21,280	22,109	21,280	22,109
Total financial assets	175,305	166,765	175,305	166,765
Financial liabilities				
Payables	34,238	31,167	34,238	31,167
Loans/advances	40,630	46,127	40,630	46,127
Total financial liabilities	74,868	77,294	74,868	77,294

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) **'at fair value through profit and loss'** or (ii) **'available-for-sale'** – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

(a) Market risk – price risk and interest rate risk

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2016				
Possible impact of a 10% movement in market values	3,166	3,166	(3,166)	(3,166)
Possible impact of a 1% movement in interest rates	1,224	1,224	(1,224)	(1,224)
2015				
Possible impact of a 10% movement in market values	1,105	1,105	(1,105)	(1,105)
Possible impact of a 1% movement in interest rates	1,336	1,336	(1,336)	(1,336)

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

		2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(i) Ageing of receivables – %					
Current (not yet overdue)		58%	64%	49%	43%
Overdue		42%	36%	51%	57%
		100%	100%	100%	100%
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Current	Current	5,138	11,046	4,746	7,835
< 1 year overdue	0 – 30 days overdue	1,254	464	1,638	3,345
1 – 2 years overdue	30 – 60 days overdue	734	225	1,041	592
2 – 5 years overdue	60 – 90 days overdue	520	163	747	83
> 5 years overdue	> 90 days overdue	1,201	1,137	1,539	1,089
		8,847	13,035	9,711	12,944
(iii) Movement in provision for impairment of receivables					
				2016	2015
Balance at the beginning of the year				546	366
+ new provisions recognised during the year				56	206
– previous impairment losses reversed				–	(26)
Balance at the end of the year				602	546

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Subject	payable in:						Total	Actual
	to no maturity	≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs	cash outflows	carrying values
2016									
Trade/other payables	2,944	31,294	—	—	—	—	—	34,238	34,238
Loans and advances	—	8,051	8,051	8,051	5,151	5,151	10,656	45,111	40,630
Total financial liabilities	2,944	39,345	8,051	8,051	5,151	5,151	10,656	79,349	74,868
2015									
Trade/other payables	2,566	28,601	—	—	—	—	—	31,167	31,167
Loans and advances	—	8,051	8,051	8,051	8,051	5,151	15,807	53,162	46,127
Total financial liabilities	2,566	36,652	8,051	8,051	8,051	5,151	15,807	84,329	77,294

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities and interest rate structures.

The following interest rates were applicable to Council's borrowings at balance date:

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	34,238	0.00%	31,167	0.00%
Loans and advances – fixed interest rate	40,630	1.50%	46,127	1.50%
	<u>74,868</u>		<u>77,294</u>	

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 22 June 2015.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Note that for variations* of budget to actual :

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2016 Budget	2016 Actual	2016 Variance*	
REVENUES				
Rates and annual charges	173,254	174,149	895	1% F
User charges and fees	33,194	31,252	(1,942)	(6%) U
Interest and investment revenue	4,772	5,597	825	17% F
This variation is due to increased cash holdings for a significant part of the year due to timing of delivery of projects and favourable operating performance.				
Other revenues	9,454	12,891	3,437	36% F
Other revenues is greater due to the positive fair value adjustment of the investment property Kembla Terraces (\$1.9M), reimbursement for the replacement of a water supply main (\$0.9M), workers compensation insurance claims (\$0.2M), leave liability transfers for new employees (\$0.2M), sale of land not in the asset register (\$0.2) and other more minor variations.				
Operating grants and contributions	28,846	30,461	1,615	6% F
Capital grants and contributions	14,520	26,548	12,028	83% F
Capital grants and contributions income is impacted by contributed assets (\$4.6M), increased developer contributions (\$4.0M), additional grants relating to infrastructure renewal works (\$2.7M) and Community Transport bus replacement funds transferred from Shellharbour City Council (\$0.7M).				

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	101,922	103,547	(1,625)	(2%) U
Borrowing costs	4,206	4,223	(17)	(0%) U
Materials and contracts	50,013	47,144	2,869	6% F
Depreciation and amortisation	62,074	61,882	192	0% F
Impairment expenses	—	6	(6)	0% U
It is noted that impairment expenses are not budgeted for.				
Other expenses	37,717	34,782	2,935	8% F
This variation is due to lower EPA levy expenditure comprising of both lower levels of cover material acquired (\$1.7M) and commercial tipping waste received (\$1.7M), lower street lighting electricity costs (\$0.5M) and other more minor items that have been partially offset by asset revaluation decrements \$(1.5M).				
Net losses from disposal of assets	—	1,627	(1,627)	0% U
The unfavourable variance is mainly due to the write off of residual values on infrastructure assets that were replaced during the year. These assets were disposed without consideration.				

Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	75,015	96,203	21,188	28.2% F
Reflects the timing of S94 contributions (\$9.2M), timing of operating grants (\$1.2M), additional interest due to delayed capital spend (\$1.1M) and GST which is not budgeted for in the cash flow (\$9M).				
Cash flows from investing activities	(82,688)	(105,667)	(22,979)	27.8% U
This is primarily due to an increase in the purchase of long term deposits. This amount is offset by a similar reduction in cash and cash equivalents.				
Cash flows from financing activities	(6,371)	(6,369)	2	(0.0%) F

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	3,044	537	–	94	–	–	3,675	–
Roads	1,661	3,116	–	(7)	(6,609)	–	(1,839)	–
Open space	2,449	863	–	87	–	–	3,399	–
Community facilities	508	178	–	18	–	–	704	–
Administration	210	42	–	1	(608)	–	(355)	–
Public transport	376	135	–	13	–	–	524	–
S94 contributions – under a plan	8,248	4,871	–	206	(7,217)	–	6,108	–
S94A levies – under a plan	6,846	4,215	–	229	(2,131)	–	9,159	–
Total S94 revenue under plans	15,094	9,086	–	435	(9,348)	–	15,267	–
S94 not under plans	–	102	–	1	–	–	103	–
Total contributions	15,094	9,188	–	436	(9,348)	–	15,370	–

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - WEST DAPTO

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	3,044	537	–	94	–	–	3,675	–
Roads	1,661	3,116	–	(7)	(6,609)	–	(1,839)	–
Open space	2,449	863	–	87	–	–	3,399	–
Community facilities	508	178	–	18	–	–	704	–
Administration	210	42	–	1	(608)	–	(355)	–
Public transport	376	135	–	13	–	–	524	–
Total	8,248	4,871	–	206	(7,217)	–	6,108	–

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN - WOLLONGONG

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
City Wide	10,079	3,085	–	303	(2,016)	–	11,451	–
City Centre	(3,233)	1,130	–	(74)	(115)	–	(2,292)	–
Total	6,846	4,215	–	229	(2,131)	–	9,159	–

A The Wollongong S94A plan is a levy based plan that reflects development activity in the Local Government Area excluding areas covered by the West Dapto Section 94 Plan.

B Figures provided include amounts collected under the Section 94A Plan as well as contributions received from relevant development consents approved prior to 2006 that contained conditions for contributions to be made, under now repealed Section 94 plans. These are transferred and applied towards items within the Section 94A Plan Works schedule as the Section 94A is the replacement for the plans repealed in June 2006.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – NOT UNDER A PLAN

CONTRIBUTION PLAN - CALDERWOOD

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	–	102	–	1	–	–	103	–
Total	–	102	–	1	–	–	103	–

- A** The Calderwood Urban Release Area was historically in the Shellharbour City Local Government Area. However, the Urban Release Area was later expanded during the State Government's major project approval process to include land that straddles the local government boundary, which comprises 107 hectares of land in the Wollongong Local Government Area at Marshall Mount.
- B** In 2013, the Land and Environment Court imposed a development contribution condition on Stage 1 of the Calderwood development within Shellharbour City Council Local Government area, requiring the payment of a contribution of \$1,320 per lot to Wollongong City Council to be used towards the upgrades of Marshall Mount Road and Yallah Road.
- C** Lend Lease has paid \$102,094 to Wollongong City Council arising from the first 75 lots released under Stage 1. Additional future contributions are expected from the remainder of the lots within Stage 1. Wollongong City Council is unable to receive contributions for the lots to be released under Stage 2A of the Calderwood development. Potential future contributions for Stage 2B and other stages within the Shellharbour Local Government area are dependent on legal proceedings currently pending in the Land and Environment Court.
- D** Wollongong City Council has exhibited a Draft Section 94 Development Contributions Plan for the Calderwood Urban Release Area.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Balance Sheet, but their knowledge & disclosure is considered relevant to the users of Council's Financial Report.

LIABILITIES NOT RECOGNISED:

1. Bank Guarantees

Council has provided Bank Guarantees totalling \$194,900 as security over damages for work that may impact a third party.

Council is also Guarantor on a mortgage for a third party of \$180,000.

2. Third Party Claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its Insurance Coverage and does not expect any material liabilities to eventuate.

3. S94 Plans

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans. As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds.

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Councils intention to spend funds in the manner and timing set out in those plans.

4. Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees.

Member Councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make a higher contribution during the reporting period. This amounted to \$1.764M for Council in 2015/16. Council's LTFM includes forecast payments of \$1.804M in 2016/17 and \$1.8M annually up to and including 2020/21.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its Defined Benefit Scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable - similar to the accounting for Defined Contributions Plans.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

ASSETS NOT RECOGNISED:

1. Liability Insurance - Independent Insurance

Council placed its liability insurance with Independent Insurance Company of London (Independent) in 1996. During 2000/2001 Independent went into liquidation. Independent remains responsible for payment of their portion of each Council claim incurred which exceeded Council's insurance excess, currently estimated at \$3,674,859. At this time, the liquidator has established a Scheme of Arrangement however has not yet begun disbursing payments and is unable to specify how much of Council's claims will be recovered from the remaining assets of Independent.

2. Various Insurance - HIH & CIC

Council placed or was a party to various liability, property and workers compensation insurance policies with HIH & CIC. During 2000/2001 HIH & CIC went into liquidation. Both HIH & CIC remain responsible for payment of their portion of each Council claim incurred which exceeded Council's insurance excess. Council has recovered \$1,123,347 to date. The total of Council's unrecovered claims is currently \$1,174,155.

At this time, the liquidator is unable to determine how much of Council's claims will be recovered from the remaining assets of HIH & CIC.

3. Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

4. S94 Contributions

The Calderwood Urban Release Area is being developed across the Wollongong City Council and Shellharbour City Council Local Government Areas.

Lend Lease has paid \$102K to Wollongong City Council under Stage 1 within the Shellharbour Local Government Area which comprises 231 lots. Additional contributions are expected from the remainder of the lots in Stage 1.

Shellharbour City Council has approved the Development Applications (DA) associated with Stage 2 of the Calderwood release area. This DA did not include a provision for the payment of development contributions to Wollongong City Council. As a result Wollongong City Council has challenged the grant of consent for 279 lots which make up Stage 2B of the development. If Wollongong City Council is successful the consent will be set aside and Shellharbour City Council will be required to redetermine the DA with the inclusion of conditions requiring contributions to Wollongong City Council.

If the court proceedings are successful Shellharbour City Council and Lend Lease may be liable for Council's costs. If Wollongong City Council is unsuccessful it would likely have a liability for costs.

Further, if the consent is not set aside Shellharbour City Council could continue to issue development consents to Lend Lease that do not include the provisions for a contribution to Wollongong City Council. The infrastructure required in the Wollongong Local Government Area to accommodate the Calderwood Urban Release Area would therefore have a funding shortfall.

5. Council Amalgamation

On the 18 December 2015 the Premier and Minister for Local Government announced the Government's Merger Proposals which included Wollongong City Council to be joined with Shellharbour City Council to form one entity. This proposed amalgamation has been delayed due to an on-going legal challenge by Shellharbour City Council. On this basis it is not clear when, or if the merger will proceed.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates

Note 19(b)

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Joint ventures	150	(22)	1,310	1,160
Total	150	(22)	1,310	1,160

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 19. Interests in other entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2016	2015
Westpool	Joint venture	Equity	376	146
United Independent Pools (UIP)	Joint venture	Equity	934	1,014
Total carrying amounts – material joint ventures and associates			1,310	1,160

(b) Details

Name of entity	Principal activity
Westpool	Insurance
United Independent Pools (UIP)	Insurance

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2016	2015	2016	2015	2016	2015	2016	2015
Westpool	376	146	1%	1%	1%	1%	10%	10%
United Independent Pools (UIP)	934	1,014	13%	14%	13%	14%	5%	5%

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates (continued)

(d) Summarised financial information for joint ventures and associates

	Westpool		United Independent Pools (UIP)	
	2016	2015	2016	2015
Statement of financial position				
Current assets				
Cash and cash equivalents	2,960	—	171	—
Other current assets	9,749	8,684	4,177	6,027
Total current assets	12,709	8,684	4,348	6,027
Non-current assets	47,864	48,487	8,539	5,761
Current liabilities				
Financial liabilities (excl. accounts payable)	4,999	—	2,800	—
Other current liabilities	523	4,742	347	1,809
Total current liabilities	5,522	4,742	3,147	1,809
Non-current liabilities	22,856	22,486	2,454	2,462
Net assets	32,195	29,943	7,286	7,517
Reconciliation of the carrying amount				
Opening net assets (1 July)	29,943	28,011	7,517	6,906
Profit/(loss) for the period	3,498	4,333	(231)	611
Dividends paid	—	(2,401)	—	—
Other adjustments to equity	(1,246)	—	—	—
Closing net assets	32,195	29,943	7,286	7,517
Council's share of net assets (%)	1.2%	0.5%	12.8%	13.5%
Council's share of net assets (\$)	376	146	934	1,014
Statement of comprehensive income				
Income	7,421	11,337	8,551	9,083
Interest income	2,438	—	423	—
Interest expense	(17)	—	—	—
Other expenses	(6,344)	(7,003)	(9,205)	(8,472)
Profit/(loss) for period	3,498	4,334	(231)	611
Total comprehensive income	3,498	4,334	(231)	611
Share of income – Council (%)	6.6%	-2.8%	35.0%	16.6%
Profit/(loss) – Council (\$)	231	(123)	(81)	101
Total comprehensive income – Council (\$)	231	(123)	(81)	101

(c) Joint operations

Council has no interest in any joint operations.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 19. Interests in other entities (continued)

\$ '000

(d) Unconsolidated structured entities

Council did not consolidate the following structured entities:

1. Illawarra Pilot Joint Organisation

The Illawarra Joint Organisation is a pilot organisation consisting of Kiama Municipal, Shellharbour City, Shoalhaven City and Wollongong City Councils. It was formed as a result of the fit for the future initiative of the NSW Government. The joint organisation aims to create a confident, vibrant and productive region that maximises its potential and looks after its people and environment through regional strategic planning, inter-governmental collaboration and regional leadership and advocacy. Each member Council contributes to the financing of the joint organisation with an additional contribution from the NSW Government. This entity has transitioned from the Southern Councils Group as at 1st July 2015.

Nature of risks relating to the Unconsolidated Structured Entity

There is a risk that the entity will not be able to deliver the programs and projects proposed resulting in Council having to provide further financial assistance.

	2016	2015
Losses (or expenses) incurred by Council relating to the Structured Entity	50	74
Note that the 2015 amount relates to the Southern Council's Group		

Current intention to provide financial support

According to the Charter of the Illawarra Pilot Joint Organisation, member Councils will make equal contributions to the IPJO for operating costs associated with its core functions. Council's current intentions are to meet the requirements agreed to within the Charter.

2. Wollongong City of Innovation Limited (trading as Destination Wollongong)

Destination Wollongong is an independent company limited by guarantee. This entity is charged with delivering visitor economy growth by positioning Wollongong as a premier regional tourism, events and conference destination. The activities completed by this entity include destination marketing, visitor information services, business events and conferences, and major event acquisition.

Nature of risks relating to the Unconsolidated Structured Entity

Although Council has no obligation to assist it may be asked to provide further financial assistance to deliver the service. Council may have to provide the service if Destination Wollongong is no longer able to.

	2016	2015
Losses (or expenses) incurred by Council relating to the Structured Entity	971	960

Current intention to provide financial support

The agreement between Wollongong City Council and Destination Wollongong requires Council to provide funding to Destination Wollongong in exchange for the completion of services including visitor and business information. Council's intentions are to provide financial support as per the agreement unless Destination Wollongong fails to comply with performance measures set out within the agreement.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 19. Interests in other entities (continued)

\$ '000

(d) Unconsolidated structured entities (continued)

3. Illawarra Performing Arts Centre Limited (trading as Merringong Theatre Company)

Merringong Theatre Company is an independent company incorporated by guarantee. This entity manages the Illawarra Performing Arts Centre and the Wollongong Town Hall, and produces, presents and supports a range of productions.

Nature of risks relating to the Unconsolidated Structured Entity

Although Council has no obligation to assist it may be asked to provide further financial assistance to deliver the service. Council may have to provide the service if Merringong is no longer able to.

	2016	2015
Losses (or expenses) incurred by Council relating to the Structured Entity	661	646

Current intention to provide financial support

The agreement between Wollongong City Council and Merringong Theatre Company requires Council to provide funding to Merringong in exchange for the delivery of a program of activities designed to contribute to the strategic outcomes sought by Council. Council's current intentions are to provide financial support as per the agreement unless Merringong fails to meet their obligations under the agreement.

(e) Subsidiaries, joint arrangements and associates not recognised

All subsidiaries, joint arrangements and associates have been recognised in this financial report.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		1,252,318	1,193,467
a. Correction of prior period errors	20 (c)	19,768	19,544
b. Net operating result for the year		27,837	31,594
c. Transfers between equity		(402)	7,713
Balance at end of the reporting period		1,299,521	1,252,318

(b) Revaluation reserves

(i) Reserves are represented by:

– Infrastructure, property, plant and equipment revaluation reserve	984,783	1,011,066
Total	984,783	1,011,066

(ii) Reconciliation of movements in reserves:

Infrastructure, property, plant and equipment revaluation reserve

– Opening balance	1,011,066	1,013,803
– Revaluations for the year	9(a) (26,685)	4,034
– (Impairment of revalued assets)/impairment reversals	9(a),(c) –	942
– Transfer to retained earnings for asset disposals	402	(7,713)
– Balance at end of year	984,783	1,011,066

TOTAL VALUE OF RESERVES

984,783	1,011,066
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(iii) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

- The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Correction of error/s relating to a previous reporting period			
Correction of errors as disclosed in last year's financial statements:			
Council reassessed the useful life of its IPPE and as a result was found to have overstated these assets depreciation.			
It also found that IPPE that Council owned had not been recognised and IPPE that had been recognised was disposed of in previous years. A revaluation exercise in 2016 has identified the errors and an adjustment has been made against the current year balances of IPPE and retained earnings to correct the errors because it was found to be impractical to restate the prior year comparatives.			
Details of the amounts and the financial statement lines affected are outlined below:			
- Depreciation Adjustment as a result of an assessment of useful lives		1,699	1,681
- Roads not recognised in previous years		1,499	1,684
- Footpaths not recognised in previous years		79	1,097
- Bridges not recognised in previous years		8,014	8,480
- Kerb & Gutter not recognised in previous years		246	23
- Other Structures not recognised in previous years		—	37
- Other Infrastructure not recognised in previous years		—	2,095
- Car Parks not recognised in previous years		2,804	744
- Cycleways not recognised in previous years		1,104	350
- Stormwater not recognised in previous years		2,291	3,544
- Recreation Assets not recognised in previous years		1,859	13
- Artwork disposed of in previous years but still recorded		—	(64)
- Other Infrastructure not recognised in previous years		172	(7)
- Other Structures disposed of in previous years but still recorded		—	(5)
- Cycleways disposed of in previous years but still recorded		—	(26)
- Buildings disposed of in previous years but still recorded		—	(87)
- Stormwater disposed of in previous years		—	(15)
These amounted to the following equity adjustments:			
- Adjustments for the 30/06/15 reporting year end		—	19,544
- Adjustments for the 30/06/16 reporting year end		19,768	—
Total prior period adjustments – prior period errors		19,768	19,544

(d) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the year.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 21. Financial result and financial position by fund

\$ '000

Council utilises only a general fund for its operations.

Note 22. 'Held for sale' non-current assets and disposal groups

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 11/10/16.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2016.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 24. Discontinued operations

\$ '000

Council has not classified any of its operations as 'discontinued'.

Note 25. Intangible assets

\$ '000	Actual 2016	Actual 2015
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	1,636	1,701
Accumulated amortisation (1/7)	(416)	(771)
Accumulated impairment (1/7)	–	–
Net book value – opening balance	1,220	930
Movements for the year		
– Purchases	357	617
– Amortisation charges	(534)	(327)
– Gross book value written off	–	(682)
– Accumulated amortisation charges written off	–	682
Closing values:		
Gross book value (30/6)	1,993	1,636
Accumulated amortisation (30/6)	(950)	(416)
Accumulated impairment (30/6)	–	–
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE 1</u>	<u>1,043</u>	<u>1,220</u>

¹ The net book value of intangible assets represent:

– Software	1,043	1,220
	1,043	1,220

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/operation	Estimated year of restoration	NPV of provision	
		2016	2015
Waste facility remediation – Whytes Gully/Helensburgh	2054	42,391	40,669
Flinders street land remediation		292	297
Balance at end of the reporting period	10(a)	42,683	40,966

Under AASB 116 – Property, Plant and Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 – Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Reconciliation of movement in provision for year:

Balance at beginning of year	40,966	39,572
Amortisation of discount (expensed to borrowing costs)	1,804	1,722
Expenditure incurred attributable to provisions	(87)	(328)
Total – reinstatement, rehabilitation and restoration provision	42,683	40,966

Amount of expected reimbursements

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 26. Reinstatement, rehabilitation and restoration liabilities (continued)

\$ '000

Provisions for close down and restoration and for environmental clean up costs – tips and quarries

Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals

Close down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets and liabilities

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

Fair values		Fair value measurement hierarchy			
2016		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Designated at fair value on initial recognition'	30/06/16	–	–	31,663	31,663
Total financial assets		–	–	31,663	31,663
Investment properties					
Commercial building	30/06/16	–	–	4,775	4,775
Total investment properties		–	–	4,775	4,775
Infrastructure, property, plant and equipment					
Roads	30/06/16	–	–	531,625	531,625
Bridges	30/06/16	–	–	91,849	91,849
Footpaths	30/06/16	–	–	123,966	123,966
Stormwater	30/06/16	–	–	507,154	507,154
Plant and equipment	30/06/16	–	–	20,744	20,744
Office equipment	30/06/16	–	–	2,383	2,383
Furniture and fittings	30/06/16	–	–	1,074	1,074
Operational land	30/06/14	–	–	177,185	177,185
Community land	30/06/16	–	–	348,292	348,292
Land under roads	30/06/14	–	–	30,050	30,050
Buildings	30/06/14	–	–	194,947	194,947
Other structures	30/06/16	–	–	5,868	5,868
Swimming pools	30/06/16	–	–	7,386	7,386
Library books	30/06/16	–	–	4,289	4,289
Other open space/recreational assets	30/06/16	–	–	106,590	106,590
Tip asset	30/06/16	–	–	11,028	11,028
Works in progress	30/06/16	–	–	55,549	55,549
Artworks	30/06/16	–	–	12,265	12,265
Other	30/06/16	–	–	33,169	33,169
Total infrastructure, property, plant and equipment		–	–	2,265,413	2,265,413

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values: (continued)

Fair value measurement hierarchy							
Level 1	Level 2	Level 3	Total				
Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs					
2015							
Recurring fair value measurements							
Financial assets							
Investments							
– 'Designated at fair value on initial recognition'	30/06/15	–	–	11,046	11,046		
Total financial assets				–	–	11,046	11,046
Investment properties							
Commercial building	30/06/14	–	–	2,750	2,750		
Total investment properties				–	–	2,750	2,750
Infrastructure, property, plant and equipment							
Roads	30/06/15	–	–	531,202	531,202		
Bridges	30/06/15	–	–	78,305	78,305		
Footpaths	30/06/15	–	–	120,336	120,336		
Stormwater	30/06/15	–	–	508,175	508,175		
Plant and equipment	30/06/15	–	–	20,007	20,007		
Office equipment	30/06/15	–	–	2,355	2,355		
Furniture and fittings	30/06/15	–	–	799	799		
Operational land	30/06/14	–	–	177,185	177,185		
Community land	30/06/11	–	–	374,339	374,339		
Land under roads	30/06/14	–	–	26,789	26,789		
Buildings	30/06/14	–	–	201,315	201,315		
Other structures	30/06/14	–	–	6,242	6,242		
Swimming pools	30/06/11	–	–	5,264	5,264		
Library books	30/06/15	–	–	3,864	3,864		
Other open space/recreational assets	30/06/11	–	–	102,876	102,876		
Tip asset	30/06/15	–	–	11,249	11,249		
Works in progress	30/06/15	–	–	36,811	36,811		
Artworks	30/06/15	–	–	11,961	11,961		
Other	30/06/15	–	–	32,269	32,269		
Total infrastructure, property, plant and equipment				–	–	2,251,343	2,251,343

Wollongong City Council

Notes to the Financial Statements for the financial year ended 30 June 2016

Note 27. Fair value measurement (continued)

(2) Valuation techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (i.e. Level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

Level 2 inputs include;

- quoted prices for similar assets in active markets,
- quoted prices for identical or similar assets in markets that are not active,
- inputs other than quoted prices that are observable (e.g. interest rates, credit spreads etc.) and
- market corroborated inputs.

Level 3 inputs are unobservable inputs. If an observable input (Level 2) requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement is categorised within Level 3 of the fair value hierarchy. Council uses unobservable inputs to the extent relevant observable inputs are not available. But the objective remains the same; i.e. an exit price from the perspective of market participants. Therefore, unobservable inputs reflect the assumptions market participants would use when pricing, including assumptions about risk. Assumptions about risk include risk inherent in a particular valuation technique and risk inherent in inputs to the technique. Such an adjustment may be necessary if there is a significant measurement uncertainty.

Unobservable inputs have been developed using the best information available, which includes Council's own data. In some cases Council adjusts its own data if reasonable available information indicates other market participants would use different data or if there is an entity specific synergy (i.e. not available to other market participants).

Level 3 inputs include;

- Unit Rates,
- Unit Price,
- Asset Condition,
- Remaining Useful Life,
- Future Demands,
- Borrowing Rates

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Wollongong City Council

Notes to the Financial Statements for the financial year ended 30 June 2016

Note 27. Fair value measurement (continued)

Financial Assets

Valuation Technique – A portion of Council's investment portfolio is measured at fair value (i.e. market approach).

Fair Value Hierarchy – the fair value has been derived from the current price in an active market for similar assets. Emerald Reverse Mortgage investment securities form part of this portion of Council's portfolio. The market for Australian mortgage backed securities, regardless of the robustness of the structure, is highly illiquid as a direct consequence of the global financial crisis. This has caused difficulties in valuing the security as there is limited "price discovery" in the market. As such the level of valuation input for Council's fair valued investments was considered a Level 3.

Investment Property

Valuation Technique – Council's Investment Property is measured using sales direct comparison based on a market selling approach (i.e. market approach).

Fair Value Hierarchy - the fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are rental yields and price per square metre.

The level of evidence to support the critical assumptions of Council's investment property valuation was considered to be significant due to high levels of variability in the market for rental yields and future demands. As such the level of valuation input for these properties was considered level 3.

Infrastructure, Property, Plant & Equipment

Infrastructure – Council's Infrastructure incorporates;

- Roads - Surface and bases, Car Parks, Kerb and Guttering and Traffic Facilities (speed humps, bollards and signs),
- Bridges – Road, Pedestrian and Jetties,
- Footpaths including shared pathways and
- Stormwater Drainage

Valuation Technique – Infrastructure assets are recognised using the cost method, which equates to the current replacement cost of a modern equivalent asset. The cost to replace the asset is to equal the amount that a market participant buyer of that asset would pay to acquire it.

Wollongong City Council

Notes to the Financial Statements for the financial year ended 30 June 2016

Note 27. Fair value measurement (continued)

Fair Value Hierarchy - the general valuation approach to determine the fair value of Council's infrastructure inventory is to determine a unit rate based on square metres or an appropriate unit corroborated by market evidence (Level 2 input). A process is then undertaken to compare these rates with internal unit rates derived by Council as a result of specific projects that have been undertaken. Further to this other inputs such as asset condition and useful life require a significant level of professional judgement and can impact significantly on the fair value. As such the level of valuation input for these assets was considered level 3.

Property Plant & Equipment, Office Equipment & Furniture & Fittings incorporate:

- Property, Plant & Equipment - Trucks, Tractors, Graders, Rollers, Buses, Vans, Passenger Vehicles, Mobile Equipment (i.e. generators, hand mowers, tools), Fluid storage units (i.e. septic tanks, water tanks),
- Office Equipment – Electronic Whiteboards, Printing Equipment, Safes and I.T. equipment such as computers, printers and scanners,
- Furniture & Fittings - Chairs, Tables, Filing Cabinets, Bookshelves, Compactuses,

Valuation Technique – These assets are recognised at depreciated historical cost as an acceptable substitute for fair value because any difference between fair value and depreciated historical cost is unlikely to be material.

Fair Value Hierarchy – The key unobservable unit to the valuation of this category is asset condition and useful life. The condition of assets is reviewed on an annual basis and an assessment of remaining life undertaken based on these results.

Operational Land

Valuation Technique – Council's Operational Land is measured using a comparative market selling approach (i.e. market approach).

Fair Value Hierarchy - the fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach is price per square metre. The level of evidence to support the critical assumptions of Council's operational land valuation was considered to be significant due to high levels of variability in the market for similar properties and future demands. As such the level of valuation input for these properties was considered level 3.

Community Land

Valuation Technique – Council's Community Land is measured using comparative Land Values (LV) provided by the Valuer General (VG) or an average unit rate based on a comparable LV for similar properties (i.e. market approach).

Wollongong City Council

Notes to the Financial Statements for the financial year ended 30 June 2016

Note 27. Fair value measurement (continued)

Fair Value Hierarchy - the fair value has been derived from the LV's provided by the Valuer General or an average unit rate based on the LV for similar properties where the Valuer General did not provide a LV. The most significant input into this valuation approach is price per square metre. Valuations provided by the Valuer General are not in the public domain and the application of an average rate requires a level of professional judgement. As such the level of valuation input for these properties was considered level 3.

Land Under Roads

Valuation Technique – Land is generally valued using comparative Land Values (LV) provided by the Valuer General (VG) or an average unit rate based on a comparable LV for similar properties (i.e. market approach).

Fair Value Hierarchy - The existing use fair value of land under roads is best expressed as undeveloped or en globo land (pre-subdivision). However, as sufficient sales evidence of en globo land with similar features to the land being valued is generally not available, it is appropriate to use a proxy to estimate the en globo value. Community land value is used as a reasonable proxy to value land under roads, as such land generally has no feasible alternative use, and it is undeveloped and is publicly accessible. As such the level of valuation input for these properties was considered level 3.

Buildings – Non Specialised and Specialised

Valuation Technique - Buildings are recognised using the cost method, which equates to the current replacement cost of a modern equivalent asset. The cost to replace the asset is equal to the amount that a market participant buyer of that asset would pay to acquire it.

Fair Value Hierarchy – Specialised and Non Specialised buildings are generally assessed at level 3 of the fair value hierarchy due to lack of market evidence. Key inputs are unit rates and remaining useful life. The exception is non specialised residential properties which have been valued using sale prices of comparable properties (level 2). The most significant input into this valuation approach is price per square metre. The level of evidence to support the critical assumptions of Council's residential property valuation was considered to be significant due to high levels of variability in the market for rental yields and future demands. As such the level of valuation input for all buildings was considered level 3.

Intangible Assets

Valuation Technique – These assets are recognised at depreciated historical cost as an acceptable substitute for fair value because any difference between fair value and depreciated historical cost is unlikely to be material.

Wollongong City Council

Notes to the Financial Statements for the financial year ended 30 June 2016

Note 27. Fair value measurement (continued)

Fair Value Hierarchy – The key unobservable unit to the valuation of this category is asset condition and useful life. The condition of assets is reviewed on an annual basis and an assessment of remaining life undertaken based on these results.

Other Structures

Other Structures incorporates Bus Shelters, Shade Structures, Picnic Shelters and BBQ Shelters.

Valuation Technique – Other Structures are recognised at depreciated historical cost as an acceptable substitute for fair value because any difference between fair value and depreciated historical cost is unlikely to be material.

Fair Value Hierarchy -- The key unobservable unit to the valuation of this category is asset condition and useful life. The condition of assets is reviewed on an annual basis and an assessment of remaining life undertaken based on these results.

Other Open Space / Recreational Assets

Other Open Space/Recreational Assets incorporate Off-road Footpaths, Park Assets including Playgrounds, Skateboard Facilities, Tennis Courts, Furniture and Landscaping and Power Poles.

Valuation Technique - Other Open Space/Recreational Assets are recognised using the cost method (e.g. Off-Road Footpaths).

Fair Value Hierarchy – while some elements of the cost method can be supported by market evidence (Level 2) others factors require professional judgement such as asset condition and useful life. As these inputs can have a significant impact on the fair value the valuation input all Other Open Space / Recreational Assets were considered level 3.

Swimming Pools - Structures

Valuation Technique – Swimming Pools and Rock Pools are valued using the cost approach, which equates to the current replacement cost of a modern equivalent asset. The cost to replace the asset is to equal the amount that a market participant buyer of that asset would pay to acquire it. External Valuer Ninnies Fong undertook the original valuation in 2009. An internal valuation was undertaken during the 2016 financial year.

Wollongong City Council

Notes to the Financial Statements for the financial year ended 30 June 2016

Note 27. Fair value measurement (continued)

Fair Value Hierarchy - the general valuation approach to determine the fair value of Council's swimming pool inventory is to determine a unit rate based on square metres corroborated by market evidence (Level 2 input). A process is then undertaken to compare these rates with internal unit rates derived by Council as a result of specific work that has been undertaken. Further to this other inputs such as asset condition and useful life require a significant level of professional judgement and can impact significantly on the fair value. As such the level of valuation input for these properties was considered level 3.

Artworks

Valuation Technique – Art Works are valued using the cost approach, which equates to the current replacement cost of a modern equivalent asset. The cost to replace the asset is to equal the amount that a market participant buyer of that asset would pay to acquire it.

Fair Value Hierarchy - the general valuation approach to determine the fair value of Council's Artworks is to use the market price or purchase price of the original transaction or if the work is in the form of a donation an external valuation is undertaken corroborated by market evidence (Level 2 input). It is noted that the valuation process requires a significant level of professional judgement and this can impact significantly on the fair value. As such the level of valuation input for artworks was considered level 3.

Library Books

Valuation Technique – These assets are recognised at depreciated historical cost as an acceptable substitute for fair value because any difference between fair value and depreciated historical cost is unlikely to be material.

Fair Value Hierarchy – The key unobservable unit to the valuation of this category is asset condition and useful life. The condition of assets is reviewed on an annual basis and an assessment of remaining life undertaken based on these results.

Other Assets

Other Assets is a catch all for the remaining assets held by Council and includes Waste Assets such as Cell Development and Liners, Public Art, Power Poles and Crematorium and Cemetery Beams and Walls.

Valuation Technique - Other Assets are recognised using the cost method.

Wollongong City Council

Notes to the Financial Statements for the financial year ended 30 June 2016

Note 27. Fair value measurement (continued)

Fair Value Hierarchy – while some elements of the cost method can be supported by market evidence (Level 2) others factors require professional judgement such as asset condition and useful life. As these inputs can have a significant impact on the fair value the valuation input all Other Assets were considered level 3.

Tip Remediation Asset

Valuation Technique – Council's Tip Remediation Asset is measured at fair value (i.e. market approach).

Fair Value Hierarchy – Whytes Gully Waste Disposal Depot will require remediation works to be carried out during and at the end of its useful life. The cash outflows relating to these remediation works have been modelled and recognised as an asset in Note 9 of Council's statements. Key unobservable inputs are the discount rate, cost escalation rate, timing of costs and future environmental management requirements. As such the level of valuation input for Council's fair valued tip asset was considered a Level

Wollongong City Council

Notes to the Financial Statements for the financial year ended 30 June 2016

Note 27. Fair value measurement (continued)

A summary of the Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Asset Category	Valuation Frequency	Description of Process	Valuer	Responsibility
Financial Assets	Monthly	Monthly valuation using the current price in an active market for similar assets	External	Finance Division
Investment Properties	3 Years	Full valuation every 3 years or index applied annually if material	External	Property Division
Infrastructure	5 years	Full valuation using current unit rates or index applied annually if material	Internal	Infrastructure & Strategic Planning Division
Property Plant & Equipment, Office Equipment & Furniture & Fittings	Annually	Assessment of remaining useful life undertaken with adjustments to consumption patterns that may impact fair value	Internal	Finance Division
Operational Land	5 Years	Full valuation every 5 years or index applied annually if material	External	Property Division
Community Land	5 Years	Valuer General Land Values or Average Unit Rate for similar properties if not available	Valuer General / Internal	Property / Finance Division
Land Under Roads	5 Years	Valuer General Land Values or Average Unit Rate used as proxy to derive en globo rate	Valuer General / Internal	Finance Division
Buildings – Non Specialised & Specialised	5 Years	Full valuation every 5 years or index applied annually if material	External / Internal	Infrastructure & Strategic Planning Division / Property Division

Wollongong City Council

Notes to the Financial Statements for the financial year ended 30 June 2016

Note 27. Fair value measurement (continued)

Asset Category	Valuation Frequency	Description of Process	Valuer	Responsibility
Intangibles	Annually	Assessment of remaining useful life undertaken with adjustments to consumption patterns that may impact fair value	Internal	Finance Division
Other Structures	Annually	Assessment of remaining useful life undertaken with adjustments to consumption patterns that may impact fair value	Internal	Infrastructure & Strategic Planning Division
Other Open Space / Recreational Assets	5 years	Full valuation every 5 years or index applied annually if material	Internal	Infrastructure & Strategic Planning Division
Swimming Pools - Structures	5 years	Full valuation every 5 years or index applied annually if material	External / Internal	Infrastructure & Strategic Planning Division
Library Books	Annually	Assessment of remaining useful life undertaken with adjustments to consumption patterns that may impact fair value	Internal	Finance Division
Other Assets	5 years	Full valuation every 5 years or index applied annually if material	Internal	Various
Tip Remediation Asset	Annually	Reassessment of discount rate and application to discounted cash flows if material	Internal	Finance Division

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

	Held for sale assets	Financial assets	Investment property	IPP&E	Total
Opening balance – 1/7/14	1,700	7,642	2,750	2,207,842	2,219,934
Purchases (GBV)	–	3,147	–	86,754	89,901
Disposals (WDV)	(1,700)	(74)	–	(7,337)	(9,111)
Depreciation and impairment	–	–	–	(60,436)	(60,436)
FV gains – other comprehensive income	–	–	–	4,039	4,039
FV gains – Income Statement	–	331	–	–	331
Adjustments and transfers	–	–	–	20,481	20,481
Closing balance – 30/6/15	–	11,046	2,750	2,251,343	2,265,139
Purchases (GBV)	–	21,588	–	86,357	107,945
Disposals (WDV)	–	(1,054)	–	(2,546)	(3,600)
Depreciation and impairment	–	–	–	(61,355)	(61,355)
FV gains – other comprehensive income	–	–	–	(28,155)	(28,155)
FV gains – Income Statement	–	83	2,025	–	2,108
Adjustments and transfers	–	–	–	19,769	19,769
Closing balance – 30/6/16	–	31,663	4,775	2,265,413	2,301,851

(5). Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 28. Council information and contact details

Principal place of business:

41 Burelli Street
Wollongong NSW 2500

Contact details

Mailing address:

Locked Bag 8821
Wollongong NSW 2500

Opening hours:

Administration Building: 8:30am - 5:00pm

Telephone: (02) 4227 7111

Facsimile: (02) 4227 7277

Internet: www.wollongong.nsw.gov.au

Email: council@wollongong.nsw.gov.au

Officers

GENERAL MANAGER

David Farmer

Elected members

LORD MAYOR

Gordon Bradbery

RESPONSIBLE ACCOUNTING OFFICER

Brian Jenkins

Other information

ABN: 63 139 525 939



Wollongong City Council

Independent auditor's report to the Council – s417(2) Report on the general purpose financial statements

Report on the financial statements

We have audited the accompanying financial statements of Wollongong City Council (the Council), which comprise the Statement of Financial Position as at 30 June 2016 and the Income Statement, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, accompanying notes to the financial statements and the Statement by Councillors and Management in the approved form as required by Section 413(2) of the Local Government Act 1993.

Councillors' responsibility for the financial statements

The Councillors of the Council are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1993 and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Councillors, as well as evaluating the overall presentation of the financial statements.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial statements.

Our audit responsibility does not extend to the Original Budget Figures included in the Income Statement, Statement of Cash Flows and the Original Budget disclosures in notes 2(a) and 16 nor the attached Special Schedules, and accordingly, we express no opinion on them.

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Auditor's opinion:

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2 (the Division); and
- (b) the financial statements:
 - (i) have been presented, in all material respects, in accordance with the requirements of this Division
 - (ii) are consistent with the Council's accounting records
 - (iii) present fairly, in all material respects, the Council's financial position as at 30 June 2016 and its Financial Performance and its Cash Flows for the year then ended in accordance with Australian Accounting Standards
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.



PricewaterhouseCoopers



Marc Upcroft
Partner

Sydney
13 October 2016



The Lord Mayor
Councillor Gordon Bradberry
Wollongong City Council
41 Burelli Street
WOLLONGONG NSW 2500

Dear Councillor Bradberry

Report on the conduct of the Audit for year ended 30 June 2016 – Section 417(3)

We have completed our audit of the financial reports of the Council for the year ended 30 June 2016, in accordance with Section 415 of the Local Government Act 1993.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial reports are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial reports, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial reports are presented fairly in accordance with Australian Accounting Standards as well as statutory requirements so as to present a view which is consistent with our understanding of the Council's financial position, the results of its operations and its cash flows.

This report should be read in conjunction with our audit opinion on the general purpose financial statements provided under Section 417(2) of the Local Government Act 1993.

Flowing from our audit, there are a number of comments we wish to raise concerning the trends in Council's finances. These are set out below.

Operating result

Council's operating surplus declined from \$32 million in the previous year to \$28 million in the current period. The net operating result before Capital Contributions was a surplus of \$1 million against the previous year's surplus of \$10 million.

Cash position

Council's overall cash position increased from \$144 million to \$154 million during the period under review. The following table highlights the composition of cash.

	2016 \$m	2015 \$m
Externally restricted	76	77
Internally restricted	55	42
Unrestricted	23	25
Total	154	144

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Working capital

Council's net current assets declined slightly from \$80 million to \$79 million during the period under review. The value of net current assets needs to be adjusted in order to establish the available working capital position.

	2016 \$m	2015 \$m
Net current assets	79	80
Less: External restrictions	(65)	(68)
Internal restrictions	(55)	(42)
Add: Liabilities funded from other sources	54	50
Available working capital	13	20

The effective unrestricted or available working capital upon which Council could build its 2016/17 budget was \$13 million.

Performance indicators

The financial reports disclose of a number of indicators in Note 13 and these are detailed below:

	2016 %	2015 %
Operating Performance Ratio	1	2
Own Source Operating Revenue Ratio	80	81
Unrestricted Current Ratio	225	219
Debt Service Cover Ratio	644	760
Rates Outstanding Ratio	4.8	5.5
Cash Expense Cover Ratio	7	8

The Operating Performance Ratio declined to 1% but remains above the industry benchmark of 0%.

The Own Source Operating Revenue Ratio was relatively stable at 80% and remained above the industry benchmark of 60%.

The Unrestricted Current Ratio improved and remained above the industry benchmark of 150%.

The Debt Service Cover Ratio declined but remained well above the industry benchmark of 200%

The Rates Outstanding Ratio improved and is now below the industry benchmark of 5%.

The Cash Expense Cover Ratio indicated that Council could continue to cover its operating costs for 7 months should cash inflows cease. This compares very favourably with the industry benchmark of 3 months.



Council is considered to be in a sound and stable financial position. All financial indicators stand better than the accepted industry benchmarks.

General

The books of accounts and records inspected by us have been kept in an accurate and conscientious manner. We thank the General Manager and his staff for the cooperation and courtesy extended to us during the course of our audit.

Yours faithfully



PricewaterhouseCoopers



Marc Upcroft
Partner

Sydney

Wollongong City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Wollongong City Council

Special Purpose Financial Statements for the year ended 30 June 2016

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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.

- (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

SPFS 2016

Wollongong City Council

Special Purpose Financial Statements for the year ended 30 June 2016

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

The attached Special Purpose Financial Statements have been prepared in accordance with:

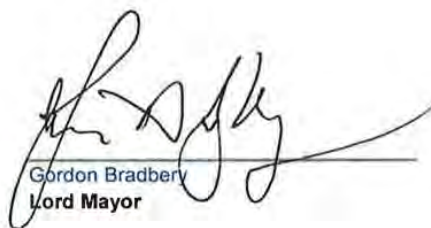
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

To the best of our knowledge and belief, these financial statements:

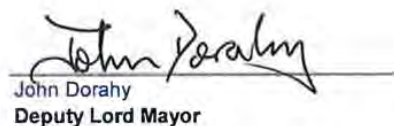
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 10 October 2016.



Gordon Bradbery
Lord Mayor



John Dorahy
Deputy Lord Mayor



David Farmer
General Manager



Brian Jenkins
Responsible Accounting Officer

Wollongong City Council

Income Statement of Council's Other Business Activities for the year ended 30 June 2016

\$ '000	Waste Disposal		Tourist Parks	
	Category 1		Category 1	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
Access charges	—	—	—	—
User charges	24,651	27,598	6,339	5,693
Fees	—	—	—	—
Interest	—	—	—	—
Grants and contributions provided for non-capital purposes	—	—	—	—
Profit from the sale of assets	—	—	—	13
Other income	341	400	114	114
Total income from continuing operations	24,992	27,998	6,453	5,820
Expenses from continuing operations				
Employee benefits and on-costs	1,509	1,525	2,577	2,404
Borrowing costs	1,804	1,722	—	—
Materials and contracts	1,568	1,492	832	826
Depreciation and impairment	1,148	635	980	1,021
Loss on sale of assets	—	—	21	—
Calculated taxation equivalents	439	416	575	801
EPA levy	12,899	14,230	—	—
Debt guarantee fee (if applicable)	—	—	—	—
Other expenses	1,844	2,025	1,006	1,010
Total expenses from continuing operations	21,211	22,045	5,991	6,062
Surplus (deficit) from continuing operations before capital amounts	3,781	5,953	462	(242)
Grants and contributions provided for capital purposes	—	—	—	—
Surplus (deficit) from continuing operations after capital amounts	3,781	5,953	462	(242)
Surplus (deficit) from discontinued operations	—	—	—	—
Surplus (deficit) from all operations before tax	3,781	5,953	462	(242)
Less: corporate taxation equivalent (30%) [based on result before capital]	(1,134)	(1,786)	(139)	—
SURPLUS (DEFICIT) AFTER TAX	2,647	4,167	323	(242)
Plus opening retained profits	28,875	22,506	8,341	7,782
Plus/less: prior period adjustments	—	—	—	—
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	439	416	575	801
– Debt guarantee fees	—	—	—	—
– Corporate taxation equivalent	1,134	1,786	139	—
Add:				
– Subsidy paid/contribution to operations	—	—	—	—
Less:				
– TER dividend paid	—	—	—	—
– Dividend paid	—	—	—	—
Closing retained profits	33,095	28,875	9,378	8,341
Return on capital %	16.1%	22.8%	1.8%	-0.8%
Subsidy from Council	—	—	88	1,190

Wollongong City Council

Income Statement of Council's Other Business Activities for the year ended 30 June 2016

	Health & Fitness Category 1		Crematorium & Cemeteries Category 1	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
\$ '000				
Income from continuing operations				
Access charges	—	—	—	—
User charges	2,526	2,476	2,423	2,579
Fees	—	—	—	—
Interest	—	—	—	—
Grants and contributions provided for non-capital purposes	12	11	31	—
Profit from the sale of assets	—	—	—	—
Other income	26	28	—	—
Total income from continuing operations	2,564	2,515	2,454	2,579
Expenses from continuing operations				
Employee benefits and on-costs	2,283	2,187	1,469	1,493
Borrowing costs	—	—	—	—
Materials and contracts	281	311	326	366
Depreciation and impairment	28	14	—	—
Loss on sale of assets	—	—	—	—
Calculated taxation equivalents	197	258	151	111
Debt guarantee fee (if applicable)	—	—	—	—
Other expenses	937	945	573	551
Total expenses from continuing operations	3,726	3,715	2,519	2,521
Surplus (deficit) from continuing operations before capital amounts	(1,162)	(1,200)	(65)	58
Grants and contributions provided for capital purposes	—	—	—	—
Surplus (deficit) from continuing operations after capital amounts	(1,162)	(1,200)	(65)	58
Surplus (deficit) from discontinued operations	—	—	—	—
Surplus (deficit) from all operations before tax	(1,162)	(1,200)	(65)	58
Less: corporate taxation equivalent (30%) [based on result before capital]	—	—	—	(17)
SURPLUS (DEFICIT) AFTER TAX	(1,162)	(1,200)	(65)	41
Plus opening retained profits	(9,076)	(8,134)	(1,132)	(1,301)
Plus/less: prior period adjustments	—	—	—	—
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	197	258	151	111
– Debt guarantee fees	—	—	—	—
– Corporate taxation equivalent	—	—	—	17
Add:				
– Subsidy paid/contribution to operations	—	—	—	—
Less:				
– TER dividend paid	—	—	—	—
– Dividend paid	—	—	—	—
Closing retained profits	(10,041)	(9,076)	(1,046)	(1,132)
Return on capital %	-27.9%	-20.0%	-1.4%	1.6%
Subsidy from Council	1,252	1,381	164	49

Wollongong City Council

Statement of Financial Position – Council's Other Business Activities as at 30 June 2016

\$ '000	Waste Disposal		Tourist Parks	
	Category 1		Category 1	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	–	–	–	–
Investments	10,008	9,533	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	10,008	9,533	–	–
Non-current assets				
Investments	–	–	–	–
Receivables	40,330	35,650	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	34,758	33,706	25,331	31,394
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Other	–	–	–	–
Total non-current assets	75,088	69,356	25,331	31,394
TOTAL ASSETS	85,096	78,889	25,331	31,394
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Total current liabilities	–	–	–	–
Non-current liabilities				
Payables	–	–	98	769
Borrowings	–	–	–	–
Provisions	42,391	40,669	–	–
Other Liabilities	–	–	–	–
Total non-current liabilities	42,391	40,669	98	769
TOTAL LIABILITIES	42,391	40,669	98	769
NET ASSETS	42,705	38,220	25,233	30,625
EQUITY				
Retained earnings	33,095	28,875	9,378	8,341
Revaluation reserves	9,610	9,345	15,855	22,284
Council equity interest	42,705	38,220	25,233	30,625
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	42,705	38,220	25,233	30,625

Wollongong City Council

Statement of Financial Position – Council's Other Business Activities as at 30 June 2016

	Health & Fitness		Crematorium & Cemeteries	
	Category 1		Category 1	
\$ '000	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	–	–	–	–
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	–	–	–	–
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	4,162	6,005	4,567	3,538
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Other	–	–	–	–
Total non-current assets	4,162	6,005	4,567	3,538
TOTAL ASSETS	4,162	6,005	4,567	3,538
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Total current liabilities	–	–	–	–
Non-current liabilities				
Payables	10,987	9,960	3,264	3,330
Borrowings	–	–	–	–
Provisions	–	–	–	–
Other Liabilities	–	–	–	–
Total non-current liabilities	10,987	9,960	3,264	3,330
TOTAL LIABILITIES	10,987	9,960	3,264	3,330
NET ASSETS	(6,825)	(3,955)	1,303	208
EQUITY				
Retained earnings	(10,041)	(9,076)	(1,046)	(1,132)
Revaluation reserves	3,216	5,121	2,349	1,340
Council equity interest	(6,825)	(3,955)	1,303	208
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	(6,825)	(3,955)	1,303	208

Wollongong City Council

Special Purpose Financial Statements for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

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1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	n/a
3	Sewerage Business Best-Practice Management disclosure requirements	n/a

Wollongong City Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

Note 1. Significant accounting policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and
- Australian Accounting Interpretations.

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 government policy statement, *Application of National Competition Policy to Local Government*.

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality*, issued by the Office of Local Government in July 1997, has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide standards for disclosure. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over \$2 million)

a. Waste Disposal

Manages the disposal of solid waste generated within the city.

b. Tourist Parks

Operation, management & development of tourist parks at Bulli, Corrimal & Windang.

c. Health & Fitness

Responsible for the management and upkeep of Council's Leisure Centres.

d. Crematorium & Cemeteries

Provision of quality crematorium, cemetery & memorial facilities & services

Category 2

(where gross operating turnover is less than \$2 million)

None

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars.

(i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

Wollongong City Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

While income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain or loss from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations, it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of

internal charges in Council's General Purpose Financial Statements.

The 30% rate applied is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

The policy statement requires that councils with category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Wollongong City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.17% at 30/6/16.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

(iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

(v) Amendments to comparable figures

A review of the assumptions used to develop these statements was finalised during the financial year. As a result of this the comparable figures from the 2014/15 financial year have been updated in line with these assumptions.



Wollongong City Council

Independent auditor's report Report on the special purpose financial statements

Report on the financial statements

We have audited the accompanying financial statements, being the special purpose financial statements, of Wollongong City Council (the Council), which comprises the Statement of Financial Position by Business Activity for the year ended 30 June 2016, the Income Statements by Business Activity for the year then ended, notes to the financial statements for the Business Activities identified by Council and the Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting for the year ended 30 June 2016.

Councillors' responsibility for the financial report

The Councillors of the Council are responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in note 1 to the financial statements which form part of the financial statements, are appropriate to meet the requirements of the Local Government Code of Accounting Practice and Financial Reporting. The Councillors responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Councillors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Auditor's opinion:

In our opinion, the financial statements presents fairly, in all material respects, the financial position by Business Activity of Wollongong City Council as of 30 June 2016 and its financial performance by Business Activity for the year then ended in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial statements, and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Council.



PricewaterhouseCoopers



Marc Upcroft
Partner

Sydney
13 October 2016

Wollongong City Council

SPECIAL SCHEDULES
for the year ended 30 June 2016

Wollongong City Council

Special Schedules for the year ended 30 June 2016

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Special Schedule 2(a)	Statement of Long Term Debt (all purposes)
	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)
	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement
	n/a
Special Schedule 4	Water Supply – Statement of Financial Position
	n/a
Special Schedule 5	Sewerage Service Operations – incl. Income Statement
	n/a
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	n/a
Notes to Special Schedules 3 and 5	n/a
Special Schedule 7	Report on Infrastructure Assets
	5
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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Wollongong City Council

Special Schedule 1 – Net Cost of Services for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	–	–	–	–
Administration	34,456	5,056	–	(29,400)
Public order and safety				
Fire service levy, fire protection, emergency services	4,962	566	536	(3,860)
Beach control	5,338	13	–	(5,325)
Enforcement of local government regulations	1,928	1,974	–	46
Animal control	1,443	607	–	(836)
Other	104	9	–	(95)
Total public order and safety	13,775	3,169	536	(10,070)
Health	1,525	802	–	(723)
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	6,692	656	33	(6,003)
Solid waste management	34,605	38,725	–	4,120
Street cleaning	5,019	13	–	(5,006)
Drainage	11,622	1,777	–	(9,845)
Stormwater management	–	–	–	–
Total environment	57,938	41,171	33	(16,734)
Community services and education				
Administration and education	51	11	–	(40)
Social protection (welfare)	4,328	3,233	790	(305)
Aged persons and disabled	657	215	–	(442)
Children's services	3,862	1,532	–	(2,330)
Total community services and education	8,898	4,991	790	(3,117)
Housing and community amenities				
Public cemeteries	2,369	2,423	–	54
Public conveniences	710	–	–	(710)
Street lighting	2,918	658	–	(2,260)
Town planning	12,309	7,287	9,242	4,220
Other community amenities	2,376	1,455	–	(921)
Total housing and community amenities	20,682	11,823	9,242	383
Water supplies	–	–	–	–
Sewerage services	–	–	–	–

Wollongong City Council

Special Schedule 1 – Net Cost of Services (continued) for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	11,230	798	165	(10,267)
Museums	–	–	–	–
Art galleries	2,264	198	–	(2,066)
Community centres and halls	4,397	551	–	(3,846)
Performing arts venues	2,016	14	–	(2,002)
Other performing arts	–	–	–	–
Other cultural services	624	17	–	(607)
Sporting grounds and venues	3,841	534	–	(3,307)
Swimming pools	7,028	650	–	(6,378)
Parks and gardens (lakes)	19,242	708	32	(18,502)
Other sport and recreation	3,467	2,552	–	(915)
Total recreation and culture	54,109	6,022	197	(47,890)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	–	–	–	–
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	–	–	–	–
Transport and communication				
Urban roads (UR) – local	37,763	1,957	15,251	(20,555)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	2,336	1,288	–	(1,048)
Footpaths	7,837	70	499	(7,268)
Aerodromes	–	–	–	–
Other transport and communication	1,410	–	–	(1,410)
Total transport and communication	49,346	3,315	15,750	(30,281)
Economic affairs				
Camping areas and caravan parks	5,420	6,453	–	1,033
Other economic affairs	7,062	5,894	–	(1,168)
Total economic affairs	12,482	12,347	–	(135)
Totals – functions	253,211	88,696	26,548	(137,967)
General purpose revenues ⁽¹⁾		165,654		165,654
Share of interests – joint ventures and associates using the equity method	–	150		150
NET OPERATING RESULT ⁽²⁾	253,211	254,500	26,548	27,837

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

(2) As reported in the Income Statement

Wollongong City Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose) for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	6,369	42,520	48,889	–	6,369	–	–	1,547	6,690	35,830	42,520
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	–	–	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	6,369	42,520	48,889	–	6,369	–	–	1,547	6,690	35,830	42,520
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	6,369	42,520	48,889	–	6,369	–	–	1,547	6,690	35,830	42,520

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Wollongong City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	5,026	7,880	7,734	7,350	194,947	506,692	1%	10%	87%	1%	1%
	Sub-total	5,026	7,880	7,734	7,350	194,947	506,692	1.0%	10.0%	87.0%	1.0%	1.0%
Other structures	Other structures	3,134	4,437	138	138	5,868	13,894	1%	18%	49%	29%	3%
	Sub-total	3,134	4,437	138	138	5,868	13,894	1.0%	18.0%	49.0%	29.0%	3.0%
Roads	Sealed roads	70,359	101,349	10,799	10,476	509,077	1,321,779	5%	9%	79%	4%	3%
	Bridges	1,819	2,739	344	272	91,849	140,831	29%	14%	55%	1%	1%
	Footpaths	1,380	8,751	2,613	2,088	123,966	263,265	12%	13%	72%	2%	1%
	Other road assets	2,638	3,294	255	477	22,548	36,422	4%	38%	49%	7%	2%
	Sub-total	76,196	116,133	14,011	13,313	747,440	1,762,297	7.9%	10.6%	75.4%	3.5%	2.5%

Wollongong City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	80	147	2,195	1,801	507,154	887,859	3%	14%	83%	0%	0%
	Sub-total	80	147	2,195	1,801	507,154	887,859	3.0%	14.0%	83.0%	0.0%	0.0%
Open space/recreational assets	Swimming pools & Open Space/Recreation	8,432	13,497	13,334	13,838	113,976	177,970	2%	7%	78%	7%	6%
	Sub-total	8,432	13,497	13,334	13,838	113,976	177,970	2.0%	7.0%	78.0%	7.0%	6.0%
	TOTAL – ALL ASSETS	92,868	142,094	37,412	36,440	1,569,385	3,348,712	5.2%	11.2%	79.2%	2.5%	1.8%

Notes:

- (1). Cost to bring up to 'satisfactory standard' refers to the estimated cost to replace the calculated percentage of each asset type that are below satisfactory. Satisfactory standard is generally defined as condition 2 (see Asset Condition Definitions). As identified through Council's Securing our Future community engagement, for footpaths and shared paths, this is condition 3. Cost estimates are based on adopted valuation methodologies and do not generally include the cost of enhancements/upgrades to existing assets. The nominated percentage of each asset type below satisfactory standard is detailed under Condition of Public Works in the Annual Report.
- (2). Required Annual Maintenance' is the amount that should be spent to maintain assets in a satisfactory standard and to ensure that the estimated remaining life of the asset is achieved PLUS the new requirement to include the "operating expenses required to keep the asset in a functional state for community use'.
- (3). Current Annual Maintenance' is the total expenditure incurred during the year to maintain assets. For the first time, it also includes the actual expenditure on operational costs to keep the asset in a functional state for community use', which includes costs such as mowing, painting, lighting, etc. It does not include operational overheads (eg. energy or water supply, cleaning, administration staff) or capital expenditure.

Wollongong City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

Notes: (continued)

- (4). Cost to bring to agreed service level is defined as “The proportion of the GRC that have reached the intervention level based on condition.” The outstanding renewal works compared to the total replacement cost of Councils assets. That is calculated as the cost of bringing condition 4 and 5 assets to condition 1.
- (5). Below is a summary of asset types included in Asset Class:
- Buildings** : Community Facilities, Cultural Facilities, Childcare Centres, Public Toilets, Exeloos, Grandstands, Surf Life Saving Clubs, Amenities, Office/Shops, Industrial, Residences, Cabins and Leisure Centres
 - Roads and Road Related Assets** : Road seal, base, sub-base, kerb and gutter, guardrails and traffic facilities (roundabouts, speedhumps, medians etc)
 - Bridge, Boardwalks and Jetties** : Road Bridges, Pedestrian Bridges, Boardwalks and Jetties
 - Footpaths and Cycleways** : Footpaths and cycleways (excluding off road footpaths in parks)
 - Car parks**: Surface car parks (not multi-storey) and Boat ramps
 - Stormwater** : Pits, Pipes, Headwalls, Culverts and Riparian Assets
 - Recreation** : Pools, Playgrounds, Sport Courts, Park Furniture, Picnic Shelters and Landscaping. Does not include non-depreciable land and earthworks

Condition of Public Assets

In assessing the condition of Public Assets, Council has considered the existing condition and function of each asset. The results shown for the condition of assets within each category are an average. Therefore, a proportion of assets in each category are above and below the average result. Council recognise that the ratings scale used (as outlined below) may be different from those used by other Councils, but has been based on the rating scale in the International Infrastructure Management Manual.

Asset Condition Definitions

Rating	Status
1	As new
2	Good
3	Fair
4	Poor
5	To be replaced

Wollongong City Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods 2015 2014	
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	49,318	92.10%	91.45%	43.18%
Depreciation, amortisation and impairment	53,551			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	92,868	5.92%	6.18%	8.84%
Carrying value of infrastructure assets	1,569,385			
3. Asset maintenance ratio				
Actual asset maintenance	36,440	0.97	0.97	0.78
Required asset maintenance	37,412			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	142,094	4.24%	4.80%	
Gross replacement cost	3,348,712			

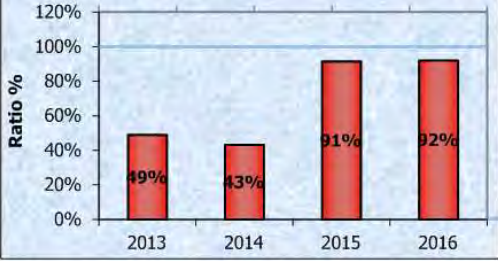
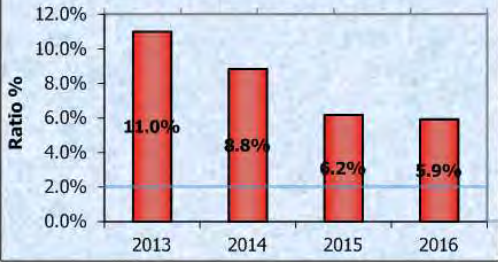
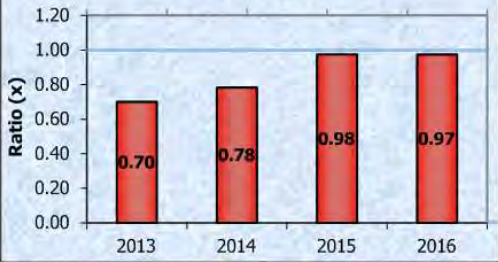

Notes

* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽¹⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Wollongong City Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016

<p>1. Infrastructure renewals ratio</p>  <p>Benchmark: — Minimum $\geq 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 Ratio 92.10%</p> <p>Continuing the updated process from 2014/15 of calculating capital renewal at an individual project level provides a high level of confidence in the renewal calculation. That is, the sum total of the renewal component of each infrastructure, building and other structures capital works project is the calculated total amount of asset renewal.</p>
<p>2. Infrastructure backlog ratio</p>  <p>Benchmark: — Maximum $< 2.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 Ratio 5.92%</p> <p>The cost to bring to satisfactory is defined as the cost difference of the written down value of the assets in condition 4 and 5, to their written down value at condition 2, with the exception of path assets to condition 3. Councils 'Securing our Future' financial review confirmed condition 3 for paths through public consultation.</p>
<p>3. Asset maintenance ratio</p>  <p>Benchmark: — Minimum > 1.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 Ratio 0.97 x</p> <p>This ratio now requires the inclusion of 'operating expenses required to keep the asset in a functional state for community use'. Operational required costs have been set equal to the operational actual costs, so while the totals are significantly higher than 2014/15, the ratio remains consistent.</p>
<p>4. Cost to bring assets to agreed service level</p> 	<p>Purpose of agreed service level ratio</p> <p>This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 Ratio 4.24%</p> <p>For 2015/16 this new ratio replaces the capital expenditure ratio. The ratio is simply the sum of the outstanding renewal works compared to the total suite of infrastructure under Councils care. That is, the cost to renew assets in condition 4 and 5 as a proportion of the Gross Replacement Cost.</p>

Wollongong City Council

Special Schedule 8 – Permissible Income Calculation for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	137,844	146,990
Plus or minus adjustments ⁽²⁾	b	573	1,237
Notional general income	c = (a + b)	138,417	148,227
Permissible income calculation			
Special variation percentage ⁽³⁾	d	6.23%	6.24%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	h = d x (c – g)	8,623	9,249
Or plus rate peg amount	i = c x e	—	—
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
Sub-total	k = (c + g + h + i + j)	147,040	157,476
Plus (or minus) last year's carry forward total	l	135	40
Less valuation objections claimed in the previous year	m	(148)	(6)
Sub-total	n = (l + m)	(13)	34
Total permissible income	o = k + n	147,027	157,511
Less notional general income yield	p	146,990	157,481
Catch-up or (excess) result	q = o – p	37	30
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	6	—
Less unused catch-up ⁽⁵⁾	s	(3)	—
Carry forward to next year	t = q + r – s	40	30

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.

Wollongong City Council

Special Schedule 8 – Independent Auditors Report for the year ended 30 June 2017

Report on Special Schedule 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule 8) of Wollongong City Council for the year ending 30 June 2017.

Responsibility of Council for Special Schedule 8

The Council is responsible for the preparation and fair presentation of Special Schedule 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on Special Schedule 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.



Wollongong City Council

Independent auditor's report Report on the Special Schedule No. 8

Report on the Special Schedule No. 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Wollongong City Council (the Council) for the year ending 30 June 2017.

Councillors' responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171

T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Audit Opinion

In our opinion, Special Schedule No. 8 of the Wollongong City Council for the year ending 30 June 2017 is properly drawn up in all material respects in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Restriction on distribution

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of the total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for the Council and the Office of Local Government.



PricewaterhouseCoopers



Marc Upcroft
Partner

Sydney
13 October 2016

ITEM 3

TENDER T16/24 - PURCHASE OF ELECTRONIC CARDIO EQUIPMENT FOR BEATON PARK LEISURE CENTRE

This report recommends acceptance of a tender for a number of pieces of electronic cardiovascular exercise equipment (eight treadmills, eight cross-trainers, four recumbent bikes and four upright bikes) for Beaton Park Leisure Centre in accordance with the requirements of the Local Government Act 1993 and the Local Government (General) Regulation 2005.

Eight tenders were received and the report recommends Council to accept the tender submitted by Technogym Pty Ltd.

RECOMMENDATION

- 1 In accordance with clause 178(1)(a) of the Local Government (General) Regulation 2005, Council accept the tender of Technogym Pty Ltd for supply of electronic cardio equipment, in the sum of \$146,120, excluding GST.
- 2 Council delegate to the General Manager the authority to finalise and execute the contract and any other documentation required to give effect to this resolution.
- 3 Council grant authority for the use of the Common Seal of Council on the contract and any other documentation, should it be required, to give effect to this resolution.

REPORT AUTHORISATIONS

Report of: Peter Coyte, Manager Property and Recreation
Authorised by: Greg Doyle, Director Corporate and Community Services - Creative, Engaged and Innovative City

ATTACHMENTS

There are no attachments for this report.

COMPLIANCE WITH OFFICE OF LOCAL GOVERNMENT GUIDELINES ON COUNCIL DECISION MAKING DURING MERGER PROPOSAL PERIODS

The recommendation of this report complies with the requirements of the OLG Guidelines – *Council Decision Making During Merger Proposal Periods*.

BACKGROUND

Tenders were required to be invited for replacement of electronic cardio equipment at Beaton Park Leisure Centre. The provision of cardio vascular fitness equipment is a fundamental element in service provision in operating Council's Leisure Centres. The cardio equipment is the key to generation of ongoing income through casual visitation and member usage of the centres. The current cardio equipment at Beaton Park is approximately five years old, out of warranty and has high associated ongoing maintenance cost. In addition, the quality of the equipment is not up to the standard provided by our competitors in the area.

The purchase agreement in the tender includes all transport costs, maintenance and service of the equipment for the term of 48 months. All tender submissions included the trade-in and removal of the current cardio gym equipment at Beaton Park Leisure Centre.

Tenders were invited by the open tender method with a close of tenders at 10.00 am on Thursday, 4 August 2016.

Eight tenders were received by the close of tenders and all tenders have been scrutinised and assessed by a Tender Assessment Panel constituted in accordance with Council's Procurement Policies and

Procedures and comprising representatives of the Property and Recreation, Library and Community Services, Finance and Governance and Information Divisions.

The Tender Assessment Panel assessed all tenders in accordance with the following assessment criteria and weightings as set out in the formal tender documents:

	Criteria	Weighting	Type of Criteria
1	Quoted price including service and warranty for the duration of the 48 month contract.	25%	Quantitative
2	Details of equipment proposed to be supplied and compliance with equipment specifications	30%	Qualitative
3	Proven record of consistently quick response time to service maintenance requests (within 48 hrs)	20%	Qualitative
4	Adherence to preventative Maintenance schedule and provision of maintenance service reports	15%	Qualitative
5	Customer support/relationship	5%	Qualitative
6	Demonstrated strengthening of local economic capacity	5%	Quantitative

The mandatory assessment criteria have been met by the recommended tenderer.

The Tender Assessment Panel utilised a weighted scoring method for the assessment of tenders which allocates a numerical score out of 5 in relation to the level of compliance offered by the tenders to each of the assessment criteria as specified in the tender documentation. The method then takes into account pre-determined weightings for each of the assessment criteria which provides for a total score out of 5 to be calculated for each tender. The tender with the highest total score is considered to be the tender that best meets the requirements of the tender documentation in providing best value to Council. Table 1 below summarises the results of the tender assessment and the ranking of tenders.

TABLE 1 – SUMMARY OF TENDER ASSESSMENT

Name of Tenderer	Ranking
TECHNOGYM	1
PRECOR	2
MATRIX	3
LIFE FITNESS	4
EYEFITNESS	5
LEISURE CONCEPTS (CYBEX)	6
THE FITNESS GENERATION	7
SUMMIT	8

PROPOSAL

Council should authorise the engagement of Technogym to provide the equipment and carry out the service maintenance in accordance with the scope of works and technical specifications developed for the project.

The recommended tenderer has satisfied the Tender Assessment Panel that it is capable of undertaking the works to Council's standards and in accordance with the technical specification.

Referees nominated by the recommended tenderer have been contacted by the Tender Assessment Panel and expressed satisfaction with the standard of work and methods of operation undertaken on their behalf.

CONSULTATION AND COMMUNICATION

- 1 Members of the Tender Assessment Panel consisting of representatives from Property and Recreation, Library and Community Services, Finance and Governance and Information Divisions.
- 2 Nominated referees by the recommended tenderer have been contacted by the Tender Assessment Panel and have attested to the company's capability to deliver the works of a similar nature to that which is required in this tender at a high standard.

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Wollongong 2022 goal "We are a healthy community in a liveable city". It specifically delivers on the following:

Strategy	5 Year Action	Annual Deliverables
5.1. There is an increase in the physical fitness, mental health and emotional wellbeing of all of our residents	5.1.5.2 Carry out commercial business management of Council operational lands	Manage Council's commercial businesses to maximise returns

RISK ASSESSMENT

The risk in accepting the recommendation of this report is considered low on the basis that the tender process has fully complied with Council's Procurement Policies and Procedures and the Local Government Act 1993.

The risk of the project works or services is considered low based upon Council's risk assessment matrix and appropriate risk management strategies will be implemented.

FINANCIAL IMPLICATIONS

It is proposed that the total project be funded from the 2016-17 capital budget as identified in the Delivery Program 2012-2017.

CONCLUSION

The recommended tenderer has submitted an acceptable tender for this project and Council should endorse the recommendations of this report.

ITEM 4 SEPTEMBER 2016 FINANCIALS

The September 2016 financial results are within projections compared to phased budget across the key indicators. The Operating Result (pre capital) is favourable by \$5.9M and the Funds Result shows a favourable variance compared to the phased budget of \$5.9M (\$4.3M from operations and \$1.6M capital).

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

The reports and variances presented do not include the September Quarterly Review proposals.

Council has expended \$15.5M on its capital works program representing 15.6% of the annual budget. The year to date budget for the same period was \$16.8M.

RECOMMENDATIONS

- 1 The financials be received and noted.
- 2 Proposed changes in the Capital Works Program be approved.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Manager Finance

Authorised by: Kerry Hunt, Director Corporate and Community Services - Creative, Engaged and Innovative City (Acting)

ATTACHMENTS

- 1 Income and Expense Statement - September 2016
- 2 Capital Project Report - September 2016
- 3 Balance Sheet - September 2016
- 4 Cash Flow Statement - September 2016

COMPLIANCE WITH OFFICE OF LOCAL GOVERNMENT GUIDELINES ON COUNCIL DECISION MAKING DURING MERGER PROPOSAL PERIODS

The recommendation in this report satisfies the requirements of the OLG Guidelines - *Council Decision Making During Merger Proposal Periods*.

BACKGROUND

This report presents the Income and Expense Statement, Balance Sheet and Cash Flow Statement for September 2016. Council's current budget has a Net Funding (cash) deficit of \$2.5M, an Operating Deficit [Pre Capital] of \$0.2M and a capital expenditure of \$99.3M. The current annual Net Funding budget includes a transfer to reserve of \$2.6M that relates to the 2015-16 year-end positive funds result.

At the end of September, Council remains on target to achieve the operational components of this result.

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

FORECAST POSITION		Original Budget	Revised Budget	YTD Forecast	YTD Actual	Variation
		1-Jul	30-Sep	30-Sep	30-Sep	
KEY MOVEMENTS						
Operating Revenue	\$M	262.0	262.0	65.0	66.5	1.5
Operating Costs	\$M	(262.1)	(262.3)	(65.1)	(60.8)	4.4
Operating Result [Pre Capital]	\$M	(0.0)	(0.2)	(0.2)	5.7	5.9
Capital Grants & Contributions	\$M	32.9	32.7	7.8	2.4	(5.5)
Operating Result	\$M	32.9	32.5	7.7	8.1	0.4
Funds Available from Operations	\$M	61.8	61.9	15.4	19.6	4.3
Capital Works		101.6	99.3	16.8	15.5	1.3
Contributed Assets		-	-	-	-	-
Transfer to Restricted Cash		-	2.6	2.6	8.1	(5.5)
Borrowings Repaid	\$M	7.3	7.3	0.9	0.9	0.0
Funded from:						
- Operational Funds	\$M	61.8	61.9	15.4	19.6	4.2
- Other Funding	\$M	47.1	44.7	4.3	10.1	5.9
Total Funds Surplus/(Deficit)	\$M	(0.1)	(2.5)	(0.7)	5.2	5.9

Financial Performance

The September 2016 Operating Result [pre capital] shows a positive variance compared to budget of \$5.9M. This largely relates to the timing of the delivery of projects and higher than anticipated income at this point in time.

The Operating Result includes non-cash or restricted variations such as lower expenditure on externally funded operational projects (\$1.1M) and operational income transferred to restricted cash (\$0.5M) resulting in Funds Available from Operations of \$4.3M.

Funds Result

The Total Funds result includes the funds component of the operating result in addition to lower Council funded capital expenditure of \$1.6M, resulting in positive variance of \$5.9M.

Capital Budget

As at 30 September 2016, Council had expended \$15.5M or 15.6% of the approved annual capital budget of \$99.3M.

Liquidity

Council's cash and investments increased during September 2016 to holdings of \$171.2M compared to \$152.7M at the end of August 2016. This reflects normal trends for this time of the year as Council received the first rate instalment in August.

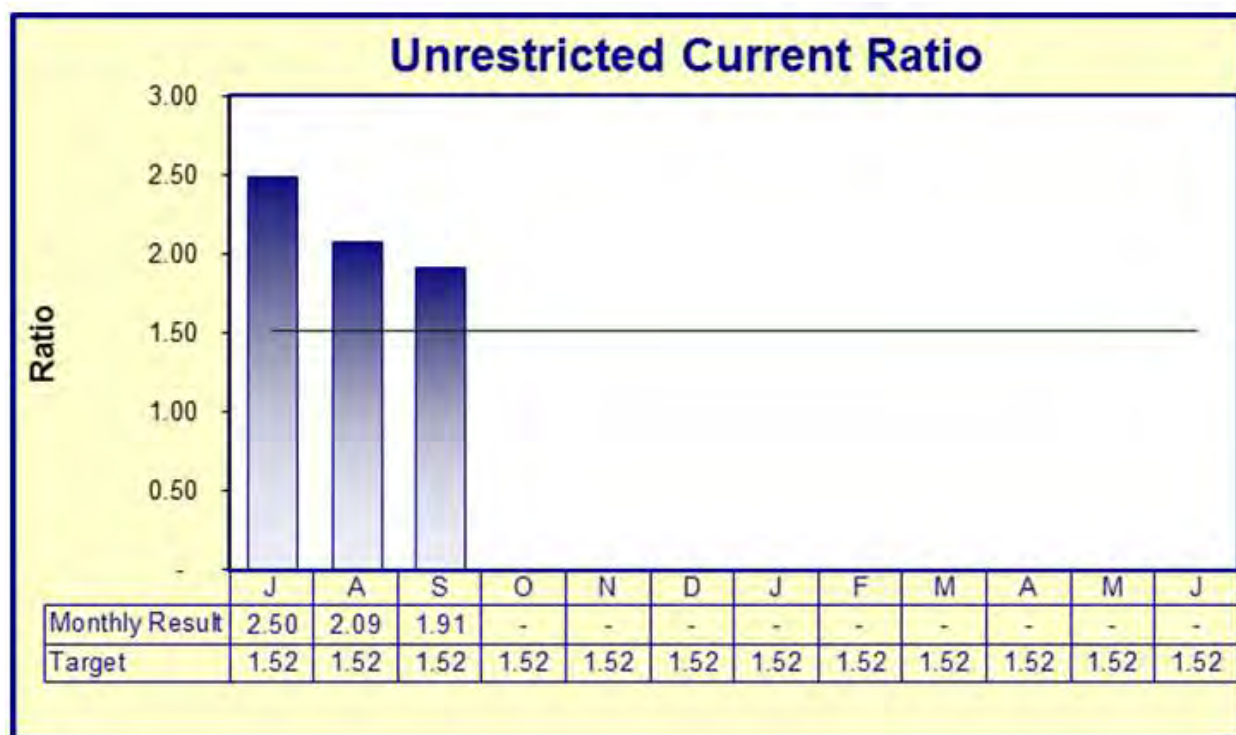
CASH, INVESTMENTS & AVAILABLE FUNDS			
	Actual 2015/16	Original Budget 2016/17	Actual Ytd 30 September 2016
	\$M	\$M	\$M
Total Cash and Investments	154.0	133.7	171.2
Less Restrictions:			
External	75.3	88.8	78.0
Internal	55.3	37.6	61.4
Total Restrictions	130.6	126.4	139.4
Available Cash	23.5	7.3	31.8
Adjusted for :			
Current payables	(34.9)	(23.6)	(40.0)
Receivables	22.9	23.0	21.0
Other	2.9	4.6	6.9
Net Payables & Receivables	(9.1)	4.0	(12.1)
Available Funds	14.4	11.3	19.7

The available funds position excludes restricted cash. External restrictions are funds that must be spent for a specific purpose and cannot be used by Council for general operations. Internal restrictions are funds that Council has determined will be used for a specific future purpose.

Based on the end of year results for 2015-16, the adjusted Available Funds forecast is within Council's Financial Strategy target of 3.5% to 5.5% of Operational Revenue [pre capital]. Based on the Adopted 2016-17 Annual Plan, the target Available Funds is between \$9.2M and \$14.4M for year ending 30 June 2017. The actual Available Funds at 30 September 2016 are impacted by the progress of planned expenditure to date.

Council resolved during August to transfer \$2.6M, equivalent to the net improvement in the funds result, from the 2015-16 financial year to restricted cash for Strategic Projects. This reduces the Available Funds and will increase the internal restrictions by the same amount.

The Unrestricted Current Ratio measures the cash/liquidity position of an organisation. This ratio is intended to disclose the ability of an organisation to satisfy payment obligations in the short term from the unrestricted activities of Council. Council's current ratio is below the Local Government Benchmark of >2:1, however, the strategy is to maximise the use of available funds for asset renewal by targeting a lean unrestricted current ratio.



Receivables

Receivables are the amount of money owed to Council or funds that Council has paid in advance. At September 2016, receivables totalled \$21.0M, compared to receivables of \$22.7M at September 2015. Fluctuations relate to the timing of rates payments which are accrued before the actual payments are due.

Payables

Payables (the amount of money owed to suppliers) of \$40.0M were owed at September 2016 compared to payables of \$43.0M in September 2015. The difference in payables relate to goods and services and capital projects delivered but not yet paid for and timing of the Financial Assistance Grant payments.

Debt

Council continues to have financial strength in its low level of borrowing. The industry measure of debt commitment is the Debt Service Ratio that measures the proportion of revenues that is required to meet annual loan repayments.

Council's Financial Strategy includes provision for additional borrowing in the future and Council will consider borrowing opportunities from time to time to bring forward the completion of capital projects where immediate funding is not available. In 2009-10, Council borrowed \$26M interest free to assist in the delivery of the West Dapto Access Plan. Council has also been successful in securing loan funds under the Local Government Infrastructure Renewal Scheme (LIRS) of \$20M in 2012-13 and \$4.3M in 2013-14 that will be used over a five year period to accelerate the Citywide Footpaths, Shared Path Renewal, Missing Links Construction Program and building refurbishment works for Berkeley Community Centre, Corrimal Library and Community Centre, Thirroul Pavilion and Kiosk respectively. A further \$15M was drawn down in 2014-15 under Round Three of the LIRS program that provides a subsidy of 3% that will be used to support the West Dapto Access – Fowlers Road project.

Council has drawn down a further \$5.5M as an additional part of Round Three of the LIRS Program. This amount will also support the West Dapto Access – Fowlers Road project.

Council's Debt Service Ratio forecast for 2016-17 is approximately 3.5%, which is still below Council's target of 4% and remains low in comparison to the Local Government's benchmark ratio of <10%. It is noted that non-cash interest expense relating to the amortisation of the income recognised on the West

Dapto Access Plan Loan is not included when calculating the Debt Service Ratio.

Assets

The Balance Sheet shows that \$2.4B of assets are controlled and managed by Council for the community as at 30 September 2016. The 2016-17 capital works program includes projects such as the West Dapto Access strategy, Helensburgh Tip rehabilitation, land acquisitions, civil asset renewals including roads, car parks and buildings and purchase of library books. At the end of September, capital expenditure amounted to \$15.5M

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Wollongong 2022 goal '*We are a connected and engaged community*'. It specifically delivers on the following:

Community Strategic Plan	Delivery Program 2012-17	Annual Plan 2016-17
Strategy	5 Year Action	Annual Deliverables
4.4.5 Finances are managed effectively to ensure long term financial sustainability	4.4.5.1 Effective and transparent financial management systems are in place	Provide accurate and timely financial reports monthly, quarterly and via the annual financial statement
		Continuous Budget Management is in place, controlled and reported
		Manage and further develop compliance program
		Monitor and review achievement of Financial Strategy

CONCLUSION

The results compared to budget for the early months of the year can be distorted by the phasing methodology applied to the budget compared to actual project and program progress. The results for September 2016 are generally within projections over a range of financial indicators and based on this information it is expected that Council will achieve the forecast annual results.

WOLLONGONG CITY COUNCIL				
1 July 2016 to 30 September 2016				
	2016/17 Original Budget \$'000	2016/17 Current Budget \$'000	2016/17 YTD Budget \$'000	2016/17 Actual YTD \$'000
Income Statement				
Income From Continuing Operations				
Revenue:				
Rates and Annual Charges	184,035	184,035	46,387	46,490
User Charges and Fees	33,594	33,594	8,067	9,158
Interest and Investment Revenues	4,253	4,253	1,068	1,353
Other Revenues	10,205	10,205	2,288	2,092
Grants & Contributions provided for Operating Purposes	29,961	29,961	7,177	7,399
Grants & Contributions provided for Capital Purposes	32,947	32,947	7,830	2,362
Other Income:				
Profit/Loss on Disposal of Assets	0	0	0	(10)
Total Income from Continuing Operations	294,994	294,994	72,817	68,844
Expenses From Continuing Operations				
Employee Costs	117,960	118,193	29,450	28,828
Borrowing Costs	4,131	4,131	1,041	1,009
Materials, Contracts & Other Expenses	89,066	89,032	21,851	18,124
Depreciation, Amortisation + Impairment	64,840	64,840	16,307	16,101
Internal Charges (labour)	(12,352)	(12,352)	(3,113)	(2,985)
Internal Charges (not labour)	(1,566)	(1,566)	(395)	(308)
Total Expenses From Continuing Operations	262,079	262,278	65,141	60,769
Operating Results From Continuing Operations	32,916	32,717	7,677	8,075
Net Operating Result for the Year	32,916	32,717	7,677	8,075
Net Operating Result for the Year before Grants & Contributions provided for Capital Purposes				
	(31)	(230)	(154)	5,713
NET SURPLUS (DEFICIT) [Pre capital] %	11.2%	11.1%	10.5%	11.7%
Funding Statement				
Net Operating Result for the Year	32,916	32,717	7,677	8,075
Add back :				
- Non-cash Operating Transactions	78,451	78,451	19,737	19,570
- Restricted cash used for operations	15,013	15,212	3,724	2,670
- Income transferred to Restricted Cash	(52,489)	(52,489)	(12,746)	(7,763)
- Payment of Accrued Leave Entitlements	(11,943)	(11,943)	(3,010)	(2,949)
Funds Available from Operations	61,948	61,948	15,381	19,603
Advances (made by) / repaid to Council	0	0	0	0
Borrowings repaid	(7,285)	(7,285)	(948)	(929)
Operational Funds Available for Capital Budget	54,663	54,663	14,434	18,674
CAPITAL BUDGET				
Assets Acquired	(101,627)	(99,271)	(16,839)	(15,522)
Transfers to Restricted Cash	0	(2,600)	(2,600)	(8,100)
Funded From :-				
- Operational Funds	54,663	54,663	14,434	18,674
- Sale of Assets	1,743	1,743	120	199
- Internally Restricted Cash	21,770	19,586	1,485	1,593
- Borrowings	0	0	0	5,500
- Capital Grants	11,065	11,357	627	953
- Developer Contributions (Section 94)	6,008	6,109	706	668
- Other Externally Restricted Cash	5,620	5,025	965	1,056
- Other Capital Contributions	850	880	412	177
TOTAL FUNDS SURPLUS / (DEFICIT)	93	(2,508)	(690)	5,199

CAPITAL PROJECT REPORT							
as at the period ended 30 September 2016							
ASSET CLASS PROGRAMME	\$'000		\$'000		YTD EXPENDITURE	\$'000	
	CURRENT BUDGET		WORKING BUDGET			VARIATION	
	EXPENDITURE	OTHER FUNDING	EXPENDITURE	OTHER FUNDING		EXPENDITURE	OTHER FUNDING
Roads And Related Assets							
Traffic Facilities	1,775	(1,486)	1,900	(1,561)	421	125	(75)
Public Transport Facilities	271	(20)	271	(20)	5	(0)	(0)
Roadworks	13,390	(4,095)	13,610	(4,315)	2,555	220	(220)
Bridges, Boardwalks and Jetties	1,939	(100)	1,939	(100)	496	0	0
TOTAL Roads And Related Assets	17,375	(5,701)	17,720	(5,996)	3,477	345	(295)
West Dapto							
West Dapto Infrastructure Expansion	9,296	(8,826)	9,296	(8,826)	533	(0)	0
TOTAL West Dapto	9,296	(8,826)	9,296	(8,826)	533	(0)	0
Footpaths And Cycleways							
Footpaths	5,108	(1,650)	4,408	(1,650)	1,286	(700)	0
Cycle/Shared Paths	6,740	(3,540)	7,540	(3,540)	837	800	(0)
Commercial Centre Upgrades - Footpaths and Cycleways	4,115	(1,000)	4,115	(1,000)	1,147	0	0
TOTAL Footpaths And Cycleways	15,963	(6,190)	16,063	(6,190)	3,269	100	(0)
Carparks							
Carpark Construction/Formalising	350	0	350	0	78	0	0
Carpark Reconstruction or Upgrading	1,221	0	1,221	0	468	0	0
TOTAL Carparks	1,571	0	1,571	0	546	0	0
Stormwater And Floodplain Management							
Floodplain Management	2,508	(560)	2,433	(560)	271	(75)	(0)
Stormwater Management	1,693	(550)	1,768	(550)	66	75	(0)
Stormwater Treatment Devices	373	(175)	373	(175)	201	(0)	0
TOTAL Stormwater And Floodplain Management	4,574	(1,285)	4,574	(1,285)	537	(0)	(0)
Buildings							
Cultural Centres (IPAC, Gallery, Townhall)	1,100	0	1,100	0	9	0	0
Administration Buildings	1,475	0	1,475	0	65	0	0
Community Buildings	11,262	(1,743)	11,128	(1,743)	2,886	(134)	0
Public Facilities (Shelters, Toilets etc.)	2,020	(170)	2,020	(170)	493	0	0
Carbon Abatement	1,000	(1,000)	1,000	(1,000)	15	0	0
TOTAL Buildings	16,857	(2,913)	16,723	(2,913)	3,469	(134)	0
Commercial Operations							
Tourist Park - Upgrades and Renewal	750	0	750	0	5	0	0
Crematorium/Cemetery - Upgrades and Renewal	130	0	130	0	11	(0)	0
Leisure Centres & RVGC	150	0	150	0	2	0	0
TOTAL Commercial Operations	1,030	0	1,030	0	18	(0)	0
Parks Gardens And Sportfields							
Play Facilities	1,250	(50)	1,250	(50)	2	(0)	(0)
Recreation Facilities	1,795	(233)	2,225	(413)	869	430	(180)
Sporting Facilities	915	(400)	971	(455)	318	56	(56)
Lake Illawarra Foreshore	150	0	50	0	13	(100)	0
TOTAL Parks Gardens And Sportfields	4,110	(683)	4,496	(918)	1,202	386	(236)

CAPITAL PROJECT REPORT

as at the period ended 30 September 2016

ASSET CLASS PROGRAMME	\$'000		\$'000		YTD EXPENDITURE	\$'000	
	CURRENT BUDGET		WORKING BUDGET			VARIATION	
	EXPENDITURE	OTHER FUNDING	EXPENDITURE	OTHER FUNDING		EXPENDITURE	OTHER FUNDING
Beaches And Pools							
Beach Facilities	660	0	660	0	29	(0)	0
Rock/Tidal Pools	1,660	0	1,825	(165)	595	165	(165)
Treated Water Pools	1,415	(10)	1,470	(10)	340	55	0
TOTAL Beaches And Pools	3,735	(10)	3,955	(175)	964	220	(165)
Natural Areas							
Environmental Management Program	0	0	0	0	0	0	0
Natural Area Management and Rehabilitation	525	(250)	354	(250)	13	(171)	(0)
TOTAL Natural Areas	525	(250)	354	(250)	14	(171)	(0)
Waste Facilities							
Whytes Gully New Cells	5,790	(5,790)	5,790	(5,790)	657	(0)	(0)
Whytes Gully Renewal Works	795	(795)	795	(795)	10	(0)	0
Helensburgh Rehabilitation	4,129	(4,129)	4,129	(4,129)	7	(0)	0
TOTAL Waste Facilities	10,714	(10,714)	10,714	(10,714)	673	(0)	0
Fleet							
Motor Vehicles	1,783	(940)	1,783	(940)	280	(0)	(0)
TOTAL Fleet	1,783	(940)	1,783	(940)	280	(0)	(0)
Plant And Equipment							
Portable Equipment (Mowers etc.)	355	(53)	355	(53)	8	0	0
Mobile Plant (trucks, backhoes etc.)	3,000	(750)	3,611	(1,361)	9	611	(611)
Fixed Equipment	320	0	320	0	(0)	0	0
TOTAL Plant And Equipment	3,675	(803)	4,286	(1,414)	16	611	(611)
Information Technology							
Information Technology	1,160	0	1,160	0	77	0	0
TOTAL Information Technology	1,160	0	1,160	0	77	0	0
Library Books							
Library Books	1,193	(66)	1,193	(66)	338	0	0
TOTAL Library Books	1,193	(66)	1,193	(66)	338	0	0
Public Art							
Public Art Works	200	0	200	0	27	(0)	0
Art Gallery Acquisitions	110	0	110	0	4	0	0
TOTAL Public Art	310	0	310	0	31	(0)	0
Emergency Services							
Emergency Services Plant and Equipment	900	0	900	0	4	0	0
TOTAL Emergency Services	900	0	900	0	4	0	0
Land Acquisitions							
Land Acquisitions	2,943	(2,825)	2,943	(2,825)	48	(0)	0
TOTAL Land Acquisitions	2,943	(2,825)	2,943	(2,825)	48	(0)	0
Non-Project Allocations							
Capital Project Contingency	1,277	0	1,227	0	0	(50)	0
Capital Project Plan	280	0	280	0	26	0	0
TOTAL Non-Project Allocations	1,557	0	1,507	0	26	(50)	0
GRAND TOTAL	99,271	(41,205)	100,577	(42,512)	15,522	1,307	(1,307)

**Manager Project Delivery Division
Commentary on September 2016 Capital Budget Report**

As at 30 September 2016, year to date expenditure was \$15.5M of the approved capital budget of \$99.3M. This value is \$1.3M less than the forecast expenditure of \$16.8M for this period.

The following table summarises the proposed changes to the total Capital Budget by transfer of budget between programs and reduction or introduction of various types of external or loan funding. These changes result in a net increase of \$ 1.3M in the overall capital budget to \$ 100.6M.

Program	Major Points of change to Capital Budget
Traffic Facilities	Introduce RMS Funding for existing project. Reallocate budget from Capital Budget Contingency.
Road Works	Introduce RMS Funding for existing project
Footpaths	Reallocate budget from Footpaths Program to Cycle/shared Paths. Reallocate budget from Lake Illawarra Foreshore Program to Footpaths Program.
Cycle/Share paths	Reallocate budget to Footpaths Program from Cycle/Share Paths Program
Floodplain Management	Reallocate budget from Floodplain Management Program to Stormwater Management Program.
Stormwater Management	Reallocate budget from Floodplain Management Program to Stormwater Management Program.
Community Buildings	Reallocate budget from Community Buildings Program to Treated Water Pools Program and Recreation Facilities Program. Reallocate budget from Natural Area Management and Rehabilitation Program to Community Buildings Program.
Recreation Facilities	Introduce Port Kembla Community Investment Fund(ing). Reallocate budget from Community Buildings to Recreation Facilities Program.
Sporting Facilities	Introduce sports priority funding for existing sporting facilities project.
Lake Illawarra Foreshore	Reallocate budget to Footpaths Program for existing project at Windang Boat Ramp.
Rock/Tidal Pools	Introduce Stanwell Park rock pool reserve funding for enhancement of Coal Cliff Rock Pool project.
Treated Water Pools	Reallocate budget from Community Buildings Program to Treated Water Pools Program.
Natural Area Management and Rehabilitation	Reallocate budget from Natural Area Management and Rehabilitation Program to Community Buildings Program.
Mobile Plant (trucks, backhoes etc)	Introduce funding for purchase of replacement buses for community transport.
Capital Project Contingency	Multiple distributions to various capital projects detailed above.

WOLLONGONG CITY COUNCIL			
		Actual 2016/17 \$'000	Actual 2015/16 \$'000
BALANCE SHEET			
		as at 30/09/16	as at 30/06/16
CURRENT ASSETS			
Cash Assets	127,305	112,276	
Investment Securities	33,806	31,663	
Receivables	21,028	21,280	
Inventories	6,059	6,028	
Other	6,907	3,207	
Assets classified as held for sale	0	0	
Total Current Assets	195,105	174,453	
NON-CURRENT ASSETS			
Non Current Cash Assets	10,085	10,085	
Property, Plant and Equipment	2,277,227	2,265,412	
Investment Properties	4,775	4,775	
Westpool Equity Contribution	1,310	1,310	
Intangible Assets	890	1,042	
Total Non-Current Assets	2,294,287	2,282,624	
TOTAL ASSETS	2,489,393	2,457,077	
CURRENT LIABILITIES			
Current Payables	40,034	33,258	
Current Provisions payable < 12 months	16,852	16,998	
Current Provisions payable > 12 months	37,858	37,858	
Current Interest Bearing Liabilities	6,690	6,690	
Total Current Liabilities	101,434	94,804	
NON-CURRENT LIABILITIES			
Non Current Interest Bearing Liabilities	33,193	33,940	
Non Current Provisions	44,504	44,031	
Total Non-Current Liabilities	77,697	77,970	
TOTAL LIABILITIES	179,131	172,774	
NET ASSETS	2,310,261	2,284,303	
EQUITY			
Accumulated Surplus	1,185,714	1,168,876	
Asset Revaluation Reserve	985,155	984,780	
Restricted Assets	139,392	130,647	
TOTAL EQUITY	2,310,261	2,284,303	

WOLLONGONG CITY COUNCIL		
CASH FLOW STATEMENT		
as at 30 September 2016		
	YTD Actual 2016/17 \$ '000	Actual 2015/16 \$ '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts:		
Rates & Annual Charges	44,142	174,893
User Charges & Fees	25,959	33,314
Interest & Interest Received	(358)	5,633
Grants & Contributions	10,675	55,323
Other	4,565	22,139
Payments:		
Employee Benefits & On-costs	(27,670)	(100,072)
Materials & Contracts	(12,896)	(56,091)
Borrowing Costs	(328)	(1,547)
Other	(8,801)	(37,388)
Net Cash provided (or used in) Operating Activities	35,288	96,204
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts:		
Sale of Infrastructure, Property, Plant & Equipment	199	919
Deferred Debtors Receipts	-	-
Payments:		
Purchase of Investments	-	-
Purchase of Investment Property	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(17,316)	(81,467)
Purchase of Interests in Joint Ventures & Associates	-	-
Net Cash provided (or used in) Investing Activities	(17,117)	(80,548)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts:		
Proceeds from Borrowings & Advances	-	-
Payments:		
Repayment of Borrowings & Advances	(999)	(6,369)
Repayment of Finance Lease Liabilities	-	-
Net Cash Flow provided (used in) Financing Activities	(999)	(6,369)
Net Increase/(Decrease) in Cash & Cash Equivalents	17,172	(15,832)
plus: Cash & Cash Equivalents and Investments - beginning of year	154,024	169,856
Cash & Cash Equivalents and Investments - year to date	171,196	154,024

WOLLONGONG CITY COUNCIL		
CASH FLOW STATEMENT		
as at 30 September 2016		
	YTD Actual 2015/16 \$ '000	Actual 2014/15 \$ '000
Total Cash & Cash Equivalents and Investments - year to date	171,196	154,024
Attributable to:		
External Restrictions (refer below)	81,824	66,137
Internal Restrictions (refer below)	57,568	22,208
Unrestricted	31,804	65,679
	171,196	154,024
External Restrictions		
Developer Contributions	16,076	11,758
RMS Contributions	527	238
Specific Purpose Unexpended Grants	5,083	10,910
Special Rates Levy Wollongong Centre Improvement Fund	-	-
Special Rates Levy Wollongong Mall	181	251
Special Rates Levy Wollongong City Centre	37	11
Local Infrastructure Renewal Scheme	23,095	18,791
Unexpended Loans	7,264	12,877
Domestic Waste Management	10,199	6,408
Private Subsidies	4,254	1,883
West Dapto Home Deposit Assistance Program	9,868	-
Stormwater Management Service Charge	1,368	834
West Dapto Home Deposits Issued	85	-
Carbon Price	3,787	2,176
Total External Restrictions	81,824	66,137
Internal Restrictions		
Property Development	4,032	(252)
Property Investment Fund	8,200	-
Strategic Projects	26,035	-
Future Projects	5,348	-
Sports Priority Program	307	850
Car Parking Strategy	902	489
MacCabe Park Development	878	391
Darcy Wentworth Park	179	99
Garbage Disposal Facility	10,273	20,281
Telecommunications Revenue	164	279
West Dapto Development Additional Rates	737	71
Southern Phone Natural Areas	433	-
Lake Illawarra Estuary Management Fund	80	-
Total Internal Restrictions	57,568	22,208

ITEM 5 STATEMENT OF INVESTMENTS - SEPTEMBER 2016

This report provides an overview of Council's investment portfolio performance for the month of September 2016.

Council's average weighted return for September 2016 was 2.60% which was above the benchmark return of 1.72%. The result was primarily due to the positive marked to market valuation of the Floating Rate Notes and CBA Zero coupon Bond securities. The remainder of Council's portfolio continues to provide a high level of consistency in income and a high degree of credit quality and liquidity.

RECOMMENDATION

Council receive the Statement of Investments for September 2016.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Manager Finance

Authorised by: Kerry Hunt, Director Corporate and Community Services - Creative, Engaged and Innovative City (Acting)

ATTACHMENTS

- 1 Statement of Investments 30 September 2016
- 2 Investment Income Compared to Budget 2016- 2017

COMPLIANCE WITH OFFICE OF LOCAL GOVERNMENT GUIDELINES ON COUNCIL DECISION MAKING DURING MERGER PROPOSAL PERIODS

The recommendation in this report satisfies the requirements of the OLG Guidelines - *Council Decision Making During Merger Proposal Periods*.

BACKGROUND

Council is required to invest its surplus funds in accordance with the Ministerial Investment Order and Division of Local Government guidelines. The Order reflects a conservative approach and restricts the investment types available to Council. In compliance with the Order and Division of Local Government guidelines, Council adopted an Investment Policy on 19 October 2015. The Investment Policy provides a framework for the credit quality, institutional diversification and maturity constraints that Council's portfolio can be exposed to. Council's investment portfolio was controlled by Council's Finance Division during the period to ensure compliance with the Investment Policy. Council's Governance Committee's role of overseer provides for the review of the Council's Investment Policy and Management Investment Strategy.

Council's Responsible Accounting Officer is required to sign the complying Statements of Investments contained within the report, certifying that all investments were made in accordance with the Local Government Act 1993 and the Local Government Regulation 2005.

Council's investment holdings as at 30 September 2016 were \$171,215,422 (Statement of Investments attached) [25 September 2015 \$161,028,242].

During September, Council posted a weighted average return of 2.60% (annualised) compared to the benchmark return of 1.72% (annualised Bloomberg Bank Bill Index). The result was primarily due to the positive marked to market valuation of the Floating Rate Notes and CBA Zero coupon Bond securities. The remainder of Council's portfolio continues to provide a high level of consistency in income and a high degree of credit quality and liquidity.

At 30 September 2016, year to date interest and investment revenue of \$1,112,072 was recognised compared to the year to date budget of \$785,562.

Council's CBA Zero Coupon Bond recorded an increase in value for September of \$9,686. The valuation methodology used by Laminar (Council's investment consultants) discounts the bond using a margin for a straight four year CBA obligation but also considers the illiquidity premium, this being a restructured deal and there being limited bids on the security. As this bond gradually nears maturity, movements in interest rates and liquidity will have less of an impact on the securities valuation. While there will be short term fluctuations along the way, the investments valuation will gradually increase to its \$4M maturity value. Council's thirteen floating rate notes had a net increase in value of \$38,765 for September.

Council holds two Mortgaged Backed Securities (MBS) recorded a net decrease in value of \$20,639 for September. These investments continue to pay higher than normal variable rates. While the maturity dates are outside Council's control, the investment advisors had previously indicated that capital is not at risk at that stage and recommended a hold strategy due to the illiquid nature of the investment.

The NSW T-Corp Long-Term Growth Facility recorded a decrease in value of \$11,784 in September. The fluctuation is a reflection of the current share market volatility both domestically and internationally.

During the October 2016 RBA meeting, the official cash rate remained unchanged at the record low of 1.50%. The RBA has advised that it would continue to assess the outlook and adjust policy as needed to foster sustainable growth in demand and inflation outcomes consistent with the inflation target over time. The current inflation rate is quite low and below target.

This report complies with Council's Investment Policy which was endorsed by Council on 19 October 2015. Council's Responsible Accounting Officer has signed the complying Statements of Investments contained within the report, certifying that all investments were made in accordance with the Local Government Act 1993 and the Local Government Regulation 2005.

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Wollongong 2022 goal '*We are a connected and engaged community*'. It specifically delivers on the following:

Community Strategic Plan	Delivery Program 2012-17	Annual Plan 2016-17
Strategy	5 Year Action	Annual Deliverables
4.4.5 Finances are managed effectively to ensure long term financial sustainability	4.4.5.1 Effective and transparent financial management systems are in place	Provide accurate and timely financial reports monthly, quarterly and via the annual financial statement
		Continuous Budget Management is in place, controlled and reported
		Manage and further develop compliance program
		Monitor and review achievement of Financial Strategy

Item 5 - Attachment 1 - Statement of Investments 30 September 2016

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENTS 30 September 2016							
On Call & Term Deposits							
DIRECT INVESTMENTS							
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Security	Purchase Date	Maturity Date	Interest / Coupon Rate
NAB Professional Maximiser	A-1+	-	20,164,844	11am	30/09/2016	30/09/2016	1.90%
NAB General Fund	A-1+	-	2,931,023	11am	30/09/2016	30/09/2016	1.90%
NAB	A1+	1,000,000	1,000,000	T/Deposit	02/05/2016	04/10/2016	3.09%
SUN	A1	2,000,000	2,000,000	T/Deposit	06/06/2016	04/10/2016	2.95%
CBA	A1+	2,000,000	2,000,000	T/Deposit	09/05/2016	10/10/2016	2.72%
WBC	A1+	2,000,000	2,000,000	T/Deposit	24/04/2015	19/10/2016	2.90%
BEN	A2	1,500,000	1,500,000	T/Deposit	26/10/2015	25/10/2016	2.90%
BEN	A2	2,000,000	2,000,000	T/Deposit	29/09/2015	28/10/2016	3.00%
IIMB	A-2	1,000,000	1,000,000	T/Deposit	01/07/2016	31/10/2016	2.70%
BWest	A1+	1,000,000	1,000,000	T/Deposit	03/02/2016	03/11/2016	2.85%
CBA	A1+	2,000,000	2,000,000	T/Deposit	23/12/2015	17/11/2016	2.97%
NAB	A1+	2,000,000	2,000,000	T/Deposit	18/01/2016	18/11/2016	3.01%
ME	A2	1,000,000	1,000,000	T/Deposit	25/02/2016	21/11/2016	3.00%
BOQ	A2	2,000,000	2,000,000	T/Deposit	29/09/2016	29/11/2016	2.60%
NAB	A1+	1,000,000	1,000,000	T/Deposit	29/02/2016	30/11/2016	3.00%
BWest	A1+	1,000,000	1,000,000	T/Deposit	07/12/2015	06/12/2016	2.90%
NAB	A1+	1,030,000	1,030,000	T/Deposit	17/12/2015	19/12/2016	3.03%
BEN	A2	2,000,000	2,000,000	T/Deposit	29/09/2015	22/12/2016	3.05%
BWest	A1+	2,000,000	2,000,000	T/Deposit	23/12/2015	22/12/2016	3.00%
BWest	A1+	1,000,000	1,000,000	T/Deposit	04/01/2016	03/01/2017	3.00%
ME	A2	2,000,000	2,000,000	T/Deposit	17/12/2015	16/01/2017	3.05%
SUN	A1	2,000,000	2,000,000	T/Deposit	23/12/2015	23/01/2017	3.00%
WBC	A1+	3,000,000	3,000,000	T/Deposit	31/07/2015	31/01/2017	2.74%
SUN	A1	2,000,000	2,000,000	T/Deposit	06/06/2016	31/01/2017	3.00%
BOQ	A2	2,000,000	2,000,000	T/Deposit	04/01/2016	03/02/2017	2.95%
CBA	A1+	1,000,000	1,000,000	T/Deposit	19/09/2016	16/02/2017	2.58%
BOQ	A2	2,000,000	2,000,000	T/Deposit	29/09/2016	27/02/2017	2.70%
IIMB	A2	2,000,000	2,000,000	T/Deposit	28/08/2015	28/02/2017	2.80%
NAB	A1+	1,500,000	1,500,000	T/Deposit	31/08/2015	28/02/2017	2.79%
SUN	A1	2,000,000	2,000,000	T/Deposit	13/07/2016	10/03/2017	2.75%
BEN	A2	1,000,000	1,000,000	T/Deposit	11/09/2015	13/03/2017	2.90%
SUN	A1	2,000,000	2,000,000	T/Deposit	29/09/2016	28/03/2017	2.60%
BOQ	A2	2,000,000	2,000,000	T/Deposit	26/02/2016	29/03/2017	3.00%
NAB	A1+	1,000,000	1,000,000	T/Deposit	29/02/2016	30/03/2017	2.95%
ME	A2	1,000,000	1,000,000	T/Deposit	14/09/2016	12/04/2017	2.70%
CBA	A1+	1,000,000	1,000,000	T/Deposit	23/03/2016	20/04/2017	2.88%
BWest	A1+	1,000,000	1,000,000	T/Deposit	23/03/2016	21/04/2017	2.85%
STG	A1+	2,000,000	2,000,000	T/Deposit	23/03/2016	24/04/2017	2.87%
SUN	A1	1,000,000	1,000,000	T/Deposit	23/03/2016	26/04/2017	2.85%
ME	A2	2,500,000	2,500,000	T/Deposit	18/02/2016	15/05/2017	3.13%
STG	A1+	1,500,000	1,500,000	T/Deposit	27/11/2015	25/05/2017	2.81%
SUN	A1	1,500,000	1,500,000	T/Deposit	27/11/2015	26/05/2017	2.81%
ME	A2	1,000,000	1,000,000	T/Deposit	23/12/2015	15/06/2017	3.15%
SUN	A1	1,500,000	1,500,000	T/Deposit	24/05/2016	23/06/2017	2.85%
STG	A1+	2,000,000	2,000,000	T/Deposit	27/05/2016	26/06/2017	2.70%
SUN	A1	2,000,000	2,000,000	T/Deposit	29/09/2016	26/06/2017	2.60%
ME	A2	2,500,000	2,500,000	T/Deposit	22/08/2016	24/07/2017	2.70%
BEN	A2	1,000,000	1,000,000	T/Deposit	29/09/2016	26/07/2017	2.80%
BEN	A2	2,000,000	2,000,000	T/Deposit	29/09/2016	26/07/2017	2.90%
BEN	A2	2,000,000	2,000,000	T/Deposit	31/07/2015	31/07/2017	3.00%
ANZ	A1+	2,500,000	2,500,000	T/Deposit	06/08/2016	07/08/2017	2.64%
BOQ	A2	3,000,000	3,000,000	T/Deposit	28/08/2015	28/08/2017	2.80%
CBA	A1+	2,000,000	2,000,000	T/Deposit	09/08/2016	08/09/2017	2.61%
BEN	A2	1,000,000	1,000,000	T/Deposit	11/09/2015	11/09/2017	2.95%
ME	A2	2,000,000	2,000,000	T/Deposit	29/09/2016	29/09/2017	2.65%
CBA	A1+	2,000,000	2,000,000	T/Deposit	29/09/2016	29/09/2017	2.59%
ME	A2	1,000,000	1,000,000	T/Deposit	14/09/2016	13/10/2017	2.65%
STG	A1+	1,000,000	1,000,000	T/Deposit	19/09/2016	19/10/2017	2.58%
BWest	A1+	3,000,000	3,000,000	T/Deposit	29/09/2016	30/10/2017	2.55%
IIMB	A2	3,000,000	3,000,000	T/Deposit	30/09/2016	30/10/2017	2.50%
SUN	A1	2,000,000	2,000,000	T/Deposit	24/05/2016	24/11/2017	2.85%
CBA	A1+	2,000,000	2,000,000	T/Deposit	27/05/2016	27/11/2017	2.71%
BOQ	A2	2,000,000	2,000,000	T/Deposit	29/09/2016	28/12/2017	2.60%
ME	A2	1,000,000	1,000,000	T/Deposit	14/09/2016	14/03/2018	2.65%
BOQ	A2	2,000,000	2,000,000	T/Deposit	09/09/2016	10/09/2018	2.65%
IIMB	A2	2,000,000	2,000,000	T/Deposit	12/09/2016	12/09/2018	2.60%
ME	A2	2,000,000	2,000,000	T/Deposit	14/09/2016	14/09/2018	2.65%
SUN	A1	2,000,000	2,000,000	T/Deposit	29/09/2016	28/09/2018	2.60%
Total			137,125,867				

WOLLONGONG CITY COUNCIL
STATEMENT OF INVESTMENTS
30 September 2016 continued

Bond and Floating Rate Note Securities

DIRECT INVESTMENTS

Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Security	Purchase Date	Maturity Date	Interest / Coupon Rate
Commonwealth Bank Australia zero coupon bond with a \$4M face value	A-1+	2,000,000	3,810,886	BOND	21/01/2008	22/01/2018	
CBA	AA-	1,000,000	1,009,140	FRN	19/10/2015	19/10/2018	2.72%
CUA	BBB+	3,000,000	3,036,570	FRN	01/04/2016	01/04/2019	3.56%
Westpac	AA-	3,000,000	3,032,220	FRN	11/03/2016	10/05/2019	2.77%
Greater Bank Ltd	BBB+	2,000,000	2,013,760	FRN	07/06/2016	07/06/2019	3.32%
Bendigo Bank	A-	1,000,000	997,870	FRN	16/09/2015	17/09/2019	2.66%
NAB	AA-	3,000,000	2,998,650	FRN	24/06/2015	03/06/2020	2.52%
Bendigo Bank	A-	2,000,000	2,009,620	FRN	18/08/2015	18/08/2020	2.84%
SUN Corp	AA-	1,500,000	1,521,540	FRN	20/10/2015	20/10/2020	3.18%
NAB	AA-	1,000,000	1,011,420	FRN	05/11/2015	05/11/2020	2.86%
SUN	AA-	2,000,000	2,035,880	FRN	12/04/2016	12/04/2021	3.35%
AMP	A+	2,000,000	2,023,420	FRN	24/05/2016	24/05/2021	3.08%
Westpac	AA-	3,000,000	3,033,180	FRN	03/06/2016	03/06/2021	3.16%
ANZ	AA-	2,000,000	2,019,840	FRN	16/08/2016	16/08/2021	2.88%
EMERALD A Mortgage Backed Security *	AAA	679,163	504,156	M/Bac	17/07/2006	21/08/2022	2.18%
EMERALD B Mortgage Backed Security *	AA	2,000,000	1,255,280	M/Bac	17/07/2006	21/08/2056	2.48%
Total			32,313,432				

Managed Funds & Other

MANAGED FUNDS

Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Purchase Date	Monthly Return (Actual)	Annualised % p.a.	FYTD (Actual)
Tcorp Long Term Growth Facility Trust	N/A	1,131,841	1,776,121	13/06/2007	-0.66%	-6.87%	11.27%

Investment Body	Face Value	Security
Southern Phone Company	2	shares

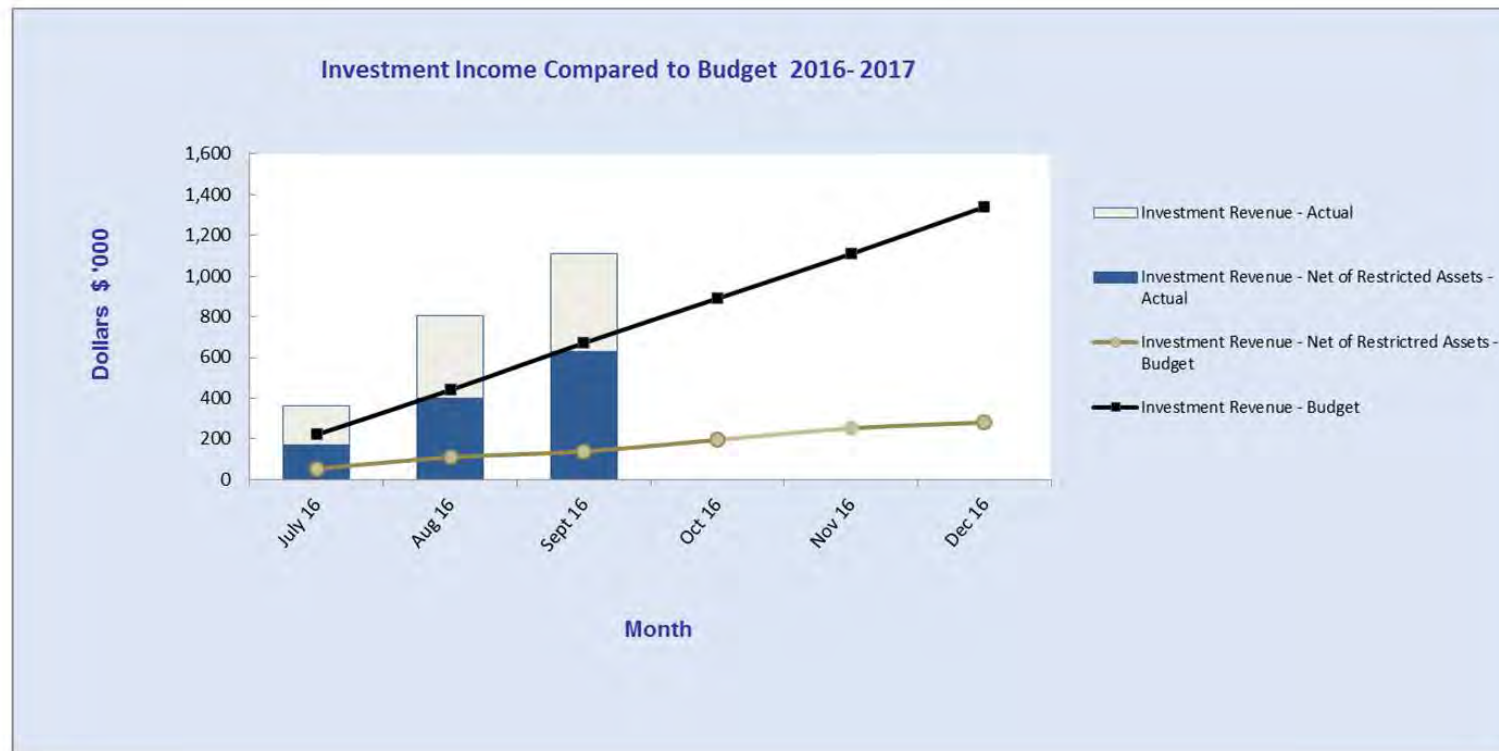
TOTAL INVESTMENTS
\$ 171,215,422

* The maturity date provided is the weighted-average life of the security. This is the average amount of time that will elapse from the date of security's issuance until each dollar is repaid based on an actuarial assessment. Assessments are carried out on a regular basis which can potentially extend the life of the investment. Current assessments anticipate an extension of life of the investment.

This is to certify that all of the above investments have been placed in accordance with the Act, the regulations and Council's Investment Policies.

Brian Jenkins

RESPONSIBLE ACCOUNTING OFFICER



ITEM 6

CITY OF WOLLONGONG TRAFFIC COMMITTEE - MINUTES OF MEETING HELD 5 OCTOBER 2016

A meeting of the City of Wollongong Traffic Committee was held on 5 October 2016.

Items 1 – 6 and Item 8 have been adopted by Council through delegated authority.

Item 7 and Items 9 – 10 of the meeting must be determined by Council and are recommended to Council for approval for the temporary regulation of traffic on public roads for works or events by independent parties.

RECOMMENDATION

In accordance with the powers delegated to Council, the Minutes and recommendations of the City of Wollongong Traffic Committee Meeting held on 5 October 2016 in relation to the Regulation of Traffic be adopted.

REPORT AUTHORISATIONS

Report of: Mike Dowd, Manager Infrastructure Strategy and Planning
Authorised by: Greg Doyle, Director Infrastructure and Works - Connectivity Assets and Liveable City (Acting)

ATTACHMENTS

- 1 Standard Conditions for Road Closures
- 2 Standard Conditions for Street Parties
- 3 Camp Quality Convoy 2016
- 4 Kidz Wish Annual Christmas Party

COMPLIANCE WITH OFFICE OF LOCAL GOVERNMENT GUIDELINES ON COUNCIL DECISION MAKING DURING MERGER PROPOSAL PERIODS

The recommendation in this report satisfies the requirements of the OLG Guidelines – *Council Decision Making During Merger Proposals Periods*.

BACKGROUND

REGULATION OF TRAFFIC

7 BULLI TOPS

Princes Highway – Camp Quality Convoy 2016 – Road Closure

Background:

The organisers for the Camp Quality Convoy to be held on Sunday 20 November 2016 have proposed a closure of the Old Princes Highway between Bulli Tops and Helensburgh as occurred in 2015. This section of the Highway is to be used for mustering the convoy participants and the closure will take effect from 5.00am to 11.00am.

The organisers have arranged for visitors and residents to access Darkes Road, the closed part of the Highway and the Golf facilities, from the Helensburgh end of the closure. For those travelling from the south, drivers remain on the M1 until the Helensburgh exit and then proceed south through the Highway closure.

It should be noted the event is in the period of the closure of Bulli Pass and NSW RMS have indicated the event would be approved, notwithstanding the Bulli Pass closure.

PROPOSAL SUPPORTED UNANIMOUSLY

The Road Closure be approved subject to the submitted Traffic Management Plans (Attachment 3) and Council's Standard Conditions for Road Closures (Attachment 1).

9 WEST WOLLONGONG

Lexburn Avenue – Christmas Street Party - Saturday 17 December 2016

Background:

Council has received an application, signed by all residents, for a Road Closure of Lexburn Avenue, West Wollongong to permit a community Christmas Party on Saturday 17 December 2016. The closure is to take effect from 5.30pm – 11.30pm and will be established between Yellagong and Euroka Streets.

PROPOSAL SUPPORTED UNANIMOUSLY

The proposed road closure be approved subject to Council's Standard Conditions for Street Parties. (Attachment 2).

10 WOLLONGONG

Harbour Street – Kidz Wish Christmas Party - Thursday 24 November 2016

Background:

Council has received an application from WIN Sports and Entertainment Centre to close Harbour Street, Wollongong for the annual Kidz Wish Christmas Party. The closure, between Stewart and Burelli Streets, will take effect from 10.00am to 2.00pm on the day. The proposal includes temporary control of traffic on the Harbour Street frontage to the Entertainment Centre to replace the existing 15 minute parking with a drop off and pick up area.

PROPOSAL SUPPORTED UNANIMOUSLY

The proposed Road Closure be approved subject to the submitted Traffic Management Plans (Attachment 4) and Council's Standard Conditions for Road Closures. (Attachment 1).

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Wollongong 2022 goal under the objective Community Goal 6 – *We have sustainable, affordable and accessible transport.*

It specifically delivers on core business activities as detailed in the Transport Services Plan 2016-17.

Attachment 1

STANDARD CONDITIONS APPLYING TO SPECIAL EVENTS AND WORK-RELATED ACTIVITIES WITHIN COUNCIL ROAD RESERVES

A road closure, following approval by the Traffic Committee, is subject to the following additional Council conditions:

1. The applicant must apply to for a section 138 permit to occupy the road reserve. The application must include: A copy of these conditions signed as accepted
 - a. A copy of a letter from the Traffic Committee authorising the closure
 - b. The TMP
 - c. The ROL (if required)
 - d. Police approval
 - e. Public liability insurance
2. The applicant must obtain written approval from the NSW Police Service.
3. The applicant must obtain an ROL (Road Occupancy Licence) from the Roads & Maritime Services if the closure is on a classified road or within 100m of any traffic control signals.
4. The applicant must advise all affected residents and business owners within the closure area of the closure dates and time in writing, seven days prior to the intended date of works.
5. The applicant must advise the Emergency Services (Ambulance, Fire Brigade and NSW Police), Taxi Co-op and Bus Companies of the closure dates and times in writing, seven days prior to the intended date of works. The applicant must endeavour to minimise the impact on bus services during the closure.
6. The closure must be set up in accordance with a Traffic Management Plan (TMP) prepared by an appropriately qualified traffic control person. A copy of the person's qualifications must be detailed within the TMP.
7. The TMP must be physically set-up by appropriately qualified traffic control persons or the NSW Police.
8. Access for affected business owners and residents must be maintained where possible. Where direct access cannot be achieved an alternative arrangement must be agreed to by both the applicant and affected person/s.
9. The applicant must advertise the closure in the Public Notice section of the local newspaper, detailing the closure dates and times. This advertisement must appear no less than seven days prior to the closure.
10. The applicant must provide Council with a copy of a current public liability insurance policy to a value no less than 10 million dollars which covers Wollongong City Council against any claims arising from the closure

Attachment 2 – Standard Conditions for Street Parties 1 of 2

STANDARD CONDITIONS FOR ROAD CLOSURES FOR STREET PARTIES

- 1 Each road affected by the closure approval shall be restored to full and uninterrupted traffic flow prior to the end of the closure.
- 2 The road shall be cleared sufficiently to allow an emergency vehicle access to a property within the closure area. For this reason, no barbeques, heavy tables or other heavy equipment is to be set up on the road pavement.
- 3 You are required to advertise the road closure in the local newspaper
 E.g. Temporary Road Closure – Larkins Lane, Yallah
 Date: 18 December 2015
 Time: 2 pm – 7 pm
 Event: Street Party
- 4 Council will notify emergency services and the Police Service.
- 5 NSW Police Service directions are to be strictly adhered to.
- 6 Council will endeavour to make available to you the following equipment for the closure

Regular Street Equipment Requirements	Cul - De - Sac Street Equipment Requirements
6 Barrier legs	3 Barrier legs
12 Road Barriers	6 Road Barriers
2 Road Closed Signs	1 Road Closed Signs
4 Flashing Lights	2 Flashing Lights

It should be noted that Council does not supply 9 volt batteries for flashing lights, however batteries can be made available for approximately \$3.40 each.

The flashing lights must be fixed to the barriers and operating prior to sunset.

It is your responsibility to collect this equipment from Council's Works Depot Store, Montague Street, North Wollongong, prior to 2.00 pm on the last working day prior to your proposed road closure, and return same on the next working day following the closure. Please ensure you sign a receipt when collecting and returning this equipment.

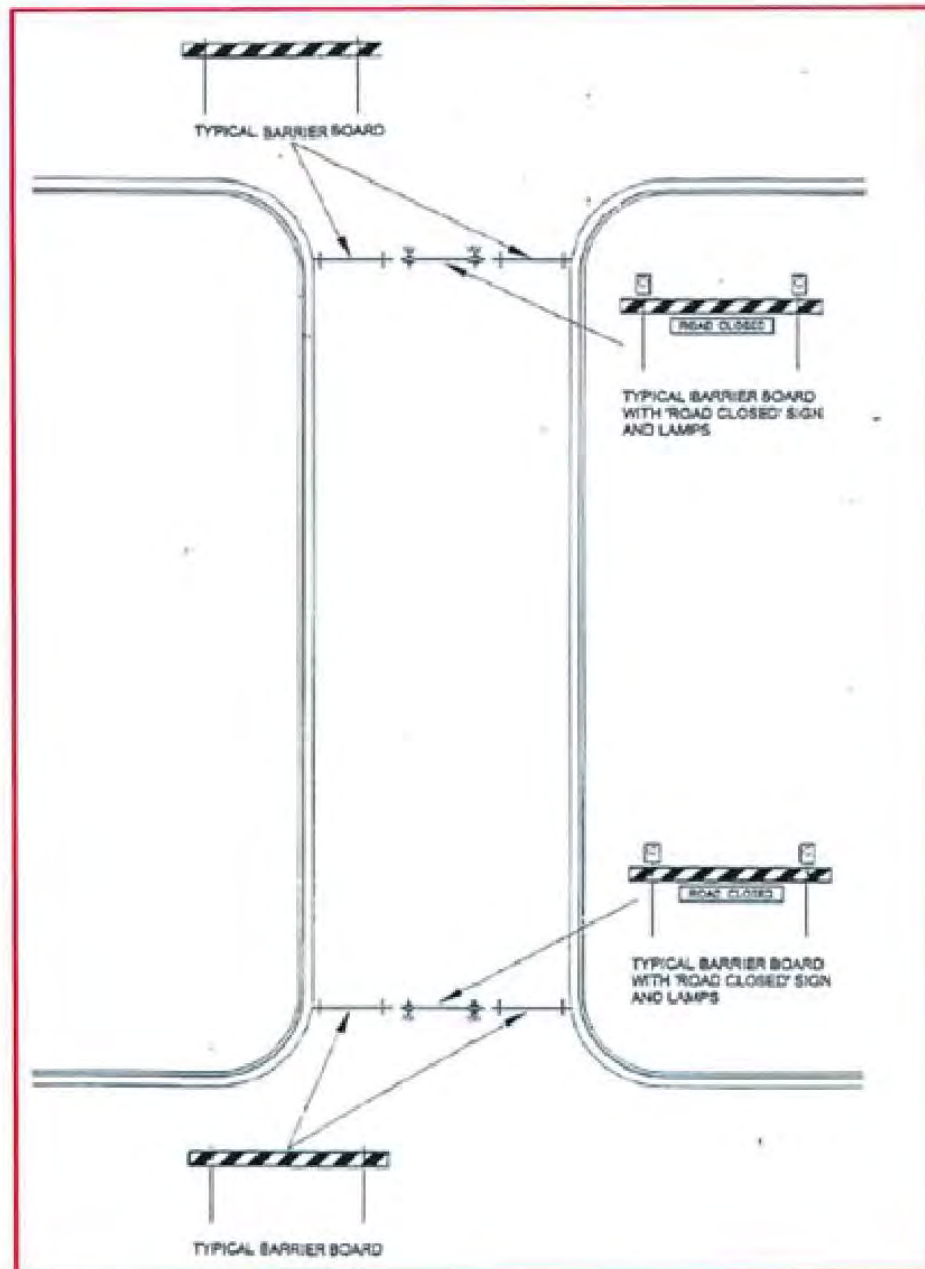
Equipment, which is returned damaged beyond use or not returned at all, will be replaced at your cost.

A sufficient number of people (at least 2), together with a vehicle suitable for the purpose of transporting the relevant equipment, are to be provided by the organisers for the loading and unloading of this equipment at the Depot.

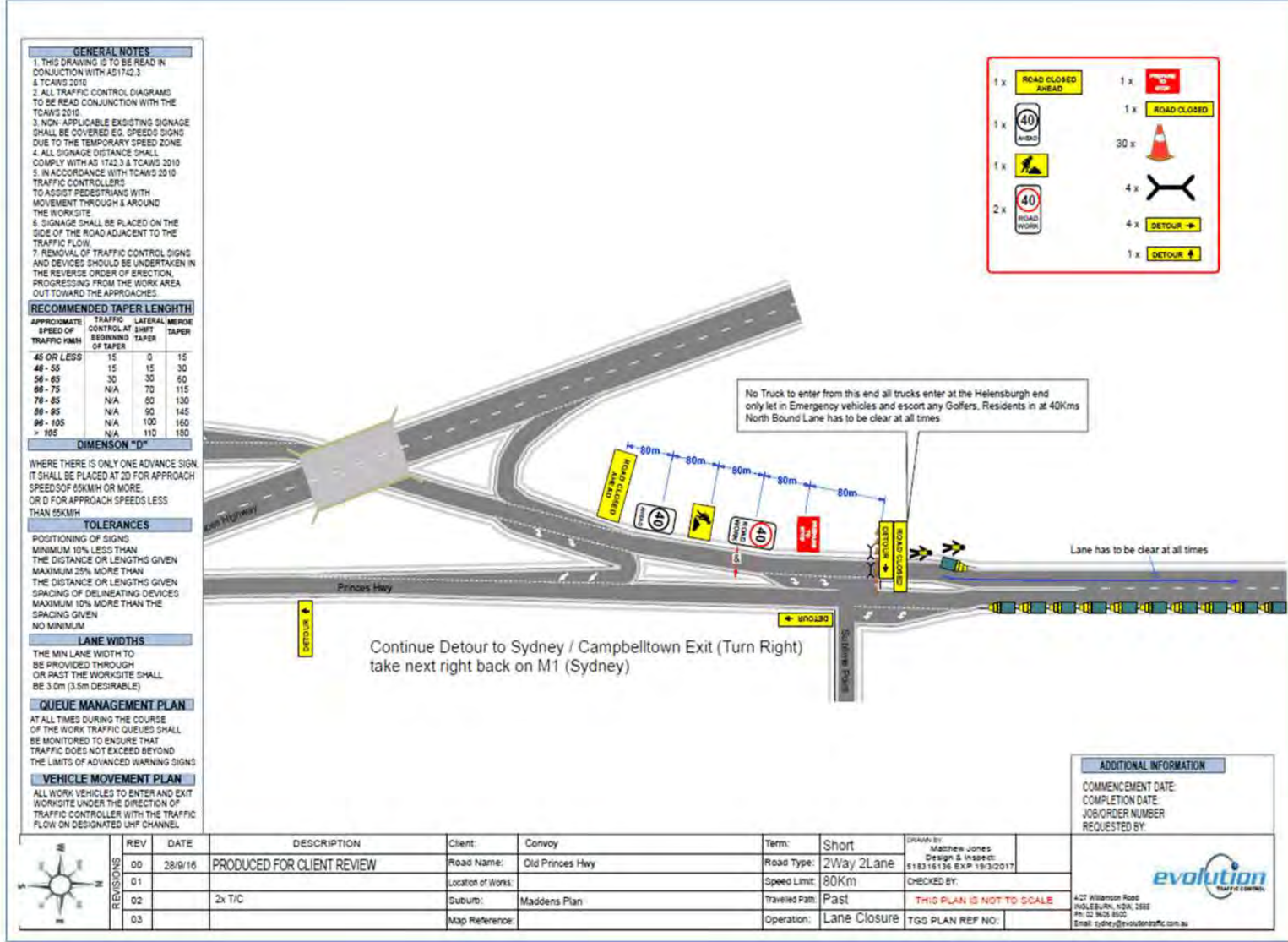
- 7 You are requested to email Council's Events and Functions Coordinator events@wollongong.nsw.gov.au **two weeks prior to pick-up** to ensure availability of the equipment.
- 8 If Council's Store does not have sufficient equipment to lend, you are to obtain equipment from another source (e.g. hire firm), at your expense.

Attachment 2 – Standard Conditions for Street Parties – 2 of 2

TYPICAL ROAD CLOSURE SET UP FOR STREET PARTIES

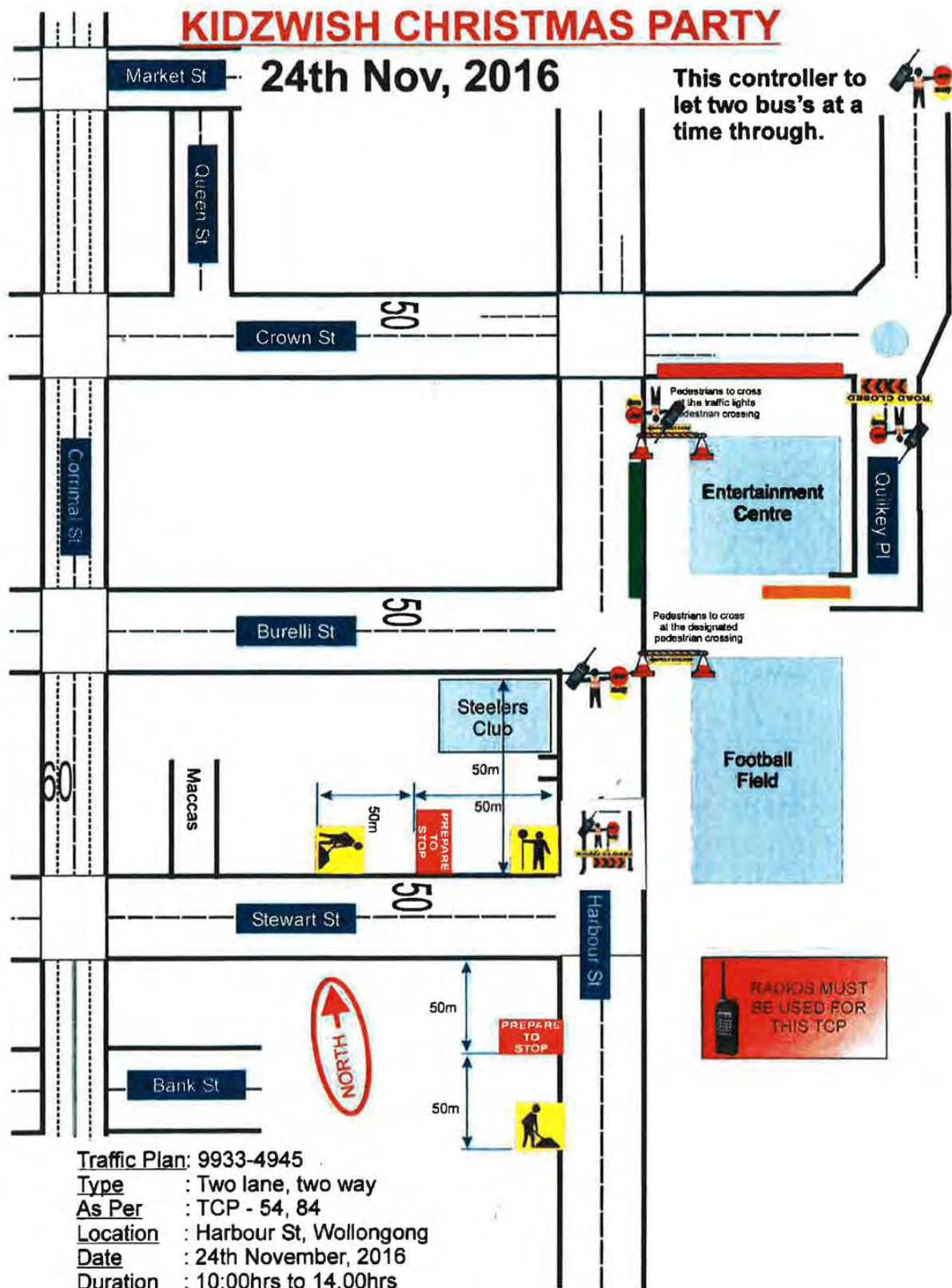


Attachment 3 – Princes Highway, Camp Quality Convoy 2016 – 1 of 2



31 October 2016





Traffic Plan: 9933-4945

Type : Two lane, two way

As Per : TCP - 54, 84

Location : Harbour St, Wollongong

Date : 24th November, 2016

Duration : 10:00hrs to 14:00hrs

Contact :

After Hours:

ITEM 7

TABLING OF ANNUAL RETURNS OF DISCLOSURES OF INTERESTS AND OTHER MATTERS - 2015-2016

The Local Government Act 1993 requires the General Manager to table all Annual Returns of Disclosures of Interests and Other Matters lodged by the prescribed due date of 30 September 2016 at the first Council meeting after that date. This report is submitted in addition to the bi-monthly report which tables the returns of new and departing designated persons.

RECOMMENDATION

Council note the tabling of the Annual Returns of Disclosures of Interests and Other Matters as required by Section 450A of the Local Government Act 1993.

REPORT AUTHORISATIONS

Report of: Kylee Cowgill, Manager Governance and Information
Authorised by: Kerry Hunt, Director Corporate and Community Services - Creative, Engaged and Innovative City (Acting)

ATTACHMENTS

- 1 Returns of Disclosures of Interests and Other Matters (to be tabled)

COMPLIANCE WITH OFFICE OF LOCAL GOVERNMENT GUIDELINES ON COUNCIL DECISION MAKING DURING MERGER PROPOSAL PERIODS

The recommendation in this report satisfies the requirements of the OLG Guidelines – *Council Decision Making During Merger Proposal Periods*.

BACKGROUND

Council is advised that the Annual Returns of all Councillors, Designated Persons and Committee Members were lodged prior to the close of business on 30 September 2016.

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Wollongong 2022 under the objective *our local Council has the trust of the community* (Community Goal) *we are a connected and engaged community*.

It specifically delivers on core business activities as detailed in the Governance and Administration Service Plan 2016-17.