

*From the mountains to the sea*

WOLLONGONG CITY COUNCIL

# BUDGET 2017 – 2018

ATTACHMENT 1

Adopted 26 June 2017

2012 – 2017 Delivery Program

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**Please Note: Rounded numbers have been used in this document that may impact on totals**

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# Section 1: Budget 2017-18

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## INTRODUCTION

### Financial Overview

At the beginning of 2012-13, Council's short to medium term financial capacity was very sound; however the long term path was not sustainable. Council was well positioned financially to provide existing services in the short to medium term but could not guarantee long term replacement of assets. The challenge was to decide if Council could, and should, derive enough funding to renew the long lived assets used in providing the existing levels of service. If the renewal of those high value, long lived assets such as roads, bridges, buildings, public toilets and recreation facilities were not able to be funded, concession needed to be made by Council and the community that the existing levels of service may not have been possible in the future.

Council identified that its challenge was to work with the community to consider options and to take action during its term to address the underlying longer term financial issues.

Council developed a Financial Strategy that was committed to the principles of financial sustainability. Financial sustainability was defined as where the planned, long term service and infrastructure levels and standards can be met without unplanned increases in rates or disruptive cuts to service.

That challenge required consideration of options to:

- increase the funding for asset renewal and refurbishment by:
  - increasing revenue, and/or
  - increasing the amount of existing revenue spent on asset renewal,
- and/or, reduce the amount of funds required for assets by:
  - reducing assets, and/or
  - reducing services, and/or
  - reducing service cost and/or
  - reducing the cost of renewal

Council determined through its Financial Strategy that its measurement of Financial Sustainability would be through a small number of key performance indicators for which it set clear targets.

Following an extensive community consultation process the adoption of a Revised 2012-22 Resourcing Strategy and Delivery Plan was developed with Council's Preferred Scenario in 2014.

The Preferred Scenario included the 'Securing our Future' plan to improve the underlying annual performance by around \$21 Million to provide capacity for long term financial sustainability. The plan included a revised \$4.5 Million operational efficiency target that required a reduction in resources used to provide existing levels of services; a \$1.5 Million adjustment to existing services that was to be predominately achieved by extending the lives of footpath assets; a \$0.5 Million increase in other revenue above the baseline expectations and increases in rates over a three year period of approximately \$14.5 Million per annum.

As we approach the end of the extended term of this Council, it has been reported that Council has achieved all of its financial objectives over the period. The period has been a defining one, in moving this Council from being financially unsustainable to one that is fit and well placed for long term financial stability. Over the past three financial years Council has successfully progressed the Securing Our Future outcomes to the extent that the targets for 2017-18 have already been achieved. In addition, during that time further non-recurrent improvements have allowed an additional \$22.9 Million of surplus funds to be transferred to the Strategic Projects restricted asset for future use.

All estimates show that Council's short, medium and longer term financial capacity remains sound with strong liquidity, low debt and sound financial control which enable balanced fund's budgets to be planned and achieved over a period of time. A balanced fund result means that the allocation of resources to be spent is matched by the levels of revenue received and funds held to pay for it.

Council's planned unrestricted cash holdings (Available Funds) provide sufficient capacity to manage an appropriate level of irregular variations in operational performance or provide opportunity for unanticipated future investment.

The Financial Strategy has been a fundamental aspect of the Securing Our Future and achievement of financial sustainability. It sets the parameters within which Council agrees to operate in order to maintain accepted financial outcomes and provides a clear direction and context for decision making that guides the allocation, management and use of its financial resources. It acts as the catalyst for improving efficiency and releasing resources to improve frontline services and continuity. Council has a commitment to periodically review the Financial Strategy to ensure that it supports the evolving financial maturity and direction of the organisation. The recent review of this Strategy maintains the existing intent, however as Council's financial position has reached the point targeted in the existing Strategy, the revised strategy reflects a change from the planning and development stage to a maintenance phase.

The revised Financial Strategy has a number of clear objectives that have been used in establishing the financial boundaries that flow on to this year's Annual Plan, they include:

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

It is important to remember that the Securing Our Future targets were aimed at providing sustainability at the current service levels by allowing sufficient funding to carry out existing services at existing levels and replace assets with equivalents as required over a period of time. Council will have the opportunity to consider future expectations and direction through its planning process that may include the desire to achieve higher levels or breadth of service delivery through additional improvement to operational performance over a period of time.

The Annual Plan 2017-18 has been developed largely in the context of the actions outlined in the adopted Resource Strategy 2012-22 and the revised Delivery Program 2012-17. The current Delivery Program was planned to finish on 30 June 2017 however, due to an extended merger proposal period, the Office of Local Government issued holdover provisions, allowing affected local governments to essentially extend their Delivery Program for a further 12 months.

The additional projects that have been included in the Annual Plan 2017-18, include both capital and operational changes and are in the context of this. The proposed projects have an estimated cost of \$10.9 Million and will be funded from the Strategic Projects restricted cash over a 10 year period. A substantial proportion of the Strategic Projects Restricted Asset (\$9.5 Million forecast at 30 June 2018) will remain available for further consideration in future periods. The following table provides a summary of the additional projects that have been included in the Annual Plan.

PROJECTS & PROGRAMS										
Funded from Strategic Projects Restricted Cash										
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>Capital &amp; Whole of Life Costs</b>										
<b>North Wollongong Beach - Seawall Renewal</b>										
Capital	50	3,508	2,116							
Asset maintenance & operations										
	<b>50</b>	<b>3,508</b>	<b>2,116</b>	<b>0</b>						
<b>Botanic Gardens Rainforest Walk - Stage 1</b>										
Capital	430									
Asset maintenance & operations		17	18	19	19	19	20	20	21	21
	<b>430</b>	<b>17</b>	<b>18</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>20</b>	<b>20</b>	<b>21</b>	<b>21</b>
<b>Botanic Gardens Glasshouse &amp; Temperate Area Refurbishment</b>										
Capital	20	42	410	398						
Asset maintenance & operations	11	12	12	12	42	43	44	45	46	48
	<b>31</b>	<b>54</b>	<b>421</b>	<b>410</b>	<b>42</b>	<b>43</b>	<b>44</b>	<b>45</b>	<b>46</b>	<b>48</b>
<b>Lift for 93 Crown Street Wollongong</b>										
Capital	30	160								
Asset maintenance & operations	11	22	22	22	23	23	24	25	25	26
	<b>41</b>	<b>182</b>	<b>22</b>	<b>22</b>	<b>23</b>	<b>23</b>	<b>24</b>	<b>25</b>	<b>25</b>	<b>26</b>
<b>Outdoor Fitness Equipment - Helensburgh</b>										
Capital	80									
Asset maintenance & operations	8	8	9	9	9	9	10	10	10	10
	<b>88</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Fred Finch Park - Sportsfields Drainage</b>										
Capital	150									
Asset maintenance & operations		8	8	8	8	9	9	9	9	10
	<b>150</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>10</b>
<b>Wollongong Biennial Acquisitive Sculpture Award</b>										
Capital	40		40		40		40		40	
Program support	100		100		100		100		100	
	<b>140</b>	<b>0</b>	<b>140</b>	<b>0</b>	<b>140</b>	<b>0</b>	<b>140</b>	<b>0</b>	<b>140</b>	<b>0</b>
<b>Beach Accessibility</b>										
Capital	40									
Asset maintenance & operations	20	8	8	9	9	9	9	9	10	10
	<b>60</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>10</b>
	<b>991</b>	<b>3,785</b>	<b>2,743</b>	<b>476</b>	<b>251</b>	<b>113</b>	<b>256</b>	<b>119</b>	<b>261</b>	<b>124</b>
<b>Studies &amp; Supporting Documents</b>										
Beaton Park Precinct Masterplan	40									
Bulli showground Masterplan	50									
Corrimal Traffic Study and Access Movement	40									
Public toilet Strategy	50									
Cultural Tourism Strategy	60									
Foreshore parking Strategy	70	20								
Audit of Accessible Car Parking & Bus Stops	75	75								
Access & Movement Strategy Review	150	176								
City Centre Planning Review	100	100	100							
Helensburgh Town Centre Planning Study	20	60								
Offset by reduction in unallocated central budget		(271)								
	<b>655</b>	<b>160</b>	<b>100</b>	<b>0</b>						
<b>Other projects</b>										
<b>CBD Maintenance Crew</b>										
Capital	45									
Asset maintenance & operations	500	512	524	537	550	563	576	590	604	619
Offset from Additional Rates income budget	(293)	(512)	(524)	(537)	(550)	(563)	(576)	(590)	(604)	(619)
	<b>252</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Air Photo Digitisation & Rectification	30	32	32	33						
Dapto Town Centre - Pilot Project	60									
Dapto Town Centre - Shopfront & Façade Improvemen	30	210								
Relocation of "Amy" Monument Thirroul Beach	25									
Large Cultural Grants continuation	75									
Destination Wollongong - Cruise Ship Support	60	60								
Elizabeth Pk East Security Fence	30									
	<b>562</b>	<b>302</b>	<b>32</b>	<b>33</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>2,208</b>	<b>4,246</b>	<b>2,875</b>	<b>509</b>	<b>251</b>	<b>113</b>	<b>256</b>	<b>119</b>	<b>261</b>	<b>124</b>

The forecast Funds Results are shown below. Council aims to have an annual Funds Result that ensures that the organisation remains within the Available Funds range outlined in the Financial Strategy over the long term. This means there may be individual years with deficit Fund Results due to timing of projects and programs however, over the long term, Available Funds are maintained.

TOTAL FUNDS SURPLUS (DEFICIT)				
	2017/18 Budget \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
<b>Total Funds Surplus / (Deficit)</b>	(9,715)	531	(1,734)	(975)

The 2017-18 Budget and long term financial position encompass the 'Securing Our Future' outcomes that have been designed to achieve the balance required for longer term financial sustainability. Through this position, it should be possible to renew the existing high value, long lived assets such as roads, bridges, buildings, public toilets and recreation facilities that generally need to be funded over their life.

## Assets

Council's Balance Sheet (page 10) shows the extent of assets managed by Council for the community. Property, Plant and Equipment that make up the large portion of Council's assets is valued at \$2.3 Billion. This amount is the current value of the assets after allowing for depreciation. These assets have a current replacement value in excess of \$3.7 Billion.

The Adopted 2017-18 Budget includes a capital expenditure program of \$91.37 Million that is detailed in Section 2: Capital Program and Budget 2017-21 of this document.

## Borrowing Costs (Financing)

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

The revised Financial Strategy would allow borrowings of up to \$68 Million in 2017-18 including existing loans (assuming additional loans are borrowed at 3.0% for a 20 year term) including existing loans. Indicative local government benchmarks for councils similar to Wollongong suggest that a debt service ratio up to 10% is sustainable. Council's continued low borrowing level is a positive indicator that reflects the capacity and flexibility that Council has in future periods should the need arise or further benefit become available to borrow at higher levels.

## Loans

In 2009-10, Council accepted a \$26.1 Million interest free loan from the Department of Planning to accelerate construction of the West Dapto Access Strategy. The operating expenses shown in Council's forecasts include a borrowing cost for the interest free loan that Council received in 2009-10. As this loan is an interest free loan, it is accounted for at fair value. The value of the interest free loan in each period is the Net Present Value (NPV) of the future repayments that will be made over the remaining life of the asset. The \$26.1 Million loan was originally recognised as a liability of only \$17.3 Million while the difference between that and the actual funds received was treated as income in 2009-10. There is a notional interest expense recorded each year to reflect the amortisation of this notional income and the increase in the NPV over the life of the loan.

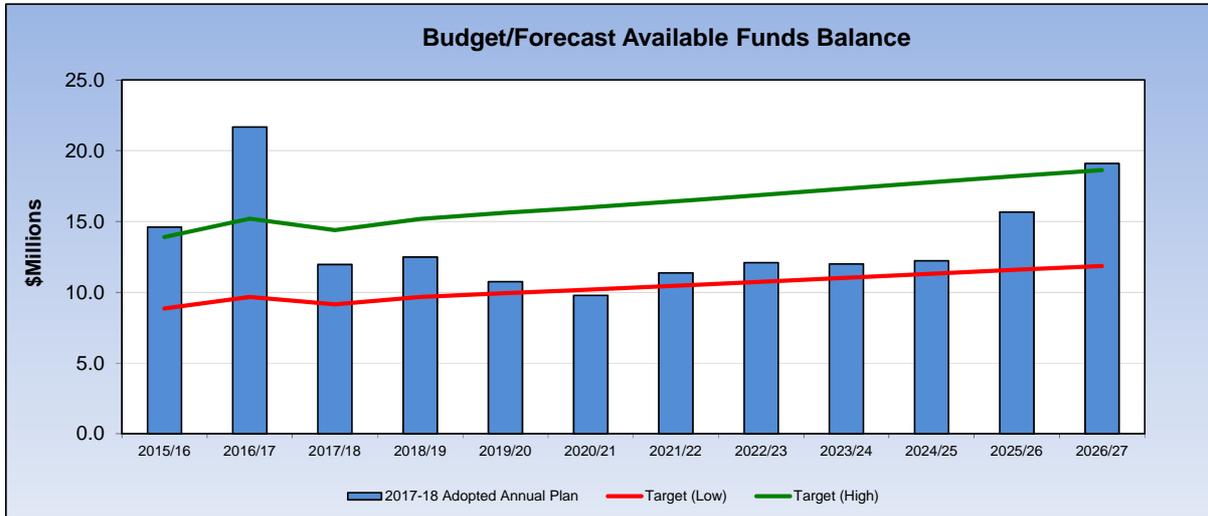
Council further increased its loan borrowings as part of a subsidised Local Infrastructure Renewal Scheme (LIRS) program that was offered by the State Government as incentive to councils to accelerate infrastructure renewal. Council increased its loan borrowing by \$20 Million in 2012-13 for upgrade of footpaths and cycleways and accelerate significant building refurbishment works for Berkeley Community Centre, Corrimal Library and Community Centre and Thirroul Pavilion and Kiosk respectively. A further \$15 Million in loans was drawn down during 2014-15 as part of LIRS (3) to be subsidised at 3% and to be used to support West Dapto Access – Fowlers Road to Fairwater Drive project. During May 2016-17 Council received approval to draw down a further \$5.5 Million as an additional part of Round Three of the LIRS Program to support the West Dapto Access – Fowlers Road project.

These loans will be repaid over 9.5 years and will increase Council's Debt Service Ratio forecast for 2017-18 to approximately 3.3% which remains below Council's current target of 4%.

The loan repayments associated with the West Dapto Access Strategy and LIRS (3) will be funded from a reduction in other capital works, Section 94 contributions and additional rate revenue from the West Dapto subdivision.

## Cash and Investments

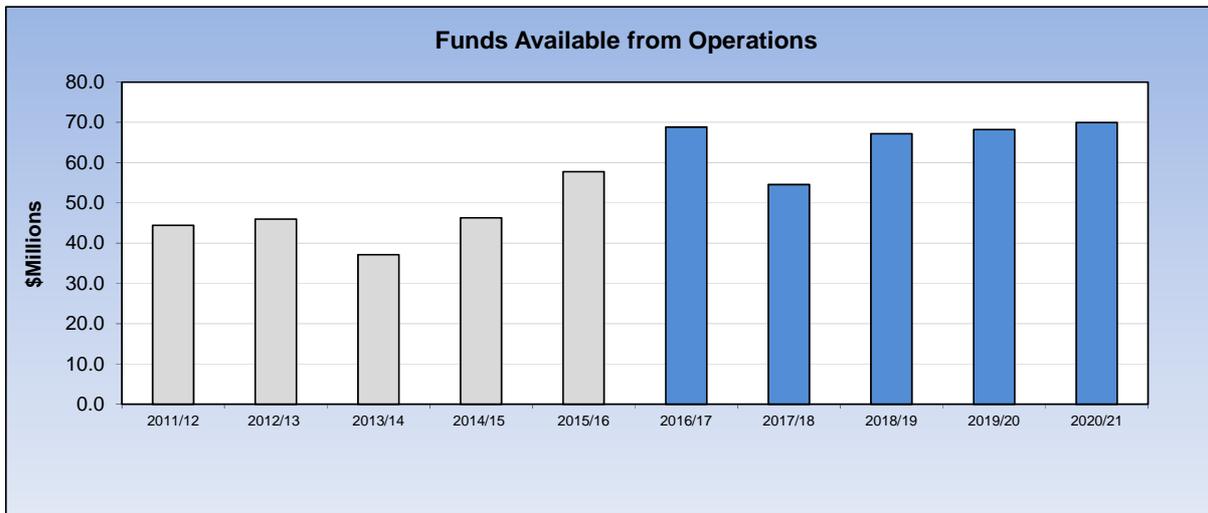
Cash and liquidity are very important indicators of short term financial stability for an organisation. Council has, and will maintain into the future, an adequate cash and investment position. Council's Financial Strategy has a target to achieve and maintain an Available Funds position between 3.5% (low target) and 5.5% (high target) of operational revenue [pre capital]. The table below shows the estimated Available Funds position, including the additional investment of funds.



## Operational Performance – Funds Available from Operations

A level of funding from operations sufficient to cover required asset renewal remains a primary financial objective of Council's Financial Strategy to provide for the effective and timely renewal of assets. This will secure Council's ability to provide acceptable services and community amenities into the future.

The 'Securing our Future' program has had a positive impact on the funds available from operations. The graph below shows the improvements achieved over the last five years and forecasts for the next five years.



*Note: The timing of Financial Assistance Grant payments has impacted years 2011-12 to 2013-14 and 2016-17 to 2017-18. The most material impacts were in 2013-14 where the first two instalments for that year's grant were paid in June 2013 and 2017-18 when the first two instalments for were paid in June 2017.*

## Unbudgeted Supporting Documents and Initiatives

Council has a large number of Supporting Documents that may be in the form of a plan, strategy, study, or similar, that have potential actions that have not yet been funded through the Delivery Planning process. The Delivery Plan and Annual Budget are the tools used to allocate the limited resources available to Council and the community to the highest level needs and priorities. The large

volume of Supporting Documents provide clear, longer term intent and direction for Council in terms of what it would like to do and what it will endeavour to do with the resources that may be available. These Supporting Documents are important in planning future Council services and are used to identify and respond to opportunities for future external funding and/or an increase or redirection of own source funds available to Council.

One of the major sets of Supporting Documents relate to the West Dapto Release Area. Much of Wollongong's population growth is expected to be centred on new residential developments at West Dapto in Wollongong's south-west. Growth in West Dapto will require significant new services supported by a substantial level of new infrastructure. While Supporting Documents, such as the West Dapto LEP, Infrastructure Plan, Access Strategy and West Dapto Section 94 Plans articulate proposed services, assets and some potential future sources of funds or redirection of existing funding, Council's Delivery Plan and Annual Plan only include those elements of the Plan that have passed through that part of the planning process. The full extent of services expected from development in West Dapto is still in the planning phase.

The 2017-18 Annual Plan includes funding for the continuation of West Dapto Review project that commenced during 2016-17. It is expected that this project will provide more definitive information, revised cost estimates and proposed timing of infrastructure works for the growth area that will refine the existing Supporting Documents. There is significant planning and analysis required in estimating the financial impacts of the development and forecasts are subject to ongoing review and as there is greater certainty in relation to service and assets plans for the area, assumptions will be changed in future periods based on the best available information at that time.

Estimates have been included for Section 94 income from West Dapto based on the Draft West Dapto Section 94 Development Contributions Plan 2016 that included proposed increases to contribution rates. The proposed increases were reviewed by IPART late last year who recommended a number of variations including a determination that community buildings cannot be included in the contribution rates. Council will need to determine a strategy for the provision of these facilities and appropriate financing arrangements to support these over time. The funding of the infrastructure requirements in this Plan may also be impacted by the Calderwood development. Contributions from this development are currently subject to negotiations with developers and potential legal action outcomes. The impact of these variations is not yet included in these financial projections.

Rate income projections have also been based on the above Plan and, in accordance with Council's Financial Strategy, additional rate revenue raised through subdivisions in the West Dapto release area will be transferred to an internally restricted asset and used in the early years of the development to assist in funding West Dapto works.

Loan repayments for the West Dapto Access loan have been set by the Department of Planning over a 10 year period. It is intended that for the most part, the loan repayment will be funded by future Section 94 contributions and rates revenue from West Dapto. Funding has been applied to debt repayments over the first 10 years. As the development progresses, revenue from the area will be used to fund the maintenance and operation of new assets and services as part of Council's overall budget.

Some aspects of the West Dapto Release Area have been progressed to a stage where they have been introduced into Council's forward capital program. These include the Princes Highway/Fowlers Road to Fairwater Drive extension (\$90.0 Million) and Wongawilli Road (\$11.3 Million). These works are to be funded from Section 94, the interest free loan from the Department of Planning, grant funds, including Building Better Regional Cities, National Stronger Regions, Resources for Regions and Restart NSW, Illawarra Infrastructure funding (\$22.5 Million), loans under LIRS (3) (\$20.5 Million) and some general revenue. The scope and estimates for these projects are currently being reviewed with construction of the Princes Highway/Fowlers Road to Fairwater Drive extension forecast to occur over the next five years. As the scope, design, and estimates for these projects are further developed, funding and potentially financing decisions will need to be made to progress them to completion. These considerations will be assessed against other budget requirements and included as decisions are made. No other expenditures relating to the release area have been included.

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

- The potential sale of property in Flinders Street (under agreement subject to conditions);

- The longer term capital works and impacts of development and operations within West Dapto;
- Unknown implications of Lake Illawarra;
- Warrawong Library and Community Centre - capital indicatively provided in forward capital programs while any additional operational costs are not yet funded;
- Grand Pacific Walk - Stage 1 is funded, future stages are not yet fully funded;
- Some Blue Mile projects are funded (Tramway replacement, shelters, etc.), while others are not yet funded.
- Potential re-engineering of West Dapto Home Deposit Assistance Program
- The extent of works that may be required for further rehabilitation of Greenhouse Park
- Beaton Park strategy implementation.

These initiatives or projects may be introduced through the budget review process when they reach a point of clarity and funding is available that enables their inclusion.

## Financial Estimates

The estimated financial results are outlined in the table below. These results are based on programmed works and services and assumptions detailed later in this report.

	2017/18 Budget \$M	2018/19 Forecast \$M	2019/20 Forecast \$M	2020/21 Forecast \$M
<b>Net Operating Result for the Year Before Grants and Contributions provided for Capital Purposes [Profit/(Loss)]</b>	(8.4)	4.4	5.9	6.4
<b>Net Operating Result for the Year [Profit/(Loss)]</b>	36.4	52.2	45.7	41.0
<b>Total Funds Surplus / (Deficit)</b>	(9.7)	0.5	(1.7)	(1.0)

The Net Operating Result for the Year [Surplus/(Deficit)] in the Income Statement includes depreciation and other non-cash expenses, but does not include capital expenditure. Depreciation expenditure reflects the deterioration in the value of net assets of the organisation for the period. Over a period of time, it would be expected that assets at least increase in line with population and inflation to maintain the current level of service provided by those assets. The forecast deficit for 2017-18 is largely the result of the early payment of the first two instalments of the 2017-18 Federal Assistance Grant in June 2017.

The Total Funds Surplus provides the result of all cash inflows and cash outflows or restrictions anticipated for the period. Council aims to have an annual Funds Result that ensures that the organisation remains within the Available Funds range outlined in the Financial Strategy over the long term. This means there may be individual years with deficit Fund Results due to timing of projects and programs however, over the long term, Available Funds are maintained.

Council has a continuous budget process that revises the long term forecasts in line with longer term and annual delivery planning, annual resets of assumptions and indices, Quarterly Review changes and one off changes where new information leads to a requirement to alter the forecast. The underlying indices supporting the long term forecasts contained in the following schedules were revised at the commencement of the 2017-18 Annual Planning process to reflect most recent economic indicators. The long term projections include adjustments made during the 2016-17 Quarterly Review process that had a recurrent impact and will continue to be reviewed through the annual planning process to reflect more recent information from both external sources and internal analysis and as changes to service and programs are further considered and agreed.

The following budget reports are provided for the 2017-18 Budget and Long Term Financial Position:

Whole of Council Four Year Financial Forecasts:

- Income Statement
- Funding Statement (including Capital Budget)
- Balance Sheet
- Cash Flow Statement
- Restricted Cash Summary
- Restricted S94 Cash Summary
- Detailed Service Groups Income Statement 2017-18

# WOLLONGONG CITY COUNCIL

## 4 Year Financials

	2017/18 Budget \$'000	2018/19 LTM Forecast \$'000	2019/20 LTM Forecast \$'000	2020/21 LTM Forecast \$'000
<b>INCOME STATEMENT</b>				
<b>Income From Continuing Operations</b>				
<b>Revenue:</b>				
Rates and Annual Charges	190,941	196,708	202,590	208,596
User Charges and Fees	35,691	36,349	36,878	37,248
Interest and Investment Revenues	4,321	4,453	5,642	5,600
Other Revenues	9,705	9,935	10,168	10,400
Grants and Contributions - Operating	20,838	28,479	28,812	29,164
Capital Grants & Contributions	44,858	47,818	39,745	34,586
<b>Other Income:</b>				
Share of Interest in Joint Venture	0	0	0	0
Profit/Loss on Disposal of Assets	0	0	0	0
<b>Total Income From Continuing Operations</b>	<b>306,353</b>	<b>323,741</b>	<b>323,835</b>	<b>325,594</b>
<b>Expenses From Continuing Operations</b>				
Employee Costs	125,906	126,850	129,650	132,660
Borrowing Costs	3,849	3,309	2,721	2,374
Materials, Contracts & Other Expenses	93,150	93,170	96,294	98,760
Depreciation, Amortisation + Impairment	64,340	66,055	67,870	69,665
Internal Charges (labour)	(15,702)	(16,165)	(16,659)	(17,140)
Internal Charges (not labour)	(1,618)	(1,652)	(1,693)	(1,734)
<b>Total Expenses From Continuing Operations</b>	<b>269,926</b>	<b>271,566</b>	<b>278,182</b>	<b>284,585</b>
<b>Net Operating Result for the Year [Profit/(Loss)]</b>	<b>36,427</b>	<b>52,175</b>	<b>45,653</b>	<b>41,009</b>
<b>Net Operating Result for the Year Before Grants and Contributions provided for Capital Purposes [Profit/(Loss)]</b>	<b>(8,431)</b>	<b>4,357</b>	<b>5,908</b>	<b>6,423</b>

# WOLLONGONG CITY COUNCIL

## 4 Year Financials

	2017/18 Budget \$'000	2018/19 LTM Forecast \$'000	2019/20 LTM Forecast \$'000	2020/21 LTM Forecast \$'000
<b>FUNDING STATEMENT</b>				
<b>Surplus (Deficit) [Net Operating Result for the Year]</b>	<b>36,427</b>	<b>52,175</b>	<b>45,653</b>	<b>41,009</b>
Add back :				
- Non-cash Operating Transactions	80,942	82,690	84,499	86,676
- Restricted cash used for operations	13,286	9,595	8,639	8,462
- Income transferred to Restricted Cash	(63,408)	(64,461)	(57,324)	(52,499)
- Payment of Accrued Leave Entitlements	(12,718)	(12,820)	(13,242)	(13,671)
- Payment of Carbon Contributions	0	0	0	0
<b>Funds Available from Operations</b>	<b>54,529</b>	<b>67,179</b>	<b>68,225</b>	<b>69,978</b>
Advances (made by) / repaid to Council	0	0	0	0
Borrowings repaid	(7,486)	(7,692)	(7,913)	(5,242)
<b>Operational Funds Available for Capital Budget</b>	<b>47,043</b>	<b>59,488</b>	<b>60,312</b>	<b>64,736</b>
<b>CAPITAL BUDGET</b>				
Assets Acquired	(91,373)	(106,841)	(104,247)	(117,330)
Contributed Assets	(3,600)	0	0	0
Transfers to Restricted Cash	(140)	(405)	(682)	(960)
Funded From :-				
- Operational Funds	47,043	59,488	60,312	64,736
- Sale of Assets	1,750	1,795	1,292	1,801
- Internally Restricted Cash	9,241	12,139	7,843	5,699
- Borrowings	0	0	0	0
- Capital Grants	9,641	16,550	10,550	400
- Developer Contributions (Section 94)	6,665	8,505	7,998	39,130
- Other Externally Restricted Cash	5,630	9,150	14,550	5,050
- Other Capital Contributions	5,428	150	650	500
<b>TOTAL FUNDS SURPLUS / (DEFICIT)</b>	<b>(9,715)</b>	<b>531</b>	<b>(1,734)</b>	<b>(975)</b>

# WOLLONGONG CITY COUNCIL

## 4 Year Financials

	2017/18 Budget \$'000	2018/19 LTM Forecast \$'000	2019/20 LTM Forecast \$'000	2020/21 LTM Forecast \$'000
<b>BALANCE SHEET</b>				
<b>CURRENT ASSETS</b>				
Cash Assets	139,392	146,602	152,488	146,720
Investment Securities	15,488	16,289	16,943	16,302
Receivables	23,896	25,252	25,259	25,396
Inventories	6,028	6,028	6,028	6,028
Assets held for Sale (previously non-current)	0	0	0	0
Other	3,381	3,468	3,559	3,651
<b>TOTAL CURRENT ASSETS</b>	<b>188,184</b>	<b>197,638</b>	<b>204,277</b>	<b>198,097</b>
<b>NON-CURRENT ASSETS</b>				
Non Current Cash Assets	0	0	0	0
Non Current Investment Securities	0	0	0	0
Non-Current Receivables	0	0	0	0
Non-Current Inventories	0	0	0	0
Investments Accounted for using Equity Method	1,310	1,310	1,310	1,310
Investment Property	5,122	5,302	5,487	5,672
Intangible Assets	1,042	1,042	1,042	1,042
Property, Plant & Equipment	2,318,032	2,357,023	2,392,108	2,437,892
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,325,505</b>	<b>2,364,677</b>	<b>2,399,947</b>	<b>2,445,915</b>
<b>TOTAL ASSETS</b>	<b>2,513,689</b>	<b>2,562,315</b>	<b>2,604,223</b>	<b>2,644,012</b>
<b>CURRENT LIABILITIES</b>				
Current Payables	24,293	24,441	25,036	25,613
Provisions < 12 Months	17,919	18,385	18,863	19,354
Provisions > 12 Months	39,910	40,948	42,012	43,105
Interest Bearing Liabilities	7,692	7,913	5,242	5,482
<b>TOTAL CURRENT LIABILITIES</b>	<b>89,815</b>	<b>91,687</b>	<b>91,154</b>	<b>93,553</b>
<b>NON-CURRENT LIABILITIES</b>				
Non Current Interest Bearing Liabilities	24,964	17,443	12,404	6,922
Non Current Provisions	45,974	48,074	49,902	51,764
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>70,939</b>	<b>65,518</b>	<b>62,306</b>	<b>58,686</b>
<b>TOTAL LIABILITIES</b>	<b>160,753</b>	<b>157,204</b>	<b>153,460</b>	<b>152,240</b>
<b>NET ASSETS</b>	<b>2,352,936</b>	<b>2,405,111</b>	<b>2,450,764</b>	<b>2,491,773</b>
<b>EQUITY</b>				
Accumulated Surplus	(1,184,452)	(1,212,103)	(1,256,501)	(1,307,935)
Surplus (Deficit) for period	(36,427)	(52,175)	(45,653)	(41,009)
Asset Revaluation Reserve	(986,148)	(986,148)	(986,148)	(986,148)
Restricted Assets	(145,908)	(154,685)	(162,461)	(156,680)
<b>TOTAL EQUITY</b>	<b>(2,352,936)</b>	<b>(2,405,111)</b>	<b>(2,450,764)</b>	<b>(2,491,773)</b>

# WOLLONGONG CITY COUNCIL

## 4 Year Financials

	2017/18 Budget \$'000	2018/19 LTM Forecast \$'000	2019/20 LTM Forecast \$'000	2020/21 LTM Forecast \$'000
<b>CASH FLOW STATEMENT</b>				
<b>CASH FLOWS FROM OPERATIONS</b>				
<b>Receipts</b>				
Rates and Annual Charges	189,532	195,351	202,583	208,459
User Charges & Fees	35,691	36,349	36,878	37,248
Investment Incomes	4,321	4,453	5,642	5,600
Grants & Contributions	62,096	76,297	68,556	63,750
Other Operating Receipts	9,443	9,667	9,893	10,122
<b>Payments</b>				
Employee Costs	(108,700)	(108,910)	(111,269)	(113,726)
Materials & Contracts	(90,282)	(91,370)	(94,005)	(96,449)
Borrowing Costs	(1,293)	(1,088)	(869)	(642)
Other Operating Payments	0	0	0	0
<b>NET CASH PROVIDED BY (OR USED IN) OPERATIONS</b>	<b>100,807</b>	<b>120,749</b>	<b>117,409</b>	<b>114,361</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Sale of Investment securities	(370)	(801)	(654)	641
Proceeds from Sale of Property, Plant & Equip	1,750	1,795	1,292	1,801
Repayments from Deferred Debtors	0	0	0	0
<b>Payments</b>				
Purchase of Property Plant & Equipment	(91,373)	(106,841)	(104,247)	(117,330)
Advances to Deferred Debtors	0	0	0	0
Purchase of Interest in Joint Ventures				
<b>NET CASH PROVIDED BY (OR USED IN) INVESTING ACTIVITIES</b>	<b>(89,993)</b>	<b>(105,847)</b>	<b>(103,609)</b>	<b>(114,888)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds from Borrowings and advances	0	0	0	0
<b>Payments</b>				
Repayments of Borrowings and Advances	(7,486)	(7,692)	(7,913)	(5,242)
Repayment of Lease Finance Liabilities				
<b>NET CASH PROVIDED BY (OR USED IN) FINANCING ACTIVITIES</b>	<b>(7,486)</b>	<b>(7,692)</b>	<b>(7,913)</b>	<b>(5,242)</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS HELD</b>	<b>3,328</b>	<b>7,209</b>	<b>5,887</b>	<b>(5,768)</b>
Cash at Beginning of Period	136,065	139,392	146,602	152,488
<b>CASH &amp; CASH EQUIVALENTS AT EOY</b>	<b>139,392</b>	<b>146,602</b>	<b>152,488</b>	<b>146,720</b>
PLUS other investment securities	15,488	16,289	16,943	16,302
<b>TOTAL CASH &amp; INVESTMENTS</b>	<b>154,880</b>	<b>162,891</b>	<b>169,431</b>	<b>163,022</b>

## 4 YEAR RESTRICTED CASH SUMMARY

PURPOSE OF RESTRICTED CASH	Opening Balance 1/07/17	2017/18 Forecast \$'000			2018/19 Forecast \$'000			2019/20 Forecast \$'000			2020/21 Forecast \$'000		
		Transfer		Balance 30/06/18	Transfer		Balance 30/06/19	Transfer		Balance 30/06/20	Transfer		Balance 30/06/21
		In	Out		In	Out		In	Out		In	Out	
<b>Internally Restricted Cash</b>													
Property	3,817			3,817			3,817			3,817		2,522	1,295
Strategic Projects	30,755	700	4,975	26,480		7,462	19,018		3,212	15,806		504	15,302
Future Programs	4,039		533	3,506		360	3,145		380	2,765		400	2,366
Property Investment Fund	8,175	261	200	8,236	341	200	8,377	419		8,796	404		9,200
MacCabe Park Development	990	150		1,140	150		1,290	150		1,440	150		1,590
City Parking Strategy	1,052	646	745	953	632	190	1,395	619	171	1,843	605	189	2,259
Sports Priority Program	385	255	250	390	258	250	398	261	250	409	265	250	423
Telecommunications Revenue	193	39		232	40		273	42		315	43	3	354
Natural Areas Fund	362	200	186	376	200	189	387	200	191	396	200	194	402
West Dapto Rates (additional)	659	1,269	923	1,005	1,910	1,053	1,862	2,538	500	3,900	3,139		7,039
Lake Illawarra Estuary Management Fund	158	165	165	158	165	165	158	165	165	158	165	165	158
Darcy Wentworth Park	171			171			171			171			171
Waste Disposal Facilities ***	6,271	2,901	5,604	3,568	2,839	4,980	1,427	2,748	4,400	(225)	2,823	2,380	219
<b>Total Internal Restricted Cash</b>	<b>57,026</b>	<b>6,586</b>	<b>13,581</b>	<b>50,031</b>	<b>6,536</b>	<b>14,849</b>	<b>41,718</b>	<b>7,142</b>	<b>9,270</b>	<b>39,591</b>	<b>7,793</b>	<b>6,607</b>	<b>40,777</b>
<b>Externally Restricted Cash</b>													
Section 94	15,109	30,841	7,215	38,736	29,430	8,742	59,423	28,684	8,242	79,865	34,041	39,898	74,007
Grants	4,711	16,787	15,812	5,686	23,627	20,626	8,686	16,862	15,161	10,387	6,367	4,926	11,828
Loan Repayment	7,474	228	350	7,352	264	7,000	616	265		880	265		1,145
Carbon Pricing	1,067		846	220		23	197		25	172		25	147
Domestic Waste Management	11,112	384	164	11,331	350	100	11,581	361	350	11,592	278	570	11,299
Contributed Assets		3,600	3,600										
External Service Charges to Restricted Assets	51	52		103			103			103			103
Other Contributions	4,025	963	1,821	3,167	651	529	3,289	701	526	3,464	703	538	3,630
Special Rates Levies - City Centre + Mall	98	1,493	1,524	67	1,528	1,560	35	1,563	1,595	2	1,599	1,632	(32)
West Dapto Home Deposit Assistance Program	10,165	322		10,487	423		10,910	525		11,435	505		11,940
Local Infrastructure Renewal Scheme	20,205	504	3,150	17,559	261	1,000	16,820	100	13,500	3,420	97	3,482	36
Stormwater Management	1,209	1,788	1,827	1,170	1,797	1,660	1,306	1,805	1,561	1,550	1,813	1,562	1,801
<b>Total External Restricted Cash</b>	<b>75,225</b>	<b>56,962</b>	<b>36,311</b>	<b>95,877</b>	<b>58,330</b>	<b>41,241</b>	<b>112,966</b>	<b>50,865</b>	<b>40,960</b>	<b>122,871</b>	<b>45,666</b>	<b>52,634</b>	<b>115,903</b>
<b>Grand Total</b>	<b>132,251</b>	<b>63,548</b>	<b>49,892</b>	<b>145,908</b>	<b>64,866</b>	<b>56,089</b>	<b>154,685</b>	<b>58,007</b>	<b>50,230</b>	<b>162,461</b>	<b>53,459</b>	<b>59,240</b>	<b>156,680</b>

\*\*\* The Waste Disposal Facilities Restricted Asset is held for the development and renewal of assets within Council's waste facilities and for the rehabilitation of the sites at the end of their lives. Council's Waste Strategy and Master Plan for facilities is currently being reviewed and will potentially change the life and capital requirements of the facilities. While this review is being progressed the forward capital works program only includes specific works that are not impacted by a revised strategy. Adjustments to the works program will be made where necessary following completion of the review program. Cash collections have been estimated in accordance with the current program.

## 4 YEAR S94 RESTRICTED CASH SUMMARY

PURPOSE OF RESTRICTED CASH	Opening Balance 1/07/17	2017/18 Forecast \$'000			2018/19 Forecast \$'000			2019/20 Forecast \$'000			2020/21 Forecast \$'000		
		Transfer		Balance 30/06/18	Transfer		Balance 30/06/19	Transfer		Balance 30/06/20	Transfer		Balance 30/06/21
		In	Out		In	Out		In	Out		In	Out	
<b>Externally Restricted Cash</b>													
S94 Plans	100			100			100			100			100
S94 West Dapto	3,405	29,428	4,882	27,951	27,951	7,596	48,307	27,093	7,433	67,966	32,466	38,545	61,887
S94 Calderwood	316			316	2		318	5		323	4		327
S94A City Centre	(2,378)	(113)	355	(2,846)	(165)	100	(3,111)	(205)	200	(3,516)	(207)	200	(3,923)
S94A City Wide	13,667	1,526	1,978	13,214	1,642	1,047	13,810	1,792	609	14,992	1,778	1,153	15,617
<b>Total S94 Restricted Cash</b>	<b>15,109</b>	<b>30,841</b>	<b>7,215</b>	<b>38,736</b>	<b>29,430</b>	<b>8,742</b>	<b>59,423</b>	<b>28,684</b>	<b>8,242</b>	<b>79,865</b>	<b>34,041</b>	<b>39,898</b>	<b>74,007</b>

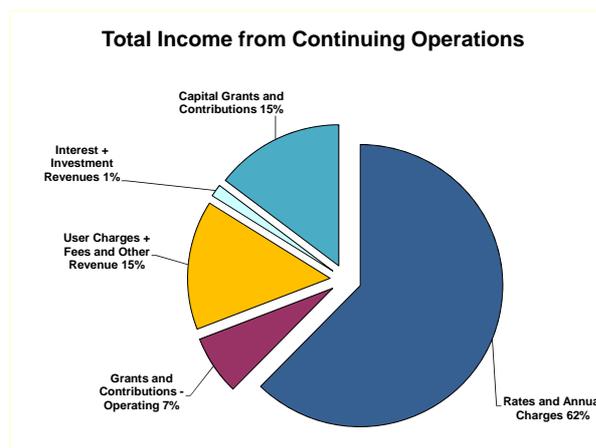
# WOLLONGONG CITY COUNCIL

## Detailed Service Group Financials Budget 2017/2018

	Planning & Engagement \$'000	Environment \$'000	Transport Services / \$'000	Community Services & \$'000	Recreation & Open Space \$'000	Regulatory Services & Safety \$'000	Governance & Internal Services \$'000	Total \$'000
<b>INCOME STATEMENT</b>								
<b>Income from Continuing Operations</b>								
<b>Revenue:</b>								
Rates and Annual Charges	1,145	34,083	0	0	0	0	155,713	190,941
User Charges and Fees	751	12,306	1,272	3,165	11,605	4,080	2,512	35,691
Interest and Investment Revenues	0	0	0	0	0	0	4,321	4,321
Other Revenues	227	439	13	409	320	3,296	5,000	9,705
Grants and Contributions - Operating	0	846	3,379	5,525	0	544	10,543	20,838
Capital Grants & Contributions	34,541	700	9,617	0	0	0	0	44,858
Additional Revenues	0	0	0	0	0	0	0	0
<b>Other Income:</b>								
Share of Interest in Joint Venture	0	0	0	0	0	0	0	0
Profit/Loss on Disposal of Assets	0	0	0	0	0	0	0	0
<b>Total Income from Continuing Operations</b>	<b>36,664</b>	<b>48,374</b>	<b>14,281</b>	<b>9,099</b>	<b>11,925</b>	<b>7,920</b>	<b>178,090</b>	<b>306,353</b>
<b>Expenses from Continuing Operations</b>								
Employee Costs	22,142	9,316	3,529	15,841	22,310	11,489	41,278	125,906
Borrowing Costs	0	1,989	0	0	0	0	1,860	3,849
Materials, Contracts & Other Expenses	14,607	38,014	8,413	6,961	7,386	4,997	12,773	93,150
Depreciation, Amortisation + Impairment	14,305	11,140	30,192	1,508	4,653	502	2,041	64,340
Internal Charges	(27,111)	2,783	4,387	8,750	10,940	1,422	(18,490)	(17,320)
<b>Total Expenses from Continuing Operations</b>	<b>23,943</b>	<b>63,242</b>	<b>46,522</b>	<b>33,060</b>	<b>45,289</b>	<b>18,409</b>	<b>39,462</b>	<b>269,926</b>
<b>Operating Result from Continuing Operations</b> <b>[ Surplus (Deficit) ]</b>	<b>12,721</b>	<b>(14,867)</b>	<b>(32,241)</b>	<b>(23,961)</b>	<b>(33,364)</b>	<b>(10,489)</b>	<b>138,628</b>	<b>36,427</b>
<b>Net Operating Result for the Year</b> <b>[ Surplus (Deficit) ]</b>	<b>12,721</b>	<b>(14,867)</b>	<b>(32,241)</b>	<b>(23,961)</b>	<b>(33,364)</b>	<b>(10,489)</b>	<b>138,628</b>	<b>36,427</b>
<b>Net Operating Result for the Year before Grants and Contributions provided for Capital Purposes</b> <b>[ Surplus (Deficit) ]</b>	<b>(21,820)</b>	<b>(15,567)</b>	<b>(41,858)</b>	<b>(23,961)</b>	<b>(33,364)</b>	<b>(10,489)</b>	<b>138,628</b>	<b>(8,431)</b>

# Revenue

Revenue Type	2017/18 Budget (\$M)
Rates and Annual Charges	190.9
Grants and Contributions - operating	20.8
User Charges + Fees and Other Revenue	45.4
Interest + Investment Revenues	4.3
Capital Grants and Contributions	44.9
<b>Total Income from Continuing Operations</b>	<b>306.4</b>



## Indexation

General indexation for Revenues is used where specific information is not available. The indices are based on information obtained from a number of sources including various bank financial reports, ABS reports and economic publications. The annual process for the preparation and review of the financial forecasts for the long term financial plan provides for an initial review of these indices and continuous update through the process for significant changes.

Indices for Revenue					
		2017/18 Budget	2018/19 Foecast	2019-20 Foecast	2020/21+ Foecast
		%	%	%	%
Fees and Charges					
-Commercial	1	2.50	2.50	2.50	2.50
-Other	1	2.50	2.50	2.50	2.50
Rates Increase	2	1.50	2.30	2.30	2.30
Rates Increase - growth		0.40	0.40	0.40	0.40
Interest Rates (90 day bill rate)	3	2.00	2.40	3.70	3.70
<b>Notes on indices:</b>					
<b>1. Commercial Activities/Fees and Charges</b>					
These have been indexed in line with EA/Wage costs.					
<b>2. Rates</b>					
2016-17 was the last year of the Special Rate Variation (SRV). 2017-18 has been indexed by the rate peg advised in November 2016. Subsequent years have been indexed by an estimated rate peg, being the proposed CPI lagged by a year, mirroring the LGCI index impact used by IPART for setting the rate peg increases.					
<b>3. Interest Rates</b>					
The anticipated interest rates (investment funds) proposed shows a cut to the previous years. This will impact both investment income and the funds transferred to Restricted Assets such as interest for grants and Section 94 (developer funds).					

## Rates & Annual Charge

### Rates

The Special Rate Variation that formed part of the Securing Our Future was completed in 2016-17 and rate increases for 2017-18 and beyond will be subject to the rate peg that is advised annually by IPART. A rate peg of 1.5% was advised by IPART in late November 2016 for 2017-18 and this, along with an allowance for rate growth, has been used to develop the forecasts for 2017-18. Subsequent

years are based on an estimated rate peg and forecast rate revenue also includes an assumption that Council rates revenue will generally grow by 0.4% per annum. This is based on historical trends and future expectations of growth. In addition, growth has also been built into the long term forecasts for expected development at West Dapto and this has been aligned to estimated staging of that release area. Projected rate income from the West Dapto development represents 0.8% of total rate income in 2017-18 growing to 3.1% by 2025-26.

Council was subjected to a General Revaluation in July 2016 which impacts on the redistribution of rates between ratepayers. Individual rate assessments will vary depending on the change in land value in relation to the average change in land value across the rating base. There will be a relatively small number of individual properties that will increase and or decrease significantly against the rate value from 2016/17. More detailed information relating to the rates and rating policy is provided as part of the Revenue Policy, Fees and Charges booklet. The rate categories and sub-categories used in the forecasts are unchanged from recent years. These structures have been applied since 1994 when the provisions of the then new Local Government Act came into force. A change in pricing structure for residential rates to include a base charge was introduced in 2002.

In addition to general rates, Council currently applies two special rates, the Mall Special Rate and the City Centre Special Rate. The Wollongong City Centre Improvement Fund Rate that was applied in 2011-12 was merged with the Mall Special Rate from 2012-13. Together, Special Rates are projected to generate \$1.49 Million of revenue for 2017-18.

The projected rate revenues shown below are based on the current rating structure and property information and these projections will change marginally through the planning process as property information changes.

	2017/18 Budget \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
<b>Rates Revenue</b>				
<b>General Rates</b>				
Ordinary Rates - Residential	111,367	114,980	118,661	122,398
Ordinary Rates - Farmland	306	314	323	332
Ordinary Rates - Mining	907	931	956	982
Ordinary Rates - Business	46,384	47,579	48,806	50,065
Rates - Abandonments	(52)	(53)	(54)	(55)
<b>Special Rates</b>				
Special Rates - Mall	1,082	1,107	1,132	1,159
Special Rates - City Centre	413	423	432	442
<b>Total Rates Revenue</b>	<b>160,407</b>	<b>165,282</b>	<b>170,256</b>	<b>175,322</b>

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

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

## Domestic Waste Management

Under the Local Government Act, Council must not apply income from an ordinary rate towards the cost of providing Domestic Waste Management services. Income obtained from charges for Domestic Waste Management must be calculated so as to not exceed the reasonable cost to the council of providing those services.

The charge calculated for 2017-18 is based on the full recovery of the service, including appropriate charges for Domestic Waste tipping fees at Whytes Gully. The Waste Facility tipping charge includes pricing for future capital costs associated with the management of the facility and long term site remediation.

Pricing and revenue for Domestic Waste Management are applied on an averaging basis over a period of time to avoid abnormal fluctuations in price. The anticipated revenue for Domestic Waste

Management is shown below with more details on the charges set out in the Revenue Policy, Fees and Charges booklet provided under separate cover.

	2017/18 Budget \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
<b>Domestic Waste Management Revenue</b>				
Annual Charges Domestic Waste Management	33,311	34,182	35,066	35,979

## Stormwater Management

Council levies a Stormwater Management Charge on all parcels of rateable land, other than those exempted under the Local Government Act. The pricing from Stormwater Management charge is to remain unchanged for 2017-18. The rate has remained static since the original setting by the State Government in April 2006.

Current year and future years' estimates of the yield from Stormwater is shown below with charges set out in detail in the Revenue Policy, Fees and Charges booklet provided under separate cover.

	2017/18 Budget \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
<b>Stormwater Management Revenue</b>				
Annual Charges Stormwater Management Service	1,788	1,797	1,805	1,813

## Waste Management Services – Non-Domestic Premises

Council levies a Waste Management fee on approximately 330 non-residential properties where approved. The operations of this service are currently managed through the kerbside collection contracts and costs have not been separated from Domestic Waste. The fee for this service has historically been set in line with Domestic Waste Management fees to avoid cross subsidisation.

The revenue from non-domestic waste operations is estimated at \$171,000 for 2017-18. Charges are set out in detail in the Revenue Policy, Fees and Charges booklet provided under separate cover.

### Pensioner Rebates

Council is required to provide a pensioner rebate under the Local Government Act and has also continued to provide a voluntary rebate to eligible pensioners who were receiving a Council rebate prior to 1994. Pensioner rebates are deducted from rates revenue for reporting purposes.

The compulsory pensioner rebate to ratepayers holding a pension card is 50% of rates and annual charges up to \$250. 55% of this rebate is funded from Government subsidy which is included in untied grant revenues.

The voluntary Council rebate is indexed by the general rates increase (1.5% for 2017-18).

	2017/18 Budget \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
<b>Pensioner Rebates</b>				
Pensioner Rate Rebate - Statutory s575	3,145	3,175	3,205	3,235
Pensioner Rate Rebate - Council s582	404	365	324	281
<b>Total Pensioner Rates Rebate</b>	<b>3,549</b>	<b>3,540</b>	<b>3,529</b>	<b>3,516</b>
Pensioner DWM Rebate - Statutory s575	888	897	906	916
Pensioner DWM Rebate - Council s582	129	115	102	87
<b>Total Pensioner DWM Rebate</b>	<b>1,016</b>	<b>1,012</b>	<b>1,008</b>	<b>1,002</b>
<b>Total Pensioner Rebates</b>	<b>4,565</b>	<b>4,552</b>	<b>4,536</b>	<b>4,518</b>

## User Fees, Charges and Other Revenue

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

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

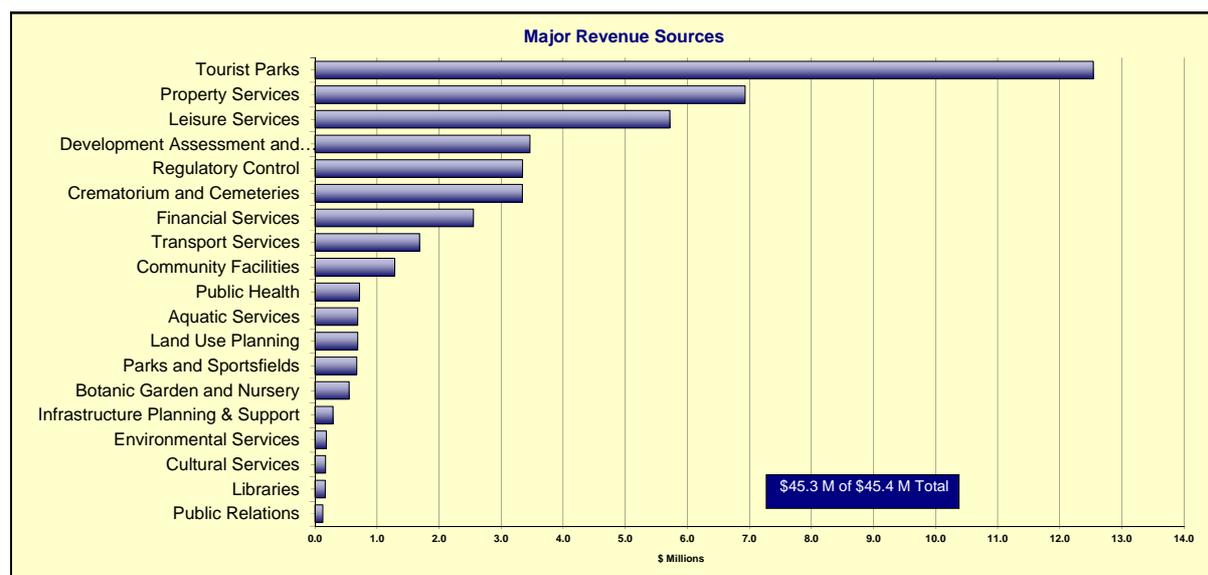
- The cost of providing the service.
- The importance of the service to the community.
- The price fixed by a relevant industry body.
- Any factors specified in the Local Government Act.
- Market rates or pricing.

Council assesses its pricing for services under the following categories which are identified against individual fees in the Revenue Policy, Fees and Charges booklet.

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

Increases to Fees and Other Revenue are generally in line with the estimated increase in cost for services of 2.50%. Some prices vary from the index based on specific issues impacting the operations, costs or pricing parameters of the particular service.

Fees, Charges and Other Revenue account for 15% of Council's revenue [pre capital]. The major elements are shown in the table below.



# Operational Grants

## Untied Grants

### *Financial Assistance Grant*

The Financial Assistance Grant (FAG) is a general purpose annual grant funded by the Federal Government through the States. Although the Grant has two components, general purpose and roads component, it is an unconditional Grant. The general purpose component is distributed to the States based on population and needs assessment whilst the road component is distributed based on road infrastructure maintained. The distribution methodology is currently under review and may have an impact on future receipts. The Grant is usually subject to indexation; however, the 2014 Federal Government Budget included a 'pause' removing indexation growth, which extended until 2016-17. A decision was made by the Federal Government to pay the first two instalment of the 2017-18 allocation by 30 June 2017.

	2017/18 Budget \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
<b>Financial Assistance (Revenue Sharing) Grant</b>				
General Purpose component	7,739	15,803	16,135	16,473
Roads component	1,233	2,460	2,511	2,564
<b>Total Financial Assistance Grant</b>	<b>8,972</b>	<b>18,262</b>	<b>18,646</b>	<b>19,037</b>

### **Better Waste and Recycling Program**

The State Government introduced the Waste Less, Recycle More initiative in 2013-14 as a four year program to provide funding to Local Government to enable councils to work with their communities to increase recycling and reduce illegal dumping and littering. The State Government has recently announced the extension of the program with further funding to be provided over four years from 2017-21 to continue the work already underway. As yet, no specific forward funding figures have been provided.

	2017/18 Budget \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Better Waste and Recycling Program	0	0	0	0

### **Pensioner Rate Subsidy**

The pensioner rate subsidy is included in the untied Grants to offset the cost of rebates.

	2017/18 Budget \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
<b>Pensioner Subsidies</b>				
Pensioner Rate Subsidy	1,730	1,746	1,763	1,779
Pensioner DWM Subsidy	488	493	498	504
<b>Total Pensioner Subsidies</b>	<b>2,218</b>	<b>2,240</b>	<b>2,261</b>	<b>2,283</b>

### **Specific Purpose Operational Grants**

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

	2017/18 Budget \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
<b>Specific Purpose Operating Grants</b>				
Aged and Disability Services	3,909	2,593	2,647	2,703
Emergency Management	544	556	568	580
Libraries	484	494	504	515
Community Programs	263	229	231	234
Stormwater Services	190	277	233	233
Natural Area Management	83	59	56	34
Cultural Services	78	70	70	70
Youth Services	36	36	37	38
Human Resources	4	4	4	4
<b>Total Specific Purpose Operating Grants</b>	<b>5,591</b>	<b>4,317</b>	<b>4,350</b>	<b>4,410</b>

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

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

Operational grant forecasts include annual funding from Federal and State sources for community transport and social support programs and are included in the Aged and Disability Service projections shown above. Council has been delivering these services to the community for over 20 years and, in the last five years; those services have been operating at cost neutral to Council. The Federal Government has commenced a reform of Aged and Disability Services that will impact on how these services may be delivered in the future and what Council's role may be. The programs for Social Support Services and Community Transport are currently funded until June 2018 and June 2019 respectively. The financial projections of the long term forecast recognise that Social Services will not be provided by Council beyond 30 June 2018. As the delivery model for Community Transport has not been finalised, Council's long term financial projections are premised on continuation of the existing arrangement.

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

### **Interest on Investments**

Interest on investments forecasts are based on anticipated cash holdings and projected interest rates. Cash holdings projections are drawn from the revenues and expenditures in the budget and anticipated internal and external restricted cash balances. Council is required to restrict any interest attributed to Section 94, Domestic Waste Management and a number of grants.

Projected interest rates are generally based on forecast 90 day bill rates. Forecasts for interest rates are derived from a number of sources including banking sector projections and Council's investment adviser. The market conditions, post the global financial crisis, has seen a significant decline in this area of revenue. In addition, there are increased limitations on investments products that can be used by councils. Previously, access to higher risk strategies meant higher returns and greater risk.

## **Capital Income**

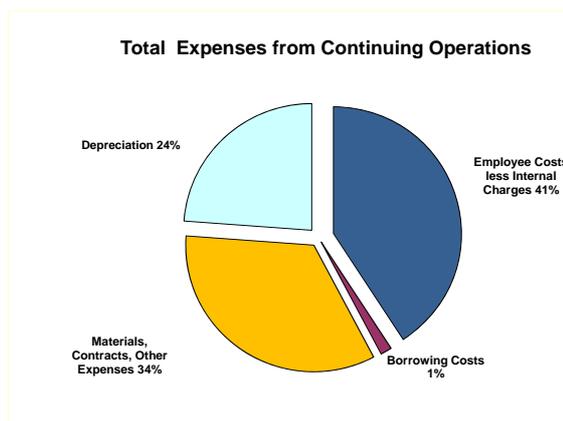
Capital income refers to revenue that is specifically used for additional assets acquired by Council. The funding may be in the form of cash contributions or may represent the value of assets dedicated to Council by land developers or other levels of Government. Capital income is inconsistent from one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

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

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

## Expenses

Expense Type	2017/18 Budget (\$M)
Employee Costs less Internal Charges	110.2
Borrowing Costs	3.8
Materials, Contracts, Other Expenses	91.5
Depreciation	64.3
<b>Total Expenses from Continuing Operations</b>	<b>269.9</b>



## Service Levels

The current budget includes Service levels as outlined in the Annual Service Plans 2017-18 documents. Estimates for expenses and income in future years have been applied based on existing service levels unless a decision has been made, or a plan is in place, to vary this level. The detail of services to be provided is outlined in the Service Plans. The outcomes of Service Reviews are incorporated into forward estimates as deployment strategies are confirmed. Variations in recurrent budget costs in excess of expected indices are considered through the annual planning process and will be included in the budget where agreed.

## Efficiency/Service Reductions

The 'Securing Our Future' program included a \$4.5 Million operational efficiency target designed to move Council to a sustainable long term financial position ( over the four years 2014-15 to 2017-18) that required a reduction in the resources used to provide existing levels of services and a \$1.5 Million adjustment to existing services.

Securing Our Future Adopted Outcomes	EFFICIENCY		SERVICES	REVENUE		TOTAL
	Lower Impact	High Impact		Rates *	Other	
	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000
2014/15	1,000		1,000	4,950	120	7,070
2015/16	1,000		200	4,560	250	6,010
2016/17	1,500	500	200	4,990	130	7,320
2017/18		500	100			600
2018/19						-
<b>TOTAL</b>	<b>3,500</b>	<b>1,000</b>	<b>1,500</b>	<b>14,500</b>	<b>500</b>	<b>21,000</b>

Over the past two and a half financial years Council has progressed the Securing Our Future outcomes and achieved results in excess of the set targets. A review of the long term financial projections through the commencement of the annual planning process and the recurrent aspects of changes identified in the 2016-17 Quarterly Reviews have achieved the remaining savings targets, allowing their elimination from future years.

In that time an additional \$22.9 Million of surplus funds from non-recurrent improvements have also been transferred to the Strategic Projects restricted asset for future use

## Indexation

General indexation for Revenues is used where specific information is not available. The indices are based on information obtained from a number of sources including various bank financial reports, ABS reports and economic publications. The annual process for the preparation and review of the financial forecasts for the long term financial plan provides for an initial review of these indices and continuous update through the process for significant changes.

Indices for Expenditure					
		2017/18 Budget %	2018/19 Forecast %	2019-20 Forecast %	2020/21+ Forecast %
CPI - general expenditure	1	1.00	2.10	2.10	2.10
CPI - full expenditure	1	2.10	2.10	2.10	2.10
Enterprise Agreement (EA)	2	2.50	NA	NA	NA
- Wages costs (wage price index)	2		2.50	2.50	2.50
Loan borrowing rate	3	3.60	4.00	5.40	5.40
Utilities	4				
-Electricity		3.1	3.1	3.1	3.1
-Other Utilities		3.1	3.1	3.1	3.1
-Street lighting		3.1	3.1	3.1	3.1
<b>Notes on indices:</b>					
<b>1. General expenditure index.</b>					
The reduced CPI expenditure figure proposed for 2017-18 represents a recovery of previous budget year over estimations of CPI movements compared to actual outcomes.					
The proposed CPI beyond 2017/18 aligns with the external economic forecasts for future periods. Other items (not expenditure) would use the "full" expenditure CPI					
<b>2. Employee Costs.</b>					
Council's current enterprise agreement runs for three years to June 2018. The first two years have been set (2015-16 and 2016-17) with the third year (2017-18) being the higher of 2.5% or the State Local Government Award outcome. The forecasts beyond this are based on 2.5%.					
<b>3. Loan Borrowings</b>					
Indices are based on 10 year treasury bond rate + 1.5% margin, and provided mainly for benchmarking purposes, as specific loans are taken out at negotiated levels					
<b>4. Utilities</b>					
These are indexed at CPI + 1% to reflect increased fees from providers that include infrastructure and pricing issues. There are a range of electricity contracts coming up for renewal in the next year, but as these negotiations are yet to be concluded, for the current estimates, the rate proposed to be used is "CPI+ 1%" level as per the other utilities, for the foreseeable future. As per the CPI proposal, these items are proposed to use an unchanged CPI index [2017-18] as the base.					

## Employee Costs

Employee costs are inclusive of labour on costs such as superannuation, workers' compensation costs, parental leave, annual leave, provision for long service leave and payroll tax, where applicable. The previous Federal Government passed legislation increasing the compulsory superannuation guarantee payments that Council pays for all staff in accumulation scheme super funds. The timeframes for these increases were reset by the current Government as part of the 2014 Federal Budget and the super guarantee levy will now remain at 9.5% until July 2021 and then will increase by 0.5% annually until it reaches 12% in July 2025.

Councils have also been required to make additional annual contribution to the defined benefits superannuation scheme to address funding requirements for remaining participants in the scheme. (Council's contribution is currently \$1.8 Million per year). The final payment of this top up is currently assumed to be in 2020-21.

Recurrent casual and overtime budgets are maintained to match the service and structure levels required for 2017-18. It is usual that some of these budgets are exceeded during the year as additional employee resources are used for projects that are planned but not allocated to labour in the first instance, or for new projects introduced with funding.

Council's current enterprise agreement runs for three years to June 2018 with the final year 2017-18 linked to the outcome of the NSW Local Government State Award for 2017-18 which is still to be finalised.

The cost of employees working on capital projects is allocated to specific projects as work is completed. This includes design, survey, project management, and supervision and construction staff. The budget includes all labour costs and an estimate of the annual employee allocation required to be made to capital works. This is shown in Internal Charges on the Income Statement as a negative expense which reduces the operating cost to the correct level. Under this structure, the capital budget is required to include sufficient works to employ these resources.

	2017/18 Budget \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
<b>Salaries &amp; Wages</b>				
Salaries and Wages	91,577	92,926	94,883	97,168
Superannuation	11,700	11,774	11,955	12,168
Workers' Compensation Insurance	2,164	2,194	2,238	2,282
Fringe Benefits Tax	206	211	215	219
Payroll Tax	47	48	50	51
Training Costs (excluding Salaries)	831	847	865	883
Protective Clothing	278	284	290	296
Labour Hire	33	34	34	35
Other Employee Costs	4,849	3,939	4,156	4,092
Change in Workers Comp Provision	239	245	251	257
Direct Labour Oncosts	13,983	14,350	14,712	15,208
<b>Total Employee Salaries &amp; Wages</b>	<b>125,906</b>	<b>126,850</b>	<b>129,650</b>	<b>132,660</b>
Capitalised & Distributed Employee Costs	15,702	16,165	16,659	17,140
<b>Total Operational Employee Salaries &amp; Wages</b>	<b>110,204</b>	<b>110,684</b>	<b>112,990</b>	<b>115,521</b>

### Borrowing Costs (Financing)

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

### Loans

In 2009-10, Council accepted a \$26.1 Million interest free loan from the Department of Planning to accelerate construction of the West Dapto Access Strategy. The operating expenses shown in Council's forecasts include a notional interest expense to reflect the amortisation of the notional income benefit recognised at the time of entering into the loan arrangement.

	2017/18 Budget \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
<b>Borrowing Cost on Interest Free Loan</b>				
Recognise interest on interest free loan	567	391	203	0

The introduction of the Local Infrastructure Renewal Scheme (LIRS) by the State Government provided an incentive to councils to accelerate infrastructure renewal through a subsidised loan program. Council has also been successful in securing subsidies for loans under the three rounds of the LIRS program and has entered into loans of \$20 Million in 2012-13 for Round 1, \$4.3 Million in 2013-14 for Round 2 and \$15 Million for Round 3 in 2014-15. The LIRS program provides a loan subsidy of 4% for Round 1 and 3% for the subsequent rounds. Loan funds have been used to accelerate the Citywide Footpaths, Shared Path Renewal, Missing Links Construction Program, building refurbishment works for Berkeley Community Centre, Corrimal Library and Community Centre, Thirroul Pavilion and Kiosk and to support the West Dapto Access – Fowlers Road project respectively. Council was advised of eligibility for further subsidy under Round 3 and an additional amount of \$5.5 Million was drawn down during 2016-17 that will also be used to support the West Dapto Access – Fowlers Road project. These loans are planned to be generally repaid over a 10 year period.

	2017/18 Budget \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
<b>Borrowing Cost on LIRS</b>				
Interest	737	603	462	312
Recognise interest on loan funds associated with Local Infrastructure Renewal Scheme [LIRS] (excludes subsidy)				

## Waste Facility Remediation

Council is required under its accounting standards to recognise the value of its waste facilities inclusive of remediation works that are required.

The anticipated cost of the remediation is added to the value of the waste facility asset and also held as a provision (liability) against the asset. Both sides of this transaction are held at NPV. As the NPV increases over time, the increase in provision is transacted through the Income and Expense Statement as borrowing costs as shown below.

	2017/18 Budget \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
<b>Borrowing Cost on Waste Remediation</b>				
Interest on Waste Facility Remediation	1,989	1,829	1,649	1,731

## Materials, Contracts and Other Expenses

Forecasts for materials, contracts and other expenses are based on current estimates of Service Plan requirements plus indexation.

## Statutory Charges

### EPA Levy

The Protection of the Environment Operations Act 1997 (POEO Act) requires certain licensed waste facilities in NSW to pay a contribution for each tonne of waste received at the facility. Referred to as the Waste Levy (also called EPA levy), the contribution is applicable to waste and cover materials going to landfill. Rates applicable are by prescribed formula in the associated regulations of the POEO Act; based on scheduled geographic location, with Wollongong classified as being within the Metropolitan Levy Area [MLA is a combination of areas previously known as Sydney Metropolitan Area (SMA) and Extended Regulated Area (ERA)]. Application of the levy to cover materials was introduced in March 2007. Current operational expenditure forecasts and fee structures propose that Council will be able to source an amount of cover materials onsite to reduce the overall cost of this levy.

The cost of the levy for 2017-18 is anticipated to be \$138.55 per tonne. It is expected that the rate will now increase by CPI in the Metropolitan Levy Area each year per tonne in the future.

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

	2017/18 Budget \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
<b>EPA Levy</b>				
EPA Levy - Council	607	613	626	646
EPA Levy - Commercial	4,313	4,277	4,240	4,204
EPA Levy - Domestic	7,059	7,311	7,571	7,841
EPA Levy on Landfill	4,667	4,754	4,848	4,947
<b>TOTAL EPA Levy</b>	<b>16,647</b>	<b>16,956</b>	<b>17,286</b>	<b>17,638</b>

### Street Lighting

Street lighting is sourced through the Local Government Procurement tender processes and subsequent contracts. A rebate on street lighting is paid through the account, resulting in a net cost to Council.

	2017/18 Budget \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
<b>Street Lighting</b>	3,200	3,301	3,405	3,512

### Emergency Services

Emergency services operations are contributed to by Council as below:

	2017/18 Budget \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
<b>Emergency Services contributions</b>				
Rural Fire Service	499	385	385	385
State Emergency Services	348	268	269	269
NSW Fire Brigade	2,806	2,504	2,504	2,504
Provision for indexation on contributions	0	495	636	753
<b>Total Emergency Services contributions</b>	<b>3,653</b>	<b>3,652</b>	<b>3,794</b>	<b>3,911</b>

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

A working group that included representatives from the State and Local Government was formed during 2016/17 and preliminary investigation into the collection of the levy by councils as an element on the Property Rates notices was commenced. The State Government has deferred the final determination of this change pending further consultation with the broader community.

### Financial Assistance

The Local Government Act 1993 allows councils to provide financial assistance to individuals or organisations for the purpose of exercising its functions. Council's Financial Assistance Policy provides the framework for the delivery of financial assistance in a consistent, equitable and transparent manner that meets the requirements of the Act. The Policy outlines the types of support that Council provides and the approval process required.

Council is involved in a range of programs that may at times include support to external organisations or individuals that can be of a financial and/or non-financial nature. Non-financial or in-kind support may encompass a broad range of activities and is difficult to define due to the broad type of support this can take. Examples of in-kind contributions include reduced or waived fees and charges, access to Council resources and facilities or Council providing a service without receiving consideration. The following tables provide a summary of proposed direct financial support for 2017-18.

### Affiliates Contributions

	2017/18 Budget \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
<b>Affiliates Contributions</b>				
Tourism Support & Contributions	1,075	1,096	1,058	1,080
Performing Arts Centre	713	728	743	758
<b>TOTAL Affiliates Contributions</b>	<b>1,787</b>	<b>1,824</b>	<b>1,801</b>	<b>1,833</b>

The level of financial support to the above affiliated organisations is based on current funding agreements that are subject to review at time of renewal.

### West Dapto Home Deposit Assistance Program

In June 2012, Council entered into a funding agreement with the Department of Families, Housing, Community Services and Indigenous Affairs for the Building Better Regional Cities Program. The funding agreement provided Council with \$9.2 Million to establish a program to improve affordability of housing in the area for low to moderate income earners. The program allowed for assistance to be provided to approved applicants in the form of a Council held security deposit of 20% of the value of the property. The deposit is intended to allow the vendor to borrow without requiring a deposit and to allow the lending authority to waive mortgage insurance fees. Interest earned on the deposit will also be paid against the applicant's loan.

It was expected that 123 packages would be offered over a two year period commencing in the 2015-16 financial year. The program has been adversely impacted by a particularly strong property market which has created such strong demand in the area and there has not been need for developers to tailor product to meet niche demand such as smaller dwellings for lower income

earners. The existing agreement between Council and the Commonwealth Government that supports the Program has now terminated. To date, the Federal Government has not indicated what will happen to the funding. It is clear, however, that due to the prevailing housing market, the Program will not succeed in its current form. We are working closely with the Federal Government to determine whether Council will retain the funding for the purpose of developing an alternative mechanism that might more successfully deliver affordable housing in our region. It is expected that advice for the finalisation of the Program and /or future operating requirements will be issued to participating Councils in the near future.

	2017/18 Budget \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
West Dapto Home Deposit Assistance Program	447	454	454	454

### Other Contributions, Donations, Memberships and Subsidies

	2017/18 Budget \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Destination Wollongong - LGA Major Events	335	342	349	357
Neighbourhood Youth Program	212	217	221	226
Corrimal Town Centre Façade #	197	0	0	0
Sponsorship Fund	100	103	105	107
IRIS Contribution	91	93	95	97
Business Development	86	88	90	92
Southern Councils Group	78	80	82	83
Community Cultural Development Program (Ward Based)	75	0	0	0
Natural Areas Management	62	64	65	66
Illawarra Surf Lifesaving Contribution	54	55	56	57
Illawarra Escarpment - Geotech. Research	54	54	54	54
Community Arts Programme - Public Art Se	39	40	41	42
Illawarra Institute Sport Contribution	36	36	37	38
City Centre - Events & Marketing	32	34	36	39
Business Investment & Attraction	30	31	32	32
Aerial Patrol Contribution/Subsidy	26	27	27	28
Scholarships	13	14	14	14
Cultural Centres Operations	11	11	11	12
Public Bands Contribution	9	9	9	9
Smith Street Child Care Centre	7	7	7	7
Life Education Illawarra Contribution	7	7	7	7
Aboriginal Activities	6	6	6	7
WCC Social Club	4	4	4	4
Minor Donations	3	3	3	4
Personel Administration	1	2	2	2
Community Development Projects	1	1	1	1
<b>TOTAL Other Contributions, Donations and Subsidies</b>	<b>1,570</b>	<b>1,326</b>	<b>1,355</b>	<b>1,384</b>
<i># not ongoing item</i>				

## Supporting Documents - Planning Studies & Investigations

Council provides an annual budget for studies and investigations that are used to inform and support future projects or directions. Funding for the following studies has been included in the Annual Plan 2017-18 operational budget and future year forecasts.

Supporting Documents - Planning Studies & Investigations				
Service & Project	2017/18 Budget \$000's	2018/19 Forecast \$000's	2019/20 Forecast \$000's	2020/21 Forecast \$000's
<b>Aquatic Services</b>	<b>30</b>			
Corrimal Pool Masterplan	30			
<b>Botanic Garden and Nursery</b>	<b>150</b>			
Botanic Garden Masterplan/Asset Mgmt. Plan	100			
Mt Keira Summit Park	50			
<b>Community Facilities</b>	<b>143</b>			
Integrated Facilities Planning	97			
Facilities Planning Development	46			
<b>Community Programs</b>	<b>50</b>			
Public Toilet Strategy	50			
<b>Corporate Strategy</b>	<b>31</b>	<b>12</b>	<b>363</b>	<b>514</b>
Centralised Studies & Plans	31	12	363	514
<b>Cultural Services</b>	<b>60</b>			
Cultural Tourism Strategy	60			
<b>Stormwater Services</b>	<b>880</b>	<b>628</b>	<b>350</b>	<b>350</b>
Floodplain Management Studies	150	310	350	350
Review of Towradgi Creek FRMS - 2015/16	60	45		
Review of Hewitts Creek FRMS - 2015/16	75	60		
Review of Flood Studies & Floodplain Risk Mgmt Plans	205	88		
Minnegang Creek Flood Study	50			
Duck Creek Flood Study	50			
Review of Collins Creek Flood Study	60	10		
Review of Allans Creek Flood Study	50	20		
Review of Wollongong City Flood Study	50	20		
Review of Fairy Cabbage Tree Creek Flood Study	50	20		
Brooks Creek Flood Study Phase 1 & 2	45			
Review of Lake Illawarra Flood Study	35	55		
<b>Environmental Services</b>	<b>13</b>			
Biocertification for West Dapto	13			
<b>Governance and Administration</b>	<b>887</b>	<b>521</b>	<b>7</b>	<b>7</b>
West Dapto Review	887	521	7	7
<b>Infrastructure Planning &amp; Support</b>				
<b>Leisure Services</b>	<b>40</b>			
Beaton Park Precinct Masterplan	40			

Supporting Documents - Planning Studies & Investigations (con't)				
Service & Project	2017/18 Budget \$000's	2018/19 Forecast \$000's	2019/20 Forecast \$000's	2020/21 Forecast \$000's
<b>Land Use Planning</b>	<b>432</b>	<b>450</b>	<b>245</b>	<b>60</b>
Strategic Planning		0		
Berkeley Commercial Centre Study		30		
Housing Study	30			
Sandon Point Aboriginal Heritage Impact Permit	10			
Port Kembla 2505 Study	187			
South Wollongong Precinct Plan	20			
Tourism Accommodation Review Planning Controls		25	25	
Industrial Land Planning Controls Review	30	30		
Dapto Town Centre Planning Study	10			
Heritage Asset Management Strategy	25	25		
Windang Town Centre Planning Study		90		
Mt Kembla Village Centre Planning Study			30	
Woonona Village Planning Study			30	
Helensburgh Town Centre Planning Study	20	60		
Fairy Meadow Town Centre Planning Study			60	60
Bulli Town Centre Planning Study		90		
City Centre Planning Review	100	100	100	
<b>Property Services</b>	<b>120</b>	<b>20</b>		
Bulli Showground Masterplan	50			
Foreshore Parking Strategy	70	20		
<b>Parks and Sportsfields</b>	<b>100</b>	<b>200</b>		
Cringila Hills Site Assessment	100	150		
Blue Mile Masterplan - update		50		
<b>Transport Services</b>	<b>365</b>	<b>276</b>	<b>15</b>	<b>15</b>
Corrimal Traffic Study and Access Movement	40			
Accessible Car Parking and Bus Stops audit	75	75		
Access and Movement Strategy Review	150	176		
Wollongong LGA Feasibility Studies	15	15	15	15
Wollongong City Pedestrian Plan	10			
Gwynneville/Keiraville Access & Movement Study	60	10		
Street Trees - Masterplan/Strategy	15			
<b>Total Expenditure *</b>	<b>3,301</b>	<b>2,107</b>	<b>980</b>	<b>947</b>

\*Expenditure shown above is for full project cost. A number of projects are supported from external grant funds or internal restrictions

## Other Specific Expense

### Depreciation

Depreciation represents 25% of the expense budget. While depreciation is not cash expenditure, it is an important part of the real cost of maintaining Council services. Depreciation represents the consumption of an asset over its life. This deterioration in value of assets occurs through use, ageing or obsolescence.

The cost of depreciation has changed during the past several years' reporting periods as classes of assets have been moved from historical cost to fair valuation. In 2009-10 particularly, the valuation of roads and bridges was changed to fair value which had a significant impact on depreciation amounts. All assets are now moved to fair value or acceptable approximations of fair value and significant change is not anticipated in the future.

Council's maturity in asset management is improving and as new information becomes available changes may occur, particularly to asset lives and valuation information. Depreciation forecasts in the

long term financial projections include provision for additional assets that are included in the capital works program (excluding West Dapto) and conservative estimates for expected growth through revaluation. No provision is currently included for any assets that may be contributed to Council from other levels of government or future developments.

### **Service Budgets**

While Council's Budget is set and reported at a whole of Council level, for strategic planning purposes it is important to understand the proposed allocations of financial resources at the individual service level. Service level expenses include not only the direct labour and material costs but also internal charges. Internal charges are charges for activities managed by one division to provide services to other areas within Council. Direct examples of this will include:

- Provision of assets, such as vehicles, plant, computers, and buildings.
- Internal services such as design, project delivery and supervision, printing and marketing, workshop.

Where it is useful to directly charge between one service and another, a defined methodology has been established to allocate costs between the division providing the service and the user of the service. In the case of buildings, this is considered to be similar to a landlord/tenant arrangement for plant, similar to plant hire arrangements, for vehicles and computers, like a rental agreement. It is intended that generally only avoidable costs driven by end user demand are charged. The allocation of charges is based on cost with no internal profits generated through the process. Corporate Services and other overheads have not been charged directly to cost centres unless there is an external source of funding that provides for a proportion of those expenses.

A summary of the Operating Result before Grants and Contributions Provided for Capital Purposes Budget by Service is included on the following page.

## Summary of Operating Result Before Grants and Contributions Provided for Capital Purposes by Service

OPERATING BUDGET			
2017/2018			
	EXPENSES	REVENUE	Net
	Budget \$'000	Budget \$'000	
Aged and Disability Services	(4,524)	4,529	5
Aquatic Services	(13,144)	689	(12,455)
Botanic Garden and Nursery	(3,787)	290	(3,497)
Community Facilities	(5,450)	720	(4,730)
Community Programs	(2,096)	347	(1,748)
Corporate Strategy	(2,590)	(350)	(2,940)
Crematorium and Cemeteries	(2,511)	2,554	42
City Centre Management	(3,507)	1,510	(1,997)
Cultural Services	(6,255)	258	(5,997)
Integrated Customer Service	(5,024)	12	(5,013)
Development Assessment and Certification	(7,313)	3,345	(3,968)
Stormwater Services	(13,787)	2,012	(11,776)
Economic Development	(1,995)	0	(1,995)
Emergency Management	(5,214)	544	(4,670)
Environmental Services	(2,080)	172	(1,908)
Financial Services	(8,660)	172,259	163,598
Governance and Administration	(9,525)	87	(9,438)
Public Health	(1,150)	690	(460)
Human Resources	(8,006)	14	(7,993)
Information and Communications Technology	(3,565)	0	(3,565)
Infrastructure Planning & Support	(10,386)	183	(10,203)
Internal Charges Service	(126)	0	(126)
Leisure Services	(4,598)	3,463	(1,135)
Libraries	(10,679)	650	(10,029)
Natural Area Management	(2,412)	169	(2,243)
Land Use Planning	(2,553)	672	(1,880)
Property Services	(4,555)	5,719	1,163
Public Relations	(2,913)	108	(2,804)
Parks and Sportsfields	(18,163)	551	(17,612)
Regulatory Control	(4,732)	3,341	(1,391)
Tourist Parks	(5,597)	6,931	1,334
Transport Services	(46,522)	4,664	(41,858)
Waste Management	(44,963)	45,322	359
Youth Services	(1,545)	41	(1,504)
<b>Grand Total - Operational</b>	<b>(269,926)</b>	<b>261,495</b>	<b>(8,431)</b>

# General Assumptions & Background

## Indices

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

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

## Utility Cost

Projected increases for utility costs are generally based on the Independent Pricing and Regulatory Tribunal (IPART) publications, where applicable, other than for electricity which also includes recognition of specific negotiated contracts that are in place for street lighting and Council sites. Street lighting is subject to separate contracts for infrastructure and electricity supply and is currently indexed at 3.1%. These contracts were negotiated in late 2016 through Local Government Procurement (LGP). Council also currently has individual contracts through LGP for large and small sites that were also renewed in December 2016. Future expenditure has been indexed at CPI plus 1% allowing for some infrastructure charges pending further information as contracts are renewed.

## Climate Change

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

## Restricted Assets

The level of available or untied cash is expressed as cash and investment holdings after allowance for restricted assets. Assets, generally cash, may be externally or internally restricted. External restrictions are usually imposed by an external or legislative requirement that funds be spent for a specific purpose. This may include unspent grant funds that have been provided to Council for the delivery of a particular project or service, funds collected as developer contribution under Section 94 or surpluses achieved in the delivery of domestic waste. In some of these instances, Council is also required to restrict investment earnings that are generated by these cash holdings. Internal restrictions are funds that Council has determined will be used for a specific future purpose such as the future replacement of waste facilities. A comprehensive review of internal restrictions was undertaken in 2009 that resulted in Council resolving to rationalise a number of internally restricted assets. This approach was consistent with the introduction of improved management of capital works through a centralised process and a longer term planning focus. The current Long Term Financial Plan maintains this approach.

## Internally Restricted Assets

Purpose	Source of Funds
<b>Property</b>	
Restriction is to be placed on the first asset sales to fund a long term budget commitment of funding \$3.6 million of capital works from property sales. Following this, the Restricted Asset will not be required as identified in previous plans.	Property sale proceeds
<b>Strategic Projects</b>	
Support for future strategic projects to be approved by Council.	Improved result compared to budget and proceeds from the settlement of a long term litigation matter associated with investment advice provided to Council.
<b>Future Programs</b>	
Investment of excess Available Funds into asset renewal and other initiatives.	Non recurrent improvements have resulted in Council exceeding the upper level Available Funds target outlined in the Financial Strategy. This has provided an opportunity to invest the excess funds to enhance asset renewal and other initiatives .
<b>MacCabe Park Development</b>	
To accumulate cash for the acquisition of properties adjacent to MacCabe Park, as and when they are offered to Council in accordance with the planning provisions, to achieve the objectives of extending MacCabe Park.	Recurring annual allocation made by Council.
<b>City Parking Strategy</b>	
To fund future parking, transport and pedestrian access, bicycle and public transport projects in the city Centre.	Net surplus of the Inner City Parking Strategy.
<b>Sports Priority Program</b>	
To provide funding for projects recommended by the Sports & Facilities Reference Group.	Recurring annual allocation made by Council and telecommunications licence fees (50% Fernhill & Woonona soccer clubs, and Berkeley Sports & Social Club grounds and 100% of other sports grounds).
<b>Telecommunications Revenue</b>	
Council resolution originally directed telecommunications revenue to North Dalton Park and Beaton Park for capital enhancements. Both these restrictions were removed by Council resolution in March 2009 with the view that capital upgrade and maintenance would be programed through the capital budget.	Licence fees for telecommunications towers at North Dalton Park and Beaton Park.
<b>West Dapto Rates</b>	
Increased annual rate revenue created from subdivision in West Dapto will be restricted and only allocated to operational expenditure as the area develops. In the interim period, the annual revenue should be made available to meet infrastructure or planning requirements in the area.	Increased annual rate revenue created from sub divisions in West Dapto.
<b>Darcy Wentworth Park</b>	
Upgrading sporting facilities in the local ward. On completion of these facilities, the additional funds to be allocated to the Sports Facilities Reference Group, to embellish sporting facilities across the city.	Rental proceeds from Darcy Wentworth Park car park.
<b>Waste Disposal Facilities</b>	
The Waste Facilities Restricted asset is held for the development and renewal of assets within Council's waste facilities and for the rehabilitation of the sites at the end of their lives.	A proportion of the annual waste fee is allocated for the estimated future development and rehabilitation of waste facilities. This estimate is included in the annual calculation of the waste fees.
<b>Property Investment Fund</b>	
To provide funding for investment in longer term income generating activities .	Proceeds of property sales (excluding those already identified through the property rationalisation program), investment income on accumulated funds held and dividends from investments funded from this source.
<b>Natural Areas Fund</b>	
To provide funding for natural area projects.	Proceeds from dividend payment from Southern Phones that are allocated to specific projects annually in arears. The value of the dividend will vary from year to year and Council is advised of the amount generally in December.
<b>Lake Illawarra Estuary Management Fund</b>	
Wollongong and Shellharbour Council now share the responsibility for the management of Lake Illawarra and it's surroundings after the State Government disbanding the Lake Illawarra Authority in July 2014.	Funding for the LIEM Fund will be initially in the proportion of 2/3rds Wollongong to 1/3rd Shellharbour. Shellharbour's portion will come as an external contribution. The initial Memorandum of Understanding (MOU) set the contribution per annum at \$165,000 for Wollongong and \$85,000 for Shellharbour. The funding may be allocated over multiple years, so unspent funds are retained in this Restricted Asset and the external contributions restricted asset.

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

### **Asset Management – Valuation and Asset Lives**

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

### **Lake Illawarra**

This area was previously managed by the Lake Illawarra Authority (LIA) and Council provided an annual contribution in the vicinity of \$500,000 as part of its operational budget. All former LIA lands have been transferred to the Department of Trade and Investment (Crown Lands Division) or to Government Property. Discussions are continuing with Crown Lands regarding the future management responsibilities for these lands. It is possible that Council could ultimately inherit responsibility for approximately \$6 Million of assets with an estimated annual depreciation expense of \$200,000 and similar annual maintenance costs. It is expected that the existing budget would be sufficient to address ongoing maintenance but not necessarily expansion, upgrade or improvement to assets. No adjustment has been made to the current budget or long term projections as the proposal has not been finalised.

### **West Dapto Development**

Estimates have been included for Section 94 income from West Dapto based on the Draft West Dapto Section 94 Development Contributions Plan that included proposed increases to contribution rates. The proposed increases were reviewed by IPART late last year who recommended a number of variations. The impact of these variations is not yet included in these financial projections as they are subject to Council approval. Rate income projections have also been based on the above Plan and, in accordance with Council's Financial Strategy, additional rate revenue raised through subdivisions in the West Dapto release area will be transferred to an internal restriction and used in the early years of the development to assist in funding West Dapto works.

Loan repayments for the West Dapto Access loan have been set by the Department of Planning over a 10 year period. It is intended that for the most part, the loan repayment will be funded by future Section 94 contributions and rates revenue from West Dapto. Funding has been applied to debt repayments over the first 10 years. As the development progresses, revenue from the area will be used to fund the maintenance and operation of new assets and services as part of Council's overall budget.

Some aspects of the West Dapto Release Area have been progressed to a stage where they have been introduced into Council's forward capital program. These include the Princes Highway/Fowlers Road to Fairwater Drive extension (\$90.0 Million) and Wongawilli Road (\$11.3 Million). These works are to be funded from Section 94, the interest free loan from the Department of Planning, grant funds, including Building Better Regional Cities, National Stronger Regions(\$10 Million), Resources for Regions (\$2.4 Million) and Restart NSW, Illawarra Infrastructure funding (\$22.5 Million), loans under LIRS (3) (\$20.5 Million). Stage 1 of the Fowlers Road extension project, the initial earthworks construction, commenced in May 2017, with Stage 2 the major construction component expected to commence in 2018. As the scope, design, and estimates for Stage 2 of this project and the Wongawilli Access project are further developed, funding and potentially financing decisions will need to be made to progress them to completion. These considerations will be assessed against other budget requirements and included as decisions are made. No other expenditures relating to the release area have been included.

## **Internal Charging**

There have been continuing efforts to better reflect the costs of capital and services by distributing the cost of internal assets and services. There are existing charges for buildings, plant, vehicles, desktop computing, marketing, printing, waste tipping fees, insurances, Fringe Benefits Tax (FBT), cost of capital (plant and vehicles only) and internal labour services. The current plan also includes internal charging for assets such as roads, bridges and footpaths in parks, tourist parks, crematorium and cemeteries and recreation assets that are managed and maintained by other areas in Council.

## **Contributed Assets**

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

## **Section 94 Income (excluding West Dapto)**

Section 94 income projections are based on the Adopted Plan and anticipated timing of receipts. There are a range of projects that have been included in the Delivery Program that are dependent on funding from this source. The timing and capacity to deliver these will need to be monitored in the context of ability to achieve income projections.

## **Property Sales and Investment**

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

## Section 2: Capital Program and Budget 2017-21

### Introduction

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

- Community input and strategic directions identified in Wollongong 2022
- Council's Asset Management Policy and Strategies
- Economic, tourism and growth factors including West Dapto
- Availability of funding

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

In 2016-17, Council's Capital Budget included the allocation of \$51 Million of operational funds, \$6 Million of interest subsidised loans under the NSW Local Infrastructure Renewal Scheme as well as over \$7 Million of grants from the NSW and Federal Governments for the renewal of failing assets and the provision of new assets for the community.

Council's 2016-17 asset replacement and expansion program for the community provides:

Asset Type	Amount*	Significant Projects
Roads & Bridges	\$24.1M	Construction and design of new roads and bridges as part of the West Dapto Access Strategy \$3.8 Million Resurfacing and pavement reconstruction works on roads across the City \$14.6 Million Traffic facility/safety upgrades totaling \$1.1 Million Replacement or major renewal of five road and pedestrian bridges totaling \$1.8 Million
Footpaths & Cycleways	\$14.1M	Construction of 15 new footpaths and reconstruction/ upgrade of 15 existing footpaths, totaling \$4.1 Million Construction and renewal of cycleways/shared paths at 13 sites including The Tramway major project, total \$5.9 Million Upgrade of commercial center footpaths at Thirroul, Austinmer, Unanderra and Cringila plus the completion of works at Market St and Crown St West in the CBD, total commercial centers \$3.7 M
Car parks	\$2.2M	New car parking at Stuart Park and major repair works at 9 car parks across the City including upgrade of CBD parking meters
Stormwater & Floodplain Management	\$4.6M	Investigation, design and construction works on floodplain structures totaling \$1.1m and relining of 23 cracked and failing stormwater pipes
Buildings	\$17.8M	Upgrade and renewal works including Bald Hill Amenities, Beaton Park Leisure Centre and Bulli Surf Life Saving Club
Parks, Gardens & Sports fields	\$4.5M	Includes completing works at Bald Hill Reserve, Stanwell Tops Nicholson Park and Kanahooka Park playground replacement and 8 other play facilities totaling \$1.3 Million
Beaches & Pools	\$2.8M	Upgrades to Austinmer, Coalcliff and Woonona rock pools. Sand dune reshaping works at Fairy Meadow, Corrimal and Port Kembla beaches
Waste Facilities	\$7.7M	Ongoing improvements at Whytes Gully and designing for the rehabilitation of the old Helensburgh Tip

\*as at June 2017

## Capital Budget Funding 2017-21

In 2017-18, \$91.37 Million will be allocated for capital works – much of which will go towards improving the condition of existing community assets, with a focus on replacing failing assets.

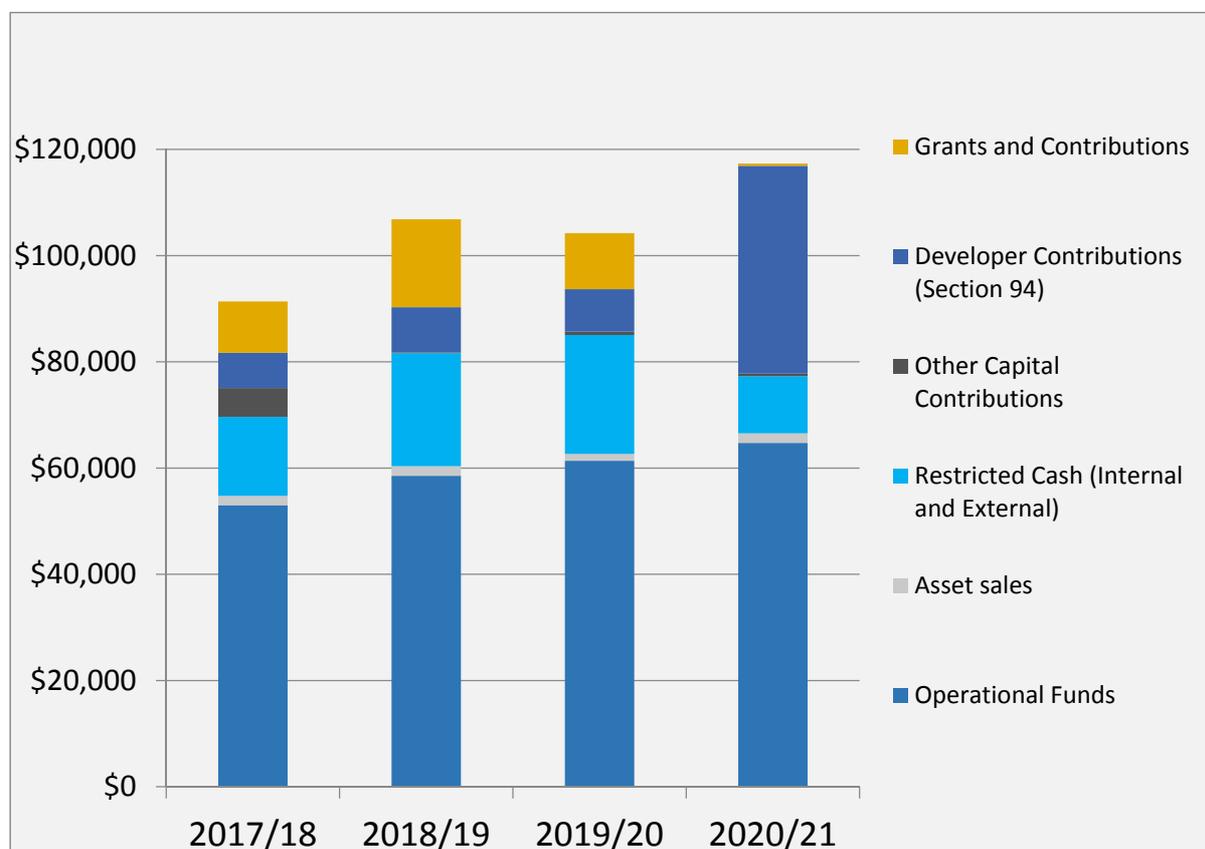
The total Capital Budget for 2017-18 is derived from the allocation of operational funds (including contributions from operational savings), asset sales, contributions from restricted assets, allocations from Section 94 developer contributions funds and funding from State and Federal Government grants. The overall capital budget has been increased since the adoption of the revised Delivery Plan 2012-17 due to the inclusion of the funding under the Restart NSW Illawarra Infrastructure Fund.

In 2017-18, Council will continue to expend loans funds on the Fowlers Road extension project using State and Federal Grant funding and an interest subsidised loan received under the State Government's Local Infrastructure Renewal Scheme, round 3.

### Capital Budget

Capital Revenue Type	2017-18 Budget (\$000's)	2018-19 Forecast (\$000's)	2019-20 Forecast (\$000's)	2020-21 Forecast (\$000's)
Operational Funds	53,018	58,552	61,364	64,751
Asset Sales	1,750	1,795	1,292	1,801
Grants and Contributions	9,641	16,550	10,550	400
Developer Contributions (Section 94)	6,665	8,505	7,998	39,130
Restricted Cash (Internal and External)	14,731	21,289	22,393	10,749
Other Capital Contributions	5,428	150	650	500
Borrowings	0	0	0	0

Capital Budget Funding Sources - Summary Graph (\$,000's)



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

## Capital Budget by Assets 2017-21

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

<b>Capital Budget by Asset Types 2017-18 to 2020-21</b>				
<b>Asset Class</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
Roads and related assets	13.81	15.62	14.03	14.82
Footpaths and Cycleways	18.43	14.57	12.47	11.31
Car parks	2.43	1.22	0.97	1.17
Stormwater and Floodplain	6.65	7.02	6.87	5.46
Buildings	14.43	19.21	24.14	16.69
Commercial Operations	1.20	1.06	1.12	1.19
Parks, Gardens and Sports fields	4.89	2.77	3.02	4.08
Beaches and Pools	2.82	2.80	2.87	2.91
Natural Areas	0.46	0.23	0.49	0.43
Waste Facilities	5.55	4.93	4.35	2.33
Fleet	1.82	2.10	0.98	1.80
Plant and Equipment	3.66	3.16	3.52	3.87
Information Technology	1.16	0.92	0.76	0.95
Library Books	1.16	1.19	1.22	1.25
Public Art	0.36	0.25	0.32	0.32
Emergency Services	0.25	0.22	0.23	0.28
Land Acquisitions	0.10	0.10	0.10	0.10
Non-project allocations	3.20	2.80	1.51	6.26
<b>Sub total</b>	<b>82.37</b>	<b>80.16</b>	<b>78.97</b>	<b>75.22</b>
West Dapto	9.00	26.68	25.28	42.11
<b>Total</b>	<b>91.37</b>	<b>106.84</b>	<b>104.25</b>	<b>117.33</b>

\* Includes cost of design and construction of projects specifically supporting the West Dapto Access Strategy. Major allocations are for two projects: Extension of Fowlers Road to Fairwater Drive and the Wongawilli Access Project. Final design and cost estimates for these are not yet available

## Major Capital Projects for 2017-18

During 2017-18 Council plans to undertake the key capital projects listed below.

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### PROJECTS – PLANNING AND DESIGN

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- Warrawong CBD streetscapes and traffic improvements
- Footpath upgrade of Kembla Street in the city, from Crown St to Market St
- Future road designs in West Dapto such as Avondale and Huntley Road
- Designs for 8 car park upgrades including Sublime Point and Helensburgh netball courts
- Designs for drainage improvements in Armagh Ave Thirroul, Franklin Ave Bulli, and Patterson Road Coalcliff, Emerson Road Dapto and Denise Street Lake Heights
- Helensburgh tip rehabilitation
- Detailed design of Hill 60 improvements Port Kembla

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### PROJECTS – COMMENCING CONSTRUCTION

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- Providing Disabled Access to Helensburgh swimming pool
- New roundabout at the 5-way intersection of Maidstone Street and The Ridge, Helensburgh
- 28 road reconstruction projects including Kapooka Ave Dapto, Bloomfield Ave Corrimal, Korrungulla Laneway Primbee, Hopewood Crescent Fairy Meadow, Headland Avenue Austinmer, Staff Street Wollongong
- Wongawilli Road access improvements
- Wombarra rock pool refurbishment
- Stanwell Park beach kiosk
- Ian McLennan Oval Synthetic sports field
- Playground replacements at Ray Crump Park, Fred Finch Park, Howard Fowler's Park, Harry Graham Park and Robinson Park

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### CONTINUATION OF WORKS

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- Fowlers Road extension to Fairwater Drive, Dapto
  - Constructing the Grand Pacific Walk pathway, Stanwell Park
  - Reconstruction of The Tramway shared path and sea wall, Wollongong
  - Whytes Gully Waste Processing Depot, Reddalls Road, Kembla Grange – construction of new landfill cell
  - High voltage power connection to Mt Keira Summit
  - Port Kembla Community Investment Funded projects including upgrades to Hill 60 tunnels, MM Beach car park and Allan Street Play area
  - Building works such as Kembla Terraces roof replacement, Fernhill soccer amenities roof, Coniston Community Centre roof and Fairy Meadow SLSC roof
  - Reconstruction of the Northern cycleway at Bulli Point, from Ursula Road to Farrell Road
  - Footpath reconstruction along the Western side of Flinders Street North Wollongong
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## CAPITAL BUDGET 2017/18 to 2020/21 \$'000

Asset Class	2017/2018			2018/2019			2019/2020			2020/2021		
	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding
<b>Roads And Related Assets</b>												
Traffic Facilities	1,619	(1,322)	297	700	(350)	350	450	(350)	100	600	(350)	250
Public Transport Facilities	290	(120)	170	373	(20)	353	270	(20)	250	335	(20)	315
Roadworks	10,156	(1,450)	8,706	12,645	(160)	12,485	12,030	(1,050)	10,980	12,075	(530)	11,545
Bridges, Boardwalks and Jetties	1,750	(100)	1,650	1,900	0	1,900	1,280	0	1,280	1,810	(200)	1,610
<b>Total Roads And Related Assets</b>	<b>13,815</b>	<b>(2,992)</b>	<b>10,823</b>	<b>15,618</b>	<b>(530)</b>	<b>15,088</b>	<b>14,030</b>	<b>(1,420)</b>	<b>12,610</b>	<b>14,820</b>	<b>(1,100)</b>	<b>13,720</b>
<b>West Dapto</b>												
West Dapto Infrastructure Expansion	9,000	(9,000)	0	26,680	(26,680)	0	25,280	(25,280)	0	42,113	(42,113)	0
<b>Total West Dapto</b>	<b>9,000</b>	<b>(9,000)</b>	<b>0</b>	<b>26,680</b>	<b>(26,680)</b>	<b>0</b>	<b>25,280</b>	<b>(25,280)</b>	<b>0</b>	<b>42,113</b>	<b>(42,113)</b>	<b>0</b>
<b>Footpaths And Cycleways</b>												
Footpaths	3,420	(520)	2,900	6,450	(3,608)	2,842	5,446	(2,116)	3,330	3,607	(228)	3,379
Cycle/Shared Paths	11,860	(3,842)	8,018	3,780	(2,215)	1,565	1,860	(300)	1,560	2,400	(100)	2,300
Commercial Centre Upgrades - Footpaths an	3,145	(645)	2,500	4,340	(170)	4,170	5,166	(151)	5,015	5,300	(169)	5,131
<b>Total Footpaths And Cycleways</b>	<b>18,425</b>	<b>(5,007)</b>	<b>13,418</b>	<b>14,570</b>	<b>(5,993)</b>	<b>8,577</b>	<b>12,472</b>	<b>(2,567)</b>	<b>9,905</b>	<b>11,307</b>	<b>(497)</b>	<b>10,810</b>
<b>Carparks</b>												
Carpark Construction/Formalising	860	(260)	600	250	0	250	50	0	50	151	0	151
Carpark Reconstruction or Upgrading	1,568	(73)	1,496	970	0	970	915	0	915	1,020	0	1,020
<b>Total Carparks</b>	<b>2,428</b>	<b>(333)</b>	<b>2,096</b>	<b>1,220</b>	<b>0</b>	<b>1,220</b>	<b>965</b>	<b>0</b>	<b>965</b>	<b>1,171</b>	<b>0</b>	<b>1,171</b>
<b>Stormwater And Floodplain Management</b>												
Floodplain Management	2,555	(700)	1,855	4,700	(1,550)	3,150	5,266	(550)	4,716	4,384	(550)	3,834
Stormwater Management	3,360	(670)	2,690	1,830	(540)	1,290	1,130	(900)	230	929	(737)	192
Stormwater Treatment Devices	735	(220)	515	490	(160)	330	475	(250)	225	151	(63)	88
<b>Total Stormwater And Floodplain Manageme</b>	<b>6,650</b>	<b>(1,590)</b>	<b>5,060</b>	<b>7,020</b>	<b>(2,250)</b>	<b>4,770</b>	<b>6,871</b>	<b>(1,700)</b>	<b>5,171</b>	<b>5,464</b>	<b>(1,350)</b>	<b>4,114</b>
<b>Buildings</b>												
Cultural Centres (IPAC, Gallery, Townhall)	1,260	(30)	1,230	1,890	(160)	1,730	770	0	770	1,210	0	1,210
Administration Buildings	1,574	(20)	1,554	952	(42)	910	1,230	(410)	820	1,608	(398)	1,210
Community Buildings	10,067	(650)	9,417	15,847	(500)	15,347	21,628	(250)	21,378	13,240	0	13,240
Public Facilities (Shelters, Toilets etc.)	685	0	685	520	0	520	515	0	515	630	0	630
Carbon Abatement	840	(840)	0	0	0	0	0	0	0	0	0	0
<b>Total Buildings</b>	<b>14,426</b>	<b>(1,540)</b>	<b>12,886</b>	<b>19,209</b>	<b>(702)</b>	<b>18,507</b>	<b>24,142</b>	<b>(660)</b>	<b>23,483</b>	<b>16,689</b>	<b>(398)</b>	<b>16,291</b>

**CAPITAL BUDGET 2017/18 to 2020/21**  
**\$'000**

Asset Class	2017/2018			2018/2019			2019/2020			2020/2021		
	Expenditure	Funding	Revenue Funding									
<b>Commercial Operations</b>												
Tourist Park - Upgrades and Renewal	750	0	750	750	0	750	750	0	750	800	0	800
Crematorium/Cemetery - Upgrades and Rene	300	0	300	210	0	210	220	0	220	215	0	215
Leisure Centres & RVGC	150	0	150	100	0	100	150	0	150	170	0	170
<b>Total Commercial Operations</b>	<b>1,200</b>	<b>0</b>	<b>1,200</b>	<b>1,060</b>	<b>0</b>	<b>1,060</b>	<b>1,120</b>	<b>0</b>	<b>1,120</b>	<b>1,185</b>	<b>0</b>	<b>1,185</b>
<b>Parks Gardens And Sportfields</b>												
Play Facilities	1,293	(70)	1,223	930	(10)	920	925	0	925	1,957	(227)	1,730
Recreation Facilities	623	(536)	87	948	0	948	1,051	0	1,051	1,064	(3)	1,061
Sporting Facilities	2,826	(2,073)	753	788	(350)	438	841	(344)	497	864	(350)	514
Lake Illawarra Foreshore	150	0	150	100	0	100	200	0	200	200	0	200
<b>Total Parks Gardens And Sportfields</b>	<b>4,891</b>	<b>(2,679)</b>	<b>2,213</b>	<b>2,767</b>	<b>(360)</b>	<b>2,407</b>	<b>3,017</b>	<b>(344)</b>	<b>2,673</b>	<b>4,084</b>	<b>(580)</b>	<b>3,504</b>
<b>Beaches And Pools</b>												
Beach Facilities	212	0	212	798	0	798	818	0	818	809	0	809
Rock/Tidal Pools	1,240	(165)	1,075	770	0	770	880	0	880	600	0	600
Treated Water Pools	1,368	(72)	1,297	1,235	0	1,235	1,175	0	1,175	1,500	0	1,500
<b>Total Beaches And Pools</b>	<b>2,819</b>	<b>(237)</b>	<b>2,583</b>	<b>2,803</b>	<b>0</b>	<b>2,803</b>	<b>2,873</b>	<b>0</b>	<b>2,873</b>	<b>2,909</b>	<b>0</b>	<b>2,909</b>
<b>Natural Areas</b>												
Environmental Management Program	0	0	0	0	0	0	210	(100)	110	250	(100)	150
Natural Area Management and Rehabilitator	458	(430)	28	229	0	229	280	0	280	181	0	181
<b>Total Natural Areas</b>	<b>458</b>	<b>(430)</b>	<b>28</b>	<b>229</b>	<b>0</b>	<b>229</b>	<b>490</b>	<b>(100)</b>	<b>390</b>	<b>431</b>	<b>(100)</b>	<b>331</b>
<b>Waste Facilities</b>												
Whytes Gully New Cells	5,154	(5,154)	0	4,930	(4,930)	0	4,000	(4,000)	0	2,000	(2,000)	0
Whytes Gully Renewal Works	300	(300)	0	0	0	0	350	(350)	0	250	(250)	0
Helensburgh Rehabilitation	100	(100)	0	0	0	0	0	0	0	80	(80)	0
<b>Total Waste Facilities</b>	<b>5,554</b>	<b>(5,554)</b>	<b>0</b>	<b>4,930</b>	<b>(4,930)</b>	<b>0</b>	<b>4,350</b>	<b>(4,350)</b>	<b>0</b>	<b>2,330</b>	<b>(2,330)</b>	<b>0</b>
<b>Fleet</b>												
Motor Vehicles	1,822	(960)	862	2,102	(1,108)	994	981	(517)	464	1,800	(949)	851
<b>Total Fleet</b>	<b>1,822</b>	<b>(960)</b>	<b>862</b>	<b>2,102</b>	<b>(1,108)</b>	<b>994</b>	<b>981</b>	<b>(517)</b>	<b>464</b>	<b>1,800</b>	<b>(949)</b>	<b>851</b>
<b>Plant And Equipment</b>												
Portable Equipment (Mowers etc.)	220	(67)	153	250	(38)	213	250	(38)	213	178	(27)	151
Mobile Plant (trucks, backhoes etc.)	3,102	(808)	2,294	2,607	(650)	1,957	2,957	(738)	2,219	3,311	(826)	2,485
Fixed Equipment	340	0	340	300	0	300	310	0	310	376	0	376
<b>Total Plant And Equipment</b>	<b>3,662</b>	<b>(875)</b>	<b>2,787</b>	<b>3,157</b>	<b>(688)</b>	<b>2,469</b>	<b>3,517</b>	<b>(775)</b>	<b>2,742</b>	<b>3,865</b>	<b>(853)</b>	<b>3,012</b>

**CAPITAL BUDGET 2017/18 to 2020/21**  
**\$'000**

Asset Class	2017/2018			2018/2019			2019/2020			2020/2021		
	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding
<b>Information Technology</b>												
Information Technology	1,160	0	1,160	920	0	920	760	0	760	953	0	953
<b>Total Information Technology</b>	<b>1,160</b>	<b>0</b>	<b>1,160</b>	<b>920</b>	<b>0</b>	<b>920</b>	<b>760</b>	<b>0</b>	<b>760</b>	<b>953</b>	<b>0</b>	<b>953</b>
<b>Library Books</b>												
Library Books	1,162	(6)	1,156	1,191	(6)	1,185	1,221	(7)	1,214	1,251	(7)	1,245
<b>Total Library Books</b>	<b>1,162</b>	<b>(6)</b>	<b>1,156</b>	<b>1,191</b>	<b>(6)</b>	<b>1,185</b>	<b>1,221</b>	<b>(7)</b>	<b>1,214</b>	<b>1,251</b>	<b>(7)</b>	<b>1,245</b>
<b>Public Art</b>												
Public Art Works	240	(40)	200	150	0	150	220	(40)	180	220	0	220
Art Gallery Acquisitions	115	0	115	100	0	100	100	0	100	100	0	100
<b>Total Public Art</b>	<b>355</b>	<b>(40)</b>	<b>315</b>	<b>250</b>	<b>0</b>	<b>250</b>	<b>320</b>	<b>(40)</b>	<b>280</b>	<b>320</b>	<b>0</b>	<b>320</b>
<b>Emergency Services</b>												
Emergency Services Plant and Equipment	250	0	250	220	0	220	226	0	226	282	0	282
<b>Total Emergency Services</b>	<b>250</b>	<b>0</b>	<b>250</b>	<b>220</b>	<b>0</b>	<b>220</b>	<b>226</b>	<b>0</b>	<b>226</b>	<b>282</b>	<b>0</b>	<b>282</b>
<b>Land Acquisitions</b>												
Land Acquisitions	100	0	100	100	0	100	100	0	100	100	0	100
<b>Total Land Acquisitions</b>	<b>100</b>	<b>0</b>	<b>100</b>	<b>100</b>	<b>0</b>	<b>100</b>	<b>100</b>	<b>0</b>	<b>100</b>	<b>100</b>	<b>0</b>	<b>100</b>
<b>Non-Project Allocations</b>												
Capital Project Contingency	3,186	0	3,186	2,516	0	2,516	1,232	0	1,232	4,826	0	4,826
Capital Project Plan	10	0	10	280	0	280	280	0	280	1,430	0	1,430
<b>Total Non-Project Allocations</b>	<b>3,196</b>	<b>0</b>	<b>3,196</b>	<b>2,796</b>	<b>0</b>	<b>2,796</b>	<b>1,512</b>	<b>0</b>	<b>1,512</b>	<b>6,256</b>	<b>0</b>	<b>6,256</b>
<b>Loans</b>												
West Dapto Loan	0	(2,900)	(2,900)	0	(2,900)	(2,900)	0	(2,900)	(2,900)	0	0	0
LIRS Loan	0	(613)	(613)	0	(2,143)	(2,143)	0	(2,224)	(2,224)	0	(2,304)	(2,304)
<b>Total Loans</b>	<b>0</b>	<b>(3,513)</b>	<b>(3,513)</b>	<b>0</b>	<b>(5,043)</b>	<b>(5,043)</b>	<b>0</b>	<b>(5,124)</b>	<b>(5,124)</b>	<b>0</b>	<b>(2,304)</b>	<b>(2,304)</b>
<b>Not Applicable</b>												
Not Applicable	3,600	(3,600)	0	0	0	0	0	0	0	0	0	0
<b>Total Not Applicable</b>	<b>3,600</b>	<b>(3,600)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>94,973</b>	<b>(38,355)</b>	<b>56,618</b>	<b>106,841</b>	<b>(48,289)</b>	<b>58,552</b>	<b>104,247</b>	<b>(42,883)</b>	<b>61,364</b>	<b>117,330</b>	<b>(52,579)</b>	<b>64,750</b>