

ATTACHMENT 1

2018-2021

OPERATIONAL AND CAPITAL BUDGET

ADOPTED 25 JUNE 2018

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INTRODUCTION

FINANCIAL OVERVIEW

Council and its community have significantly changed the financial position and performance of the Council over the past five to 10 years through various programs that have led to 'financial sustainability'. Together we have created a stable and sustainable financial environment that should allow Council to provide the existing levels of service for the community without significant real change to future income requirements. Wollongong City Council is committed to the principles of financial sustainability and good financial management. Council will use ratepayers' money, together with other funding available, wisely to provide prioritised services, improve financial sustainability and asset management.

Council has a Financial Strategy that shows it is committed to the principles of financial sustainability. Financial sustainability is 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 services.

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

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

In April 2017, Council adopted its current Financial Strategy that recognised that Council's position has reached the point targeted in the previous Financial Strategy and reflected the ongoing challenge to maintain a financially sustainable position. The current Financial Strategy has a number of clear objectives that have been used in establishing the financial boundaries that flow on to this year's Delivery Program and Operational Plan Budget 2018-2019 to 2020-2021. They include:

- Council will aim to maintain Available Funds between 3.5% and 5.5% of operational revenue [pre capital].
- Council will plan to maintain a small operational surplus (average over three years) in the future.
- Council's annual allocations to operational and capital budgets will generally not exceed anticipated cash inflows. Where 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 Funds Available from Operations at least equal to depreciation.
- The full life cost of capital expenditure will be considered before capital projects are approved. Asset renewal, maintenance and operational costs impacting on future budgets will be included in forecasts as part of the capital budgeting process.
- Council will remain a low debt user by maintaining a debt service ratio below 4%.

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

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

Financial Forecasts

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

The current modelling of the potential impacts of West Dapto operations on the key performance indicators is included in the forecasts for the first time. It is expected that the West Dapto development will occur over a 40 to 60 year period which is a disproportionately long period in terms of a 10 year Long Term Financial Plan. The implications are that Council is starting to introduce the financial reporting implications in future years, based on extremely broad assumptions for actions that may vary markedly as the future unfolds. A conservative approach is currently being taken to these forecasts that assume a self-funding model for the forecasts contained in the Resourcing Strategy and Delivery Program 2018-2019 to 2020-2021. The financial impacts of West Dapto within the current assumptions and modelling are discussed further throughout this report.

The key financial forecasts are outlined in the table below for Delivery Program and Operational Plan Budget 2018-2019 to 2020-2021 duration, while forecasts for the key performance indicators contained in the Long Term Financial Plan are shown over the 10 year period in the diagrams that follow.

All estimates show that Council's short term, medium and longer term financial capacity remains sound and that Council will be able to achieve and maintain results that are within the targets outlined in the key performance indicators in the Financial Strategy. The forecast deficit results for the Operating Result [pre capital] and Total Funds for 2018-2019 is mainly due to the timing of Financial Assistance Grant payment. The Federal Government has advised that the first two quarters of the 2018-2019 Grant will be paid in June 2018. This reflects as an improvement in the 2017-2018 results with an equivalent deterioration in 2018-2019.

	2018/19 Budget \$M	2019/20 Forecast \$M	2020/21 Forecast \$M
Operating Result [pre capital]	(6.9)	6.1	6.7
Operating Result	46.9	54.3	48.2
Funds Available from Operations	56.2	67.2	69.8
Total Funds Surplus / (Deficit)	(7.7)	0.4	0.0

Financial improvements achieved beyond the targets set in previous years, together with the expectation of continued better than budget performance through further improvement, have provided Council with some additional capacity leading into this planning period. As part of the planning process, Council considers the allocation of resources to the improvement or enhancement of services based on community demand or to restraining the cost of Council services to its community. It is proposed in this Plan to create an opportunity to enhance some service deliveries, accelerate a number of planned projects and introduce additional projects.

The enhanced service deliveries proposed are of a recurrent operational nature with an annual estimated cost of \$2.2 million and apply across a range of Services. Details of these are provided later in this budget (Diagram 5, page 14). Proposed projects include both capital and operational changes that are non-recurrent or are of a fixed duration. These projects are detailed in Diagram 1 below and have an estimated cost of \$9.6 million that is intended to be funded from the Strategic Projects restricted cash over a five year period. A substantial portion of the Strategic Projects Restricted Asset (\$11.8 million at 30 June 2019) will remain available for further consideration in future periods. The following table provides a summary of the additional projects that have been proposed and included in the financial projections in this Delivery Program and Operational Plan Budget 2018-2019 to 2020-2021.

Diagram 1

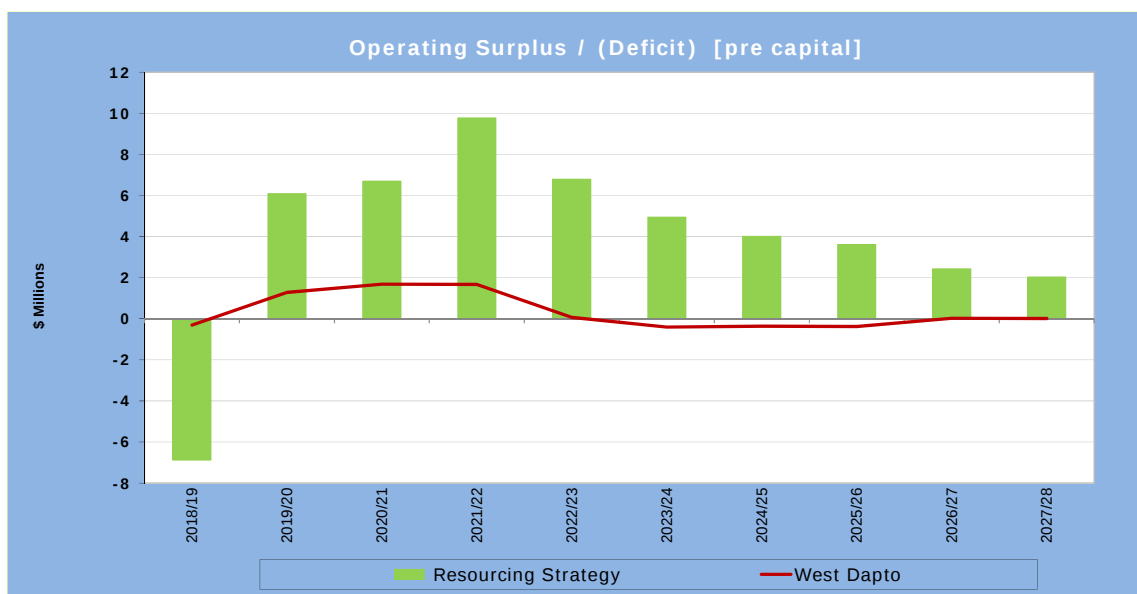
PROPOSED PROJECTS & PROGRAMS				
Funded from Strategic Projects Restricted Cash				
	2018/19	2019/20	2020/21	2021/22
	\$000's	\$000's	\$000's	\$000's
Capital Projects				
Helensburgh Library - allocation of additional funds				2,800
New Footpaths	1,000	2,800		
New Sportfield Lighting	50	200	200	
Accelerate energy efficiency on Council Buildings	100	200	200	200
Additional Sportsfields Drainage	125	125		
Grand Pacific Walk Review Future Stages	75	125		
Welcome Signs	30			
	1,380	3,450	400	3,000
Studies & Supporting Documents				
Beaton Park Master Plan (design)	100			
Social Infrastructure Supporting Document	30			
Review Economic Development Strategy	50			
Bellambi Foreshore Precinct Plan	50	150	100	
Integrated Transport Strategy		50	50	
Review of the Inner City Parking Strategy 2020-26		40	40	
City Wide LEP Review			100	100
Offset from Centralised Studies budget	(12)	(240)	(290)	(100)
	218	0	0	0
Other non recurrent projects				
IPAC Recapitalisation	300			
Enhanced Public Domain Program development	75			
Innovation App Competition	40			
Grand Pacific Walk Review	50			
Social Enterprise Handbook	30			
Investigate Northern Green Waste Station	20			
Resurfacing Towradgi Tennis and Basketball Courts	20			
Pilot Public Place Recycling	50	30	30	30
Community Focussed Active Transport Program Development	60	200	60	
Volunteering Illawarra	45	46	46	
Figtree Park Landscaping	5	35		
	695	311	136	30
TOTAL	2,293	3,761	536	3,030

Operational Performance – Operating Result [pre capital]

The Operating Result [pre capital] provides an indication of the long term viability of Council and its capacity to earn sufficient revenue to fund ongoing operations (services) and continue to renew existing assets over the long term. This measure should be viewed over a long term basis as annual results may be impacted by timing. For example, in the diagrams below, 2017-2018 indicates a deficit result that is due to the early payment of part of the Federal Assistance Grant for 2017-2018 in 2016-2017. The forecast Operating Result for the next 10 years indicates that Council will be able to achieve its 'small annual surplus average over three years' target outlined in the Financial Strategy.

The net result of the introduction of income and expense associated with the West Dapto release area can be seen as the red line in the diagram below. There is a favourable reporting impact in the mid years due to rate revenue growth being realised prior to significant additional operating expense. In line with Council's Financial Strategy, the additional funds will be used in the short term to assist in funding the substantial capital budget requirements for infrastructure during that period. The positive net result for West Dapto during that period also impacts the overall Operating Result for Council as shown in the green columns.

Diagram 2

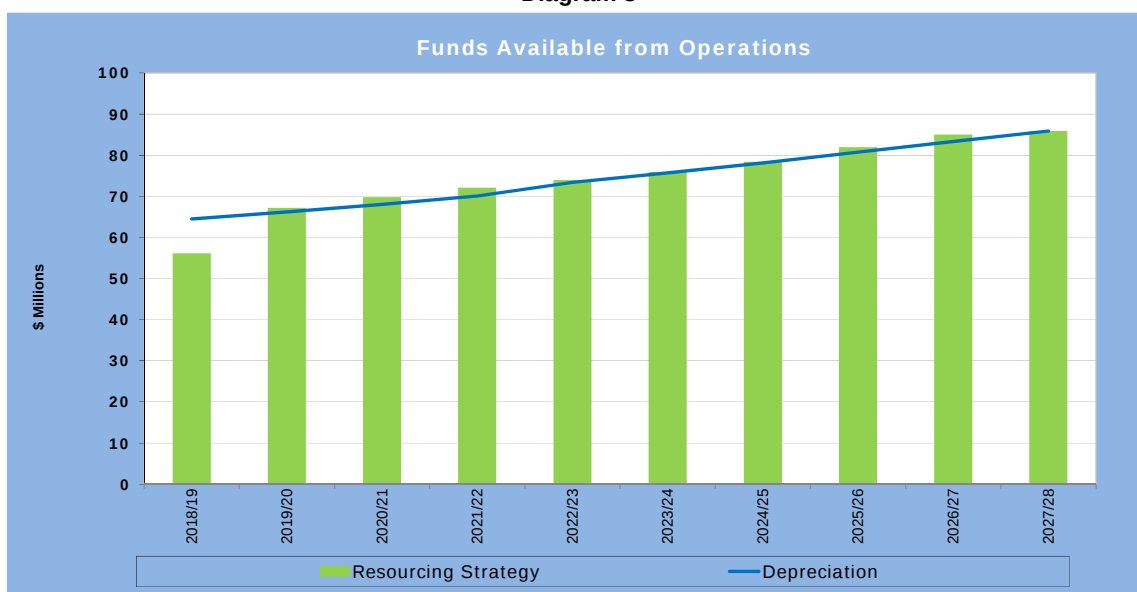


Operational Performance – Funds Available from Operations

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

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

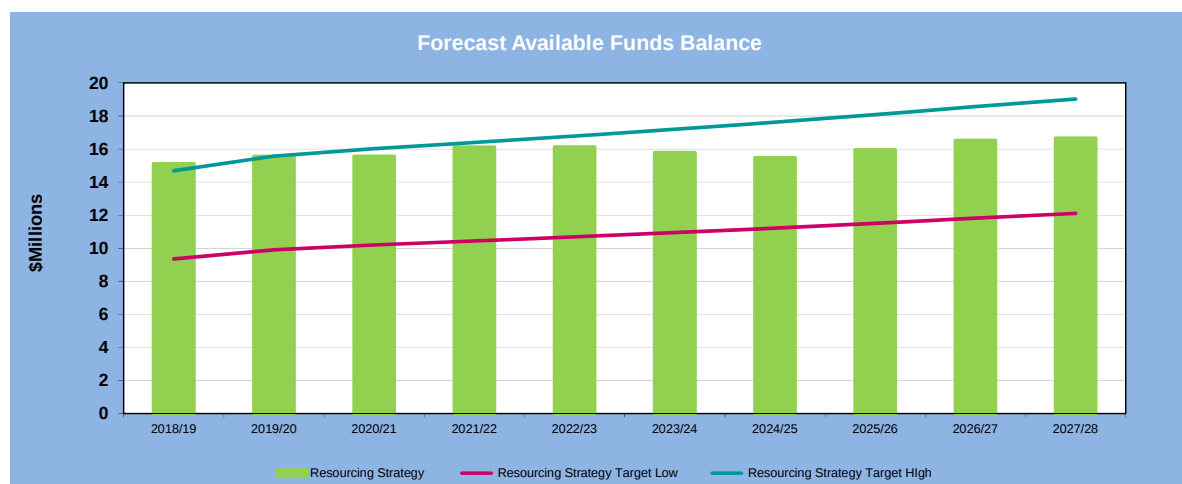
Diagram 3



Financial Position - Available Funds

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

Diagram 4



Assets

Council's Statement of Financial Position (page 11) 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 \$2.4 billion. This amount is the current value of assets after allowing for depreciation. These assets have a current replacement value in excess of \$4.1 billion.

The Budget for 2018-2019 includes a capital expenditure program of \$98 million and contributed assets of \$10.2 million. These forecasts are inclusive of work and contributed assets for the West Dapto release area of \$17.3 million and \$10.2 million respectively.

Borrowings

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

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

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

The (LIRS) program was introduced by the State Government as incentive to councils to accelerate infrastructure renewal. Council has also been successful in securing subsidies for loans under the three rounds of the LIRS program and has entered into loans of \$20 million in 2012-2013 for Round 1, \$4.3 million in 2013-2014 for Round 2 and \$15 million for Round 3 in 2014-2015. The LIRS program provides a loan subsidy of 4% for Round 1 and 3% for the subsequent rounds. Loan funds have been used to accelerate the City wide Footpaths, Shared Path Renewal, Missing Links Construction Program, building refurbishment works for Berkeley Community Centre, 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 2016-2017 that will also be used to support the West Dapto Access – Fowlers Road project.

These loans will be repaid over 9.5 years and will increase Council's Debt Service Ratio forecast for 2018-2019 to 2020-2021 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.

Unbudgeted Supporting Documents and Initiatives

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

One of the major sets of Supporting Documents relate to the West Dapto Release Area. A significant part of Wollongong's population growth is expected to be 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. Supporting Documents, such as the West Dapto LEP, Infrastructure Plan, Access Strategy

and West Dapto Section 94 Plans have articulated proposed services, assets and potential future sources of funds to some extent and this has informed the development of a West Dapto release area financial forecast model. The implications of this model have been incorporated into the financial forecasts. The model is based on extremely broad assumptions for actions that may vary markedly as the future unfolds. A conservative approach has been taken that assumes a self-funding model and only includes agreed grant programs in these forecasts. The financial impacts of West Dapto within the current assumptions and modelling are discussed further throughout this report.

There are a 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 actions such as:

- Longer term capital works and impacts of development and operations for West Dapto
- Multi storey car parks in the city and/or North Beach precinct
- Potential development of Council owned land in West Dapto
- Implications of Lake Illawarra
- Greenhouse Park rehabilitation
- Sportsfields enhancements
- Disabled access for beaches
- Grand Pacific Walk future stages
- Off leash dog parks
- Implementation of Leading the Way program that focuses on optimising performance through more effective, efficient and innovative service delivery. This will encompass programs such as the review and optimisation of facilities and office accommodation used by Council, implications and outcome of the Information Management & Technology Strategy, Workforce Strategy and Safety Behavioural program.

FINANCIAL BUDGET REPORTS

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

Whole of Council 3 Year Financial Forecasts:

- Income Statement
- Funding Statement (including Capital Budget)
- Statement of Financial Position
- Cash Flow Statement
- Detailed Service Groups Income Statement 2018-19

WOLLONGONG CITY COUNCIL			
3 Year Financials			
	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
INCOME STATEMENT			
Income From Continuing Operations			
Revenue:			
Rates and Annual Charges	197,686	203,454	209,573
User Charges and Fees	34,967	35,197	35,606
Interest and Investment Revenues	4,572	4,981	6,193
Other Revenues	10,062	10,311	10,608
Grants and Contributions - Operating	19,837	29,090	29,406
Capital Grants & Contributions	53,752	48,203	41,541
Other Income:			
Share of Interest in Joint Venture	0	0	0
Profit/Loss on Disposal of Assets	0	0	0
Total Income From Continuing Operations	320,876	331,237	332,926
Expenses From Continuing Operations			
Employee Costs	129,419	131,950	135,102
Borrowing Costs	3,310	2,722	2,374
Materials, Contracts & Other Expenses	94,996	94,745	98,340
Depreciation, Amortisation + Impairment	64,508	66,220	68,025
Internal Charges (labour)	(16,581)	(17,000)	(17,412)
Internal Charges (not labour)	(1,653)	(1,690)	(1,736)
Total Expenses From Continuing Operations	273,999	276,947	284,693
Operating Result	46,877	54,290	48,233
Operating Result [pre capital]	(6,875)	6,087	6,692

WOLLONGONG CITY COUNCIL

3 Year Financials

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
FUNDING STATEMENT			
Surplus (Deficit) [Net Operating Result for the Year]	46,877	54,290	48,233
Add back :			
- Non-cash Operating Transactions	82,076	83,753	85,899
- Restricted cash used for operations	13,030	10,083	10,279
- Income transferred to Restricted Cash	(72,658)	(67,383)	(60,627)
- Payment of Accrued Leave Entitlements	(13,146)	(13,565)	(13,980)
Net Share Joint Venture using Equity Method	0	0	0
Funds Available from Operations	56,178	67,178	69,803
Borrowings repaid	(7,692)	(7,913)	(5,242)
Advances (made by) / repaid to Council	0	0	0
Operational Funds Available for Capital Budget	48,486	59,265	64,561
CAPITAL BUDGET			
Assets Acquired	(97,962)	(109,503)	(115,923)
Contributed Assets	(10,169)	(10,853)	(12,591)
Transfers to Restricted Cash	(1,497)	(2,073)	(2,644)
Funded From :-			
- Operational Funds	48,486	59,265	64,561
- Sale of Assets	1,795	1,292	1,801
- Internally Restricted Cash	11,310	13,816	8,079
- Borrowings	0	0	0
- Capital Grants	12,210	15,845	2,702
- Developer Contributions (Section 94)	8,195	10,241	36,407
- Other Externally Restricted Cash	9,230	12,595	4,525
- Other Capital Contributions	10,689	9,809	13,091
TOTAL FUNDS SURPLUS / (DEFICIT)	(7,713)	435	9

WOLLONGONG CITY COUNCIL

3 Year Financials

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
STATEMENT OF FINANCIAL POSITION			
CURRENT ASSETS			
Cash Assets	133,642	130,642	120,258
Investment Securities	14,849	14,516	13,362
Receivables	25,028	25,836	25,968
Inventories	298	298	298
Assets held for Sale (previously non-current)	0	0	0
Other	11,259	11,551	11,852
TOTAL CURRENT ASSETS	185,076	182,843	171,738
NON-CURRENT ASSETS			
Non-Current Inventories	5,791	5,791	5,791
Investments Accounted for using Equity Method	1,835	1,835	1,835
Investment Property	5,129	5,312	5,498
Intangible Assets	653	653	653
Property, Plant & Equipment	2,425,146	2,473,989	2,529,837
TOTAL NON-CURRENT ASSETS	2,438,554	2,487,580	2,543,614
TOTAL ASSETS	2,623,631	2,670,423	2,715,352
CURRENT LIABILITIES			
Current Payables	24,660	24,925	25,622
Provisions < 12 Months	11,792	12,098	12,413
Provisions > 12 Months	39,711	40,743	41,803
Interest Bearing Liabilities	7,913	5,242	5,482
TOTAL CURRENT LIABILITIES	84,075	83,009	85,320
NON-CURRENT LIABILITIES			
Non Current Interest Bearing Liabilities	17,568	12,529	7,047
Non Current Provisions	51,941	50,550	50,416
TOTAL NON-CURRENT LIABILITIES	69,510	63,079	57,463
TOTAL LIABILITIES	153,585	146,088	142,783
NET ASSETS	2,470,046	2,524,336	2,572,569
EQUITY			
Accumulated Surplus	(1,303,425)	(1,353,235)	(1,419,336)
Surplus (Deficit) for period	(46,877)	(54,290)	(48,233)
Asset Revaluation Reserve	(974,736)	(974,736)	(974,736)
Restricted Assets	(145,008)	(142,075)	(130,264)
TOTAL EQUITY	(2,470,046)	(2,524,336)	(2,572,569)

WOLLONGONG CITY COUNCIL

3 Year Financials

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
CASH FLOW STATEMENT			
CASH FLOWS FROM OPERATIONS			
Receipts			
Rates and Annual Charges	197,421	202,646	209,441
User Charges & Fees	34,967	35,197	35,606
Investment Incomes	4,572	4,981	6,193
Grants & Contributions	63,420	66,440	58,356
Other Operating Receipts	9,598	9,836	10,121
Payments			
Employee Costs	(110,458)	(112,651)	(115,341)
Materials & Contracts	(92,522)	(92,790)	(95,907)
Borrowing Costs	(1,089)	(870)	(643)
Other Operating Payments	0	0	0
NET CASH PROVIDED BY (OR USED IN) OPERATIONS	105,908	112,790	107,826
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Sale of Investment securities	(205)	333	1,154
Proceeds from Sale of Property, Plant & Equip	1,795	1,292	1,801
Repayments from Deferred Debtors	0	0	0
Payments			
Purchase of Property Plant & Equipment	(97,962)	(109,503)	(115,923)
Advances to Deferred Debtors	0	0	0
Purchase of Interest in Joint Ventures			
NET CASH PROVIDED BY (OR USED IN) INVESTING ACTIVITIES	(96,372)	(107,877)	(112,968)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Proceeds from Borrowings and advances	0	0	0
Payments			
Repayments of Borrowings and Advances	(7,692)	(7,913)	(5,242)
Repayment of Lease Finance Liabilities			
NET CASH PROVIDED BY (OR USED IN) FINANCING ACTIVITIES	(7,692)	(7,913)	(5,242)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS HELD	1,845	(3,001)	(10,384)
Cash at Beginning of Period	131,797	133,642	130,642
CASH & CASH EQUIVALENTS AT EOY	133,642	130,642	120,258
PLUS other investment securities	14,849	14,516	13,362
TOTAL CASH & INVESTMENTS	148,491	145,157	133,620

WOLLONGONG CITY COUNCIL

Detailed Service Group Financials Budget 2018/2019

	Planning & Engagement \$'000	Environment \$'000	Transport Services / Infrastructure \$'000	Community Services & Facilities \$'000	Recreation & Open Space \$'000	Regulatory Services & Safety \$'000	Governance & Internal Services \$'000	Total \$'000
INCOME STATEMENT								
Income from Continuing Operations								
Revenue:								
Rates and Annual Charges	1,168	35,140	0	0	0	0	161,377	197,686
User Charges and Fees	831	11,514	1,273	2,321	11,930	4,590	2,508	34,967
Interest and Investment Revenues	0	0	0	0	0	0	4,572	4,572
Other Revenues	302	528	14	449	307	3,203	5,259	10,062
Grants and Contributions - Operating	0	1,075	3,693	4,036	0	492	10,542	19,837
Capital Grants & Contributions	38,644	700	14,381	0	27	0	0	53,752
Additional Revenues	0	0	0	0	0	0	0	0
Other Income:								
Profit/Loss on Disposal of Assets	0	0	0	0	0	0	0	0
Total Income from Continuing Operations	40,946	48,958	19,359	6,805	12,264	8,286	184,258	320,876
Expenses from Continuing Operations								
Employee Costs	24,914	9,396	2,590	15,243	22,403	12,007	42,866	129,419
Borrowing Costs	0	1,829	0	0	0	0	1,480	3,310
Materials, Contracts & Other Expenses	16,995	37,730	8,659	6,316	7,587	5,037	12,673	94,996
Depreciation, Amortisation + Impairment	15,189	11,613	29,033	1,531	4,679	513	1,950	64,508
Internal Charges	(27,556)	2,523	3,914	9,134	11,391	1,469	(19,109)	(18,234)
Total Expenses from Continuing Operations	29,543	63,090	44,196	32,224	46,060	19,025	39,860	273,999
Operating Result	11,403	(14,132)	(24,837)	(25,418)	(33,796)	(10,740)	144,398	46,877
Operating Result [pre capital]	(27,241)	(14,832)	(39,218)	(25,418)	(33,823)	(10,740)	144,398	(6,875)

DEFINITIONS:

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

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

Total Funds Result - While Council has an operating deficit, it has been able to ensure that its funds result (cash inflows compared to cash outflows) has remained in balance. Short term stability requires the annual budget is affordable and cash is managed to ensure that payments can be made as required. By holding a level of available funds and planning for break-even funds results, this position can be maintained. Until an operating surplus is achieved, additional funds should be directed towards deferred asset renewals or investments that are able to reduce future operational costs.

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

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

BUDGET 2018-2019 TO 2020-2021

CURRENT ASSUMPTIONS

SERVICE LEVELS

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

Diagram 5

SERVICE ENHANCEMENTS	
	2018/19* \$000's
Program	
Expand Your Tutor Program	15
Urban Greening and Pest Species Management	600
<i>Including programs relating to:</i>	
<i>Trees & Urban Greening</i>	
<i>Pest Species Management</i>	
<i>Natural Area Management</i>	
<i>Community Engagement for Urban Greening programs</i>	
Economic development programs & initiatives (<i>\$610K 2019/20 & future years*</i>)	280
<i>Including programs relating to:</i>	
<i>City Centre Activation</i>	
<i>Signature Events</i>	
<i>Marketing the Wollongong Advantage</i>	
<i>Architecture/Public Art App</i>	
Enhanced Public Domain Maintenance (<i>\$200K 2019/20 & future years*</i>)	
Operational costs - Warrawong Library & Community Centre (<i>2023/24*</i>)	403
Operational costs Helensburgh Library (<i>2022/23*</i>)	364
<i>* Indexed for future years</i>	
TOTAL	1,662

INDEXATION

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

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

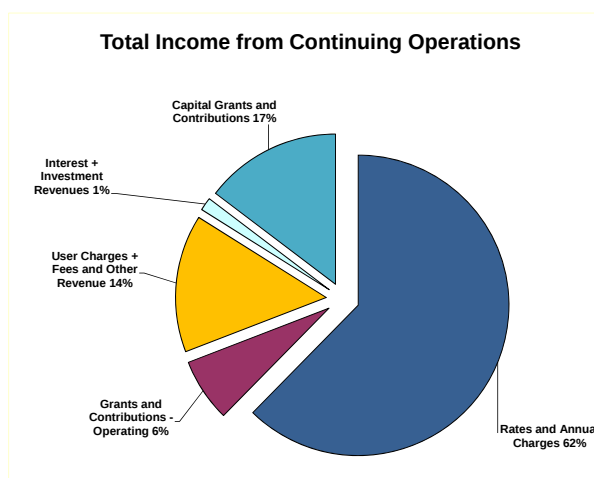
The financial forecasts have been prepared using the following indices where applicable:

Indices				
	2018/19 Budget	2019/20 Forecast	2020/21 Forecast	2021/22+ Forecast
	%	%	%	%
Rates Increase	2.30	2.35	2.30	2.25
Rates Increase - growth	0.40	0.40	0.40	0.40
Rates Increase - growth West Dapto	0.51	0.37	0.32	0.39
Fees and Charges	2.25	2.25	2.25	2.25
Interest Rates (90 day bill rate)	2.40	2.70	3.70	3.70
Labour	2.35	2.50	2.50	2.25
Superannuation Guarantee	9.50	9.50	9.50	10.00
Loan borrowing rate	3.90	3.90	4.50	5.90
CPI - general expenditure	1.90	1.90	2.10	2.10
Utilities				
-Electricity	3.10	3.10	3.10	3.10
-Other Utilities	3.10	3.10	3.10	3.10
-Street lighting	3.10	3.10	3.10	3.10

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

REVENUE

Revenue Type	2018/19 Budget (\$M)
Rates and Annual Charges	197.7
Grants and Contributions - operating	19.8
User Charges + Fees and Other Revenue	45.0
Interest + Investment Revenues	4.6
Capital Grants and Contributions	53.8
Total Income from Continuing Operations	320.9



RATES

Rate revenue projections are based on application of the maximum permissible increase that is advised annually by the Independent Pricing and Regulatory Tribunal (IPART) and an allowance for growth in rateable properties. The recommended IPART increase for 2018-2019 is 2.3%.

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

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

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

The rate categories and sub-categories are proposed to remain unchanged. These structures have been applied since 1994 when the provisions of the then new Local Government Act came into force. A change in pricing structure for residential rates to include a base charge was introduced in 2002. Council is aware of the proposed changes to the calculation methodology by the Valuer General in relation to the Coal Mine properties that are valued under Section 14F of the Valuation of Land Act 1916. Recent advice indicates that this has now been postponed and will now form part of the general revaluation in July 2019. Further consultation will be required on the analysis of its impact on individual properties once received.

In addition to general rates, Council currently applies two special rates, the Mall Special Rate and the City Centre Special Rate. The Wollongong City Centre Improvement Fund Rate that was applied in 2011-2012 was merged with the Mall Special Rate from 2012-2013. Together, Special Rates are projected to generate \$1.53 million of revenue for 2018-2019.

The projected rate revenues shown below are based on the current rating structure and property information at June 2018 and these projections will change marginally through the planning process as property information changes. More detailed information relating to the rates and rating policy is provided as part of the Revenue Policy, Fees and Charges.

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Rates Revenue			
General Rates			
Ordinary Rates - Residential	115,567	119,240	123,207
Ordinary Rates - Farmland	314	322	330
Ordinary Rates - Mining	931	954	977
Ordinary Rates - Business	47,579	48,687	49,821
Rates - Abandonments	(53)	(54)	(55)
Total General Rates	164,339	169,149	174,280
Special Rates			
Special Rates - Mall	1,104	1,127	1,150
Special Rates - City Centre	422	430	439
Total Special Rates	1,526	1,557	1,589
Pensioner Rebates - Rates			
Pensioner Rate Rebate - Statutory s575	(2,872)	(2,902)	(2,932)
Pensioner Rate Rebate - Council s582	(448)	(405)	(362)
Pensioner Rate Subsidy	1,598	1,596	1,613
Net Pensioner Rebate	(1,722)	(1,711)	(1,682)
TOTAL Rates Revenue (net of pensioner rebates)	164,143	168,995	174,188

Pensioner Rebates

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

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

The voluntary Council rebate is currently indexed annually in line with the rates increase, which will result in a rebate of \$254.18 for 2018-2019.

Pensioner rebates are netted off against rates revenue for reporting purposes (\$3.3 million for Rates and \$0.9 million for Domestic Waste Management based on the current estimates for 2018-2019).

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Pensioner Rebates			
Pensioner Rate Rebate - Statutory s575	2,872	2,902	2,932
Pensioner Rate Rebate - Council s582	448	405	362
Total Pensioner Rates Rebate	3,319	3,307	3,294
Pensioner DWM Rebate - Statutory s575	801	808	816
Pensioner DWM Rebate - Council s582	112	102	91
Total Pensioner DWM Rebate	913	910	906
Total Pensioner Rebates	4,232	4,217	4,200

ANNUAL CHARGES

Domestic Waste Management Charges

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

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

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

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Domestic Waste Management Revenue			
Annual Charges Domestic Waste Management	34,228	35,134	36,065

Stormwater Management Charge

Council levies a Stormwater Management Charge on all parcels of rateable land, other than those exempted under the Local Government Act. The pricing for Stormwater Management charge is to remain unchanged for 2018-2019. The rate has remained static since the original setting by the State Government in April 2006.

The actual previous yield and future estimates from Stormwater is shown below with charges to be included as part of the Revenue Policy, Fees and Charges booklet that will be provided under separate cover. The income from this charge is transferred to a restricted asset and the projects proposed to be funded from this revenue are detailed by theme in the Rates Fees and Charges booklet.

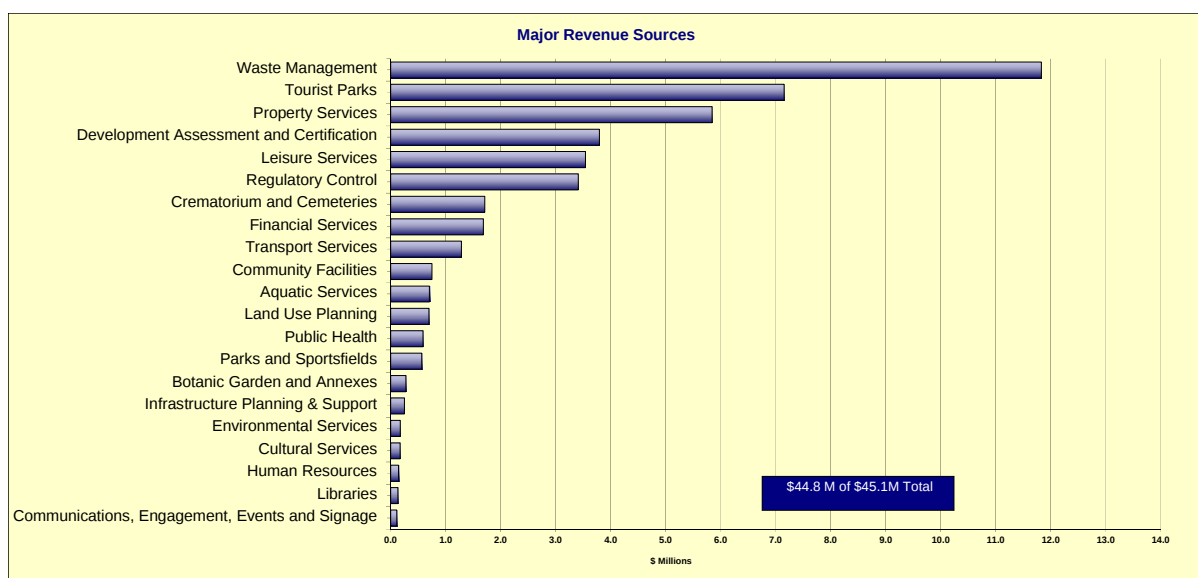
	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Stormwater Management Revenue			
Annual Charges Stormwater Management Service	1,825	1,830	1,839

Waste Management Services – Non-Domestic Premises

Council levies a Waste Management fee on approximately 377 non-residential properties where approved. The operations of this service are currently managed through the kerbside collection contracts and costs have not been separated from Domestic Waste. The fee for this service has historically been set in line with Domestic Waste Management fees to avoid cross subsidisation.

USER FEES, CHARGES AND OTHER REVENUE

User Fees, Charges and Other Revenue account for 14.0% of Council's revenue [pre capital]. The major elements are shown in the table following.



Council's most significant income streams excluding Rates, Annual Charges and Grants, are Waste Facility (\$11.8 million), Development Assessment and Certification (\$3.5 million), Tourist Parks (\$7.2 million), Property Services (\$5.8 million), Recreation centres, Swimming Pools and other Park Facilities (\$5.3 million), Ranger and Regulatory services including parking infringements (\$3.4 million) and Cemeteries/Crematorium (\$1.7 million). Financial Services income is mainly associated with payments for private use of Council vehicles and income from Section 603 and Section 611 Certificates (\$1.7) million.

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

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

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

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

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

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

INTEREST ON INVESTMENTS

Interest and investment revenues shown in the Income Statement are inclusive of interests on Council's investment portfolio, charges for overdue rates that is applied at statutory percentage and dividend received from Southern Phones. Investment portfolio income forecasts are based on anticipated cash holdings and projected interest rates. Cash holdings projections are drawn from the budgeted revenues and expenditures in the budget and anticipated internal and external restricted cash balances. Council is required to restrict any interest attributed to Section 94, Domestic Waste Management and a number of grants.

Sources	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
General Interest	3,937	4,231	5,429
Property Rating	635	647	661
Southern Phones Dividend	0	103	102
	4,572	4,981	6,193
Transfers			
Interest transferred to Restricted Assets	1,946	2,427	2,879
Net Interest after RA transfers	2,627	2,554	3,314

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

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

SOUTHERN PHONES DIVIDEND

An annual dividend is received from the Southern Phones Company. The Company was formed in 2002 after receiving \$4.77 million in funding from the Australian Government's Networking the Nation scheme. The Company is currently owned by 35 local council shareholders, each of whom owns an equal share. All profits are returned to communities through these Councils by way of an annual dividend. Twenty per cent of profit is split equally among all 35 shareholders and 80% is paid according to the amount of business generated in the council area. The dividend may fluctuate from year to year with an average annual payment of \$0.25 million to our Council over the last four years. The payment for 2017-2018 has declined to \$0.10 million due to NBN and other market factors. The lower level of dividend payment is expected to continue over the life of the Operational Plan. These funds are held as internally restricted cash and are applied to specific projects for natural areas annually in arrears.

OPERATIONAL GRANTS

Financial Assistance Grant

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

The NSW Local Government Grants Commission is responsible for the distribution of the Grant to councils within the State. Distribution criteria include population changes, changes in standard costs, disability measures, local roads and bridges lengths and changes in property values. The distribution methodology is currently under review and may have an impact on future receipts. Income for 2018-2019 has been impacted by the early payment of the first two instalments of the 2018-2019 Grant during June 2018.

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Financial Assistance (Revenue Sharing) Grant			
General Purpose component	8,079	16,466	16,811
Roads component	1,260	2,510	2,562
Total Financial Assistance Grant	9,339	18,975	19,374

Better Waste and Recycling Program

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

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Better Waste and Recycling Program	217	217	217

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.

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Specific Purpose Operating Grants			
Aged and Disability Services	2,519	2,567	2,621
Emergency Management	492	494	496
Libraries	487	496	507
Transport Services	362	114	116
Stormwater Services	277	233	233
Community Programs	234	236	212
Environmental Services	217	217	217
Cultural Services	70	70	70
Natural Area Management	59	56	34
Youth Services	37	38	38
Human Resources	4	4	4
Total Specific Purpose Operating Grants	4,757	4,525	4,548

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

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

Operational grant forecasts include annual funding from Federal and State sources for community transport and social support programs. Council has been delivering these services to the community for over 20 years and, in the last five years; those services have been operating at cost neutral to Council. The Federal Government has commenced a reform of Aged and Disability Services that will impact on how these services may be delivered in the future and what Council's role may be. The programs for Social Support Services were not expected to be delivered by Council beyond 30 June 2018 when current funding arrangements end and these programs are no longer included in the long term forecasts. As the delivery model for Community Transport has not been finalised, Council's long term financial projections are premised on continuation of the existing arrangement.

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

CAPITAL INCOME

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

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

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

SHARE OF INTEREST IN JOINT VENTURE

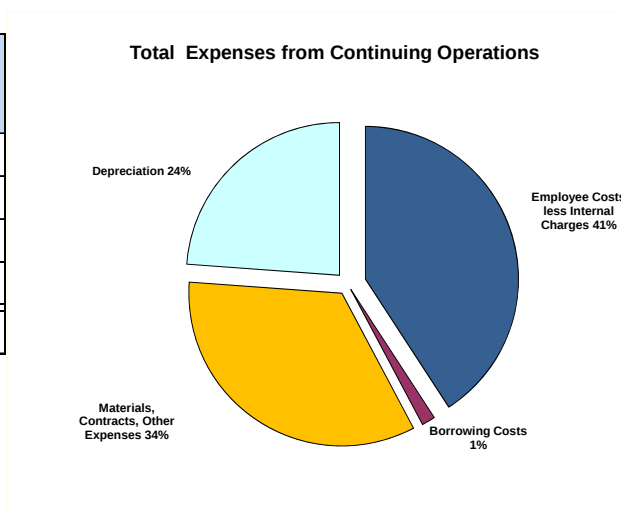
Council is a member of the Civic Risk West (formerly Westpool) and Civic Risk Mutual (formerly United Independent Pools) Self Insurance pools. These pools are valued annually and each member receives a share of the profit or loss and other comprehensive income of the pools for that year. Amounts are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

PROFIT /LOSS ON DISPOSAL OF ASSETS

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

EXPENSES

Expense Type	2018/19 Budget (\$M)
Employee Costs less Internal Charges	112.8
Borrowing Costs	3.3
Materials, Contracts, Other Expenses	93.3
Depreciation	64.5
Total Expenses from Continuing Operations	274.0



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

EMPLOYEE COSTS

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

Salary & Wages

Labour and associated employee costs are based on position complement required to deliver current service levels. Additional labour costs related to specific non-recurrent projects (where identified) are also included. Labour costs are budgeted in accordance with Council's EA rates. Negotiations for the EA for the period commencing 1 July 2018 have commenced and pending the outcome of these, labour costs have been indexed in accordance with the Local Government State Award that was finalised in October 2017. Current indices have been applied as follows 2018-2019 2.35%, 2019-2020 2.5%, and 2020-2021 2.5% with subsequent years indexed at 2.25%.

Recurrent casual and overtime budgets are maintained to match the service and structure levels required for 2018-2019 to 2020-2021. 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.

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Salaries & Wages			
Salaries and Wages	96,294	97,993	99,965
Superannuation	10,107	10,256	10,428
Defined Scheme Superannuation Top Up	1,778	1,868	1,868
Workers' Compensation Insurance	2,036	2,073	2,108
Fringe Benefits Tax	168	171	175
Payroll Tax	48	50	51
Training Costs (excluding Salaries)	832	851	869
Protective Clothing	281	287	293
Labour Hire	34	34	35
Other Employee Costs	2,315	2,503	2,981
Change in Workers Comp Provision	244	250	255
Direct Labour Oncosts	15,282	15,614	16,074
Total Employee Salaries & Wages	129,419	131,950	135,102
Capitalised & Distributed Employee Costs	16,581	17,000	17,412
Total Operational Employee Salaries & Wages	112,838	114,950	117,690

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

Superannuation

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

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

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

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

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

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Superannuation			
Superannuation (regular)	10,107	10,256	10,428
Defined Scheme Superannuation Top Up	1,778	1,868	1,868

Parental Leave

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

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Parental Leave	241	245	248

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

Workers' Compensation

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

Under this arrangement, Council meets all workers' compensation related costs including salary and wages, medical and associated costs up to \$0.75 million on any individual claim. Claims beyond this are supported by an external insurance policy. This policy is reviewed annually.

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Workers Compensation			
Total Payments	2,036	2,073	2,108
Increase/(Decrease) in Provision	244	250	251
Salaries/Wages paid from Divisional budgets	0	0	0

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

Salary & Wages Recovery

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

required to include sufficient works to employ these resources and, where other divisional work is intended, it should be negotiated and provided for in advance.

Learning & Development

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

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Learning & Development			
Training, Conferences & Seminars	832	851	869

Cadets, Apprentices & Trainees

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

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Cadets & Apprentices	2,146	2,178	2,240

Fringe Benefits Tax

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

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Fringe Benefits Tax			
TOTAL Fringe Benefits Tax	168	171	175

BORROWING COSTS (FINANCING)

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

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

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Borrowing Cost on Interest Free Loan			
Recognise interest on interest free loan	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 2012-2013 for Round 1, \$4.3 million in 2013-2014 for Round 2 and \$15 million for Round 3 in 2014-2015. The LIRS program provides a loan subsidy of 4% for Round 1 and 3% for the subsequent rounds. Loan funds have been used to accelerate the City wide Footpaths, Shared Path Renewal, Missing Links Construction Program, building refurbishment works for Berkeley Community Centre, 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 2016-2017 that will also be used to support the West Dapto Access – Fowlers Road project. These loans are planned to be generally repaid over a 10 year period.

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Borrowing Cost on LIRS			
Interest	603	463	312
Recognise interest on loan funds associated with Local Infrastructure Renewal Scheme [LIRS] (excludes subsidy)			

MATERIALS, CONTRACTS & OTHER EXPENSES

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

EPA levy

The EPA levy is applicable to waste and cover materials going to landfill. Rates applicable are determined by the Department of Environment and Climate Change based on geographic location, with Wollongong classified as being within the Extended Regulated Area. 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 on site to reduce the overall cost of this levy.

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

The projected cost of the EPA levy applicable to waste material going into landfill is based on modelling that forecast disposal tonnages based on population growth and historical trends. These tonnages are reviewed on an annual basis to reflect updated trends.

Application of the levy to cover materials was introduced in March 2007. At Council's current landfill site, there are two types of cover materials in use - slag and VENM (Virgin Excavated Natural Material). The quantity of cover material required is impacted by tonnages of waste that are processed to landfill. The current model is based on slag cover ratio of 0.25 and VENM of 0.30 to waste tonnages. Both slag and VENM incur the EPA levy, however, VENM attracts a 10% pricing discount. Where cover materials are site sourced, these do not attract the levy. Current projections are based on Council being able to site source 60% of VENM requirements on site for 2018-2019 to 2020-2021 and then 50% for years beyond this. Again, these projections are reviewed annually both in terms of waste tonnages, availability of site sourced materials as well as changes in practices that may impact on quantity of material required.

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
EPA Levy			
EPA Levy - Council	614	626	645
EPA Levy - Commercial	3,837	3,796	3,763
EPA Levy - Domestic	7,300	7,545	7,814
EPA Levy on Landfill	4,264	4,670	4,771
TOTAL EPA Levy	16,015	16,638	16,993

Street Lighting

Street lighting is charged by Council's current suppliers Endeavour Energy and AGL. A rebate on street lighting is paid through the account resulting in a net cost to Council.

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Street Lighting	3,301	3,405	3,512
Street Lighting Subsidy	(698)	(711)	(725)

Emergency Services

Emergency services operations are contributed to by Council as below:

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

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

Insurance

Council joined the Civic Risk West (formerly Westpool) and Civic Risk Mutual (formerly United Independent Pools) Self Insurance pools on 31 October 2010. The pools are

comprised of a number of Sydney councils. The advantages of joining a mutual pool include savings through bulk purchasing power, access to learning and networking across other councils, reducing exposure to market fluctuations through better management of claims and retention of equity in the pool.

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Insurances			
Insurance Premiums			
ISR Property Insurance	661	781	792
Motor Vehicle/Plant Insurance	264	283	293
Statutory Liability/CDO Insurance	116	121	124
Public Liability/Professional Indemnity Insurance	1,118	1,199	1,578
Crime/Fidelity Guarantee Insurance	141	113	75
Fine Arts	21	18	21
Other	21	21	21
Total Insurance Premiums	2,342	2,536	2,904
Excess Payments			
PL Above Excess Payments	0	0	0
PL Below Excess Payments	200	200	200
Insurance Claims Below Excess covered from Divisional Budgets	100	100	100
Total Excess Payments	300	300	300

Legal Costs

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

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Legal Expenses			
External Legal Costs	761	793	810
"In House" Legal expenditures including employees	891	893	914

Fuel

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

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Fuel & Oil	1,720	1,729	1,737

Affiliates Contributions

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

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Affiliates Contributions			
Tourism Support & Contributions	1,436	1,402	1,431
Performing Arts Centre	698	712	726
Performing Arts Centre Recapitalisation	300	0	0
TOTAL Affiliates Contributions	2,434	2,113	2,158

Other Contributions, Donations & Subsidies

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Gong Shuttle Contribution	350	350	350
Neighbourhood Youth Program	131	134	137
Sponsorship Fund	76	78	80
IRIS Contribution	93	95	97
Business Development	88	90	92
Southern Councils Group	80	81	83
Natural Areas Management	64	65	66
Destination Wollongong Cruise Ship Support	60	0	0
Illawarra Surf Lifesaving Contribution	55	56	57
Illawarra Escarpment - Geotech. Research	54	54	54
Community Arts Programme - Public Art Se	40	41	42
Illawarra Institute Sport Contribution	36	37	38
City Centre - Events & Marketing	35	38	40
Business Investment & Attraction	31	31	32
Dapto Facade Project #	0	30	210
Scholarships	13	14	14
Cultural Centres Operations	11	11	12
Anzac Day	15	15	15
Aboriginal Activities	9	10	10
Public Bands Contribution	9	9	9
Southern Stars	8	8	8
Smith Street CCC	7	7	7
Life Education Illawarra Contribution	7	7	7
WCC Social Club	4	4	4
Eisteddfod	4	4	4
Minor Donations	3	3	4
Personnel Administration	2	2	2
Community Development Projects	1	1	1
TOTAL Other Contributions, Donations and Subsidies	1,284	1,272	1,472
<i># not ongoing item</i>			

Councillors' Expenses

As a result of merger discussions, Council elections for Wollongong were deferred from September 2016 to September 2017 with the current Councillors sitting for a three year term.

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Councillor support costs	16	16	17
Councillors	545	557	570
Net Councillor expenses	561	574	586

Telephone

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Telephone - Central Admin budget	100	102	104
Telephone - other areas budget	121	124	126
Total Telephone	221	226	230

Mobile Phone

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Mobile Telephone	175	178	182

Postage

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Postage - Central Admin budget	204	208	212
Postage - other areas budget	277	282	288
Total Postage	481	490	500

Council Rates

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

	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Council Rates Expense (Council owned properties)	351	358	365

Supporting Documents - Planning Studies & Investigations

Supporting Documents may be in the form of plans, strategies or studies that inform future direction and priorities. These Supporting Documents are important in planning future Council services and are used to identify and respond to opportunities for future external funding and/or an increase or redirection of own source funds available to Council. The resources for undertaking the development of these documents are represented at Service

level with indicative amounts allocated to specific projects within those Services as shown below.

Supporting Documents - Planning Studies & Investigations			
Service & Project	2018/19 Budget \$000's	2019/20 Forecast \$000's	2020/21 Forecast \$000's
Community Programs	82	0	0
Dapto Pilot Project	82	0	0
Corporate Strategy	0	0	199
Centralised Studies & Plans	0	0	199
Stormwater Services	982	350	350
Floodplain Management Studies	175	350	350
Brooks Creek Flood Study/Floodplain Risk Mgmt.	15	0	0
Review of Towradgi Creek FRMS - 2015/16	80	0	0
Review of Hewitts Creek FRMS - 2015/16	95	0	0
JJ Kelly Park Land Form Modification	50	0	0
Review of Flood Studies & Floodplain Risk Mgmt Plans	99	0	0
Minnegang Creek Flood Study	20	0	0
Duck Creek Flood Study	65	0	0
Review of Collins Creek Flood Study	46	0	0
Review of Allans Creek Flood Study	70	0	0
Review of Wollongong City Flood Study	17	0	0
Review of Fairy Cabbage Tree Creek Flood Study	120	0	0
Kully Bay Flood Study	60	0	0
Minnegang Creek Flood Study Review	70	0	0
Economic Development	50	0	0
Review Economic Development Strategy	50	0	0
Governance and Administration	918	7	8
West Dapto Review	918	7	8
Leisure Services	100	0	0
Beaton Park Precinct Masterplan	100	0	0
Land Use Planning	450	245	160
Berkeley Commercial Centre Study	30	0	0
Tourism Accommodation Review Planning Controls	25	25	0
Industrial Land Planning Controls Review	30	0	0
Heritage Asset Management Strategy	25	0	0
Windang Town Centre Planning Study	90	0	0
Mt Kembla Village Centre Planning Study	0	30	0
Woonona Village Planning Study	0	30	0
Helensburgh Town Centre Planning Study	60	0	0
Fairy Meadow Town Centre Planning Study	0	60	60
Bulli Town Centre Planning Study	90	0	0
City Centre Planning Review	100	100	0
City Wide LEP Review	0	0	100

Supporting Documents - Planning Studies & Investigations (con't)			
Service & Project	2018/19 Forecast \$000's	2019/20 Forecast \$000's	2020/21 Forecast \$000's
Property Services	20	0	0
Foreshore Parking Strategy	20	0	0
Parks and Sportsfields	298	50	0
Cringila Hills Site Assessment	150	0	0
Hill 60 CMP and Aboriginal HIL	98	50	0
Blue Mile Masterplan - update	50	0	0
Transport Services	416	322	205
Accessible Car Parking and Bus Stops audit	125	0	0
Access and Movement Strategy Review	176	0	0
City Centre Parking Surveys - EMS Report	0	67	0
Foreshore Parking Strategy	20	0	0
Integrated Transport Strategy	0	50	50
City Centre Parking Strategy	0	40	40
Bellambi Foreshore Precinct Plan	50	150	100
Social Infrastructure Supporting Document	30	0	0
Wollongong LGA Feasibility Studies	15	15	15
Total Expenditure *	3,315	974	922
<i>*Expenditure shown above is for full project cost. A number of projects are supported from external grant funds or internal restrictions</i>			

Housing Affordability Program

In June 2012, Council entered into a funding agreement with the Department of Families, Housing, Community Services and Indigenous Affairs for the Building Better Regional Cities Program. The funding agreement provided Council with \$9.2 million to establish a program to improve affordability of housing in the area for low to moderate income earners. The program allowed for assistance to be provided to approved applicants in the form of a Council held security deposit of 20% of the value of the property. The deposit was intended to allow the vendor to borrow without requiring a deposit and to allow the lending authority to waive mortgage insurance fees. Interest earned on the deposit would also be paid against the applicant's loan. It was originally expected that 123 packages would be offered over a two year period commencing in the 2015-2016 financial year.

The program was adversely impacted by a particularly strong property market which created a strong demand in the area while reducing the need for developers to tailor 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 expired on 31 March 2017. Council has now entered into a Memorandum of Understanding with the Government that has allowed Council to retain the funding to develop a program that continues to facilitate the delivery of affordable housing in the region. A mechanism to deliver the intent of the program is currently under consideration.

Centrally Held Budget Capacity

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

Rates Growth

The growth in rateable assessments leads to additional impacts on some services and the need for additional resources to meet those demands. The Rates Growth provision provides resourcing for these extra impacts from increased ratepayer numbers by drawing from the additional rate income. An indicative allocation model based on the assessment of the impacts of increased population on services has been devised to be used in the forward estimates. While some Services are directly or indirectly impacted by growth, other areas are not, thereby creating natural economies of scale that lead to increased capacity. Council's initial modelling indicates that 40% of the rates increase is required to maintain existing service levels to a broader population in the short to medium term. The remaining 60% will be available for allocation to new or enhanced service (including assets used in providing those services).

The following table provides funding allocation and availability forecasts.

RATES GROWTH										
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Balance	393	1,330	1,972	2,629	3,302	3,990	4,696	5,419	6,161	6,958
Proposed Allocation										
Volume increase - 40%	157	532	789	1,052	1,321	1,596	1,878	2,167	2,464	2,783
Asset Enhancement - 30%	118	399	592	789	990	1,197	1,409	1,626	1,848	2,087
Economies of Scale - 30%	118	399	592	789	990	1,197	1,409	1,626	1,848	2,087

Operational Contingency

In past years, a central Operational Contingency has been held in the Governance and Administration Service that was intended to support non-recurrent or unplanned projects and events or addressing short term issues that may arise from time to time. This has been relatively small compared to Council's overall operating expense budget with an indicative target of around \$1.0 million pa. Access to these funds has generally been through the strategic planning process including Impact Statements, Business Proposals, Service Reviews, Pricing Adjustments, or as otherwise directed by the Executive Management Committee.

The Operational Contingency budget was notionally removed through the development of the draft Operational Plan with the intent that future budget improvements could be used to rebuild the Operational Contingency levels as funding is available. A number of relatively minor windfalls were recognised during the exhibition period that have been applied to the Operational Contingency budget.

DEPRECIATION

Depreciation represents 24% of the operating expenses budget. While depreciation is not cash expenditure, it is an important part of the real cost of maintaining Council services. Depreciation represents the consumption of an asset over its life. This deterioration in value of assets occurs through use, ageing or obsolescence.

The cost of depreciation has changed during the past several prior years reporting periods as classes of assets have been moved from historical cost to fair valuation. In 2009-2010 particularly, the valuation of roads and bridges was changed to fair value which had a

significant impact on depreciation amounts. All assets are now moved to fair value or acceptable approximations of fair value and significant change is not anticipated in the future.

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

WEST DAPTO KEY ASSUMPTIONS

West Dapto Development

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

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

Revenue

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

Developer contributions are based on pricing that is contained in the West Dapto Section 94 Plan that was adopted in 2017 and expected lot release timing. The developer contributions income is inclusive of funds that are expected to be provided to Council by the State Government through the Local Infrastructure Growth Scheme as support for the gap between projected infrastructure costs and the level of the State capped developer contributions that will be applicable until 2019-2020 when the cap is no longer applicable. The Section 94 contributions shown in the Long Term Financial Model are based on this agreement and are reflected in the Capital Grants & Contributions part of the Income Statement. These contributions will be held as restricted cash and are planned to be used to support the capital program and loan repayments.

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

Capital Programs

Some aspects of the West Dapto Release Area have been progressed to a stage where they have been introduced into Council's forward capital program as specific projects. These include the Princes Highway/Fowlers Road to Fairwater Drive extension (\$70.9 million), Wongawilli Road (\$9.2 million), West Dapto Road/Sheaffes Road/Darkes Road Upgrade (\$6.9 million), Cleveland Road Upgrade (\$5.8 million) and a number of other relatively smaller projects. These works are to be funded from Section 94, the interest free loan from the Department of Planning, loans under LIRS (3) (\$20.5 million) and grant funds. Grant funds include Building Better Regional Cities (\$13 million), National Stronger Regions (\$10 million), Resources for Regions (\$2.4 million) and Restart NSW, Illawarra Infrastructure funding (\$22.5 million).

In addition to these specific projects, forward projections also include capital budgets at an aggregated level that will become specific projects as the scope and design for these are further developed. The Long Term Financial Plan includes an assumption that these projects, where possible, will be funded from accumulated Section 94 funds, net restricted additional rate revenue cash holdings and any remaining loan balances in the first instance.

Contributed Assets

Financial projections for the West Dapto release area recognise that a level of infrastructure requirements will be provided by developers. This includes works in kind where the developer will complete elements of infrastructure that are contained in the Section 94 West Dapto Plan in lieu of contributions, as well as contributed assets that are normally associated with new subdivisions. The value of these assets is reflected in the financial projections as capital income and contributed assets based on expected timing of receipt of these. Future depreciation, operating and maintenance cost for these have been included in forecast operational expenses.

Operational Expenses

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

Loans

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

Loan repayments for the West Dapto Access loan have been set by the Department of Planning over a 10 year period with the last repayment due in 2019-2020. Council has loaned a further \$20.5 million under Round 3 of the Local Infrastructure Renewal Scheme (LIRS) that will also be used to support the West Dapto Access – Fowlers Road project. The final payment for these loans is due in 2024-2025. It is intended that for the most part, the loan repayment will be funded by future Section 94 contributions and rates revenue from West Dapto. Funding has been applied to debt repayments over the first 10 years.

OTHER KEY ASSUMPTIONS

Restricted Revenue

The level of available or untied cash is expressed as cash and investment holdings after allowance for restricted assets. Assets, generally cash, may be externally or internally restricted. External restrictions are usually imposed by an external or legislative requirement that funds be spent for a specific purpose. This may include unspent grant funds that have been provided to Council for the delivery of a particular project or service, funds collected as developer contribution under Section 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 review of these was undertaken in December 2017 that has recommended the consolidation of a number of existing restrictions for more efficient management and consistency with planning processes and allocation of resources.

The review recommended the amalgamation of the Future Programs internal restriction with the Strategic Projects restrictions as these have a similar background and purpose. Both of these restrictions were created from windfalls or non-recurrent improvements in financial results beyond planned budgets with allocation of these considered and approved by Council through the planning process. The remaining balance on the former Property restriction has been amalgamated with West Dapto Rates (additional) in line with the intended purpose of this to support infrastructure requirements in this area. The Telecommunications Revenue restricted is proposed to be amalgamated with the Sports Priority Program as these have similar intents and governance processes.

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

3 YEAR RESTRICTED ASSETS SUMMARY										
		2018/19 Budget \$'000			2019/20 Forecast \$'000			2020/21 Forecast \$'000		
PURPOSE OF RESTRICTED ASSETS	Opening Balance 1/07/18	Transfer		Balance 30/06/19	Transfer		Balance 30/06/20	Transfer		Balance 30/06/21
		In	Out		In	Out		In	Out	
Internally Restricted Assets										
Strategic Projects	34,925		7,182	27,743		5,190	22,553		2,314	20,239
Strategic Projects (unallocated)	12,153	2,609		14,761	2,629		17,390	1,923		19,314
Property Investment Fund	8,276	192	255	8,214	217	112	8,318	301	115	8,504
City Parking Strategy	986	632	590	1,028	619	238	1,409	605	1,389	625
Sports Priority Program	704	298	300	703	303	300	706	307	300	713
Natural Areas Fund	247		92	155	103	94	164	102	96	170
West Dapto Rates (additional)	4,759	1,497	1,627	4,629	2,073	591	6,111	2,644	730	8,025
Lake Illawarra Estuary Management Fund	241	165	165	241	165	165	241	165	165	241
Darcy Wentworth Park	171			171			171			171
Waste Disposal Facilities ***	1,580	3,056	6,300	(1,664)	3,138	9,605	(8,131)	3,063	5,343	(10,410)
Total Internal Restricted Assets	65,171	8,599	16,511	57,259	9,396	16,296	50,359	9,261	10,451	49,170
Externally Restricted Assets										
Section 94	21,157	30,555	8,642	43,071	22,177	10,628	54,620	29,856	36,805	47,672
Planning Agreements										
Grants	495	20,717	17,580	3,631	23,398	20,472	6,557	6,280	7,622	5,215
Loan Repayment	6,505	146	2,350	4,301	128	2,400	2,029	51	4,129	(2,049)
Domestic Waste Management	12,413	629	139	12,902	452	220	13,134	523	390	13,267
Contributed Assets		8,469	8,469		9,236	9,236		12,591	12,591	
External Service Charges to Restricted Assets	92	94		186	96		281	98		379
Other Contributions	5,149	1,042	1,853	4,338	764	662	4,440	767	377	4,829
Special Rates Levies - City Centre + Mall	163	1,528	1,560	131	1,557	1,595	93	1,589	1,632	50
Housing Affordability Program	10,506	245		10,751	282		11,033	397		11,430
Local Infrastructure Renewal Scheme	12,679	307	6,000	6,986	139	9,500	(2,375)	19		(2,356)
Stormwater Management	1,186	1,825	1,559	1,452	1,830	1,380	1,903	1,839	1,086	2,656
Total External Restricted Assets	70,345	65,556	48,152	87,749	60,060	56,093	91,715	54,010	64,632	81,094
Grand Total	135,516	74,155	64,663	145,008	69,456	72,389	142,075	63,271	75,083	130,264
*** 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. Assets collections have been estimated in accordance with the current program.										

3 YEAR S94 RESTRICTED ASSETS SUMMARY											
			2018/19 Budget \$'000			2019/20 Forecast \$'000			2020/21 Forecast \$'000		
PURPOSE OF RESTRICTED ASSETS		Opening Balance 1/07/18	Transfer		Balance	Transfer		Balance	Transfer		Balance
			In	Out	30/06/19	In	Out	30/06/20	In	Out	30/06/21
Externally Restricted Assets											
S94 Plans											
S94 West Dapto	6,573	29,019	6,325	29,267	20,587	8,863	40,991	28,112	34,554	34,549	
S94 Calderwood	328	8		336	9		345	13		358	
S94A City Centre	(1,186)	(2)	250	(1,438)	(8)		(1,446)	(27)	300	(1,773)	
S94A City Wide	15,441	1,530	2,067	14,905	1,589	1,765	14,730	1,758	1,950	14,538	
Total S94 Restricted Assets	21,157	30,555	8,642	43,071	22,177	10,628	54,620	29,856	36,805	47,672	

Internally Restricted Assets

City Parking Strategy

Purpose

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

Source of Funds

Net surplus of the Inner City Parking Strategy.

Darcy Wentworth Park

Purpose

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

Source of Funds

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

Lake Illawarra Estuary Management Fund

Purpose

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

Source of Funds

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

MacCabe Park Development

Purpose

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

Source of Funds

Recurring annual allocation made by Council.

Natural Areas Fund

Purpose

To provide funding for natural area projects.

Source of Funds

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

Property Investment Fund

Purpose

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

Source of Funds

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

Sports Priority Program

Purpose

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

Source of Funds

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

Internally Restricted Assets (con't)

Sports Priority Program

Purpose

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

Source of Funds

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

Strategic Projects

Purpose

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

Source of Funds

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

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

Waste Disposal Facilities

Purpose

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

Source of Funds

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

West Dapto Rates

Purpose

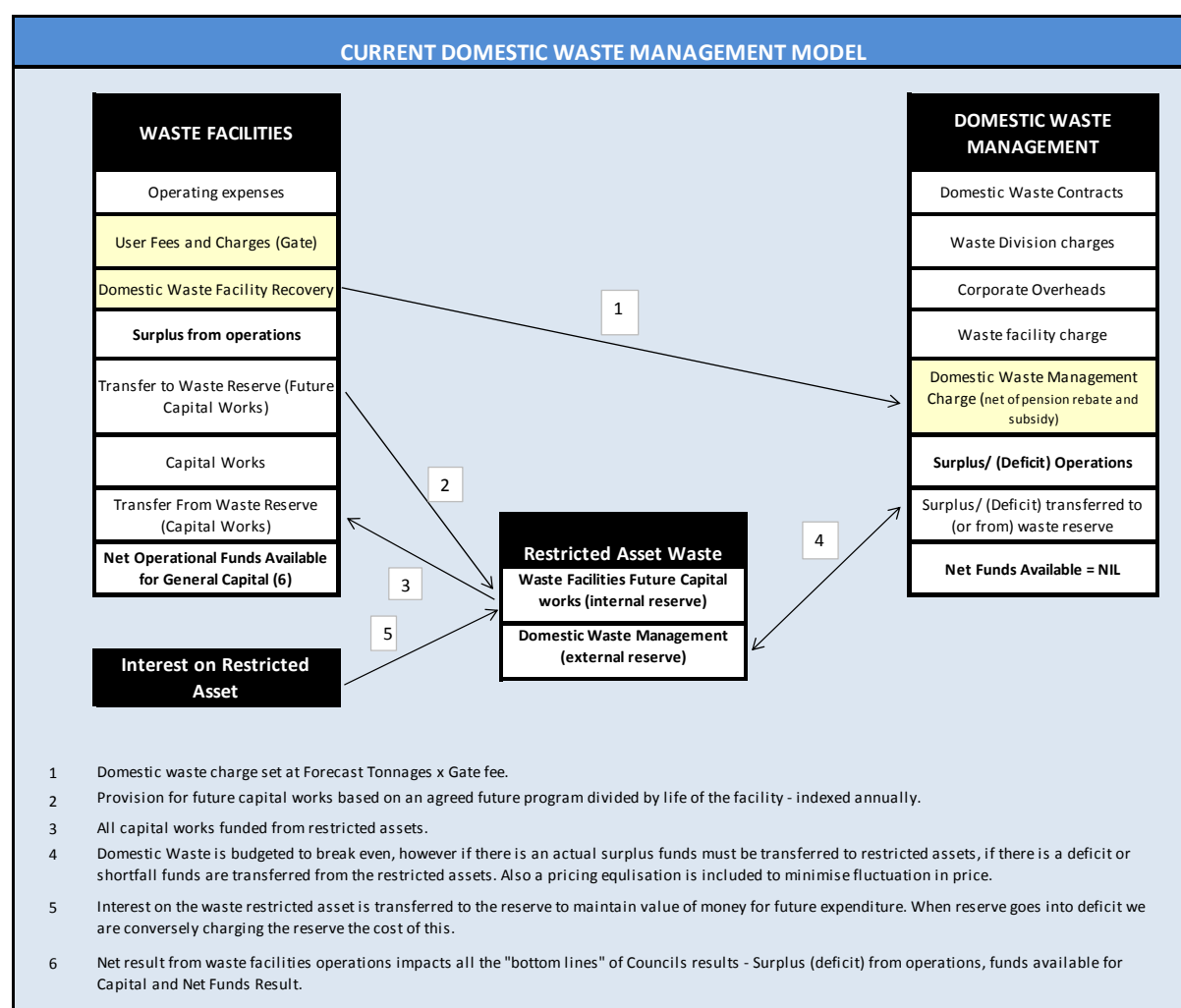
Increased annual rate revenue created from subdivision in West Dapto will be restricted and only allocated to operational expenditure as the area develops. In the interim period, the annual revenue should be made available to meet infrastructure or planning requirements in the area and support loan repayments.

Source of Funds

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

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

Overview of Domestic Waste Model



Summary of Operating Result [pre capital] by Service

OPERATING BUDGETS			
	2018/2019		
	EXPENSES	REVENUE	Net
	Current Budget \$'000	Current Budget \$'000	
Aged and Disability Services	(3,012)	3,017	5
Aquatic Services	(13,343)	705	(12,638)
Botanic Garden and Annexes	(3,703)	276	(3,426)
Community Facilities	(5,511)	751	(4,760)
Community Programs	(2,171)	363	(1,808)
Corporate Strategy	(4,180)	(358)	(4,538)
Crematorium and Cemeteries	(2,095)	1,710	(386)
City Centre Management	(3,357)	1,606	(1,751)
Cultural Services	(7,122)	257	(6,865)
Integrated Customer Service	(5,294)	12	(5,282)
Development Assessment and Certification	(7,905)	3,796	(4,109)
Stormwater Services	(14,244)	2,136	(12,108)
Economic Development	(2,586)	0	(2,586)
Emergency Management	(5,250)	492	(4,757)
Environmental Services	(2,200)	393	(1,807)
Financial Services	(7,651)	178,171	170,520
Governance and Administration	(9,145)	89	(9,057)
Public Health	(1,035)	586	(449)
Human Resources	(7,958)	144	(7,814)
Information and Communications Technology	(3,780)	0	(3,780)
Infrastructure Planning & Support	(11,893)	248	(11,644)
Internal Charges Service	(1,461)	0	(1,461)
Leisure Services	(4,764)	3,541	(1,224)
Libraries	(11,090)	667	(10,423)
Natural Area Management	(2,273)	145	(2,128)
Land Use Planning	(4,719)	695	(4,024)
Property Services	(4,571)	5,842	1,271
Communications, Engagement, Events and Signage	(2,807)	110	(2,697)
Parks and Sportsfields	(18,541)	564	(17,977)
Regulatory Control	(4,836)	3,411	(1,424)
Tourist Parks	(5,709)	7,152	1,443
Transport Services	(44,196)	4,979	(39,218)
Waste Management	(44,373)	45,584	1,211
Youth Services	(1,222)	41	(1,181)
Total Operating Result [pre capital]	(273,999)	267,125	(6,875)

BUDGET LIMITATIONS/DEVELOPMENT

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

Indices

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

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

Utility Cost

Projected increases for utility costs are generally based on the Independent Pricing and Regulatory Tribunal (IPART) publications, where applicable, other than for electricity which also includes recognition of specific negotiated contracts that are in place for street lighting and Council Buildings and Facilities Sites and Small Sites. Street lighting is subject to separate contracts for infrastructure and electricity. These contracts are due to end in December 2018 and renewal negotiations will be progressed with Local Government Procurement (LGP). Council also currently has individual contracts through LGP for Council Buildings and Facilities Sites and Small Sites that are also due for renewal in December 2018 and December 2019 respectively. Expenditure has been indexed at CPI plus 1.0% to allow for current pricing and supply issues but will need to continue to be monitored with changing market conditions to be reflected in forecasts.

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 \$0.50 million 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 \$0.20 million 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.

Internal Charging

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

Contributed Assets

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

Section 94 Income (excluding West Dapto)

Section 94 income projections are based on the adopted plan and anticipated timing of receipts. The recent economic climate has had a significant impact on projected income. There are a range of projects that have been included in the Delivery Program and Operational Plan Budget 2018-2019 to 2020-2021 that are dependent on funding from this source. The timing and capacity to deliver these will need to be monitored in the context of ability to achieve income projections.

Property Sales and Investment

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

Climate Change

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

SECTION 2: CAPITAL PROGRAM AND BUDGET – 2018 - 2021

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

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

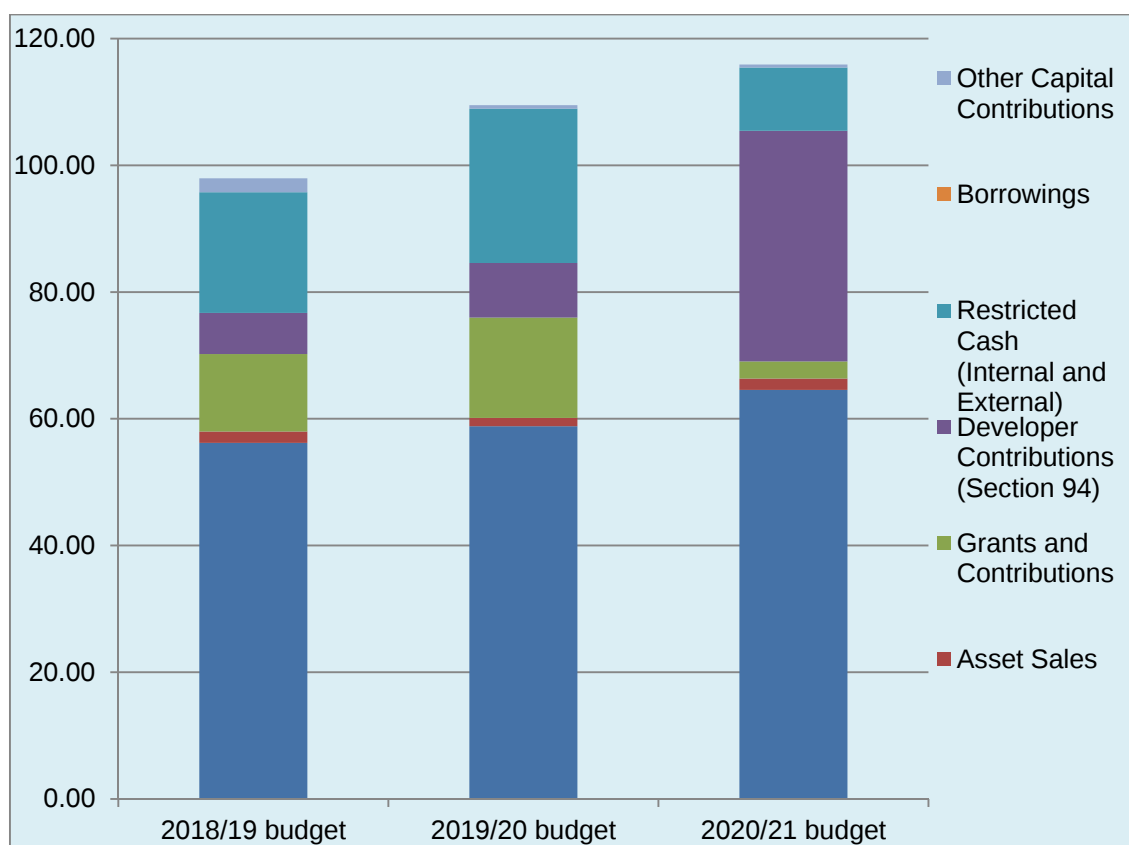
The Capital Works Program is structured to provide a significant amount of renewal funding to community assets such as Roads, Footpaths, Cycleways, Buildings, Stormwater, Recreation, Sporting and Aquatic facilities using inputs from both the community and Council's Asset Management Plans.

CAPITAL BUDGET FUNDING 2018-2021

In 2018-2019, \$97.96 Million will be allocated for capital works. The total Capital Budget for 2018-2019 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.

For example, the largest project in 2018-2019 is the continuation of the Fowlers Road to Fairwater Drive extension project. This utilises State and Federal Grant funding and an interest subsidised loan received under the State Government's Local Infrastructure Renewal Scheme, Round 3.

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



Capital Budget Funding Sources – Table (\$M)

Capital Revenue Type	2018-2019 budget	2019-2020 budget	2020-2021 budget
Operational Funds	56.20	58.83	64.55
Asset Sales	1.80	1.29	1.80
Grants and Contributions	12.21	15.85	2.70
Developer Contributions (Section 94)	6.49	8.62	36.41
Restricted Cash (Internal and External)	19.04	24.34	9.96
Borrowings	0.00	0.00	0.00
Other Capital Contributions	2.22	0.57	0.50
TOTAL	97.96	109.50	115.92

Throughout the financial year Council will continue to pursue further grants for major refurbishment and improvement works. These are primarily the construction of infrastructure for the new development areas of West Dapto, new building facilities, the expansion of the shared path network and construction of road safety facilities.

CAPITAL BUDGET BY ASSETS 2018-2021

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

ASSET CLASS	2018-2019 \$M	2019-2020 \$M	2020-2021 \$M
Roads And Related Assets	19.38	15.05	15.11
West Dapto	17.25	26.30	36.20
Footpaths and Cycleways	11.52	15.73	12.45
Car Parks	2.37	1.24	1.49
Stormwater and Floodplain	7.12	6.36	5.84
Buildings	11.54	12.37	18.63
Commercial Operations	1.61	1.37	1.39
Parks, Gardens and Sports fields	5.86	3.40	3.96
Beaches and Pools	2.43	3.03	2.97
Natural Areas	0.13	0.28	0.18
Waste Facilities	6.25	9.56	5.29
Fleet	1.70	1.70	1.80
Plant and Equipment	3.95	4.36	4.25
Information Technology	0.78	0.83	1.00
Library Books	1.19	1.22	1.25
Public Art	0.10	0.10	0.10
Emergency Services	1.20	0.00	0.00
Land Acquisitions	0.10	0.10	0.10
Non-Project allocations	3.49	6.50	3.91
TOTAL	97.96	109.50	115.92

UPCOMING CAPITAL PROJECTS IN 2018-2019

During 2018-2019, Council plans to undertake the key capital projects listed below.

PROJECTS – PLANNING AND DESIGN

- New traffic signals at Bong Bong Road and Station Street, Dapto
- Warrawong CBD streetscapes and traffic improvements
- Footpath upgrade of Crown Street, both sides from Wollongong train station up to Wollongong hospital
- Future road designs in West Dapto such as Northcliffe Drive extension
- Designs for 39 road reconstruction and resurfacing projects
- Designs for drainage improvements with a focus on debris control devices to decrease flooding impacts from creeks in the foothills of Wollongong, Dapto, Keiraville and Figtree
- Streetscape upgrade of Helensburgh CBD
- Detailed design of Hill 60 improvements Port Kembla

PROJECTS – COMMENCING CONSTRUCTION

- New roundabout at the 5-way intersection of Maidstone Street and The Ridge, Helensburgh
- New traffic signals at Stewart Street and Kembla Street intersection
- Construction of 28 road reconstruction and resurfacing projects
- Upgrade of footpath around the 'town cinemas' at Burelli Street and Church Street intersection – this will include replacing the shelters at the taxi rank
- Complete upgrade of the streetscape at Central Road, Unanderra, between the Princes Highway and Blackman Parade, with full width paving and improved pedestrian crossings
- Car park upgrades and pool shell works at Wombarra Rock Pool
- Repair works of four stone shelters in Stuart Park
- Remediation of the old Helensburgh Tip

CONTINUATION OF WORKS

- Fowlers Road extension to Fairwater Drive, Dapto
- Wongawilli Road and West Dapto Road upgrades
- Constructing the Grand Pacific Walk pathway, Stanwell Park
- Reconstruction of roads around Warrawong CBD
- Construction of new synthetic pitch at Ian McLennan Oval, Kembla Grange
- Design of the Warrawong Library and Community Centre
- Repair works of Austinmer Beach pool amenities building
- Installation of new lighting at King George V football pitch
- Whytes Gully New Cell Stage 2
- Mt Keira summit electrical power supply
- Streetscape upgrade of shopping area at Central Road, Unanderra

CAPITAL BUDGET 2018-2019 TO 2020-2021

CAPITAL BUDGET 2018/19 to 2021/22 \$'000									
Asset Class	2018/2019			2019/2020			2020/2021		
	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding
Roads And Related Assets									
Traffic Facilities	1,922	(1,548)	374	1,373	(1,143)	230	1,025	(825)	200
Public Transport Facilities	520	(190)	330	350	(20)	330	335	(20)	315
Roadworks	15,920	(2,130)	13,790	12,050	(1,730)	10,320	11,942	(2,500)	9,442
Bridges, Boardwalks and Jetties	1,015	0	1,015	1,280	0	1,280	1,810	0	1,810
Total Roads And Related Assets	19,377	(3,868)	15,509	15,053	(2,893)	12,160	15,112	(3,345)	11,767
West Dapto									
West Dapto Infrastructure Expansion	17,250	(17,250)	0	26,300	(26,300)	0	36,200	(36,200)	0
Total West Dapto	17,250	(17,250)	0	26,300	(26,300)	0	36,200	(36,200)	0
Footpaths And Cycleways									
Footpaths	6,492	(2,100)	4,392	7,082	(3,610)	3,472	4,744	(780)	3,964
Cycle/Shared Paths	1,625	(450)	1,175	3,145	(975)	2,170	2,410	(300)	2,110
Commercial Centre Upgrades - Footpaths and	3,400	(30)	3,370	5,500	(151)	5,349	5,300	(1,369)	3,931
Total Footpaths And Cycleways	11,517	(2,580)	8,937	15,727	(4,736)	10,991	12,454	(2,449)	10,005
Carparks									
Carpark Construction/Formalising	620	(400)	220	260	0	260	470	(100)	370
Carpark Reconstruction or Upgrading	1,750	0	1,750	983	0	983	1,020	0	1,020
Total Carparks	2,370	(400)	1,970	1,243	0	1,243	1,490	(100)	1,390
Stormwater And Floodplain Management									
Floodplain Management	2,240	0	2,240	4,100	(545)	3,555	4,384	(452)	3,932
Stormwater Management	4,043	(1,278)	2,765	1,785	(545)	1,240	1,265	(100)	1,165
Stormwater Treatment Devices	835	(160)	675	475	(350)	125	186	(146)	40
Total Stormwater And Floodplain Management	7,118	(1,438)	5,680	6,360	(1,440)	4,920	5,835	(698)	5,137

CAPITAL BUDGET 2018/19 to 2021/22

\$'000

Asset Class	2018/2019			2019/2020			2020/2021		
	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding
Buildings									
Cultural Centres (IPAC, Gallery, Townhall)	1,783	0	1,783	878	0	878	1,530	0	1,530
Administration Buildings	943	(40)	903	1,230	(300)	930	1,719	(398)	1,322
Community Buildings	8,129	(547)	7,582	9,751	(280)	9,471	14,753	(700)	14,053
Public Facilities (Shelters, Toilets etc.)	690	0	690	516	0	516	630	0	630
Carbon Abatement	0	0	0	0	0	0	0	0	0
Total Buildings	11,545	(587)	10,958	12,374	(580)	11,794	18,633	(1,098)	17,535
Commercial Operations									
Tourist Park - Upgrades and Renewal	1,100	0	1,100	1,000	0	1,000	1,000	0	1,000
Crematorium/Cemetery - Upgrades and Ren	410	0	410	220	0	220	215	0	215
Leisure Centres & RVGC	100	0	100	150	0	150	170	0	170
Total Commercial Operations	1,610	0	1,610	1,370	0	1,370	1,385	0	1,385
Parks Gardens And Sportfields									
Play Facilities	920	0	920	925	0	925	2,184	(227)	1,957
Recreation Facilities	949	0	949	957	0	957	875	0	875
Sporting Facilities	3,993	(3,278)	715	1,418	(825)	593	900	(500)	400
Lake Illawarra Foreshore	0	0	0	100	0	100	0	0	0
Total Parks Gardens And Sportfields	5,862	(3,278)	2,584	3,400	(825)	2,575	3,959	(727)	3,232
Beaches And Pools									
Beach Facilities	450	0	450	968	0	968	850	0	850
Rock/Tidal Pools	1,224	0	1,224	880	0	880	600	0	600
Treated Water Pools	757	0	757	1,185	0	1,185	1,520	0	1,520
Total Beaches And Pools	2,431	0	2,431	3,033	0	3,033	2,970	0	2,970
Natural Areas									
Natural Area Management and Rehabilitation	125	0	125	280	0	280	180	0	180
Total Natural Areas	125	0	125	280	0	280	180	0	180

CAPITAL BUDGET 2018/19 to 2021/22

\$'000

Asset Class	2018/2019			2019/2020			2020/2021		
	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding
Waste Facilities									
Whytes Gully New Cells	4,490	(4,490)	0	4,005	(4,005)	0	2,303	(2,303)	0
Whytes Gully Renewal Works	560	(560)	0	1,550	(1,550)	0	150	(150)	0
Helensburgh Rehabilitation	1,200	(1,200)	0	4,000	(4,000)	0	2,840	(2,840)	0
Total Waste Facilities	6,250	(6,250)	0	9,555	(9,555)	0	5,293	(5,293)	0
Fleet									
Motor Vehicles	1,700	(1,108)	592	1,700	(517)	1,183	1,800	(949)	851
Total Fleet	1,700	(1,108)	592	1,700	(517)	1,183	1,800	(949)	851
Plant And Equipment									
Portable Equipment (Mowers etc.)	250	(38)	213	250	(38)	213	178	(27)	151
Mobile Plant (trucks, backhoes etc.)	3,400	(650)	2,750	3,800	(738)	3,063	3,700	(826)	2,874
Fixed Equipment	300	0	300	310	0	310	376	0	376
Total Plant And Equipment	3,950	(688)	3,263	4,360	(775)	3,585	4,254	(853)	3,401
Information Technology									
Information Technology	781	0	781	830	0	830	1,000	0	1,000
Total Information Technology	781	0	781	830	0	830	1,000	0	1,000
Library Books									
Library Books	1,191	0	1,191	1,221	0	1,221	1,251	0	1,251
Total Library Books	1,191	0	1,191	1,221	0	1,221	1,251	0	1,251
Public Art									
Public Art Works	0	0	0	0	0	0	0	0	0
Art Gallery Acquisitions	100	0	100	100	0	100	100	0	100
Total Public Art	100	0	100	100	0	100	100	0	100
Emergency Services									
Emergency Services Plant and Equipment	1,200	(771)	429	0	0	0	0	0	0
Total Emergency Services	1,200	(771)	429	0	0	0	0	0	0

CAPITAL BUDGET 2018/19 to 2021/22

\$'000

Asset Class	2018/2019			2019/2020			2020/2021		
	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding
Land Acquisitions									
Land Acquisitions	100	0	100	100	0	100	100	0	100
Total Land Acquisitions	100	0	100	100	0	100	100	0	100
Non-Project Allocations									
Capital Project Contingency	3,466	0	3,466	6,476	0	6,476	3,887	0	3,887
Capital Project Plan	20	0	20	20	0	20	20	0	20
Total Non-Project Allocations	3,486	0	3,486	6,496	0	6,496	3,907	0	3,907
Loans									
West Dapto Loan	0	(2,900)	(2,900)	0	(2,900)	(2,900)	0	0	0
LIRS Loan	0	(2,143)	(2,143)	0	(2,224)	(2,224)	0	(2,304)	(2,304)
Total Loans	0	(5,043)	(5,043)	0	(5,124)	(5,124)	0	(2,304)	(2,304)
Not Applicable									
Not Applicable	10,169	(10,169)	0	10,853	(10,853)	0	12,591	(12,591)	0
Total Not Applicable	10,169	(10,169)	0	10,853	(10,853)	0	12,591	(12,591)	0
TOTAL	108,131	(53,429)	54,702	120,356	(63,598)	56,758	128,514	(66,605)	61,908

Note: The Total budgets shown above include an estimate for 'Contributed Assets – Not Applicable'. This amount is not included in Council's construction program.