INDEPENDENT PRICING AND REGULATORY TRIBUNAL (IPART)

Special Rate Variation Application

Wollongong City Council 2014-15

Attachment 4
Revised Resourcing Strategy 2012-22

EXHIBITION DOCUMENT
11 DECEMBER 2013 TO
5 FEBRUARY 2014

SECURING OUR FUTURE

DRAFT

RESOURCING STRATEGY

2012 – 2022

Revised 1 December 2013

wollongong
city of innovation

CONTENTS

MESSAGE FROM THE LORD MAYOR

SECURING OUR FUTURE

On behalf of all Wollongong City Council Councillors, I am pleased to present our draft Resourcing Strategy 2012-2022 (revised 1 December 2013). In 2012 we presented our first Resourcing Strategy as a newly elected Council which outlines and assesses how Council will manage its finances, assets and people to work towards achieving the community's vision and goals under Wollongong 2022 Community Strategic Plan.

Of significance in this draft Resourcing Strategy is the key challenge of being able to fund the ongoing maintenance and renewal of our infrastructure and community assets to meet community expectations.

Over the past five years we have been working internally to redirect operational funds to capital funds to be utilised in renewing our infrastructure and community assets. A total of $20.3 million has been achieved to date through this process, however a gap of $21 million annually remains.

If we cannot fund this gap we will continue to see failures of infrastructure and community assets throughout the city. We have already experienced some of these failures caused by disrepair including Bellambi Rock Pool, Wollongong Town Hall, Harry Graham Drive and most recently Darkes Road Bridge and Mt Keira Road. These are examples that show unless our assets are adequately maintained, renewed and replaced, Council's core service to its community will slowly degrade.

This is our city and we all need to work together to ensure we come up with the right formula to fund the key challenge of funding our infrastructure and community assets for this generation and generations into the future.

Working together means we need your input. We commenced seeking input from the community in September, 2013 by inviting the community to make submissions via online surveys, open submissions and an online discussion board.

We also held a workshop to seek input from our staff. The engagement was based on the following key questions:

1. What are the priority services for Council to deliver and what level should Council deliver these services?
2. What are the opportunities to achieve operational improvements?
3. How should Council fund the delivery of these services to the desired level?

We engaged a Citizen's Panel to look at the problem. The Citizen's Panel provided a set of recommendations which was exhibited to the community in November 2013.

The majority of respondents to this initial consultation indicated a preference for existing levels of Council service to remain. From this feedback we have put together three scenarios which we would like you to consider and provide us with feedback.

Over the coming months, we will continue to provide opportunities for feedback. Each stage of consultation will further refine and add detail to how we propose to move forward.

I know it's a difficult process – if it was easy we'd have done it long ago. I will ensure we continue to work on this key challenge to keep Wollongong growing as a vibrant, safe and connected city.

I look forward to working with Council, the community and other key stakeholders in ensuring our future is sustainable and meets your expectations as a community.

Councillor Gordon Bradbery OAM
Lord Mayor

MESSAGE FROM THE GENERAL MANAGER

SECURING OUR FUTURE

This document presents Wollongong City Council's draft Resourcing Strategy 2012-17 (revised 1 December 2013). This is a revised strategy with a greater focus on financial sustainability. Our draft Resourcing Strategy outlines how Council will provide the finances, assets and people to deliver the community goals included in the Wollongong 2022, Community Strategic Plan.

The Lord Mayor's message highlights that we've been trying to address Council's infrastructure renewal backlog for a number of years now, achieving about $20.3 million in savings each year to put back into improving our ageing assets, such as roads and footpaths, as well as the Crown Street Mall and North Beach Bathers Pavillion. Council has an asset portfolio with a replacement value of over $4.0 billion. Our renewal costs into the future are a huge challenge for Council as we start to see a large portion of our post-war infrastructure age and come to their end of life simultaneously.

The challenge is finding ways to make sure we have the money for the maintenance and renewal of our city's ageing road and buildings over the long term. If we don't do this now, we're going to lose things like roads, buildings and rock pools as they deteriorate. By thinking ahead, we can focus on protecting the assets most valued by the community.

Since we've already done a lot of work on internal cost savings, we wanted to work with the community, explain what we've already achieved and ask for the community's feedback on what else we can do. The revised draft Resourcing Strategy - including the Long Term Financial Plan, Asset Management Plan and Workforce Management Strategy - has been based on the outcome of a community engagement process. This has included a Citizen's Panel that involved input and deliberations about services and service levels, opportunities for operational improvements, and revenue options.

There is no easy answer to ensuring Council has an additional $21.0 million annually. Using community input, we have come up with three options/scenarios for addressing the problem, of which are included in this document. We would like more input and discussion on these as they each have their own advantages and disadvantages. Each will mean continued improvements in the way we operate internally. Some of the tougher decisions are about weighing up increased rates and user fees, against decreased levels of service, or accept some assets will begin to fail. Each of the options/scenarios achieves the $21.0 million gap and enables us to have surplus operating results over the next five years.

The next few months will involve a number of steps for Council and the community to work through to address the challenge. Ongoing involvement with the community on the preferred option/scenario will be sought, and we will detail this will result in our Annual Plan before June 2014, including the budget and capital program. The passionate debate we have seen so far is encouraged as the feedback will help Councillors make some of the big decisions about our Council's future.

I actively encourage everyone in the community to continue to be part of the conversation so that we can continue to work together to Secure our Future.

David Farmer
General Manager

DRAFT RESOURCING STRATEGY: OVERVIEW

SECURING OUR FUTURE

Introduction

Council's role in delivering Wollongong 2022 Community Strategic Plan is supported by the Resourcing Strategy 2012-2022, Delivery Program 2012-17 and Annual (Operational) Plans. The Resourcing Strategy outlines and assesses how Council will manage its finances, assets and people to work towards achieving the community's vision and goals under Wollongong 2022.

Throughout the engagement process of Wollongong 2022, the community identified the big issues for Wollongong as being:

- Infrastructure and standard of assets
- The need for the area to have a 'revamp' and revitalisation
- Lack of jobs
- Need for improved public transport
- Better/upgraded infrastructure
- Preservation of the natural environment, and
- Safety.

The need to focus on managing and maintaining assets has been encapsulated and responded to in this revision of the Resourcing Strategy and the supplementary Delivery Program. The standard and condition of our ageing assets is not only a priority for our community, but has been highlighted as a major contributing factor to the long term financial sustainability of local government in NSW.

Most residents use Council's services via its assets, of which there is almost unlimited demand, with limited income. The NSW government has restricted the level of rates revenue for councils for many years via rate pegging. Financially we have a low annual turnover, but high asset values. Wollongong City Council's current asset portfolio has a replacement value of $4.0 billion – more than twelve times its annual turnover.

An independent assessment of Wollongong City Council's financial position found that Council is in a sound position in the short to medium term, however the longer term outlook was not considered positive. Council's negative operating position is a significant issue that could impact on its long term financial sustainability (TCorp, October 2012).

In the past few years, Council as implemented a number of measures to address its negative operating position, and long term financial sustainability. Since 2007 Council has made operational improvements to allow for $20.0 million in additional capital expenditure. However, this has not resulted in Council moving to a surplus operating position, and will not provide the long term efficiencies needed to attain financial sustainability. Council will continue to increase its funds available for capital works, however the consumption of assets (depreciation) continues to outstrip the funding available for renewal, with the gap being about $21.0 million annually.

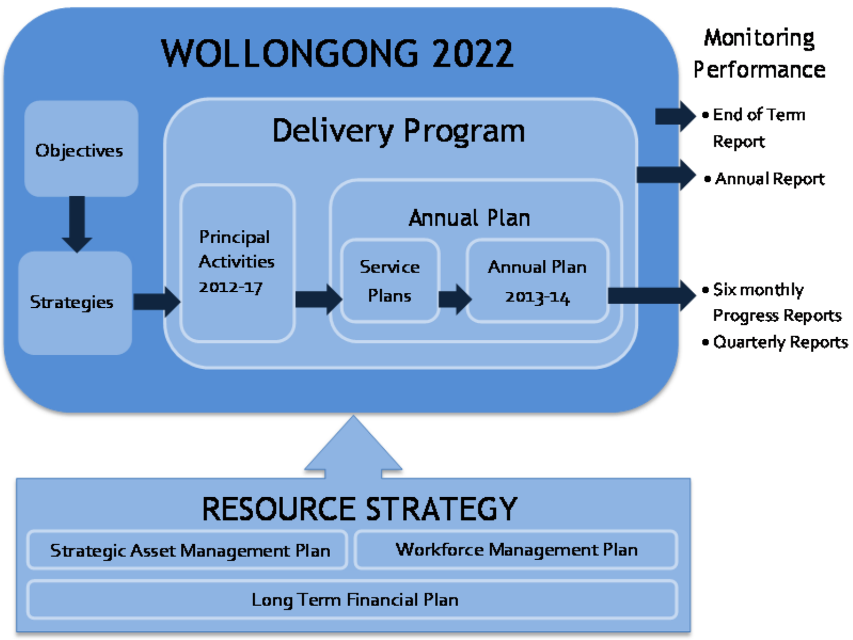
Addressing the problem now means we can ensure there are funds available for the maintenance and renewal of our city's ageing infrastructure. If we don't do this now, we will lose services and infrastructure.

This revised plan comprehensively details Council's current challenge in funding the management and replacement of its infrastructure assets, and identifies direction for managing this challenge whilst balancing the service aspirations of the community.

Integrated Planning and Reporting Framework

In accordance with the Local Government Amendment (Planning and Reporting) Act 2009 and Local Government (General) Regulation 2005, all local councils in NSW are required to report under the Local Government Planning and Reporting (Integrated Planning and Reporting – IP+R) Framework.

Wollongong City Council transitioned to IP+R in June 2012 with the endorsement of its first Community Strategic Plan - Wollongong 2022. This report is supported by Council's Resourcing Strategy, Delivery Program and Annual Plan. The following diagram demonstrates Council's planning and reporting framework.



Council reports on the progress towards achieving the delivery program and annual plan in quarterly delivery program progress reports, budget review statements and an annual report. Achievements towards the community strategic plan will be reported in Council's end of term report.

Community Strategic Plan – Wollongong 2022

Wollongong 2022 Community Strategic Plan is a long term plan that outlines the Wollongong community's priorities and aspirations for the future and how these will be achieved. The plan assists in shaping the future of the Wollongong Local Government Area (LGA), and enables us to collectively respond to emerging challenges and opportunities. It includes an aspirational vision, six community goals, objectives and strategies.

Wollongong 2022 was developed with extensive community input and involvement including representatives from community, government, business, education institutions, non-government organisations, community groups, councillors and Council staff.

Our Community Vision

From the mountains to the sea, we value and protect our natural environment and we will be leaders in building an educated, creative and connected community.

Our Community Goals

To support the achievement of our community vision, collaborative efforts will focus on six interconnected goals:

1. We value and protect our environment
2. We have an innovative and sustainable economy
3. Wollongong is a creative, vibrant city
4. We are a connected and engaged community
5. We are a healthy community in a liveable city
6. We have sustainable, affordable and accessible transport.

The Draft Resourcing Strategy 2012 – 2022 (revision 1 December 2013)

Whilst the Community Strategic Plan expresses the community's long term aspirations, the Resourcing Strategy outlines Council's responsibilities and how these will be achieved through the allocation of our resources (finances, assets and people).

Wollongong City Council's Resourcing Strategy is a long term plan spanning ten years, with the exception of the Workforce Strategy, of which is a four year plan. It consists of three components: Long Term Financial Plan, Asset Management Planning and Workforce Management Strategy.

This is the first revision of the Resourcing Strategy 2012-22 and has been undertaken to progress the community conversation on financial sustainability and identify options to secure our future.

Long Term Financial Plan

The first section of the Draft Resourcing Strategy is Council's 10 year Long Term Financial Plan (LTFP). The LTFP provides 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.

Council's LTFP describes our current base line financial forecast that reflects our current capacity based on the existing Revenue Policy, levels of service and organisational performance. This path is not sustainable in the longer term and requires adjustment during the coming years. The baseline forecast shows that Council has around an average $21M annual shortfall in its operating surplus [pre capital] indicating an inability to provide enough funding to maintain and renew our assets into the future. As part of this first revision of the Resourcing Strategy, the LTFP has been updated with revised scenarios (funding options) that address the shortfall in funding to provide for a small surplus budget. The scenarios are based on the assumption that improvement needs to be delivered through a combination of:

- Efficiency improvements that allow Council to continue to provide the current or higher levels of service at a lower cost.
- Reductions to some current service levels that will allow more funds to be made available for higher priority services.
- Increased revenue through adjustments to rates, fees and charges and development of other income earning endeavours.

The revised scenarios present the challenge Council faces in needing to address this issue.

Asset Management Strategy

Council is the custodian of community assets with a replacement value of more than $4.0 billion. These assets include roads, drains, footpaths, community facilities, recreational facilities, parks and gardens. Similar to other councils across the state, Council is struggling with the challenge of maintaining and renewing older assets from the post WWII boom. Our asset maintenance and building and infrastructure asset renewal performance, whilst not poor, is below indicative benchmarks set by the state government.

The second section of the Resourcing Strategy seeks to address the challenges associated with managing our assets into the future. Our Asset Management Framework includes Council's Asset Management Policy, Asset Management Strategy and Asset Management Plans. These plans outline the risk management strategies for those assets critical to Council's operations. The plans demonstrate responsive and sustainable management of the assets to support the delivery of services to the community.

Council adopted an Asset Management Policy in June 2005. A revised 'Management of Assets Polic' has been prepared and will be presented to Council in 2013-14 for adoption. The policy has been updated to align better with the new requirements under the Local Government Act 1993. It will provide a strategic direction for the management of Council's infrastructure assets to support the service delivery needs of the community into the future, balanced with the available financial resources and workforce to ensure long term sustainable service provision.

Council has prepared an Asset Management Plan that reveals a significant proportion (30%+) of our infrastructure assets are more than 50 years old and almost all of these are high-cost/long-life assets (eg, transport and drainage infrastructure) with an expected life of around 60-100 years. Funding the projected renewal of these assets over the next 10-20 years is a significant challenge for Council and is reflected in further detail in the LTFP in section 1.

The Asset Management Plan has been updated to reflect current data and information on our assets and to better inform the discussion and understanding of the challenge facing the organisation.

DRAFT RESOURCING STRATEGY: OVERVIEW

Workforce Management Strategy

The last section of the Resourcing Strategy is Council's Workforce Management Plan. The workforce plan defines how Council intends to manage its workforce resources to achieve the services and goals identified through the Delivery Program. It is flexible and allows for management of the workforce to meet changing service delivery needs while focusing on optimisation of Council's ability to deliver excellent customer and community services.

Council currently employs 1,674 staff which is equivalent to 1,169 full time equivalent (FTE) positions (including casuals, temporary and contract employees) and represents employee costs of $104 million per annum (2013-14) This makes Council not only a primary provider of community based services but also a major employer in the Wollongong Local Government Area.

In recognition of this role our workforce planning responsibilities are focused on:

- Financial sustainability and anticipating future workforce needs
- Employment and training of youth
- Diversity of our workforce (cultural, demographic, social, economic)
- Management of the ageing workforce and low turnover
- Provision of excellent customer service across the whole organisation
- Development of a constructive, safe organisational and learning culture
- Identification, assessment and management of risk
- A safe and health work environment.

Management of Council's workforce will play a key role in the delivery of Wollongong 2022 whilst achieving and maintaining financial sustainability. This will require Council to make strategic decisions in regards to the composition and structure of the workforce needed to deliver services and service levels and to achieve efficiencies. Opportunities to look at other ways of resourcing our services, including changing staff structures, establishment levels or delivery methods will be important in developing these strategies. Each of the scenarios provided in the LTFP demonstrate there will be some level of impact on the workforce in terms of change to work practice, delivery models, management models and a continued focus on increased productivity and cost containment.

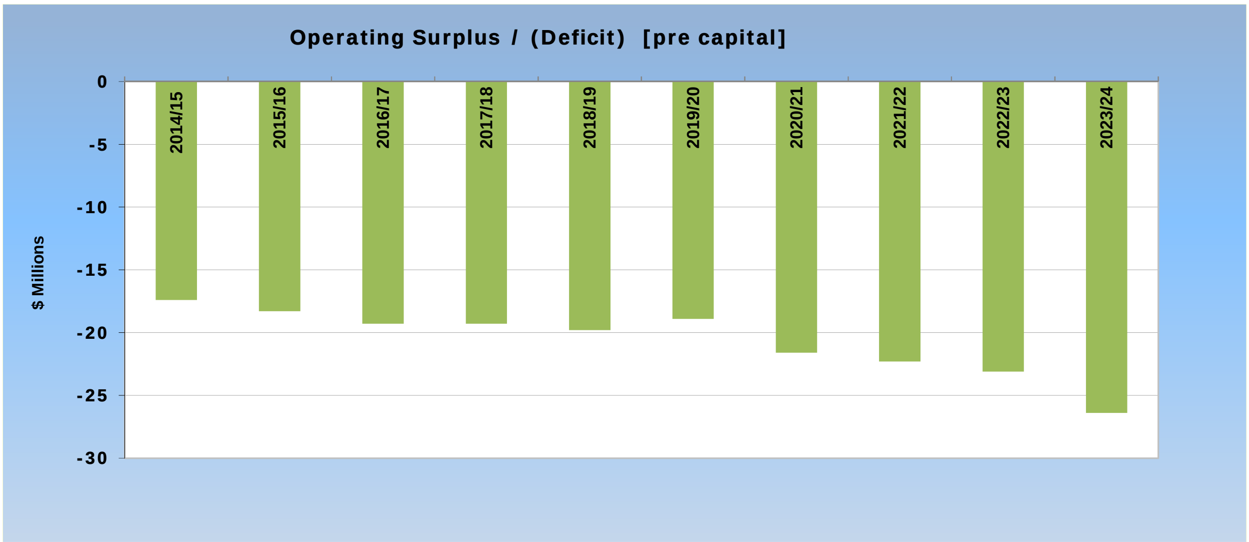
Our Challenge

In recent years there have been a number of asset failures which have required them to be removed from service for a period of time. These include Bellambi Rock Pool, Wollongong Town Hall, Harry Graham Drive and most recently Darkes Road Bridge and Mt Keira Road. These are examples that show unless our assets are adequately maintained, refurbished and replaced, Council's core service to its community will slowly degrade.

The ability to maintain and fund depreciation of assets is a key challenge for NSW local government, and a major risk to many councils long term financial sustainability. Since 2007 Council has taken an approach which has focussed on achieving operational savings to free up funds to be used for asset renewal. A total of $20.3M in operational savings has been achieved as a result of:

- ongoing harvesting of underspend within divisions as part of Mini-Budget process
- reshaping the workforce
- renewed emphasis on grant applications to support and enhance core business
- business improvement focus, including service/operational reviews, and
- asset rationalisation.

Whilst this process has achieved additional capital expenditure, it has not enabled Council to move to a surplus operating position, and will not provide the long term efficiencies needed to enable financial sustainability. Council will continue to increase its funds available for capital works, however the consumption of assets (depreciation) continues to outstrip the funding available for renewal, with the gap being about $21.0 million annually.



DRAFT RESOURCING STRATEGY: OVERVIEW

In June 2009, Council adopted a Financial Strategy to provide direction and context for decision making in the allocation, management and use of Council's financial resources. The strategy acknowledged that the operating result [pre capital] is one of the main indicators of long term financial viability. A deficit from operations indicated that Council was not earning sufficient revenue to fund its ongoing operations (services) and continue to renew its assets that are an integral part of that service. The strategy aimed to ensure, in the short term, the annual deficit was not increased, while stating the need to develop actions in consultation with the community to move towards surplus budgets.

The continuation of a savings program was built into Council's first Resource Strategy 2012-2022. At the time of adoption, the strategy required an operational improvement of $3.3 million in 2012-13 and an annual savings totalling $12.4 million by 2022. As at June 2013, the target was $10.5 million in savings. However, whilst achievement of the savings target would act to stabilise Council's operating deficit, it did not enable achievement of an operating surplus.

In April 2013, the NSW Treasury Corporation (TCorp) undertook an analysis of the financial sustainability of each of the 152 councils in NSW. It found Wollongong City Council's short to medium term financial position to be sound. We have:

- a large portfolio of operational and community assets
- an ability to balance cash flows over the next ten years
- a positive Financial Asset position with low levels of debt, and
- strong cash holdings that provide capacity to manage normal variations that occur in operational performance and to provide cash for investment opportunities that may arise.

However, TCorp identified that Council's deteriorating operating results are *'primarily due to increasing depreciation and amortisation expenses'*, and that *'this is a significant issue that could impact the long term financial sustainability of the Council'* (TCorp, October 2012).

Further ongoing cost controls or securing new or additional revenue in future years was recommended by TCorp to address the longer term negative operating position of Council.

The key to managing our long term finances is to ensure sufficient income is earned/or payed over the life of an asset to allow for its replacement and the continuity of the service for which it is used. Without this, in the future, the community will be impacted by failed assets and deterioration in community amenity or large variations in the amounts required to be paid through rates to repair assets and resume service.

Community Engagement

In June 2011, Wollongong City Council commenced engaging with the community to create a Community Strategic Plan. Through a comprehensive engagement process Council and the community held conversations around visions, goals and strategic objectives. We learnt about the community's priorities for their city, namely to make our city a vibrant, engaging and connected place that our community and visitors can enjoy and be proud of. The long term vision reflected these goals and the community's love of place:

From the mountains to the sea, we value and protect our natural environment and we will be leaders in building an educated, creative and connected community.

Specific engagement via the *Securing Our Future* Financial Sustainability Review commenced in September, 2013. This engagement with the community has gone through three steps:

Step 1 – Call for submissions to inform the Citizen's Panel

In the lead up to the Citizen's Panel deliberations, Council invited the community to make submissions to the panel via online surveys, open submissions and an online discussion board. There was also a staff workshop.

Step 2 – Citizen's Panel

A panel of 34 randomly selected residents met to review Council services, options for operational efficiencies and revenue opportunities. The appointment of a small diverse, but representative, randomly selected group of citizens in the form of a panel was chosen over quantitative methods to allow them time and support to review information and deliberate together over the challenge. The panel provided a set of recommendations in the form of a report.

Step 3 - Exhibition of the Citizen's Panel's report on recommended changes.

With the release of the Citizen's Panel report, the community were invited to provide feedback on the findings and recommendations. This provided the general community with an opportunity to comment on the proposals.

The engagement was based on the following questions, considering the $21.0 million operating deficit:

1 What are the priority services for Council to deliver and what level should Council deliver these services?

2 What are the opportunities to achieve operational improvements?

3 How should Council fund the delivery of these services to the desired level?

The majority of participants in step 1 indicated a preference for existing levels of Council service. There were mixed attitudes throughout the engagement regarding streamlining staff efficiencies and projects, conditional rate riseS and increases in user pays.

The Citizen's Panel were particularly focussed on trying to minimise the impact on the ratepayer by 'tightening the belt' through efficiencies and service level changes. The Panel considered a range of information available to them, including community survey feedback, demographic information, and detailed financial and service output information on each of Council's 117 service delivery streams. The Panel reached consensus on services levels, and whilst a rate rise was not welcomed, the Panel accepted a small rate rise was part of the solution given the magnitude of savings required to ensure financial sustainability. The proposed rate was considered by the Panel as reasonable for the average rate payer.

DRAFT RESOURCING STRATEGY: OVERVIEW

Step 3 of the engagement process highlighted the importance of maintaining existing service levels to the community, particularly our rock pools and other social and recreational infrastructure.

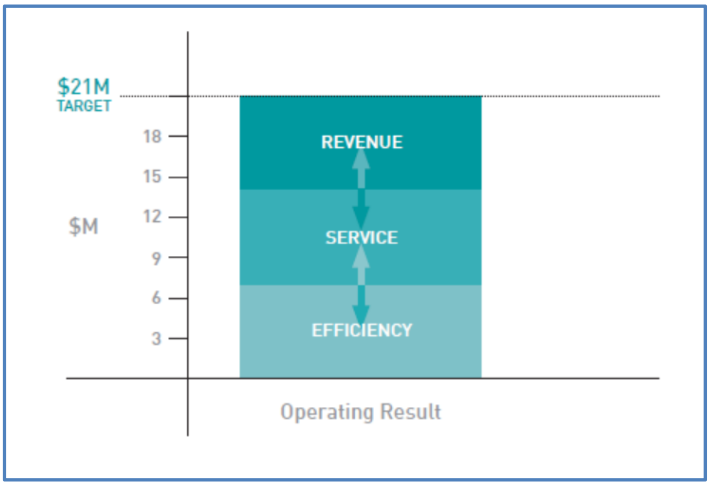
Results from the engagement process have directly informed the three scenarios put forward in this Draft Resourcing Strategy.

Engagement will continue to determine the preferred scenario for finding the $21.0 million annual operating gap.

Further detail on the engagement process and results can be found in the Securing Our Future Community Engagement Report and the Citizen's Panel Final Report.

Securing Our Future – Options for Financial Sustainability

The following section presents three alternate funding options in the form of scenarios to enable Council's operating result to be in a more sustainable position. The scenarios encompass three key focus areas as reflected in the schematic figure below.



	EFFICIENCY	SERVICE	REVENUE	
			Fees and Charges	Rates
Scenario 1	$7M • $3.5M low impact efficiency dividend • $3.5M higher impact – outsource management of tourist parks, review Russell Vale Golf Course, some operational activities, reduce back office resourcing, integrate management at key facilities, Employee Enterprise Agreement.	$4M Includes sale of some facilities (including Lakeside Leisure Centre, closure of the cremators' operations and Unanderra Library, 10% playgrounds, parks and community centres), and reduction in others (ocean rock pools, pool season, street sweeping, cadet and apprenticeship program, events funding, urban renewal program, discontinuation of the Crown Street Façade Program). $1M extend lives of footpaths.	$1.6M Increase in fees and charges for car parking, heated pools, fitness trainers, sports fields, community pools (gold coin donation).	$8.4M 2.5% for each year for three years over and above the assumed 2.7% rate cap

NOTE: 1 Proposals for increases to fees and charges are over and above the annual increases associated with indicates and statutory changes and will be reviewed as part of the annual planning process.
2 The rates increase quantum shown in each scenario in years 1, 2 and 3 is inclusive of an assumed rate peg and additional rate adjustment over the next three years. These forecasts assumed a rate peg of 2.7%, 3.0% and 3.0%. Year 1 will be adjusted as this report progresses to reflect the announcement of IPART on 2 December 2013 of a 2.3% rate peg for 2014-15.

Scenario 1 is based upon the Citizen's Panel recommendations which are detailed in Attachment 3. It was the view of the Panel that this combination of recommendations reflects a balanced approach and is based on all of the information and data made available to it by Council. The Panel made its recommendations in an effort to minimise the impact on the least number of people and to minimise the impact on rates. Scenario 1 therefore includes a maximum rates increase of 2.5% per annum over and above the rate peg for three years, together with operational efficiencies and service reductions. Impacts of this scenario are estimated to be a real increase of $102.71 for the average household after three years. There would also be a localised impact on the specific removal or reduction of services, although the risk is lower of unplanned service reduction due to failure to renew assets and a better quality of service (because of renewed services) than the baseline.

The Panel includes several proposals that have been interpreted as follows:

- Lakeside Leisure Centre – Disposal of land and facility. The Panel considered that future demand will be met by new facilities at West Dapto. This proposal suggests closing the asset and selling the land.
- Pensioner interest – remove interest exemption for full payment by May from Pensioner Policy. Pensioners are currently exempted from paying interest on overdue rates. The proposal is to discontinue doing this, so they are charged interest in line with the remaining rate paying population.
- Unanderra Library – Closure of library service. This proposal refers to the library service only. It does not recommend disposal of the building as it is attached to the Unanderra Community Centre. The Panel's decision took into account spatial, budgetary and utilisation information.
- Urban Renewal and Civic Improvement - halve the current program $300,000. This proposal recommends the reduction in the Urban Renewal and Civic Improvement Planning program, including the number of town and village centre plans undertaken each year.
- Pensioner waste exemptions – remove exemption. Elimination of the fee waiver for waste disposal (general and green waste) at Whytes Gully for Pensioners (ie. charge them the same as everyone else). Based on the free twice yearly household pick up, this additional service was identified as no longer as great a need as previously.
- Crematorium - Exit the cremation operations and potential demolition of this part of the facility. This proposal includes closure of the existing ageing cremators. The surrounding Memorial Gardens (inclusive of infrastructure) is to continue to operate.
- Tourist Parks - lease - outsource all. The tourist parks at Bulli, Corrimal and Windang are located on Crown Land and managed under Trust. This proposal suggests externally sourcing the management and operations of the three tourist parks currently directly managed by Council staff.

Like all of the scenarios, Scenario 1 includes an efficiency target, however unlike Scenario 2 and 3 it has a higher degree of efficiency to be achieved via significant change to work practice, structure and service delivery models. These are referred to in the scenarios as high impact. Low impact refers primarily to a budget reduction without a major impact on staffing, industrial relations or service delivery.

The Panel's recommendations could directly impact approximately 7% of the workforce and may result in reduced employment options. However, while there would be less employment directly provided by Council, there would be indirect local employment stimulation via contractors undertaking the bulk of the enhanced works program which will be funded by the savings.

		3-year annual increase	Net SRV Increase (three year total) Average	Total Rates Increase incl. Rate Page (three year total) Average	Net SRV Increase per week Average	Total Rates Increase per week (total – SRV + Rate Peg) Average
			$	$	$	$
SCENARIO 1	House	2.5%	102.71	215.75	1.98	4.15
	Pensioner		102.67	215.68	1.97	4.15
	Strata		67.45	141.68	1.3	2.72
	Business					

Scenario 3

Using the Citizen's Panel recommendations as a starting point, Scenario 2 reflects community feedback and analysis from officers. It identifies where community feedback indicates strong opposition to key change points, particularly service reductions, but balances this with analysis of data and information that maintains some of the Panel's key recommendations. Scenario 2 therefore includes a rates increase of 4% per annum above the rate peg for three years. Impacts of this scenario are higher rates, with an average increase of $166.72 after three years. There would be lower localised service level impacts compared to Scenario 1 and there would be lower risk of unplanned service reduction due to failure to renew assets, and a better quality of service (because of renewed assets) compared to the baseline.

	EFFICIENCY	SERVICE	REVENUE	
			Fees and Charges	Rates
Scenario 2	$5M • $3.5M low impact efficiency dividend • $1.5M higher impact - outsource management of tourist parks, review Russell Vale Golf Course, some operational activities, reduce back office resourcing, integrate management at key facilities.	$2.3M Includes sale/outsourcing of Lakeside Leisure Centre, 10% playgrounds, parks and community centres, withdrawal (or lease or joint venture) of cremators' operations, discontinuation of the Crown Street Façade Project. $1M extend lives of footpaths.	$370K Increase in fees and charges for leasing child care facilities, car parking, heated pools, fitness trainers.	$13.4M 4% for each year for three years over and above the assumed 2.7% rate cap

NOTE: 1 Proposals for increases to fees and charges are over and above the annual increases associated with indicates and statutory changes and will be reviewed as part of the annual planning process.

2 The rates increase quantum shown in each scenario in years 1, 2 and 3 is inclusive of an assumed rate peg and additional rate adjustment over the next three years. These forecasts assumed a rate peg of 2.7%, 3.0% and 3.0%. Year 1 will be adjusted as this report progresses to reflect the announcement of IPART on 2 December 2013 of a 2.3% rate peg for 2014-15.

Providing a variation of the Citizen's Panel recommendations, Scenario 2 provides some variation to the recommendations in Scenario 1. For example, in addition to the closure and demolition of the cremators, Council may also choose to explore the feasibility of a joint venture or a lease to a private operator willing to invest in modern cremators. The tourist parks, if pursued, would need to be market tested as would any other outsourcing proposal. Market testing Lakeside may find a provider willing to operate the facility and maintain a similar service due to lower labour costs. Many of these options would need to be further explored.

Scenario 2 could impact on the workforce at a similar level to Scenario 1. However, it also could result in direct employment stimulation via contractors undertaking the bulk of the enhanced works program which will be funded by the savings.

		3-year annual increase	Net SRV Increase (three year total) Average	Total Rates Increase incl. Rate Page (three year total) Average	Net SRV Increase per week Average	Total Rates Increase per week (total – SRV + Rate Peg) Average
			$	$	$	$
SCENARIO 2	House	4%	166.72	279.76	3.21	5.38
	Pensioner		166.66	279.67	3.21	5.38
	Strata		109.48	183.71	2.11	3.53
	Business*					...

Scenario 3

This scenario explores the option to focus primarily on revenue (rates) and internal efficiencies. This responds to the call by some members within the community to leave services as they are. This means a more significant increase in rates of 5% for three years above the rate peg, with the average increase of $210.40 after the three years. There would be internal efficiency gains delivered with minimal service reductions. There would also be minimal employment reductions (the reductions would be offset by indirect employment stimulation via local contractors), but more significant financial impacts for the ratepayer. There would be a lower risk of unplanned service reduction due to failure to renew assets and a better quality of service (because of renewed assets) compared to the baseline.

	EFFICIENCY	SERVICE	REVENUE	
			Fees and Charges	Rates
Scenario 3	$3.5M $3.5M low impact efficiency dividend.	$1M $1M extend lives of footpaths.		$16.5M 5% for each year for three years over and above the assumed 2.7% rate cap

NOTE: 1 Proposals for increases to fees and charges are over and above the annual increases associated with indicates and statutory changes and will be reviewed as part of the annual planning process.

2 The rates increase quantum shown in each scenario in years 1, 2 and 3 is inclusive of an assumed rate peg and additional rate adjustment over the next three years. These forecasts assumed a rate peg of 2.7%, 3.0% and 3.0%. Year 1 will be adjusted as this report progresses to reflect the announcement of IPART on 2 December 2013 of a 2.3% rate peg for 2014-15.

		3-year annual increase	Net SRV Increase (three year total) Average	Total Rates Increase incl. Rate Page (three year total) Average	Net SRV Increase per week Average	Total Rates Increase per week (total – SRV + Rate Peg) Average
			$	$	$	$
SCENARIO 3	House	5%	210.40	323.44	4.05	6.22
	Pensioner		210.34	323.34	4.04	6.22
	Strata		138.17	212.40	2.66	4.08
	Business*		…	…	…	…

Scenario 4 – Not Recommended

A fourth scenario was scoped that only included service adjustments and efficiencies as an option (with no rates increase above the annual rate peg) but it is not recommended. It included $7.0 million efficiency measures and $14.0 million in service adjustments. This would mean a significant reduction of non-mandated services, significant market testing to outsource delivery of Council's community, cultural, recreational and environmental services, an estimated six year delivery due to phase in of significant workforce and service change, a reduction of 20% in staffing establishment, and impact on the delivery of Wollongong 2022.

Community response during the Citizen's Panel exhibition period that indicated strong opposition to significant service reductions has resulted in this option being excluded from the recommended scenarios.

THE LONG TERM FINANCIAL PLAN

SECURING OUR FUTURE

Introduction

Council is a not-for-profit organisation that seeks to provide the greatest value to the community through delivery of its services by prioritising what it does and how it does it. Council's financial resources are broadly limited to the desire and capacity of its community to pay rates and/or pay for services from which it earns 82% of its income.

Council's ability to deliver community wants is dependent on the levels of financial resources earned. Good financial management requires the understanding of the short and long term financial impacts of decisions taken now, in the past and in the future. It also requires consideration of the potential influences from outside of Council's control that may impact the finances of Council.

Council has a Financial Strategy to provide direction and context for decision making in the allocation, management and use of its limited financial resources. The Financial Strategy sets the parameters within which Council plans to operate to provide financial stability, affordability, focus, and efficiency or value for money, over the short, medium and longer terms.

Local Government is reasonably unique in the breadth of the services it delivers and its reliance on assets that have a high cost and long lives that are used to provide a significant proportion of those services. Long lived assets are particularly difficult to manage from a financial perspective as the funding required to build, maintain and replace them can be extremely variable from one period to the next. An asset such as a stormwater drain built in 1950 may have required little maintenance for a large number of years and may only require replacement at a significant cost after one hundred years of use.

The challenge for Council and the community in managing long term finances is to ensure that sufficient income is earned/or paid over the life of an asset to allow for its replacement and the continuity of the service for which it is used. Without this, in the future, the community will be impacted by failed assets and deterioration in community amenity or large variations in the amounts required to be paid through rates to repair assets and restore services.

This Financial Plan describes Council's current base line financial forecast that reflects our current capacity based on the existing Revenue Policy, levels of service and organisational performance. This path is not sustainable in the longer term and requires adjustment during the coming years. The baseline forecast shows that Council has around a $21 million shortfall in its operating surplus [pre capital] that provides indication of its inability to provide enough funding to maintain its asset based services in perpetuity.

The Plan also provides scenarios that are available to reset Council's long term operations to a more sustainable position. It is Council's desire, subject to input from the community, to address the funding shortfall by adopting a scenario that provides for a small surplus budget in future years. This goal has been espoused in Council's Financial Strategy since April 2012.

Current Financial Situation – Where are we today?

Council's short to medium term financial capacity is considered to be very sound. Council has:

- a large portfolio of operational and community assets,
- an ability to balance cash flows over the next ten years,
- a positive Financial Asset position with low levels of debt, and
- strong cash holdings that provide capacity to manage normal variations that occur in operational performance and to provide cash for investment opportunities that may arise.

Council is, therefore, well positioned financially to provide services in the short to medium term. As outlined in the Introduction section of this Draft Resourcing Strategy TCorp and others have described the challenge now is to decide what services and associated assets Council and the community can afford to have and maintain into the future. This should be based on projected operational performance and willingness or capacity for the community to pay.

The renewal of high value, long lived assets such as roads, bridges, buildings, drains, public toilets and recreation facilities, generally needs to be funded over their life. If not funded in this way, concession needs to be made that there will be extreme imposts on ratepayers and customers in the future when renewal is required or asset and services fail.

This challenge requires us, in financial terms, to create and maintain future surplus budgets [pre capital]. Based on current information this will require an improvement against current actual estimated performance of approximately $21 Million per annum. It is considered that this improvement needs to be delivered through a combination of:

- efficiency improvements that allow Council to continue to provide the current or higher levels of service at a lower cost,
- reductions to some current service levels that will allow ore funds to be made available for higher priority services,
- increased revenue through adjustments to rates, fees and charges and development of other income earning endeavours, and
- a clear understanding and decision making process for new or enhanced assets that considers the priority of the new service or service level and the associated operational costs that will be incurred in future periods.

A brief background to some of Council's key financial position attributes and performance indicators over recent years is provided below to set the context for the financial plan, strategy and forecasts that follow.

What we've already achieved

Over the last five years, Council has developed and implemented a number of initiatives to harvest operational improvements and make the savings available for capital expenditure on asset renewal.

Approximately $20 million per annum in operational budget improvements has been achieved. This has been essentially delivered via internal efficiency strategies including reduction in costs to deliver services, specifically:

- ongoing harvesting of underspend within Divisions as part of the mini-budget process;
- reshaping the workforce;
- renewed emphasis on grant applications to support and enhance core business;
- business improvement focus, including service/operational reviews; and
- asset rationalisation.

Together with this, we've also been able to provide additional and increased services including Thirroul District Library and Community Centre, Southern Gateway, regulatory and ranger services, development assessment services and pool and library opening hours.

Council's Infrastructure Assets

Council's Balance Sheet shows the extent of assets managed by Council for the community. The written down value (WDV) for Property, Plant and Equipment of $2.4 billion represents the value of the assets after they have been depreciated since purchase or construction. These assets have a current replacement cost (CRC) in excess of $4.04 billion.

Asset values as at 30 June 2013 were:

	WDV $M	CRC $M
Non Depreciable assets		
Land	854.3	854.3
Heritage collection	11.4	11.4
Depreciable Assets		
Roads, Bridges & Footpaths	615.6	1,555.3
Stormwater & Drainage	495.2	827.0
Buildings	296.6	598.8
Plant & Equipment	25.4	46.5
Other Assets	61.7	137.5
Works In Progress	16.8	16.8
Total Assets	**2,377.0**	**4,047.6**

These assets represent the community wealth that has been created over time. Council's stewardship role requires that those assets required for future service delivery be maintained for future generations at best value to the community.

Net Financial Assets/(Liabilities)

Net Financial Liabilities is considered a key financial indicator that shows what is owed by Council to others less the money held, invested or owed to Council. Council's Net Financial Liabilities is a positive financial indicator that reflects the capacity and flexibility that Council has in future.

Council's borrowings, shown as Interest Bearing Liabilities in the Balance Sheet, are projected to total $31.7 million at the end of 2014-15. This includes the remaining debt from a $26.05 million interest free loan borrowed from the Department of Planning to accelerate the West Dapto Access Strategy in 2009-10. As this loan is an interest free loan, it is accounted for at fair value. The value of the interest free loan $11.6 million is the Net Present Value of the future repayments that will be made over the remaining seven years. The remaining debt has been secured under the State Government's Local Infrastructure Renewal Scheme (LIRS) that provides a subsidy to offset part of the interest paid on the debt. The first round the LIRS paid a subsidy of 4.0% while the second round paid a subsidy of 3.0%, Council will submit for the third round in the coming year.

Council's low level of debt and cost of existing debt means that Council's Debt Service Ratio (the proportion of revenue required to repay borrowings) is estimated at less than 2.6% in 2014-15. Indicative local government benchmarks for councils similar to Wollongong suggest that a debt service ratio up to 10.0% is sustainable.

Balanced Cash Flows - Funds Budget

The short term stability of Council is underpinned by prudent financial planning that ensures that Council's spending in each year is limited by its revenue and other sources of funds used to make payments. This is expressed through Council's Fund Result that remains an important short term control to ensure Council has sufficient funds to meet its current debts.

Cash and Investments

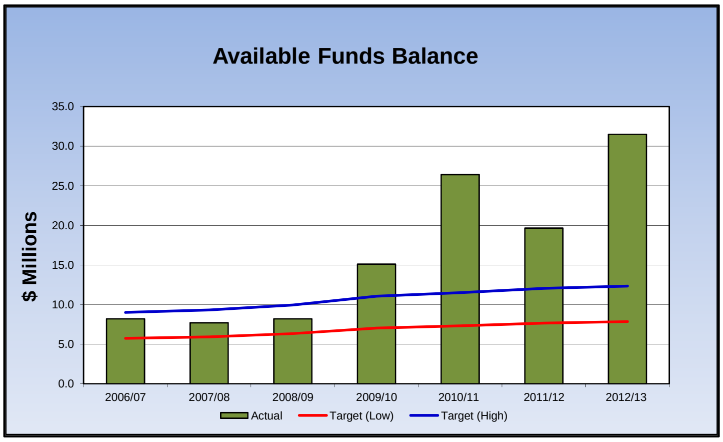
As a result of the planning and delivery of Council's funds budgets, Council has, and will maintain into the future, an adequate cash and investment position. Cash and liquidity are important indicators of short term financial stability for an organisation.

Council's cash and investments include a large proportion of funds that have restrictions over their use. These restrictions can be externally imposed as is the case with government grants and developer contributions. In other cases, Council has internally restricted the funds for future purposes, such as future capital acquisition or specific operational expenditure in future periods.

The amount of funds that have not been allocated for specific purpose is reported by Council as Available Funds. Available Funds:

- are funds that have been earned but not allocated,
- act as a buffer in case of unexpected circumstances, and
- provide flexibility to take advantage of opportunities that may arise.

Council, through its Financial Strategy, sets a target for available funds in future periods expressed as an upper and lower limit of funds held in relation to operational revenue. The position and improvement over recent years is shown in the graph above against these upper and lower targets for Available Funds.

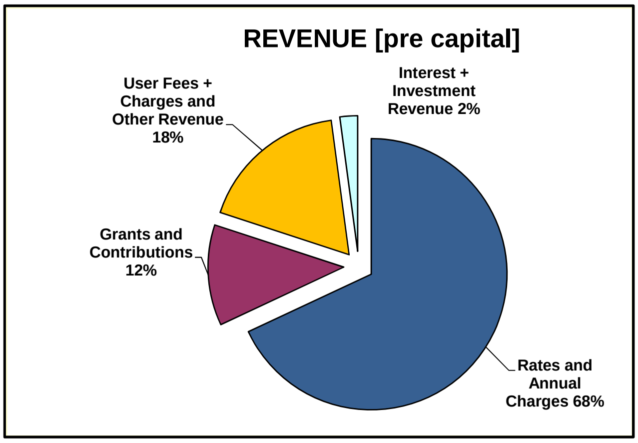


Operating Result [pre capital]

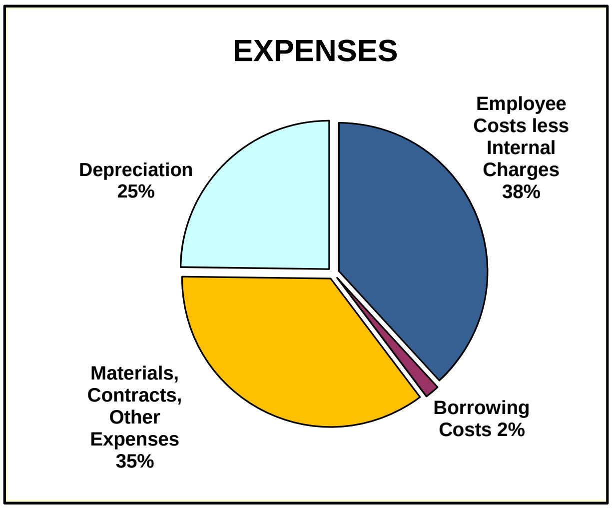
From a financial planning perspective, the operational performance of an organisation is the key to long term financial viability and sustainability. In general terms, if an operating result is not in surplus, it indicates that an organisation is not earning sufficient revenue to maintain its existing operations into the future. The Operating Result [pre capital] (that is, before capital grants and contributions for new assets) is used because capital income is not available for managing the existing services.

The operating result should usually be viewed over a period of time to get a true indication of performance. This is important as the annual results can be impacted by short term timing that is not indicative of performance. Council's financial results in recent years have shown a continuing deficit at around 6.0% of revenue. This has resulted in deterioration in the value of existing community assets of about $20 million a year.

Council's existing revenue [pre capital] comes from a number of sources, most predominately from rates and annual charges at 68.0%. A further 18.0% is earned through fees and charges for specific Council services.



Council's expenses reflect the nature of services provided by Council that are predominately resourced by labour and/or assets. Employee costs accounts for 38.0% of operational expenses while materials contracts and other expenses accounts for 35.0%. 25.0% of expenses relate to depreciation that accounts for the consumption of existing assets over their lives.

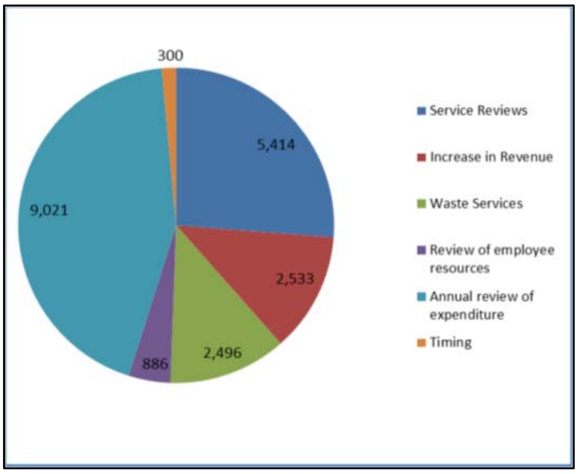


Recent results indicate that without intervention, future years' expenses would continue to exceed revenue.

Operational Funds available for Council

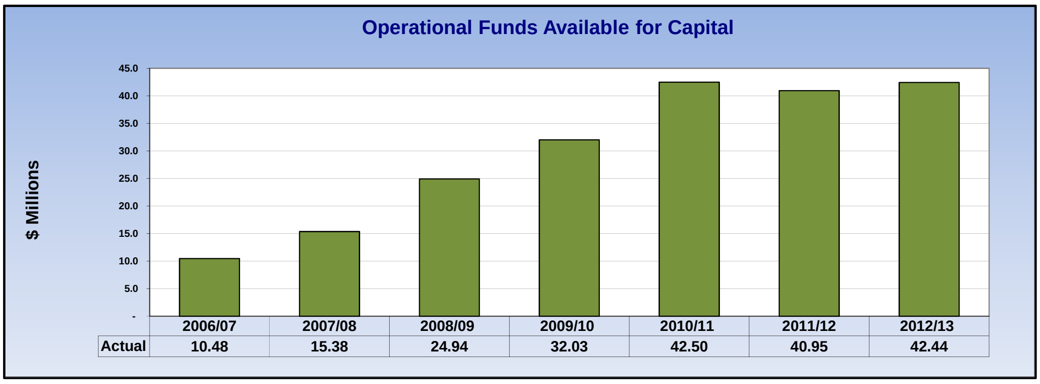
While the operating result is a key financial indicator of longer term viability, Wollongong City Council measures another more direct annual result that shows its ability to fund asset renewal from operations. The measure, **Operational Funds Available for Capital**, shows the amount of cash generated from operations after all the day to day services have been provided. Historically, Council had produced very low levels of funds in relation to the size and annual consumption of its assets.

In July 2008, Council commenced a Financial Sustainability Program to improve the level of Operational Funds Available for Capital and the Operating Result without having a negative impact on the community. The program utilised a number of strategies to achieve recurrent budget improvements including expenditure reviews, mini budget reviews, asset rationalisation, monthly salary reviews, revenue policy, reductions in staffing establishment, service reviews, a spot savings initiative and process documentation improvement. The improvements achieved through each of these strategies is presented in the below diagram. The total improvements achieved to date through this program are $20.3 million per annum.



In some instances, improvements were reflections of favourable income increases where cost containment was applied to ensure expenses did not increase at the same level. While this program has been successful over the past six years, the organisation's ability to continue with savings in this way is now limited. It is considered that deeper cuts into organisational spending and increased revenue could not be realised without significant organisational transformation, service level impacts and some level of industrial change that requires further community and Council consideration.

The graph following shows the improvements achieved to date in operational funding available for capital over the last seven years that included the impact of operational savings above. These funds have been used predominately for asset renewal and have made a significant difference to the renewal programs implemented over that time. While the level of funds available has improved fourfold in that time, the required levels of funding have not yet been achieved.



The 2010-11 funds available for capital was higher than expected due to the early payment of $4.1M of the 2011-12 year's Financial Assistance Grant.

Financial Strategy – Where do we need to be?

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

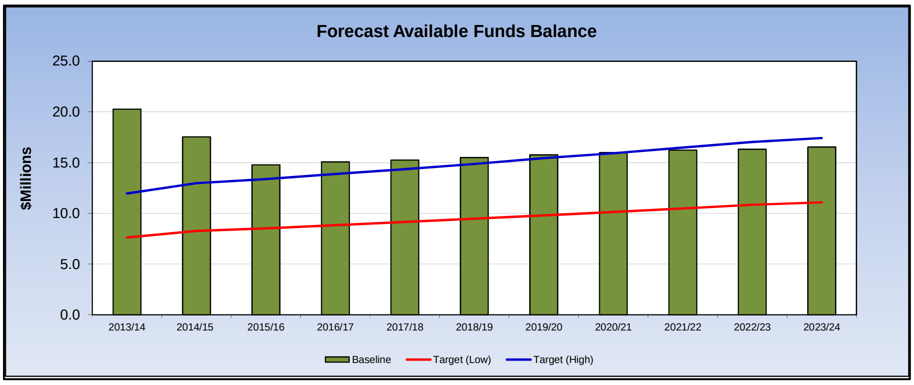
While Council has not yet reached financially sustainable operating levels, this Draft Resourcing Strategy provides policy setting options (scenarios) to achieve this over the life of this and the next term of Council. The Draft Resourcing Strategy recognises the need to take additional action from 2014-15, after consultation with its community, to strike a financial balance in its plans.

The transition from the existing position to one of long term sustainability remains a substantial challenge. The most significant financial principles and targets of Council's Financial Strategy are described below. A full copy of the Financial Strategy can be accessed under Policies on Council's website.

Available Funds

Council will aim to maintain Available Funds (the unallocated portion of all future revenues) between 3.5% and 5.5% of operational revenue [pre capital].

Available Funds are funds that Council has earned but not allocated to specific expenditure in the past or future. They are virtually held as cash 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.



Debt

Council will remain a low debt user by maintaining a debt service ratio (principal and interest repayments compared to operational revenue) below 4.0%.

Council currently has a low level of debt reflected by a current debt service ratio of 1.71% (June 2013). The debt levels permitted under this Financial Plan add flexibility to future programs where warranted.

The 4.0% target makes provision for debt levels of around $65 million based on an interest payment of 5.5% and a ten year term. Higher levels could be achieved if Council were able to source further subsidised borrowings as with the West Dapto Access Strategy loan and LIRS.

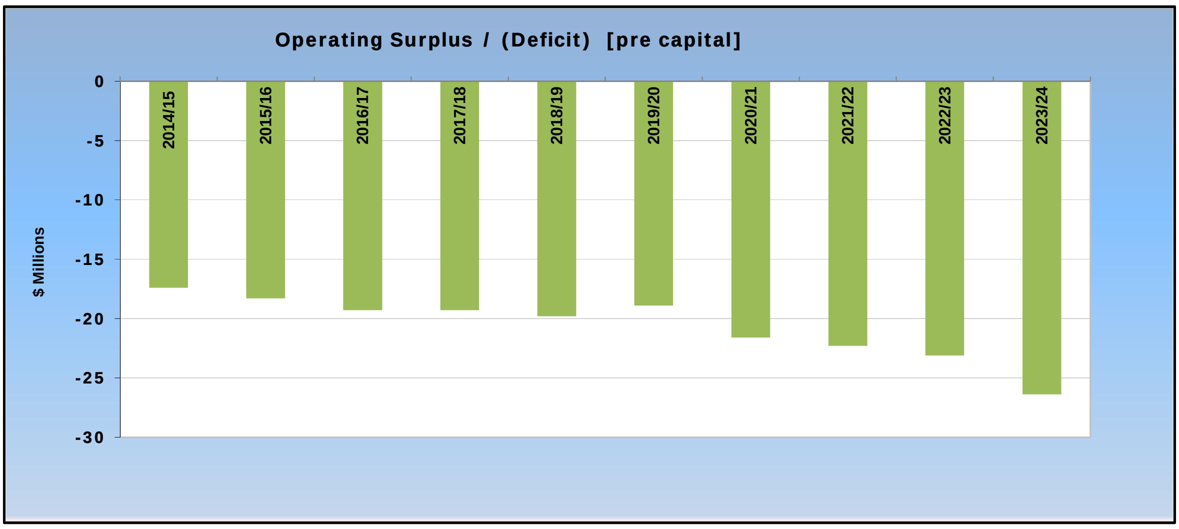
Debt is often portrayed as the panacea to financial sustainability and repairing asset renewal issues in councils. Debt is a financing mechanism that does not add to the funds available to Council over a long term plan. Debt, at a cost, can be used to smooth out the timing in the delivery of works to ensure asset renewal can be delivered when most economical to do so. It can also be used to invest in ventures or activities that could provide a return for Council or reduce future costs. Wollongong City Council's position is that debt will be considered as part of the Capital Budget process and will only be approved where there is an agreed economic, social, or environmental benefit from a project and other sources of funding are not available.

Operational Result [pre capital]

Council will develop actions, in consultation with its community, to move towards and maintain small surplus budgets into the future.

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 that are an integral part of that service, when required.

The operating result [pre capital] shown below represents the baseline Long Term Financial model that is built on existing forecasts and, without adjustments, would not provide surplus budgets at any point in the future. The scenarios proposed in this Draft Resourcing Strategy provide a target to achieve financial sustainability in line with the Financial Strategy.



To achieve financially sustainable operating result levels (small surplus) actions will be required to reduce the cost of service delivery, reduce service levels and/or increase revenue.

Total Funds Result

Council's annual allocations to operational and capital budgets will generally not exceed anticipated cash inflows.

While Council has had 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 that the annual budget is affordable and cash is managed to ensure that payments can be made as needed. By holding a level of available funds and planning for breakeven funds results, this position can be maintained. Until an operating surplus is achieved, additional funds will generally be directed towards deferred asset renewals or investments that are able to reduce future operational costs.

Funds results are set between zero and $300,000 excluding timing issues relating to the Federal Assistance Grant and other payments.

Capital Expenditure

Council will develop actions in consultation with its community to move towards creating annual Operational Funds available for Capital equal to depreciation.

The outcome of improving the Operating Result will be an improvement in the Operational Funds Available for Capital. Council's goal is to ensure that improvements in the Operating result lead to a situation where the funds available for capital are at least equal to the long term asset renewal requirements. The target to achieve a level equal to depreciation (the annual consumption of assets) provides a reasonable proxy for this intent over the long term.

The actual requirements for asset renewal in any one period may exceed or be below this level. It is also probable that many asset renewals will include some service enhancements to meet current standards and expectations. Service enhancements would require additional levels of funding and may incur increased operational costs in the future.

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.

Capital expenditure decisions need to be fully informed by understanding the impacts on future results. For example, a building cannot be considered as a one off cost, it will have operational costs for electricity, water and consumables and will normally involve services that will require operational budgets, including employee costs. The building will then need to be maintained and eventually renewed and/or be disposed of. Consideration of these costs and any potential revenue must be part of the initial evaluation and approval process and be recognised in future estimates to aid future planning.

Rates, Fees, & Charges

Following deliberation with the community, Council will propose a Revenue Policy as part of its 2014-15 Annual Plan based on the proposals outlined in the adopted Resourcing Strategy. The Revenue Policy should achieve a financially sustainable outcome by balancing the level of rates and other revenues required with the cost of services agreed to be delivered.

Council's revenue strategies will be finalised as part of the annual planning process to match the scenario progressed through this Financial Strategy. Rates increases are generally determined by the Independent Pricing & Regulatory Tribunal (IPART) through a 'rate pegging' mechanism that has mostly been in line with increases in costs to local government.

Special Rate Variations (SRV) beyond that level will be linked to community aspirations for services. A SRV will require an application to IPART for a special rate increase.

The community engagement that informed the scenarios, in particular the Citizen's Panel, focussed on trying to minimise the impact on the ratepayer by 'tightening the belt' through efficiencies and service level changes. The Panel considered a range of information available to them, including community survey feedback, demographic information, and detailed financial and service output information on each of Council's 117 service delivery streams. The Panel reached consensus on services levels, and whilst a rate rise was not welcomed, the Panel accepted a small rate rise was part of the solution given the magnitude of savings required to ensure financial sustainability. The proposed rate put forward by the Panel was considered reasonable for the average rate payer.

Step 3 of the engagement process highlighted the importance of maintaining existing service levels to the community, particularly our rock pools and other social and recreational infrastructure.

The scenarios reflect the outcomes of the community engagement.

Grant Funding and other Capital Contributions

Council will actively pursue grant funding and other contributions to assist in the delivery of core services.

While grants are a useful part of Council's revenue and a source of specific operational delivery, it is not considered that there will be any substantial improvement in the level of funds available to Council in the future. Indeed, there are some grants or funded operations that may be at risk into the future or have already been reduced. This includes the Waste and Sustainability Improvement Payment (WaSIP) that was allocated from State Government levies on waste and cover material at landfills. This grant ceased in 2012-13 and provided over $1.3 million for additional environmental and waste focused tasks. Additional funds may become available through the Waste Less Recycle More grants that will replace WaSIP allocations from the Waste Levy though they are likely to be targeted at different activities than those funded by WaSIP.

Operational grants and contributions for specific purposes currently provide around 3% of Council's revenue [pre capital]. Around $18 million is provided in untied grants through the Financial Assistance Grant from the Federal Government. There are currently suggestions from the Local Government Review Panel that they will recommend greater proportions of these funds be redirected towards smaller rural councils. Continued effort in obtaining and improving Council's success in targeted grant funding is vital to future performance and stability.

Long Term Financial Plan - Forecasts and Options

The objective of Council's Long Term Financial Plan (LTFP) is to provide Council decision makers and the community with information that outlines the financial balance between aspirations and capacity. It also identifies future financial opportunities or challenges. The forecasts highlight the financial implications of Council's proposed activities and the funding estimated to be available based on existing and potential scenarios.

Like all forecasts, this Financial Plan is based on a broad range of assumptions that are detailed throughout the document and, more particularly, in the assumptions notes attached to the Plan. As assumptions and realities change throughout the delivery period, these forecasts will be updated to provide current information. Council's ten year financial forecasts are reviewed on an ongoing basis so that information is made available continuously. Specific reporting against the forecast is made on a quarterly basis in conjunction with Council's quarterly reviews.

The Long Term Financial Plan includes a baseline plan that reflects the existing capacity, operations, and directions of Council. Three further scenarios have been included to demonstrate the options being considered by Council and its community to create a more financially sustainable future. It is intended that Council move forward in 2014-15 with a more sustainable solution.

The 2014-15 Annual Plan, to be developed and placed on exhibition for public consultation in April 2014, will include Council's preferred option. This will be used to engage the community to further explore the proposed solution to the dilemma faced with regard to community assets and to determine the path for the future.

For further information with regards to the community engagement process to date that informed the development of the options below, please refer to the introductory section of the Resourcing Strategy.

Baseline – provides detailed forecasts for the continuation of existing services, revenue policies and organisational performance. The current expenditure indices included in the baseline are reasonably tight, such that the projected growth in expenses is lower than revenue increases. To achieve the proposed expense growth averages, at around 3.5% over the period, Council would continue to maintain sound financial control and organisational restraint, cost containment and productivity improvement.

It should be noted that the current baseline differs from the endorsed Resourcing Strategy that had a recurrent savings program of $2.9 million in the first year of the plan and another $1 million in each future year of the plan. The proposed savings program that exceeded $10 million per annum by 2022-23 was not defined and would have required efficiency and service adjustments to achieve the required outcome. To ensure these types of adjustments were part of the community deliberation, they have been included in the change scenarios for greater transparency.

The baseline projections included estimates for general rate increases (the rate peg) of 2.7% in 2014-15, 3% in 2015-16 and another 3.0% in 2016-17. These rate peg amounts are included in all scenarios.

Scenario 1 – is predominately the model proposed by the Citizen's Panel. The scenario includes a significant improvement in organisational efficiency of $7 million that would require significant organisational change including higher level workplace, industrial, and delivery adjustment.

The proposal would also require changes to the levels of service delivered of $4 million. If this scenario was adopted the implementation of the adjustments would require significant scoping, consultation, change and some time to implement. As the detail of this change has not yet been specified, an assumption for modelling has been made that allows for progressive implementation over three to five years. It has been assumed for modelling purposes that the majority of decisions and actions required would be taken within the Delivery Plan timeframe of this Council (three years) while some implementation and deployment issues may carry over into the term of the next Council.

The model proposes a rating adjustment of $8.4 million to be implemented over a three year period as recommended by the Citizen's Panel. The rating adjustment would require an all up rate increase to most ratepayers of around 5.2% in the first year and 5.5% for the following two years (inclusive of the assumed annual rate peg of 2.7%, 3.0% and 3.0% respectively). The assumed rating revenues and increases are indicative at this stage and will be further refined as property information in 2013-14 is updated for the proposed 2014-15 Revenue Policy. It is proposed in the scenarios that rates above the rate peg estimate will not apply to 3c Regional Business and Heavy 1 Activity 1 Business subcategories that currently pay a higher than average rate in the dollar on property valuation. The rate increase would also not apply to special rates.

Other revenue would be increased under this scenario by increasing and/or introducing fees in future periods above the baseline position. $1.6 million per annum is provided for increase fees.

The table following provides a delivery timeframe for planning purposes that may change as specific adjustments are reviewed scoped and proposed for implementation.

SCENARIO 1 Adjustments	EFFICIENCY		SERVICES	REVENUE		TOTAL
	Lower Impact $,000	High Impact $,000	$,000	Rates * $,000	Other $,000	**$,000**
2014/15	1,000	550	1,200	2,610	500	**5,860**
2015/16	1,000	1,250	1,000	2,870	500	**6,620**
2016/17	1,500	1,200	1,200	2,920	600	**7,420**
2017/18		300	400			**700**
2018/19		200	200			**400**
TOTAL	**3,500**	**3,500**	**4,000**	**8,400**	**1,600**	**21,000**

**Actual dollars for rates increase will vary over the years in line with finalised property data and proposed rates increases.*

Scenario 2 – includes a slightly lower level target for operational efficiency that will still call for reduction in resources required to provide existing levels of services; some adjustments to existing services; and increases in rates over a three year period required to move to the targeted surplus operating budget.

The targeted efficiency saving is based on reaching competitive delivery costs for services across the breadth of Council's operations; it would still require substantial industrial change and operational transformation.

The model proposes a rating adjustment $13.4 million to be implemented over a three year period. The rating adjustment would require a rate increase to most ratepayers of around 6.7% in the first year and 7.0% for the following two years (inclusive of the assumed annual rate peg of 2.7%, 3.0% and 3.0% respectively). The assumed rating revenues and increases are indicative at this stage and will be further refined as property information in 2013-14 is updated for the proposed 2014-15 Revenue Policy. It is proposed in the scenarios that rates above the rate peg estimate will not to apply to 3c Regional Business and Heavy 1 Activity 1 Business subcategories that currently pay a higher than average rate in the dollar on property valuation. The rate increase would also not apply to special rates.

The table below provides a delivery timeframe for planning purposes that may change as specific adjustments are reviewed, scoped and proposed for implementation.

SCENARIO 2 Adjustments	EFFICIENCY		SERVICES	REVENUE		TOTAL
	Lower Impact $,000	High Impact $,000	$,000	Rates * $,000	Other $,000	$,000
2014/15	1,000		1,000	4,340	120	**6,460**
2015/16	1,000		200	4,460	250	**5,910**
2016/17	1,500	500	200	4,600		**6,800**
2017/18		500	500			**1,000**
2018/19		500	200			**700**
2019/20			200			**200**
TOTAL	**3,500**	**1,500**	**2,300**	**13,400**	**370**	**21,070**

**Actual dollars for rates increase will vary over the years in line with finalised property data and proposed rates increases.*

Scenario 3 – This scenario provides for little or no discernible decrease in current service levels other than the proposal to extend the useful life of footpath assets from 60 to 80 years and accept a slightly lower level of service, particularly in relation to aesthetic appeal of footpaths. This proposal reduces depreciation and also the average funding requirement for footpath renewals.

The proposal includes targeted efficiency savings based on what are considered achievable lower impact goals that will require low level industrial change, disruption, and operational transformation, and increases in rates over a three year period required to move to the targeted surplus operating budget.

Based on the baseline forecasts and current indices, there is a need for additional rate revenue of $16.5 million per annum. The model proposes a rating adjustment $16.5 million to be implemented over a three year period. The rating adjustment would require a rate increase to most ratepayers of around 7.7% in the first year and 8.0% for the following two years (inclusive of the assumed annual rate peg of 2.7%, 3.0% and 3.0% respectively). The assumed rating revenues and increases are indicative at this stage and will be further refined as property information in 2013-14 is updated for the proposed 2014-15 Revenue Policy. It is proposed in the scenarios that rates above the rate peg estimate will not to apply to 3c Regional Business and Heavy 1 Activity 1 Business subcategories that currently pay a higher than average rate in the dollar on property valuation. The rate increase would also not apply to special rates.

The following table provides a reasonable timeframe for the targeted delivery of adjustments.

SCENARIO 3 Adjustments	EFFICIENCY		SERVICES	REVENUE		TOTAL
	Lower Impact $,000	High Impact $,000	$,000	Rates * $,000	Other $,000	$,000
2014/15	1,000		1,000	5,350		**7,350**
2015/16	1,000			5,490		**6,490**
2016/17	1,500			5,660		**7,160**
TOTAL	**3,500**	**-**	**1,000**	**16,500**	**-**	**21,000**

**Actual dollars for rates increase will vary over the years in line with finalised property data and proposed rates increases.*

These scenarios are provided as indicative of the types of measures that may be available to Council and its community. There is no specific apportionment between measures available and there is no agreed actions implied by the estimates provided.

Measuring Financial Sustainability Options

The detailed financial estimates, based on the baseline assumptions, are provided in the next section of this report. The detailed Income & Expense Statement, Funding Statement, Balance Sheet and Cash Flow provide a level of information required for planning and budgeting purposes. To better understand the impacts of variable policy setting in the Long Term Financial Plan it is considered that comparison of Key Financial Performance measures between options is most useful. The following analysis provides graphical data and analysis of Council's Key Financial Indicators as expressed in the Financial Strategy.

The Key Financial Performance information is provided to show the anticipated results based on the three scenarios posed on page 27 against the baseline position. The baseline is the continuation of existing services, revenue policies and organisational performance. It is not intended that this model will be used in future periods but it provides the status-quo outcomes if action is not taken to address the financial challenge being faced.

There have been no decisions made on any scenario or actions at this stage. The scenarios are provided to demonstrate the range of options being considered for the change required to achieve longer term financial sustainability. The scenarios and impacts were outlined in more detail on page 27 this LTFP and page 12 of the Resourcing Strategy introduction.

The various scenarios are all designed to arrive at a small surplus budget position in future periods. The timing of improvement is dependent on the proposed actions in each scenario. Scenario 3, which includes lower level efficiencies and a higher level of rate adjustment, provides the clearest and most timely path to achieving the targeted Operating Result. Under this scenario rates would be increased over a three year period and the efficiency targets are proposed to be achieved in the same timeframe.

As the actions under other scenarios require more complex adjustments to services provided to communities, operational methodology, and would have industrial relations issues to be worked through, the proposed timing of change would be prolonged.

Scenario 1, which is predominately the model that was proposed by the Citizens Panel, had a recommended target for implementation within three to five years. It has been assumed for modelling purposes that the majority of decisions and actions required would be taken within the Delivery Plan timeframe of this Council (three years) while some implementation and deployment issues would carry over into the term of the next Council. Rating adjustments are assumed to be implemented equally over a three year period as recommended by the Citizens Panel (5.5% per annum - including the assumed 3.0% annual rate peg).

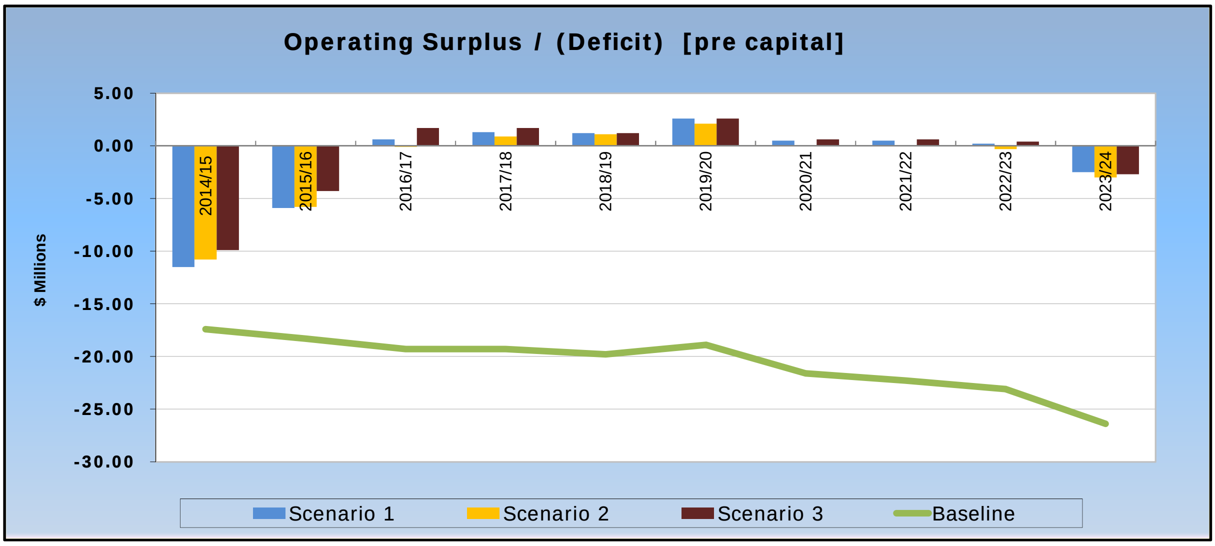
Scenario 2 provides for a slightly higher level of rates adjustment and lower levels of service modification and high impact efficiency improvement. While the rates portion of this scenario is assumed to be implemented over a three year period, it is proposed the increases would be 8.0%, 7.0% and 6.0% respectively over the three year period (inclusive of the assumed 3.0% annual rate peg). It is also assumed the implementation of service and efficiency changes may be drawn out to around six years to plan and implement substantial changes.

The scenarios at this stage only provide indicative adjustments and impacts that have not all been individually researched, scoped and developed into comprehensive change plans as will be required. The financial modelling assumes a rate of implementation as a target for change that will assist in driving the process. There will need to be some flexibility in delivery of the program as Individual projects may vary from their specific plans.

Operating Result [pre capital]

The baseline Operating Result reflects the financial dilemma being faced by Council and the community. It shows that there is a persistent operating deficit that indicates insufficient funds are being created to ensure long lived assets can be maintained and services continued into the future. This results in a higher deficit in this year while there was a lower one last year.

As the key financial strategy for Council is to achieve a small surplus result, all the scenarios are directed to this result. The variance in the results is the time taken to achieve the financially sustainable objective. The delay in achieving the target will marginally reduce the amounts of funds available for renewal in the early but not significantly change the average funds over the longer term.

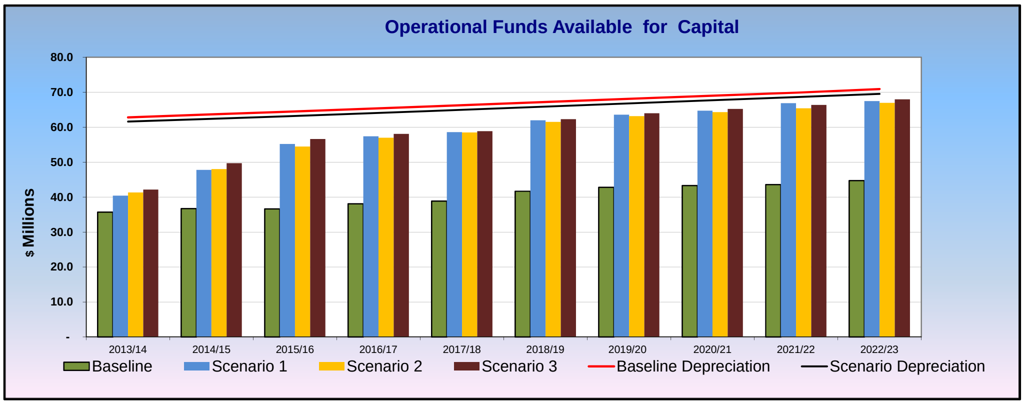


Operational Funds Available For Capital

The operating result is an accounting result and is not the only measure of a financially sustainable future. The ultimate 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.

The forecast Operational Funds Available for Capital is compared against the level of depreciation to show projected progress towards Council's target of reaching a level where the funds available for capital equal depreciation. The scenarios are set to achieve slightly different targets as Scenario 1 and 2 include a proposal to extend the useful life of footpath assets from 60 to 80 years and accept a slightly lower level of service particularly in the relation to aesthetic appeal of paths. This proposal reduces depreciation and also the average funding requirement for footpath renewal.

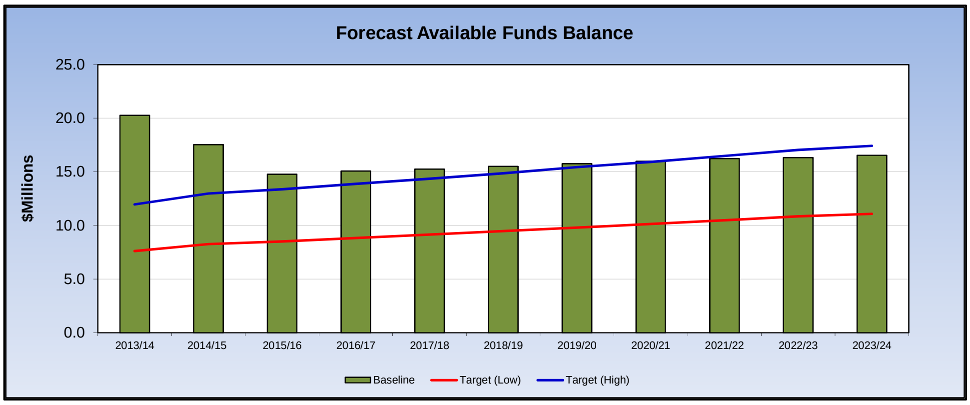
Council's Financial Strategy acknowledges that not all Operational Funds Available for Capital will be applied to renewing assets with like for like assets and that some provision needs to be made for upgraded, enhanced or in some cases new assets. It is also probable that some of Council's existing assets will be funded from other revenue sources such as grants and contributions.



Available Funds

The Available Funds result is anticipated to be similar under all scenarios. Additional revenues or savings through efficiency and/or service reduction would be channelled into additional capital renewal works. While the operational results would be improved and additional funding would be available for capital, the plan would be to ensure that such funds are utilised in the period earned.

The current Available Funds level is currently above target and therefore offers opportunity to invest additional funds into the proposed capital program in the Delivery Plan. The capital program forecast has therefore been based on an utilising an additional $3.0 million in each of the first two years from Available Funds to fund asset renewal. This will return Council's Available Funds to the upper level of the targeted result and improve the level of renewal completed in the early phases of the plan.



Detailed Financials - Baseline and Scenarios

Forecast Financial Reports are provided below for the existing baseline and each of the three scenarios. The reports include Income and Expense Statement, Funding Statement and Capital Budget, Balance Sheet and Cash Flow. Each scenario has increased levels of capital works expenditure that is reliant on the revenue and savings programs being proposed under each scenario being realised. The three scenarios provide a reasonable level of long term financial sustainability, however as stated previously each has a different implementation period that impacts the level of funding available for capital renewal during the implementation phase.

The following reports and supporting information is provided:

WOLLONGONG CITY COUNCIL — BASELINE

10 Year Financials

	2014/15 Forecast $'000	2015/16 Forecast $'000	2016/17 Forecast $'000	2017/18 Forecast $'000	2018/19 Forecast $'000	2019/20 Forecast $'000	2020/21 Forecast $'000	2021/22 Forecast $'000	2022/23 Forecast $'000	2023/24 Forecast $'000
INCOME & EXPENSE STATEMENT										
EXPENSES FROM ORDINARY ACTIVITIES										
Employee Costs	107,323	110,723	114,596	118,652	122,845	125,419	129,585	133,887	138,382	142,359
Borrowing Costs	3,918	3,754	3,581	3,385	2,916	2,404	2,336	2,155	2,073	1,770
Materials, Contracts & Other Expenses	91,659	95,889	101,963	106,329	111,934	118,928	125,918	131,945	138,233	146,250
Depreciation, Amortisation + Impairment	62,808	63,659	64,522	65,394	66,279	67,176	68,085	69,008	69,943	70,891
Internal Charges (labour)	(10,590)	(10,819)	(11,080)	(11,429)	(11,789)	(12,159)	(12,521)	(12,895)	(13,279)	(13,668)
Internal Charges (not labour)	(1,804)	(1,783)	(1,954)	(2,037)	(2,118)	(2,158)	(2,236)	(2,260)	(2,335)	(2,381)
Total Expenses from Ordinary Activities	**253,313**	**261,423**	**271,628**	**280,295**	**290,067**	**299,609**	**311,167**	**321,840**	**333,015**	**345,221**
REVENUES FROM ORDINARY ACTIVITIES										
Rates and Annual Charges	160,516	165,837	172,098	178,401	185,039	191,877	197,873	204,719	211,495	218,777
User Charges and Fees	33,300	34,830	37,161	38,909	40,909	42,859	44,706	46,921	49,258	51,339
Interest and Investment Revenues	4,965	4,485	4,375	4,216	4,067	4,869	5,101	5,294	5,741	4,415
Other Revenues	8,829	9,074	9,323	9,577	9,838	10,105	10,376	10,656	10,950	11,070
Grants and Contributions - Operating	28,337	28,900	29,407	29,923	30,448	30,965	31,474	31,990	32,443	33,142
Revenues [pre capital]	**235,948**	**243,126**	**252,363**	**261,026**	**270,300**	**280,674**	**289,531**	**299,580**	**309,887**	**318,743**
NET SURPLUS (DEFICIT) [Pre capital]	**(17,365)**	**(18,297)**	**(19,264)**	**(19,269)**	**(19,767)**	**(18,935)**	**(21,636)**	**(22,260)**	**(23,128)**	**(26,478)**
Capital Grants & Contributions	11,201	9,397	11,118	7,308	7,619	7,650	7,690	7,279	7,279	7,279
NET SURPLUS (DEFICIT)	**(6,164)**	**(8,900)**	**(8,147)**	**(11,962)**	**(12,148)**	**(11,286)**	**(13,946)**	**(14,981)**	**(15,850)**	**(19,199)**

WOLLONGONG CITY COUNCIL   BASELINE

10 Year Financials

	2014/15 Forecast $'000	2015/16 Forecast $'000	2016/17 Forecast $'000	2017/18 Forecast $'000	2018/19 Forecast $'000	2019/20 Forecast $'000	2020/21 Forecast $'000	2021/22 Forecast $'000	2022/23 Forecast $'000	2023/24 Forecast $'000
FUNDING STATEMENT										
Surplus (Deficit) [pre capital]	**(6,164)**	**(8,900)**	**(8,147)**	**(11,962)**	**(12,148)**	**(11,286)**	**(13,946)**	**(14,981)**	**(15,850)**	**(19,199)**
Add back :										
- Non-cash Operating Transactions	80,481	81,651	83,112	84,564	85,785	87,015	88,744	90,413	92,236	93,723
- Restricted cash used for operations	7,820	8,448	9,397	10,543	11,715	12,964	13,459	13,913	14,371	14,945
- Income transferred to Restricted Cash	(30,846)	(28,486)	(30,860)	(27,519)	(28,158)	(27,919)	(28,524)	(28,253)	(28,890)	(28,741)
- Payment of Accrued Leave Entitlements	(10,131)	(10,430)	(10,737)	(11,054)	(11,380)	(11,715)	(12,061)	(12,418)	(12,785)	(12,955)
- Payment of Carbon Contributions	(508)	(730)	(982)	(1,238)	(1,494)	(1,762)	(2,052)	(2,362)	(2,689)	(3,033)
Funds Available from Operations	**40,653**	**41,553**	**41,784**	**43,335**	**44,320**	**47,296**	**45,620**	**46,311**	**46,394**	**44,740**
Advances (made by) / repaid to Council	(135)	0	0	0	0	0	0	0	0	0
Borrowings repaid	(4,778)	(4,892)	(5,153)	(5,280)	(5,415)	(5,557)	(2,808)	(2,966)	(2,481)	0
Operational Funds Available for Capital Budget	**35,740**	**36,661**	**36,631**	**38,055**	**38,905**	**41,739**	**42,812**	**43,345**	**43,913**	**44,740**
CAPITAL BUDGET										
Assets Acquired	(80,846)	(65,874)	(54,752)	(55,001)	(48,900)	(57,776)	(50,157)	(52,024)	(53,119)	(55,962)
Transfers to Restricted Cash	0	0	0	0	0	0	0	0	0	0
Funded From :-										
- Operational Funds	35,740	36,661	36,631	38,055	38,905	41,739	42,812	43,345	43,913	44,740
- Sale of Assets	2,208	2,008	1,522	755	200	1,751	800	900	750	2,300
- Internally Restricted Cash	10,319	5,550	1,883	3,653	676	1,057	2,607	3,386	3,427	3,444
- Capital Grants	6,600	700	709	1,850	1,350	1,200	400	780	1,100	980
- Developer Contributions (Section 94)	6,660	9,079	11,300	8,274	6,468	10,774	2,501	2,871	2,529	3,140
- Other Externally Restricted Cash	16,488	8,821	2,490	2,448	1,400	1,275	750	700	980	1,184
- Other Capital Contributions	100	300	500	150	150	250	500	300	500	400
TOTAL FUNDS SURPLUS / (DEFICIT)	**(2,731)**	**(2,756)**	**283**	**183**	**249**	**270**	**213**	**258**	**80**	**226**

WOLLONGONG CITY COUNCIL — BASELINE

10 Year Financials

	2014/15 Forecast $'000	2015/16 Forecast $'000	2016/17 Forecast $'000	2017/18 Forecast $'000	2018/19 Forecast $'000	2019/20 Forecast $'000	2020/21 Forecast $'000	2021/22 Forecast $'000	2022/23 Forecast $'000	2023/24 Forecast $'000
BALANCE SHEET										
CURRENT ASSETS										
Cash Assets	77,369	71,049	75,581	76,358	82,458	83,081	91,039	97,078	102,690	107,417
Investment Securities	8,597	7,894	8,398	8,484	9,162	9,231	10,115	10,786	11,410	11,935
Receivables	18,404	18,964	19,684	20,360	21,083	21,893	22,583	23,367	24,171	24,862
Inventories	8,941	8,941	8,941	8,941	8,941	8,941	8,941	8,941	8,941	8,941
Other	929	955	981	1,006	1,032	1,059	1,087	1,115	1,144	1,174
TOTAL CURRENT ASSETS	**114,239**	**107,802**	**113,584**	**115,149**	**122,676**	**124,205**	**133,765**	**141,287**	**148,355**	**154,328**
NON-CURRENT ASSETS										
Non-Current Receivables	5,109	5,109	5,109	5,109	5,109	5,109	5,109	5,109	5,109	5,109
Investments Accounted for using Equity Method	984	984	984	984	984	984	984	984	984	984
Investment Property	4,045	4,211	4,382	4,558	4,738	4,923	5,109	5,294	5,479	5,479
Intangible Assets	364	364	364	364	364	364	364	364	364	364
Property, Plant & Equipment	2,398,040	2,398,171	2,386,879	2,375,731	2,358,152	2,347,001	2,328,193	2,310,310	2,292,736	2,275,508
TOTAL NON-CURRENT ASSETS	**2,408,541**	**2,408,838**	**2,397,717**	**2,386,745**	**2,369,346**	**2,358,380**	**2,339,757**	**2,322,059**	**2,304,671**	**2,287,443**
TOTAL ASSETS	**2,522,780**	**2,516,640**	**2,511,302**	**2,501,894**	**2,492,023**	**2,482,585**	**2,473,523**	**2,463,346**	**2,453,027**	**2,441,770**
CURRENT LIABILITIES										
Current Payables	22,798	23,528	24,446	25,227	26,106	26,965	28,005	28,966	29,971	31,070
Provisions < 12 Months	9,713	9,980	10,249	10,516	10,789	11,070	11,357	11,653	11,956	12,266
Provisions > 12 Months	33,145	34,057	34,976	35,885	36,818	37,776	38,758	39,766	40,800	41,860
Current Interest Bearing Liabilities	4,892	5,153	5,280	5,415	5,557	2,808	2,966	2,481	0	0
TOTAL CURRENT LIABILITIES	**70,548**	**72,717**	**74,952**	**77,043**	**79,271**	**78,618**	**81,087**	**82,865**	**82,726**	**85,197**
NON-CURRENT LIABILITIES										
Non Current Interest Bearing Liabilities	26,829	22,548	17,998	13,150	7,984	5,380	2,616	338	541	541
Non Current Provisions	51,030	55,902	61,025	66,336	71,551	76,657	81,835	87,140	92,605	98,078
TOTAL NON-CURRENT LIABILITIES	**77,859**	**78,450**	**79,024**	**79,486**	**79,535**	**82,037**	**84,451**	**87,478**	**93,146**	**98,618**
TOTAL LIABILITIES	**148,407**	**151,167**	**153,975**	**156,529**	**158,806**	**160,654**	**165,538**	**170,342**	**175,872**	**183,815**
NET ASSETS	**2,374,373**	**2,365,473**	**2,357,326**	**2,345,365**	**2,333,216**	**2,321,931**	**2,307,985**	**2,293,004**	**2,277,154**	**2,257,955**
EQUITY										
Accumulated Surplus	(1,082,225)	(1,080,472)	(1,066,992)	(1,058,244)	(1,039,884)	(1,027,336)	(1,007,743)	(987,493)	(966,530)	(946,032)
Surplus (Deficit) for period	6,164	8,900	8,147	11,962	12,148	11,286	13,946	14,981	15,850	19,199
Asset Revaluation Reserve	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)
Restricted Assets	(71,501)	(67,090)	(71,670)	(72,271)	(78,670)	(79,070)	(87,377)	(93,681)	(99,663)	(104,312)
TOTAL EQUITY	**(2,374,373)**	**(2,365,473)**	**(2,357,326)**	**(2,345,365)**	**(2,333,216)**	**(2,321,931)**	**(2,307,985)**	**(2,293,004)**	**(2,277,154)**	**(2,257,955)**

WOLLONGONG CITY COUNCIL — BASELINE

10 Year Financials

CASH FLOW STATEMENT

	2014/15 Forecast $'000	2015/16 Forecast $'000	2016/17 Forecast $'000	2017/18 Forecast $'000	2018/19 Forecast $'000	2019/20 Forecast $'000	2020/21 Forecast $'000	2021/22 Forecast $'000	2022/23 Forecast $'000	2023/24 Forecast $'000
CASH FLOWS FROM OPERATIONS										
Receipts										
Rates and Annual Charges	159,085	165,277	171,377	177,725	184,316	191,067	197,182	203,935	210,691	218,086
User Charges & Fees	33,300	34,830	37,161	38,909	40,909	42,859	44,706	46,921	49,258	51,339
Investment Incomes	4,965	4,485	4,375	4,216	4,067	4,869	5,101	5,294	5,741	4,415
Grants & Contributions	39,538	38,297	40,524	37,231	38,066	38,615	39,163	39,269	39,722	40,421
Other Operating Receipts	8,646	8,882	9,127	9,375	9,631	9,893	10,164	10,443	10,736	11,040
Payments										
Employee Costs	(94,550)	(97,623)	(101,097)	(104,696)	(108,426)	(110,524)	(114,223)	(118,043)	(122,040)	(125,518)
Materials & Contracts	(89,244)	(93,376)	(99,090)	(103,512)	(108,936)	(115,911)	(122,642)	(128,725)	(134,891)	(142,771)
Borrowing Costs	(1,192)	(1,077)	(957)	(829)	(695)	(552)	(402)	(243)	(75)	0
Other Operating Payments	2,288	2,042	2,000	1,970	1,961	1,960	1,956	1,949	1,945	1,901
NET CASH PROVIDED BY (OR USED IN) OPERATIONS	**62,838**	**61,736**	**63,419**	**60,390**	**60,893**	**62,275**	**61,007**	**60,800**	**61,086**	**58,914**
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Sale of Investment securities	2,071	702	(504)	(86)	(678)	(69)	(884)	(671)	(624)	(525)
Proceeds from Sale of Property,Plant & Equip	2,208	2,008	1,522	755	200	1,751	800	900	750	2,300
Payments										
Purchase of Property Plant & Equipment	(80,846)	(65,874)	(54,752)	(55,001)	(48,900)	(57,776)	(50,157)	(52,024)	(53,119)	(55,962)
Advances to Deferred Debtors	(135)	0	0	0	0	0	0	0	0	0
NET CASH PROVIDED BY (OR USED IN) INVESTING ACTIVITIES	**(76,701)**	**(63,164)**	**(53,734)**	**(54,333)**	**(49,378)**	**(56,094)**	**(50,241)**	**(51,795)**	**(52,993)**	**(54,187)**
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Payments										
Repayments of Borrowings and Advances	(4,778)	(4,892)	(5,153)	(5,280)	(5,415)	(5,557)	(2,808)	(2,966)	(2,481)	0
NET CASH PROVIDED BY (OR USED IN) FINANCING ACTIVITIES	**(4,778)**	**(4,892)**	**(5,153)**	**(5,280)**	**(5,415)**	**(5,557)**	**(2,808)**	**(2,966)**	**(2,481)**	**0**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS HELD	**(18,641)**	**(6,320)**	**4,532**	**777**	**6,100**	**624**	**7,958**	**6,039**	**5,612**	**4,727**
Cash at Beginning of Period	96,010	77,369	71,049	75,581	76,358	82,458	83,081	91,039	97,078	102,690
CASH & CASH EQUIVALENTS AT EOY	**77,369**	**71,049**	**75,581**	**76,358**	**82,458**	**83,081**	**91,039**	**97,078**	**102,690**	**107,417**
PLUS other investment securities	8,597	7,894	8,398	8,484	9,162	9,231	10,115	10,786	11,410	11,935
TOTAL CASH & INVESTMENTS	**85,965**	**78,943**	**83,979**	**84,842**	**91,620**	**92,313**	**101,155**	**107,864**	**114,100**	**119,352**

WOLLONGONG CITY COUNCIL — SCENARIO 1

10 Year Financials

INCOME & EXPENSE STATEMENT

	2014/15 Forecast $'000	2015/16 Forecast $'000	2016/17 Forecast $'000	2017/18 Forecast $'000	2018/19 Forecast $'000	2019/20 Forecast $'000	2020/21 Forecast $'000	2021/22 Forecast $'000	2022/23 Forecast $'000	2023/24 Forecast $'000
EXPENSES FROM ORDINARY ACTIVITIES										
Employee Costs	107,323	110,723	114,596	118,652	122,845	125,419	129,585	133,887	138,382	142,359
Borrowing Costs	3,918	3,754	3,581	3,385	2,916	2,404	2,336	2,155	2,073	1,770
Materials, Contracts & Other Expenses	91,659	95,889	101,963	106,329	111,934	118,928	125,918	131,945	138,233	146,250
Depreciation, Amortisation + Impairment	61,608	62,359	63,222	64,094	64,979	65,859	66,751	67,655	68,573	69,503
Internal Charges (labour)	(10,590)	(10,819)	(11,080)	(11,429)	(11,789)	(12,159)	(12,521)	(12,895)	(13,279)	(13,668)
Internal Charges (not labour)	(1,804)	(1,783)	(1,954)	(2,037)	(2,118)	(2,158)	(2,236)	(2,260)	(2,335)	(2,381)
Efficiency Improvements	(1,550)	(3,800)	(6,500)	(6,800)	(7,000)	(7,182)	(7,369)	(7,560)	(7,757)	(7,959)
Service Reductions	0	(900)	(2,100)	(2,500)	(2,700)	(2,770)	(2,842)	(2,916)	(2,992)	(3,070)
Total Expenses from Ordinary Activities	**250,563**	**255,423**	**261,728**	**269,695**	**279,067**	**288,340**	**299,621**	**310,011**	**320,897**	**332,805**
REVENUES FROM ORDINARY ACTIVITIES										
Rates and Annual Charges	163,116	171,237	180,498	186,801	193,439	200,529	206,785	213,898	220,949	228,487
User Charges and Fees	33,300	34,830	37,161	38,909	40,909	42,859	44,706	46,921	49,258	51,339
Interest and Investment Revenues	4,965	4,485	4,375	4,216	4,067	4,869	5,101	5,294	5,741	4,415
Other Revenues	8,829	9,074	9,323	9,577	9,838	10,105	10,376	10,656	10,950	11,070
Grants and Contributions - Operating	28,337	28,900	29,407	29,923	30,448	30,965	31,474	31,990	32,443	33,142
Additional Revenues	500	1,000	1,600	1,600	1,600	1,642	1,684	1,728	1,773	1,819
Revenues [pre capital]	**239,048**	**249,526**	**262,363**	**271,026**	**280,300**	**290,967**	**300,127**	**310,487**	**321,114**	**330,272**
NET SURPLUS (DEFICIT) [Pre capital]	**(11,515)**	**(5,897)**	**636**	**1,331**	**1,233**	**2,628**	**505**	**476**	**218**	**(2,533)**
Capital Grants & Contributions	11,201	9,397	11,118	7,308	7,619	7,650	7,690	7,279	7,279	7,279
NET SURPLUS (DEFICIT)	**(314)**	**3,500**	**11,753**	**8,638**	**8,852**	**10,277**	**8,195**	**7,754**	**7,496**	**4,746**

WOLLONGONG CITY COUNCIL — SCENARIO 1

10 Year Financials

	2014/15 Forecast $'000	2015/16 Forecast $'000	2016/17 Forecast $'000	2017/18 Forecast $'000	2018/19 Forecast $'000	2019/20 Forecast $'000	2020/21 Forecast $'000	2021/22 Forecast $'000	2022/23 Forecast $'000	2023/24 Forecast $'000
FUNDING STATEMENT										
Surplus (Deficit) [pre capital]	**(314)**	**3,500**	**11,753**	**8,638**	**8,852**	**10,277**	**8,195**	**7,754**	**7,496**	**4,746**
Add back :										
- Non-cash Operating Transactions	79,281	80,351	81,812	83,264	84,485	85,697	87,409	89,061	90,866	92,335
- Restricted cash used for operations	7,820	8,448	9,397	10,543	11,715	12,964	13,459	13,913	14,371	14,945
- Income transferred to Restricted Cash	(30,846)	(28,486)	(30,860)	(27,519)	(28,158)	(27,919)	(28,524)	(28,253)	(28,890)	(28,741)
- Payment of Accrued Leave Entitlements	(10,131)	(10,430)	(10,737)	(11,054)	(11,380)	(11,715)	(12,061)	(12,418)	(12,785)	(12,955)
- Payment of Carbon Contributions	(508)	(730)	(982)	(1,238)	(1,494)	(1,762)	(2,052)	(2,362)	(2,689)	(3,033)
Funds Available from Operations	**45,303**	**52,653**	**60,384**	**62,635**	**64,020**	**67,542**	**66,427**	**67,695**	**68,370**	**67,297**
Advances (made by) / repaid to Council	(135)	0	0	0	0	0	0	0	0	0
Borrowings repaid	(4,778)	(4,892)	(5,153)	(5,280)	(5,415)	(5,557)	(2,808)	(2,966)	(2,481)	0
Operational Funds Available for Capital Budget	**40,390**	**47,761**	**55,231**	**57,355**	**58,605**	**61,985**	**63,619**	**64,728**	**65,889**	**67,297**
CAPITAL BUDGET										
Assets Acquired	(85,496)	(76,974)	(73,352)	(74,301)	(68,600)	(78,022)	(70,964)	(73,408)	(75,096)	(78,519)
Transfers to Restricted Cash	0	0	0	0	0	0	0	0	0	0
Funded From :-										
- Operational Funds	40,390	47,761	55,231	57,355	58,605	61,985	63,619	64,728	65,889	67,297
- Sale of Assets	2,208	2,008	1,522	755	200	1,751	800	900	750	2,300
- Internally Restricted Cash	10,319	5,550	1,883	3,653	676	1,057	2,607	3,386	3,427	3,444
- Capital Grants	6,600	700	709	1,850	1,350	1,200	400	780	1,100	980
- Developer Contributions (Section 94)	6,660	9,079	11,300	8,274	6,468	10,774	2,501	2,871	2,529	3,140
- Other Externally Restricted Cash	16,488	8,821	2,490	2,448	1,400	1,275	750	700	980	1,184
- Other Capital Contributions	100	300	500	150	150	250	500	300	500	400
TOTAL FUNDS SURPLUS / (DEFICIT)	**(2,731)**	**(2,756)**	**283**	**183**	**249**	**270**	**213**	**258**	**80**	**226**

WOLLONGONG CITY COUNCIL — SCENARIO 1

10 Year Financials

	2014/15 Forecast $'000	2015/16 Forecast $'000	2016/17 Forecast $'000	2017/18 Forecast $'000	2018/19 Forecast $'000	2019/20 Forecast $'000	2020/21 Forecast $'000	2021/22 Forecast $'000	2022/23 Forecast $'000	2023/24 Forecast $'000
BALANCE SHEET										
CURRENT ASSETS										
Cash Assets	76,928	70,113	74,077	74,797	80,865	81,446	89,360	95,354	100,920	105,601
Investment Securities	8,548	7,790	8,231	8,311	8,985	9,050	9,929	10,595	11,213	11,733
Receivables	18,646	19,463	20,464	21,140	21,863	22,695	23,410	24,218	25,047	25,761
Inventories	8,941	8,941	8,941	8,941	8,941	8,941	8,941	8,941	8,941	8,941
Other	929	955	981	1,006	1,032	1,059	1,087	1,115	1,144	1,174
TOTAL CURRENT ASSETS	**113,992**	**107,262**	**112,693**	**114,195**	**121,686**	**123,191**	**132,726**	**140,222**	**147,265**	**153,210**
NON-CURRENT ASSETS										
Non-Current Receivables	5,109	5,109	5,109	5,109	5,109	5,109	5,109	5,109	5,109	5,109
Investments Accounted for using Equity Method	984	984	984	984	984	984	984	984	984	984
Investment Property	4,045	4,211	4,382	4,558	4,738	4,923	5,109	5,294	5,479	5,479
Intangible Assets	364	364	364	364	364	364	364	364	364	364
Property, Plant & Equipment	2,403,890	2,416,421	2,425,029	2,434,481	2,437,902	2,448,314	2,451,647	2,456,499	2,462,272	2,468,988
TOTAL NON-CURRENT ASSETS	**2,414,391**	**2,427,088**	**2,435,867**	**2,445,495**	**2,449,096**	**2,459,693**	**2,463,212**	**2,468,249**	**2,474,207**	**2,480,923**
TOTAL ASSETS	**2,528,382**	**2,534,350**	**2,548,561**	**2,559,690**	**2,570,783**	**2,582,884**	**2,595,938**	**2,608,471**	**2,621,472**	**2,634,134**
CURRENT LIABILITIES										
Current Payables	22,551	22,988	23,555	24,273	25,116	25,951	26,966	27,901	28,881	29,952
Provisions < 12 Months	9,713	9,980	10,249	10,516	10,789	11,070	11,357	11,653	11,956	12,266
Provisions > 12 Months	33,145	34,057	34,976	35,885	36,818	37,776	38,758	39,766	40,800	41,860
Current Interest Bearing Liabilities	4,892	5,153	5,280	5,415	5,557	2,808	2,966	2,481	0	0
TOTAL CURRENT LIABILITIES	**70,301**	**72,177**	**74,061**	**76,089**	**78,281**	**77,603**	**80,048**	**81,800**	**81,636**	**84,079**
NON-CURRENT LIABILITIES										
Non Current Interest Bearing Liabilities	26,829	22,548	17,998	13,150	7,984	5,380	2,616	338	541	541
Non Current Provisions	51,030	55,902	61,025	66,336	71,551	76,657	81,835	87,140	92,605	98,078
TOTAL NON-CURRENT LIABILITIES	**77,859**	**78,450**	**79,024**	**79,486**	**79,535**	**82,037**	**84,451**	**87,478**	**93,146**	**98,618**
TOTAL LIABILITIES	**148,160**	**150,627**	**153,084**	**155,575**	**157,816**	**159,640**	**164,499**	**169,278**	**174,781**	**182,698**
NET ASSETS	**2,380,223**	**2,383,723**	**2,395,476**	**2,404,115**	**2,412,966**	**2,423,244**	**2,431,439**	**2,439,194**	**2,446,690**	**2,451,436**
EQUITY										
Accumulated Surplus	(1,082,225)	(1,086,322)	(1,085,242)	(1,096,394)	(1,098,634)	(1,107,086)	(1,109,056)	(1,110,948)	(1,112,719)	(1,115,568)
Surplus (Deficit) for period	314	(3,500)	(11,753)	(8,638)	(8,852)	(10,277)	(8,195)	(7,754)	(7,496)	(4,746)
Asset Revaluation Reserve	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)
Restricted Assets	(71,501)	(67,090)	(71,670)	(72,271)	(78,670)	(79,070)	(87,377)	(93,681)	(99,663)	(104,312)
TOTAL EQUITY	**(2,380,223)**	**(2,383,723)**	**(2,395,476)**	**(2,404,115)**	**(2,412,966)**	**(2,423,244)**	**(2,431,439)**	**(2,439,194)**	**(2,446,690)**	**(2,451,436)**

WOLLONGONG CITY COUNCIL — SCENARIO 1

10 Year Financials

	2014/15 Forecast $'000	2015/16 Forecast $'000	2016/17 Forecast $'000	2017/18 Forecast $'000	2018/19 Forecast $'000	2019/20 Forecast $'000	2020/21 Forecast $'000	2021/22 Forecast $'000	2022/23 Forecast $'000	2023/24 Forecast $'000
CASH FLOW STATEMENT										
CASH FLOWS FROM OPERATIONS										
Receipts										
Rates and Annual Charges	161,443	170,419	179,496	186,125	192,716	199,696	206,070	213,090	220,120	227,772
User Charges & Fees	33,300	34,830	37,161	38,909	40,909	42,859	44,706	46,921	49,258	51,339
Investment Incomes	4,965	4,485	4,375	4,216	4,067	4,869	5,101	5,294	5,741	4,415
Grants & Contributions	39,538	38,297	40,524	37,231	38,066	38,615	39,163	39,269	39,722	40,421
Other Operating Receipts	9,146	9,882	10,727	10,975	11,231	11,534	11,848	12,171	12,509	12,859
Payments										
Employee Costs	(94,550)	(97,623)	(101,097)	(104,696)	(108,426)	(110,524)	(114,223)	(118,043)	(122,040)	(125,518)
Materials & Contracts	(87,941)	(88,969)	(90,841)	(94,275)	(99,272)	(105,983)	(112,455)	(118,274)	(124,169)	(131,769)
Borrowing Costs	(1,192)	(1,077)	(957)	(829)	(695)	(552)	(402)	(243)	(75)	0
Other Operating Payments	2,288	2,042	2,000	1,970	1,961	1,960	1,956	1,949	1,945	1,901
NET CASH PROVIDED BY (OR USED IN) OPERATIONS	**66,999**	**72,286**	**81,387**	**79,627**	**80,557**	**82,473**	**81,765**	**82,134**	**83,011**	**81,421**
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Sale of Investment securities	2,120	757	(440)	(80)	(674)	(65)	(879)	(666)	(618)	(520)
Proceeds from Sale of Property,Plant & Equip	2,208	2,008	1,522	755	200	1,751	800	900	750	2,300
Payments										
Purchase of Property Plant & Equipment	(85,496)	(76,974)	(73,352)	(74,301)	(68,600)	(78,022)	(70,964)	(73,408)	(75,096)	(78,519)
Advances to Deferred Debtors	(135)	0	0	0	0	0	0	0	0	0
NET CASH PROVIDED BY (OR USED IN) INVESTING ACTIVITIES	**(81,302)**	**(74,209)**	**(72,271)**	**(73,626)**	**(69,074)**	**(76,335)**	**(71,043)**	**(73,174)**	**(74,964)**	**(76,739)**
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Payments										
Repayments of Borrowings and Advances	(4,778)	(4,892)	(5,153)	(5,280)	(5,415)	(5,557)	(2,808)	(2,966)	(2,481)	0
NET CASH PROVIDED BY (OR USED IN) FINANCING ACTIVITIES	**(4,778)**	**(4,892)**	**(5,153)**	**(5,280)**	**(5,415)**	**(5,557)**	**(2,808)**	**(2,966)**	**(2,481)**	**0**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS HELD	**(19,082)**	**(6,815)**	**3,964**	**720**	**6,068**	**581**	**7,914**	**5,994**	**5,566**	**4,682**
Cash at Beginning of Period	96,010	76,928	70,113	74,077	74,797	80,865	81,446	89,360	95,354	100,920
CASH & CASH EQUIVALENTS AT EOY	**76,928**	**70,113**	**74,077**	**74,797**	**80,865**	**81,446**	**89,360**	**95,354**	**100,920**	**105,601**
PLUS other investment securities	8,548	7,790	8,231	8,311	8,985	9,050	9,929	10,595	11,213	11,733
TOTAL CASH & INVESTMENTS	**85,476**	**77,904**	**82,308**	**83,108**	**89,850**	**90,496**	**99,289**	**105,949**	**112,133**	**117,335**

WOLLONGONG CITY COUNCIL — SCENARIO 2

10 Year Financials

	2014/15 Forecast $'000	2015/16 Forecast $'000	2016/17 Forecast $'000	2017/18 Forecast $'000	2018/19 Forecast $'000	2019/20 Forecast $'000	2020/21 Forecast $'000	2021/22 Forecast $'000	2022/23 Forecast $'000	2023/24 Forecast $'000
INCOME & EXPENSE STATEMENT										
EXPENSES FROM ORDINARY ACTIVITIES										
Employee Costs	107,323	110,723	114,596	118,652	122,845	125,419	129,585	133,887	138,382	142,359
Borrowing Costs	3,918	3,754	3,581	3,385	2,916	2,404	2,336	2,155	2,073	1,770
Materials, Contracts & Other Expenses	91,659	95,889	101,963	106,329	111,934	118,928	125,918	131,945	138,233	146,250
Depreciation, Amortisation + Impairment	61,808	62,459	63,222	64,094	64,979	65,876	66,768	67,673	68,590	69,521
Internal Charges (labour)	(10,590)	(10,819)	(11,080)	(11,429)	(11,789)	(12,159)	(12,521)	(12,895)	(13,279)	(13,668)
Internal Charges (not labour)	(1,804)	(1,783)	(1,954)	(2,037)	(2,118)	(2,158)	(2,236)	(2,260)	(2,335)	(2,381)
Efficiency Improvements	(1,000)	(2,000)	(4,000)	(4,500)	(5,000)	(5,000)	(5,130)	(5,263)	(5,400)	(5,541)
Service Reductions	0	0	(100)	(600)	(800)	(1,000)	(1,026)	(1,053)	(1,080)	(1,108)
Total Expenses from Ordinary Activities	**251,313**	**258,223**	**266,228**	**273,895**	**282,967**	**292,309**	**303,693**	**314,189**	**325,183**	**337,202**
REVENUES FROM ORDINARY ACTIVITIES										
Rates and Annual Charges	164,983	174,771	185,499	191,802	198,440	205,278	211,676	218,936	226,138	233,816
User Charges and Fees	33,300	34,830	37,161	38,909	40,909	42,859	44,706	46,921	49,258	51,339
Interest and Investment Revenues	4,965	4,485	4,375	4,216	4,067	4,869	5,101	5,294	5,741	4,415
Other Revenues	8,829	9,074	9,323	9,577	9,838	10,105	10,376	10,656	10,950	11,070
Grants and Contributions - Operating	28,337	28,900	29,407	29,923	30,448	30,965	31,474	31,990	32,443	33,142
Additional Revenues	120	370	370	370	370	370	380	389	400	410
Revenues [pre capital]	**240,535**	**252,430**	**266,134**	**274,797**	**284,071**	**294,445**	**303,713**	**314,187**	**324,930**	**334,192**
NET SURPLUS (DEFICIT) [Pre capital]	**(10,778)**	**(5,793)**	**(93)**	**902**	**1,104**	**2,136**	**20**	**(3)**	**(253)**	**(3,010)**
Capital Grants & Contributions	11,201	9,397	11,118	7,308	7,619	7,650	7,690	7,279	7,279	7,279
NET SURPLUS (DEFICIT)	**423**	**3,604**	**11,024**	**8,209**	**8,723**	**9,785**	**7,710**	**7,276**	**7,026**	**4,269**

WOLLONGONG CITY COUNCIL SCENARIO 2

10 Year Financials

	2014/15 Forecast $'000	2015/16 Forecast $'000	2016/17 Forecast $'000	2017/18 Forecast $'000	2018/19 Forecast $'000	2019/20 Forecast $'000	2020/21 Forecast $'000	2021/22 Forecast $'000	2022/23 Forecast $'000	2023/24 Forecast $'000
FUNDING STATEMENT										
Surplus (Deficit) [pre capital]	**423**	**3,604**	**11,024**	**8,209**	**8,723**	**9,785**	**7,710**	**7,276**	**7,026**	**4,269**
Add back :										
- Non-cash Operating Transactions	79,481	80,451	81,812	83,264	84,485	85,715	87,427	89,078	90,884	92,353
- Restricted cash used for operations	7,820	8,448	9,397	10,543	11,715	12,964	13,459	13,913	14,371	14,945
- Income transferred to Restricted Cash	(30,846)	(28,486)	(30,860)	(27,519)	(28,158)	(27,919)	(28,524)	(28,253)	(28,890)	(28,741)
- Payment of Accrued Leave Entitlements	(10,131)	(10,430)	(10,737)	(11,054)	(11,380)	(11,715)	(12,061)	(12,418)	(12,785)	(12,955)
- Payment of Carbon Contributions	(508)	(730)	(982)	(1,238)	(1,494)	(1,762)	(2,052)	(2,362)	(2,689)	(3,033)
Funds Available from Operations	**46,240**	**52,857**	**59,655**	**62,206**	**63,891**	**67,067**	**65,958**	**67,234**	**67,918**	**66,838**
Advances (made by) / repaid to Council	(135)	0	0	0	0	0	0	0	0	0
Borrowings repaid	(4,778)	(4,892)	(5,153)	(5,280)	(5,415)	(5,557)	(2,808)	(2,966)	(2,481)	0
Operational Funds Available for Capital Budget	**41,327**	**47,965**	**54,502**	**56,926**	**58,476**	**61,510**	**63,151**	**64,267**	**65,437**	**66,838**
CAPITAL BUDGET										
Assets Acquired	(86,433)	(77,178)	(72,623)	(73,872)	(68,471)	(77,547)	(70,496)	(72,947)	(74,643)	(78,060)
Transfers to Restricted Cash	0	0	0	0	0	0	0	0	0	0
Funded From :-										
- Operational Funds	41,327	47,965	54,502	56,926	58,476	61,510	63,151	64,267	65,437	66,838
- Sale of Assets	2,208	2,008	1,522	755	200	1,751	800	900	750	2,300
- Internally Restricted Cash	10,319	5,550	1,883	3,653	676	1,057	2,607	3,386	3,427	3,444
- Capital Grants	6,600	700	709	1,850	1,350	1,200	400	780	1,100	980
- Developer Contributions (Section 94)	6,660	9,079	11,300	8,274	6,468	10,774	2,501	2,871	2,529	3,140
- Other Externally Restricted Cash	16,488	8,821	2,490	2,448	1,400	1,275	750	700	980	1,184
- Other Capital Contributions	100	300	500	150	150	250	500	300	500	400
TOTAL FUNDS SURPLUS / (DEFICIT)	**(2,731)**	**(2,756)**	**283**	**183**	**249**	**270**	**213**	**258**	**80**	**226**

WOLLONGONG CITY COUNCIL — SCENARIO 2

10 Year Financials

	2014/15 Forecast $'000	2015/16 Forecast $'000	2016/17 Forecast $'000	2017/18 Forecast $'000	2018/19 Forecast $'000	2019/20 Forecast $'000	2020/21 Forecast $'000	2021/22 Forecast $'000	2022/23 Forecast $'000	2023/24 Forecast $'000
BALANCE SHEET										
CURRENT ASSETS										
Cash Assets	76,885	70,136	74,177	74,873	80,916	81,523	89,438	95,433	100,999	105,682
Investment Securities	8,543	7,793	8,242	8,319	8,991	9,058	9,938	10,604	11,222	11,742
Receivables	18,762	19,690	20,758	21,434	22,158	22,967	23,690	24,507	25,345	26,067
Inventories	8,941	8,941	8,941	8,941	8,941	8,941	8,941	8,941	8,941	8,941
Other	929	955	981	1,006	1,032	1,059	1,087	1,115	1,144	1,174
TOTAL CURRENT ASSETS	**114,059**	**107,514**	**113,098**	**114,573**	**122,037**	**123,548**	**133,093**	**140,598**	**147,650**	**153,606**
NON-CURRENT ASSETS										
Non-Current Receivables	5,109	5,109	5,109	5,109	5,109	5,109	5,109	5,109	5,109	5,109
Investments Accounted for using Equity Method	984	984	984	984	984	984	984	984	984	984
Investment Property	4,045	4,211	4,382	4,558	4,738	4,923	5,109	5,294	5,479	5,479
Intangible Assets	364	364	364	364	364	364	364	364	364	364
Property, Plant & Equipment	2,404,627	2,417,262	2,425,141	2,434,164	2,437,456	2,447,376	2,450,224	2,454,598	2,459,900	2,466,139
TOTAL NON-CURRENT ASSETS	**2,415,128**	**2,427,929**	**2,435,979**	**2,445,178**	**2,448,650**	**2,458,755**	**2,461,788**	**2,466,347**	**2,471,835**	**2,478,074**
TOTAL ASSETS	**2,529,187**	**2,535,443**	**2,549,078**	**2,559,751**	**2,570,688**	**2,582,303**	**2,594,881**	**2,606,946**	**2,619,485**	**2,631,680**
CURRENT LIABILITIES										
Current Payables	22,618	23,240	23,960	24,651	25,467	26,308	27,332	28,277	29,266	30,348
Provisions < 12 Months	9,713	9,980	10,249	10,516	10,789	11,070	11,357	11,653	11,956	12,266
Provisions > 12 Months	33,145	34,057	34,976	35,885	36,818	37,776	38,758	39,766	40,800	41,860
Current Interest Bearing Liabilities	4,892	5,153	5,280	5,415	5,557	2,808	2,966	2,481	0	0
TOTAL CURRENT LIABILITIES	**70,368**	**72,429**	**74,466**	**76,467**	**78,632**	**77,961**	**80,414**	**82,176**	**82,022**	**84,475**
NON-CURRENT LIABILITIES										
Non Current Interest Bearing Liabilities	26,829	22,548	17,998	13,150	7,984	5,380	2,616	338	541	541
Non Current Provisions	51,030	55,902	61,025	66,336	71,551	76,657	81,835	87,140	92,605	98,078
TOTAL NON-CURRENT LIABILITIES	**77,859**	**78,450**	**79,024**	**79,486**	**79,535**	**82,037**	**84,451**	**87,478**	**93,146**	**98,618**
TOTAL LIABILITIES	**148,227**	**150,879**	**153,489**	**155,953**	**158,167**	**159,997**	**164,865**	**169,654**	**175,167**	**183,093**
NET ASSETS	**2,380,960**	**2,384,564**	**2,395,588**	**2,403,798**	**2,412,520**	**2,422,306**	**2,430,016**	**2,437,292**	**2,444,318**	**2,448,587**
EQUITY										
Accumulated Surplus	(1,082,225)	(1,087,059)	(1,086,083)	(1,096,506)	(1,098,317)	(1,106,640)	(1,108,118)	(1,109,524)	(1,110,818)	(1,113,196)
Surplus (Deficit) for period	(423)	(3,604)	(11,024)	(8,209)	(8,723)	(9,785)	(7,710)	(7,276)	(7,026)	(4,269)
Asset Revaluation Reserve	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)
Restricted Assets	(71,501)	(67,090)	(71,670)	(72,271)	(78,670)	(79,070)	(87,377)	(93,681)	(99,663)	(104,312)
TOTAL EQUITY	**(2,380,960)**	**(2,384,564)**	**(2,395,588)**	**(2,403,798)**	**(2,412,520)**	**(2,422,306)**	**(2,430,016)**	**(2,437,292)**	**(2,444,318)**	**(2,448,587)**

WOLLONGONG CITY COUNCIL SCENARIO 2

10 Year Financials

CASH FLOW STATEMENT

	2014/15 Forecast $'000	2015/16 Forecast $'000	2016/17 Forecast $'000	2017/18 Forecast $'000	2018/19 Forecast $'000	2019/20 Forecast $'000	2020/21 Forecast $'000	2021/22 Forecast $'000	2022/23 Forecast $'000	2023/24 Forecast $'000
CASH FLOWS FROM OPERATIONS										
Receipts										
Rates and Annual Charges	163,194	173,843	184,430	191,126	197,717	204,468	210,953	218,119	225,300	233,094
User Charges & Fees	33,300	34,830	37,161	38,909	40,909	42,859	44,706	46,921	49,258	51,339
Investment Incomes	4,965	4,485	4,375	4,216	4,067	4,869	5,101	5,294	5,741	4,415
Grants & Contributions	39,538	38,297	40,524	37,231	38,066	38,615	39,163	39,269	39,722	40,421
Other Operating Receipts	8,766	9,252	9,497	9,745	10,001	10,263	10,543	10,832	11,135	11,450
Payments										
Employee Costs	(94,550)	(97,623)	(101,097)	(104,696)	(108,426)	(110,524)	(114,223)	(118,043)	(122,040)	(125,518)
Materials & Contracts	(88,424)	(91,484)	(95,188)	(98,502)	(103,199)	(109,929)	(116,501)	(122,424)	(128,427)	(136,139)
Borrowing Costs	(1,192)	(1,077)	(957)	(829)	(695)	(552)	(402)	(243)	(75)	0
Other Operating Payments	2,288	2,042	2,000	1,970	1,961	1,960	1,956	1,949	1,945	1,901
NET CASH PROVIDED BY (OR USED IN) OPERATIONS	**67,887**	**72,564**	**80,743**	**79,171**	**80,401**	**82,028**	**81,298**	**81,674**	**82,559**	**80,963**
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Sale of Investment securities	2,125	750	(449)	(77)	(672)	(67)	(879)	(666)	(618)	(520)
Proceeds from Sale of Property,Plant & Equip	2,208	2,008	1,522	755	200	1,751	800	900	750	2,300
Payments										
Purchase of Property Plant & Equipment	(86,433)	(77,178)	(72,623)	(73,872)	(68,471)	(77,547)	(70,496)	(72,947)	(74,643)	(78,060)
Advances to Deferred Debtors	(135)	0	0	0	0	0	0	0	0	0
NET CASH PROVIDED BY (OR USED IN) INVESTING ACTIVITIES	**(82,235)**	**(74,420)**	**(71,550)**	**(73,195)**	**(68,943)**	**(75,863)**	**(70,575)**	**(72,713)**	**(74,512)**	**(76,280)**
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Payments										
Repayments of Borrowings and Advances	(4,778)	(4,892)	(5,153)	(5,280)	(5,415)	(5,557)	(2,808)	(2,966)	(2,481)	0
NET CASH PROVIDED BY (OR USED IN) FINANCING ACTIVITIES	**(4,778)**	**(4,892)**	**(5,153)**	**(5,280)**	**(5,415)**	**(5,557)**	**(2,808)**	**(2,966)**	**(2,481)**	**0**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS HELD	**(19,125)**	**(6,748)**	**4,041**	**696**	**6,044**	**607**	**7,915**	**5,995**	**5,566**	**4,683**
Cash at Beginning of Period	96,010	76,885	70,136	74,177	74,873	80,916	81,523	89,438	95,433	100,999
CASH & CASH EQUIVALENTS AT EOY	**76,885**	**70,136**	**74,177**	**74,873**	**80,916**	**81,523**	**89,438**	**95,433**	**100,999**	**105,682**
PLUS other investment securities	8,543	7,793	8,242	8,319	8,991	9,058	9,938	10,604	11,222	11,742
TOTAL CASH & INVESTMENTS	**85,427**	**77,929**	**82,419**	**83,192**	**89,907**	**90,582**	**99,376**	**106,036**	**112,221**	**117,425**

WOLLONGONG CITY COUNCIL — SCENARIO 3

10 Year Financials

INCOME & EXPENSE STATEMENT

	2014/15 Forecast $'000	2015/16 Forecast $'000	2016/17 Forecast $'000	2017/18 Forecast $'000	2018/19 Forecast $'000	2019/20 Forecast $'000	2020/21 Forecast $'000	2021/22 Forecast $'000	2022/23 Forecast $'000	2023/24 Forecast $'000
EXPENSES FROM ORDINARY ACTIVITIES										
Employee Costs	107,323	110,723	114,596	118,652	122,845	125,419	129,585	133,887	138,382	142,359
Borrowing Costs	3,918	3,754	3,581	3,385	2,916	2,404	2,336	2,155	2,073	1,770
Materials, Contracts & Other Expenses	91,659	95,889	101,963	106,329	111,934	118,928	125,918	131,945	138,233	146,250
Depreciation, Amortisation + Impairment	61,808	62,659	63,522	64,394	65,279	66,163	67,059	67,967	68,889	69,823
Internal Charges (labour)	(10,590)	(10,819)	(11,080)	(11,429)	(11,789)	(12,159)	(12,521)	(12,895)	(13,279)	(13,668)
Internal Charges (not labour)	(1,804)	(1,783)	(1,954)	(2,037)	(2,118)	(2,158)	(2,236)	(2,260)	(2,335)	(2,381)
Efficiency Improvements	(1,000)	(2,000)	(3,500)	(3,500)	(3,500)	(3,591)	(3,684)	(3,780)	(3,878)	(3,979)
Service Reductions	0	0	0	0	0	0	0	0	0	0
Total Expenses from Ordinary Activities	**251,313**	**258,423**	**267,128**	**275,795**	**285,567**	**295,005**	**306,456**	**317,020**	**328,083**	**340,174**
REVENUES FROM ORDINARY ACTIVITIES										
Rates and Annual Charges	166,016	176,837	188,598	194,901	201,539	208,872	215,378	222,749	230,066	237,849
User Charges and Fees	33,300	34,830	37,161	38,909	40,909	42,859	44,706	46,921	49,258	51,339
Interest and Investment Revenues	4,965	4,485	4,375	4,216	4,067	4,869	5,101	5,294	5,741	4,415
Other Revenues	8,829	9,074	9,323	9,577	9,838	10,105	10,376	10,656	10,950	11,070
Grants and Contributions - Operating	28,337	28,900	29,407	29,923	30,448	30,965	31,474	31,990	32,443	33,142
Additional Revenues	0	0	0	0	0	0	0	0	0	0
Revenues [pre capital]	**241,448**	**254,126**	**268,863**	**277,526**	**286,800**	**297,669**	**307,036**	**317,610**	**328,458**	**337,815**
NET SURPLUS (DEFICIT) [Pre capital]	**(9,865)**	**(4,297)**	**1,736**	**1,731**	**1,233**	**2,664**	**580**	**590**	**375**	**(2,359)**
Capital Grants & Contributions	11,201	9,397	11,118	7,308	7,619	7,650	7,690	7,279	7,279	7,279
NET SURPLUS (DEFICIT)	**1,336**	**5,100**	**12,853**	**9,038**	**8,852**	**10,314**	**8,270**	**7,869**	**7,654**	**4,920**

WOLLONGONG CITY COUNCIL — SCENARIO 3

10 Year Financials

	2014/15 Forecast $'000	2015/16 Forecast $'000	2016/17 Forecast $'000	2017/18 Forecast $'000	2018/19 Forecast $'000	2019/20 Forecast $'000	2020/21 Forecast $'000	2021/22 Forecast $'000	2022/23 Forecast $'000	2023/24 Forecast $'000
FUNDING STATEMENT										
Surplus (Deficit) [pre capital]	**1,336**	**5,100**	**12,853**	**9,038**	**8,852**	**10,314**	**8,270**	**7,869**	**7,654**	**4,920**
Add back :										
- Non-cash Operating Transactions	79,481	80,651	82,112	83,564	84,785	86,001	87,717	89,373	91,182	92,655
- Restricted cash used for operations	7,820	8,448	9,397	10,543	11,715	12,964	13,459	13,913	14,371	14,945
- Income transferred to Restricted Cash	(30,846)	(28,486)	(30,860)	(27,519)	(28,158)	(27,919)	(28,524)	(28,253)	(28,890)	(28,741)
- Payment of Accrued Leave Entitlements	(10,131)	(10,430)	(10,737)	(11,054)	(11,380)	(11,715)	(12,061)	(12,418)	(12,785)	(12,955)
- Payment of Carbon Contributions	(508)	(730)	(982)	(1,238)	(1,494)	(1,762)	(2,052)	(2,362)	(2,689)	(3,033)
Funds Available from Operations	**47,153**	**54,553**	**61,784**	**63,335**	**64,320**	**67,882**	**66,809**	**68,121**	**68,844**	**67,792**
Advances (made by) / repaid to Council	(135)	0	0	0	0	0	0	0	0	0
Borrowings repaid	(4,778)	(4,892)	(5,153)	(5,280)	(5,415)	(5,557)	(2,808)	(2,966)	(2,481)	0
Operational Funds Available for Capital Budget	**42,240**	**49,661**	**56,631**	**58,055**	**58,905**	**62,325**	**64,001**	**65,155**	**66,363**	**67,792**
CAPITAL BUDGET										
Assets Acquired	(87,346)	(78,874)	(74,752)	(75,001)	(68,900)	(78,362)	(71,346)	(73,834)	(75,569)	(79,014)
Transfers to Restricted Cash	0	0	0	0	0	0	0	0	0	0
Funded From :-										
- Operational Funds	42,240	49,661	56,631	58,055	58,905	62,325	64,001	65,155	66,363	67,792
- Sale of Assets	2,208	2,008	1,522	755	200	1,751	800	900	750	2,300
- Internally Restricted Cash	10,319	5,550	1,883	3,653	676	1,057	2,607	3,386	3,427	3,444
- Capital Grants	6,600	700	709	1,850	1,350	1,200	400	780	1,100	980
- Developer Contributions (Section 94)	6,660	9,079	11,300	8,274	6,468	10,774	2,501	2,871	2,529	3,140
- Other Externally Restricted Cash	16,488	8,821	2,490	2,448	1,400	1,275	750	700	980	1,184
- Other Capital Contributions	100	300	500	150	150	250	500	300	500	400
TOTAL FUNDS SURPLUS / (DEFICIT)	**(2,731)**	**(2,756)**	**283**	**183**	**249**	**270**	**213**	**258**	**80**	**226**

WOLLONGONG CITY COUNCIL SCENARIO 3

10 Year Financials

BALANCE SHEET

	2014/15 Forecast $'000	2015/16 Forecast $'000	2016/17 Forecast $'000	2017/18 Forecast $'000	2018/19 Forecast $'000	2019/20 Forecast $'000	2020/21 Forecast $'000	2021/22 Forecast $'000	2022/23 Forecast $'000	2023/24 Forecast $'000
CURRENT ASSETS										
Cash Assets	76,821	70,033	74,058	74,835	80,935	81,515	89,429	95,422	100,987	105,669
Investment Securities	8,536	7,781	8,229	8,315	8,993	9,057	9,937	10,602	11,221	11,741
Receivables	18,833	19,822	20,971	21,647	22,370	23,218	23,949	24,774	25,620	26,350
Inventories	8,941	8,941	8,941	8,941	8,941	8,941	8,941	8,941	8,941	8,941
Other	929	955	981	1,006	1,032	1,059	1,087	1,115	1,144	1,174
TOTAL CURRENT ASSETS	**114,059**	**107,532**	**113,179**	**114,744**	**122,271**	**123,791**	**133,341**	**140,853**	**147,911**	**153,874**
NON-CURRENT ASSETS										
Non-Current Receivables	5,109	5,109	5,109	5,109	5,109	5,109	5,109	5,109	5,109	5,109
Investments Accounted for using Equity Method	984	984	984	984	984	984	984	984	984	984
Investment Property	4,045	4,211	4,382	4,558	4,738	4,923	5,109	5,294	5,479	5,479
Intangible Assets	364	364	364	364	364	364	364	364	364	364
Property, Plant & Equipment	2,405,540	2,419,671	2,429,379	2,439,231	2,442,652	2,453,100	2,456,508	2,461,475	2,467,405	2,474,295
TOTAL NON-CURRENT ASSETS	**2,416,041**	**2,430,338**	**2,440,217**	**2,450,245**	**2,453,846**	**2,464,480**	**2,468,072**	**2,473,224**	**2,479,340**	**2,486,230**
TOTAL ASSETS	**2,530,100**	**2,537,870**	**2,553,397**	**2,564,989**	**2,576,118**	**2,588,270**	**2,601,414**	**2,614,077**	**2,627,251**	**2,640,104**
CURRENT LIABILITIES										
Current Payables	22,618	23,258	24,041	24,822	25,701	26,550	27,581	28,532	29,527	30,616
Provisions < 12 Months	9,713	9,980	10,249	10,516	10,789	11,070	11,357	11,653	11,956	12,266
Provisions > 12 Months	33,145	34,057	34,976	35,885	36,818	37,776	38,758	39,766	40,800	41,860
Current Interest Bearing Liabilities	4,892	5,153	5,280	5,415	5,557	2,808	2,966	2,481	0	0
TOTAL CURRENT LIABILITIES	**70,368**	**72,447**	**74,547**	**76,638**	**78,866**	**78,203**	**80,663**	**82,431**	**82,283**	**84,742**
NON-CURRENT LIABILITIES										
Non Current Interest Bearing Liabilities	26,829	22,548	17,998	13,150	7,984	5,380	2,616	338	541	541
Non Current Provisions	51,030	55,902	61,025	66,336	71,551	76,657	81,835	87,140	92,605	98,078
TOTAL NON-CURRENT LIABILITIES	**77,859**	**78,450**	**79,024**	**79,486**	**79,535**	**82,037**	**84,451**	**87,478**	**93,146**	**98,618**
TOTAL LIABILITIES	**148,227**	**150,897**	**153,570**	**156,124**	**158,401**	**160,240**	**165,114**	**169,908**	**175,428**	**183,361**
NET ASSETS	**2,381,873**	**2,386,973**	**2,399,826**	**2,408,865**	**2,417,716**	**2,428,030**	**2,436,300**	**2,444,169**	**2,451,823**	**2,456,743**
EQUITY										
Accumulated Surplus	(1,082,225)	(1,087,972)	(1,088,492)	(1,100,744)	(1,103,384)	(1,111,836)	(1,113,842)	(1,115,808)	(1,117,695)	(1,120,700)
Surplus (Deficit) for period	(1,336)	(5,100)	(12,853)	(9,038)	(8,852)	(10,314)	(8,270)	(7,869)	(7,654)	(4,920)
Asset Revaluation Reserve	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)	(1,226,811)
Restricted Assets	(71,501)	(67,090)	(71,670)	(72,271)	(78,670)	(79,070)	(87,377)	(93,681)	(99,663)	(104,312)
TOTAL EQUITY	**(2,381,873)**	**(2,386,973)**	**(2,399,826)**	**(2,408,865)**	**(2,417,716)**	**(2,428,030)**	**(2,436,300)**	**(2,444,169)**	**(2,451,823)**	**(2,456,743)**

WOLLONGONG CITY COUNCIL — SCENARIO 3

10 Year Financials

CASH FLOW STATEMENT

	2014/15 Forecast $'000	2015/16 Forecast $'000	2016/17 Forecast $'000	2017/18 Forecast $'000	2018/19 Forecast $'000	2019/20 Forecast $'000	2020/21 Forecast $'000	2021/22 Forecast $'000	2022/23 Forecast $'000	2023/24 Forecast $'000
CASH FLOWS FROM OPERATIONS										
Receipts										
Rates and Annual Charges	164,156	175,848	187,448	194,225	200,816	208,024	214,647	221,924	229,220	237,120
User Charges & Fees	33,300	34,830	37,161	38,909	40,909	42,859	44,706	46,921	49,258	51,339
Investment Incomes	4,965	4,485	4,375	4,216	4,067	4,869	5,101	5,294	5,741	4,415
Grants & Contributions	39,538	38,297	40,524	37,231	38,066	38,615	39,163	39,269	39,722	40,421
Other Operating Receipts	8,646	8,882	9,127	9,375	9,631	9,893	10,164	10,443	10,736	11,040
Payments										
Employee Costs	(94,550)	(97,623)	(101,097)	(104,696)	(108,426)	(110,524)	(114,223)	(118,043)	(122,040)	(125,518)
Materials & Contracts	(88,424)	(91,466)	(95,725)	(100,012)	(105,436)	(112,330)	(118,967)	(124,954)	(131,023)	(138,802)
Borrowing Costs	(1,192)	(1,077)	(957)	(829)	(695)	(552)	(402)	(243)	(75)	0
Other Operating Payments	2,288	2,042	2,000	1,970	1,961	1,960	1,956	1,949	1,945	1,901
NET CASH PROVIDED BY (OR USED IN) OPERATIONS	**68,729**	**74,217**	**82,855**	**80,390**	**80,893**	**82,813**	**82,147**	**82,560**	**83,483**	**81,916**
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Sale of Investment securities	2,132	754	(447)	(86)	(678)	(64)	(879)	(666)	(618)	(520)
Proceeds from Sale of Property,Plant & Equip	2,208	2,008	1,522	755	200	1,751	800	900	750	2,300
Payments										
Purchase of Property Plant & Equipment	(87,346)	(78,874)	(74,752)	(75,001)	(68,900)	(78,362)	(71,346)	(73,834)	(75,569)	(79,014)
Advances to Deferred Debtors	(135)	0	0	0	0	0	0	0	0	0
NET CASH PROVIDED BY (OR USED IN) INVESTING ACTIVITIES	**(83,140)**	**(76,112)**	**(73,677)**	**(74,333)**	**(69,378)**	**(76,675)**	**(71,426)**	**(73,600)**	**(75,437)**	**(77,234)**
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Payments										
Repayments of Borrowings and Advances	(4,778)	(4,892)	(5,153)	(5,280)	(5,415)	(5,557)	(2,808)	(2,966)	(2,481)	0
NET CASH PROVIDED BY (OR USED IN) FINANCING ACTIVITIES	**(4,778)**	**(4,892)**	**(5,153)**	**(5,280)**	**(5,415)**	**(5,557)**	**(2,808)**	**(2,966)**	**(2,481)**	**0**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS HELD	**(19,190)**	**(6,787)**	**4,025**	**777**	**6,100**	**580**	**7,913**	**5,993**	**5,565**	**4,682**
Cash at Beginning of Period	96,010	76,821	70,033	74,058	74,835	80,935	81,515	89,429	95,422	100,987
CASH & CASH EQUIVALENTS AT EOY	**76,821**	**70,033**	**74,058**	**74,835**	**80,935**	**81,515**	**89,429**	**95,422**	**100,987**	**105,669**
PLUS other investment securities	8,536	7,781	8,229	8,315	8,993	9,057	9,937	10,602	11,221	11,741
TOTAL CASH & INVESTMENTS	**85,356**	**77,815**	**82,287**	**83,150**	**89,928**	**90,573**	**99,365**	**106,024**	**112,207**	**117,410**

Assumptions, Indices and Measurements

Indices

The financial forecasts that support the Long Term Financial Plan are comprised of both recurrent and non-recurrent income and expenditure. The non-recurrent items are addressed in the Long Term Financial Plan and 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.

The following table provides a summary of the indices that support the Long Term Financial Plan.

Indices

	2014/15 %	2015/16 %	2016/17 %	2017/18 + %
CPI - general expenditure	2.3	2.75	2.7	2.6
Expenditure growth	0.3	0.3	0.3	0.3
Fees and Charges				
-Commercial	3.0	3.0	3.0	3.0
-Other	3.0	3.0	3.0	3.0
Employee Costs				
-Wages costs	3.0	3.0	3.0	3.0
-Skills & Performance adjustments	0.3	0.3	0.3	0.3
-Superannuation levy increase	0.25	0.50	0.50	0.50
Rates Increase - rate peg*	2.70	3.00	3.00	3.00
Rates Increase - growth	0.40	0.40	0.40	0.40
Total Rate increase applied	3.10	3.40	3.40	3.40
Interest Rates (90 day bill rate)	3.00	4.10	4.70	4.70
Loan borrowing rate	6.9	7.5	7.6	7.6
Utilities				
-Electricity	3.3	7.0	7.0	7.0
-Other Utilities	3.3	3.7	3.7	3.6
-Street lighting	3.3	3.7	3.7	3.6

* rate peg for 2014-15 includes a claw back of 0.3% for carbon tax increases allowed in previous years

The above indices were derived from a number of publications including long term economic projections published by various banks, the Quarterly Economic Brief from Deloitte Access Economics and IPART recommendations for various utilities and rates pegging.

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

Much of the population growth is expected to be centred on new residential developments at West Dapto in Wollongong's south-west. Growth will also continue through increased density in some urban areas.

The underlying income growth assumption in the long term financial plan projections is that Council rates revenue will grow by 0.4% per annum. Expenditure growth will be partially absorbed through economies of scale leaving a 0.3% increase provided for expansion in delivery of service to new development.

Growth in West Dapto will require significant new services supported by a substantial level of new infrastructure. The cost of services in this area is intended to be funded from additional rate revenue as properties are developed. Council's forecasts do not include the full extent of services expected from development in West Dapto as this is still in the planning phase. Council has made a decision to 'ring fence' additional rates revenue from West Dapto to be used in providing these services into the future.

Consumer Price Index (CPI)

Consumer price index has been applied to some expenditure within the Long Term Financial Plan where applicable. The estimated CPI has been based on the Quarterly Economic Brief from Deloitte Access Economics

Carbon Pricing

While there is uncertainty in the future application of carbon price the current estimates are inclusive of existing legislation and cost structures.

Employee Costs

Operational Employee costs represent 38.0% of Council's operating expenses and includes the payment of salary and wages, overtime, casual labour, labour on costs such as annual leave, superannuation, workers' compensation, long service leave, associated costs such as training, protective clothing and fringe benefits tax. The Long Term Financial Plan baseline projections are based on the current Employee Establishment and service levels. Additional labour costs related to specific non recurrent projects (where identified) are also included. The majority of staff is employed under a negotiated Enterprise Agreement that is subject to renewal every three years, with the next renewal period being 1 July 2015.

The cost of employees working on capital projects is allocated to specific projects as work is undertaken and not included in Operational Employee costs. This includes design, survey, project management and supervision, and construction staff. The budget includes an estimate of the annual employee allocation expected to be made to capital works and this is reflected in Internal Charges (labour) in the Income and Expense Statement.

Labour costs have been indexed by the Wage Cost Index while associated costs have generally been indexed by CPI. In addition to anticipated indexation increases, an additional 0.3% is provided for skills and performance improvements that are assessed on an annual basis.

The Wage Cost Index reflects expected overall increases in labour costs and is based on a number of factors including Local Government (State) Award, potential outcome of the renewal of the current employee Enterprise Agreement, information from external forecasting bodies and movements in staff. Any material deviation from this assumption will have a significant impact on forecasts due to the overall quantum of this expense category.

Superannuation expenditure forecasts are determined by fund membership as well as expected wage increases. The majority of Council employees belong either to a defined benefits scheme, which ceased taking new members in 1991, or an accumulation scheme. Defined benefits scheme expenses are tied to employee contributions while accumulation scheme contributions are calculated at the current Superannuation Guarantee Levy of 9.5% of wages for those staff. Employee cost forecasts include the impact of an increase to the Superannuation Guarantee levy to 12.0% by 2020 that has now been approved by the Federal Government.

Utility Cost

Projected increases for utility costs are generally based on Independent Pricing and Regulatory Tribunal (IPART) publications other than for electricity which also includes recognition of specific negotiated contracts that are in place for Council sites (large sites and street lighting until June 2016 and smaller sites June 2014).

Rates Increases (Rate Pegging)

Rate revenue projections in the long term financial plan are based on application of the maximum permissible increase and an allowance for growth in rateable properties.

Rate increases in NSW have been determined by the State Government since 1977 through an approach known as 'rate pegging'. In 2011, the responsibility for determining the annual rate pegging increase was delegated to IPART. Councils are advised of the permissible increase annually in December. The rate peg is based on previous year movement in the Local Government Cost Index that has been established by IPART less a productivity coefficient. For 2014-15, IPART will apply an additional 0.3% discount for carbon tax impact applied in prior periods.

A general growth factor of approximately 0.4% per annum has been included for the years 2014-15 and beyond. This is based on historical and future expectations of growth and equates to approximately 420 additional properties. In addition, growth has also been built into the forecasts for expected development at West Dapto and this has been aligned to estimated staging of that release area.

Borrowings

Loan borrowings are based on ten year Treasury bond rate + 1.5% margin. Details of specific loans are as follows:

- ### Interest Free Loan

The operating expenses shown in Council's forecasts include a borrowing cost for an interest free loan that Council received in 2009-10 for the West Dapto Access Strategy. As that 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 of the future repayments that will be made over the remaining life of the asset. The $26.05 million loan was originally recognised as a liability of only $17.3 million while the difference between that and the actual cash received was treated as income in 2009-10. There is a notional interest expense recorded each year to reflect the amortisation of this notional income and the increase in the Net Present Value (NPV) over the life of the loan.

- ### Waste Facility Remediation

Council is required under its accounting standards to recognise the value of its waste facilities inclusive of remediation works that are required. The anticipated cost of the remediation is added to the value of the waste facility asset and also held as a provision (liability) against the asset. Both sides of this transaction are held at NPV. As the NPV increases over time, the increase in provision is transacted through the Income and Expense Statement as borrowing costs.

- ### Local Infrastructure Renewal Scheme

The State Government announced the introduction of the Local Infrastructure Renewal Scheme (LIRS) in late 2011. The scheme initially provided a 4.0% interest subsidy and aims to provide an incentive to councils to make greater use of debt funding to accelerate investment in infrastructure backlogs and augment funding options already available to councils. Council received approval for a subsidised $20 million loan borrowing that will be used over a five year period to accelerate the Pathway Renewal program. The accelerated works have been included in the capital budget for completion in years to 2016-17.

An additional $4.3 million subsidised loans was approved under Round Two of the LIRS program to be used for building renewals. The subsidy in Round Two was reduced to 3.0%. Further applications are anticipated for Round Three in 2014 subject to the level of subsidy offered providing economic advantage.

Investment Returns

Council's anticipated cash holdings are drawn from the forecast revenues and expenditures and anticipated internal and external restricted cash balances and will fluctuate over the life of the long term financial plan. It is expected that the average annual portfolio over the ten years will be in the vicinity of $90 million. Investment returns are based on anticipated cash holdings, forecast 90 day bill rates and current investment strategies. Council is required to restrict any interest attributed to Section 94 developer contributions, domestic waste management and a number of grants.

Grants & Contributions

Grants and contributions provide a significant source of revenue for Council. These can be of a capital or operational nature and may be provided for general or specific purposes.

Operational Grants

Operational grant income for 2014-15 is estimated at $26.6 million and represents approximately 11.3% of operational revenue. The major general purpose or untied grants are the Financial Assistance Grant (FAG) and Pensioner Rate subsidy.

The FAG is funded by the Federal Government and distributed to councils through the States and although it is comprised of two components, general purpose and roads component, it is an unconditional grant. Distribution criteria include population changes, changes in standard costs, disability measures, local roads and bridges lengths and changes in property values. The projected income for the FAG grant for 2014-15 is $17.9 million. Subsequent year's indexation is predominantly based on expected CPI without the timing distortion of the early payment.

The Pensioner Rate Subsidy is provided by the State Government to offset the cost of the mandatory pensioner rebate. It is expected that Council will receive $2.3 million income for this in 2014-15. In addition, Council expects to receive a number of recurrent operational grants that are tied to specific service deliveries or outcomes.

Operational grant forecasts include annual funding of approximately $3 million from Federal and State sources for community transport and social support programs. Council has been delivering these services to the community for over twenty years. However, in the last five years those services have been operating at cost neutral to council. The Federal Government has recently commenced a reform of aged and disability services that will impact on how these services may be delivered in the future and on what Council's role may be. The programs are funded till June 2015. Council is in the process of evaluating the impact of the reforms on the delivery of our service, and exploring potential service and governance models for delivery of these programs in the future.

There has also been a change in funding availability from the Waste and Sustainability Improvement Program (Wasip.). Under this program funds were allocated from State Government levies on waste and cover material at landfills. This grant ceased in 2012-13 and provided over $1.3 million for additional environmental and waste focused tasks. The State finalised this program and had implemented a transitional arrangement that provided Council one more year in 2013-14 of funding that was received in 2012-13. Additional funds may become available through the Waste Less Recycle More grants that will replace WaSIP allocations from the Waste Levy. Estimates of funding have not been made available at this stage.

The Long Term Financial Plan also includes an estimate for unconfirmed capital grants and contributions that are expected to be received in future years. This capital income comes mainly from developer contributions (Section 94) or grants from other tiers of government. Grant income is tied to specific works while developer contributions are related to individual Contribution Plans and are based on historical receipts for city wide and estimated land lot production and release for West Dapto. Any changes in the quantum or timing in the availability of these grants and contributions will have a direct impact on the capital works program. Impacts may include changes in timing of projects pending as alternate sources of funding or substitution of Council funding which may result in a delay in non-funded projects. Projects that are heavily reliant on external funding include West Dapto and the repayment of the interest free loan for West Dapto Access Strategy that is supported by expected Section 94 receipts.

Waste Facility

Waste facility costs are impacted by a range of external factors including increased industry regulation, state government environmental levies and carbon pricing. The current financial forecast is based on an assumption that Council will continue to incur the full impact of carbon pricing and that this will be recouped through charges to users of the waste facilities. Changes to legislation and/or the development and implementation of new technologies may mitigate this impact in the future. Carbon pricing is currently based on the assumption that waste collected today will create emissions for many years. Operators of waste facilities that meet the carbon emission threshold will need to ensure that sufficient cash is collected through the annual fee structure so that future liabilities can be met. The carbon price will be paid in arrears and unspent fund will be shown in the balance sheet as a liability. This requirement creates a future financial risk if insufficient funds are collected, and conversely opportunity for reduced cost if the legislation is repealed.

Waste facilities operations are more significantly impacted by the requirement to pay an Environmental Levy on waste that goes to land fill and on any cover materials used to manage waste that are sourced externally. The cost of the levy for 2014-15 is anticipated to be $120.50 per tonne and is expected to increase by approximately $11 + CPI each year. Current operational expenditure forecasts and fee structures propose that Council will be able to source an amount of cover materials onsite to reduce the overall cost of this levy.

Domestic Waste

Under the Local Government Act, Council must not apply income from an ordinary rate towards the cost of providing Domestic Waste Management Services. Income obtained from charges for Domestic Waste Management must be calculated so as to not exceed the reasonable cost to the council of providing those services. The charge calculated for 2014-15 and beyond will be based on the full recovery of the service, including appropriate charge for the Domestic Waste tipping fees at Whyte's Gully. The Waste Facility tipping charge includes pricing for future capital costs associated with management of the facility, long term site remediation, increased environmental levies for landfill and carbon price. The future charges could also be impacted by the changes to the long term cost of the landfill and recycling activities.

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. Additional expenditure for this role or potential eventualities have not been specifically included in current forecasts. Increased emphasis on climate change related activities may require a redirection of funding.

Restricted Assets

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

The following table shows anticipated restrictions:

3 YEAR RESTRICTED CASH SUMMARY

		2014/15 Forecast $'000			2015/16 Forecast $'000			2016/17 Forecast $'000		
PURPOSE OF RESTRICTED CASH	OPENING BALANCE	Transfer		Balance	Transfer		Balance	Transfer		Balance
	1/07/14	In	Out	30/06/15	In	Out	30/06/16	In	Out	30/06/17
Internally Restricted Cash										
Community Infrastructure	3,348			3,348			3,348			3,348
MacCabe Park Development	540	150		690	150		840	150		990
City Parking Strategy	842	386	50	1,178	369	300	1,247	352	300	1,300
Sports Priority Program	414	267	150	531	267	150	647	267	150	764
Telecommunications Revenue	207	34	33	208	34	33	209	35	33	211
West Dapto Rates (additional)	287	391	1,723	(1,045)	563	1,790	(2,272)	800		(1,472)
Darcy Wentworth Park	132	33		165	34		198	35		233
Waste Disposal Facilities ***	13,887	3,687	8,413	9,162	3,527	3,327	9,363	3,470	1,420	11,413
Total Internal Restricted Cash	**19,657**	**4,948**	**10,369**	**14,236**	**4,945**	**5,600**	**13,582**	**5,109**	**1,903**	**16,788**
Externally Restricted Cash										
Section 94	11,292	9,236	6,756	13,772	8,972	9,176	13,569	11,162	11,396	13,335
Grants	10,777	8,526	11,210	8,092	6,917	5,617	9,392	6,489	5,948	9,934
Loan Repayments	31,573		15,188	16,385		7,961	8,425		1,005	7,419
Carbon Pricing	4,557	3,134	508	7,183	3,293	730	9,746	3,711	982	12,475
Domestic Waste Management	7,803	1,356		9,158	661	255	9,564	636	855	9,345
External Service Charges to Restricted Assets	47	49		96	50		146	51		197
Other Contributions	2,194	480	525	2,149	490	536	2,103	499	513	2,089
Special Rates Levies - City Centre + Mall	225	1,388	1,419	195	1,423	1,457	161	1,459	1,496	123
Stormwater Management	516	1,729	2,012	233	1,736	1,566	403	1,743	2,181	(35)
Total External Restricted Cash	**68,985**	**25,898**	**37,618**	**57,265**	**23,541**	**27,297**	**53,508**	**25,750**	**24,376**	**54,882**
Grand Total	**88,642**	**30,846**	**47,987**	**71,501**	**28,486**	**32,897**	**67,090**	**30,860**	**26,279**	**71,670**

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

Asset Management – Valuation and Asset Lives

As an industry, Local Government has recognised it is faced with an asset maintenance shortfall and has a need to provide for ongoing asset replacement. The consumption of these assets is represented by deprecation 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 deprecation expenditure.

West Dapto Development

Some aspects of the West Dapto release area have been progressed to a stage where they can be introduced into Council's Long Term Financial Plan. In particular, the development of the road works as outlined in the West Dapto Access Strategy was introduced in part in the 2010-11 capital budget and future years. The project, as included, is funded from existing Section 94 Funds, Building Better Regional Cities Grant, Council revenue, and the interest free loan from the Department of Planning.

Loan repayments have been set by the Department of Planning over a 10 year period. It is intended that for the most part the loan repayment will be funded by future Section 94 Funds and rates revenue from West Dapto. Estimates have been included for Section 94 Income from West Dapto based on current lot development projections and current estimated pricing for the West Dapto Section 94 Plan. These prices are subject to review and approval by the Department of Planning.

In accordance with Council's Financial Strategy, additional rate revenue raised through subdivisions in the West Dapto release area will be transferred to an internal restriction and used to assist in funding West Dapto works. Funding has been applied to debt repayments over the first ten years.

No other expenditures relating to the release area have been included. There is significant planning and analysis required in estimating the financial impacts of the development which cannot be satisfactorily completed until there is greater certainty in relation to service and assets plans for the area.

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 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

The current base line forecast includes one provision for property sales of $3.6 million in the Year 2013-14. 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.

Sensitivity to Indices, Assumptions, Parameters

The breadth of external influences on Council's operations means that the relationship between long term income and expenses estimates and eventualities may vary markedly. Long term financial plans are not designed to predict the actual costs of the future with accuracy, but need to be capable of providing a base upon which decisions can be made and changing environments can be assessed.

Council's long term plan is based on a vast number of assumptions, indices and parameters, which remain under constant watch to improve knowledge of future impacts. While indices are important in understanding future costs, it is the relationship between changes in cost and changes in revenues that impact the Key Financial Indicators. For example, if CPI increases by a percentage higher than anticipated and IPART take this into account in the rate rise, the impact on the bottom line may be low. From a sensitivity perspective it is more important to analyse which indicators may move apart and impact the bottom line.

Sensitivity Analysis 1

From Wollongong City Council's perspective, the greatest risk is related to the relationship between the largest cost item (Employee Costs) and the largest revenue item (Rates) that is considered most crucial.

The current base line plan includes increases in rates tied to the prior year CPI increase. Employee costs have been indexed at 3.5% each year.

The net impact of these indices on the bottom line for the first five years is shown in the table below:

Net Cost of indexation - Employee Costs versus Rates			
	2014/15 Forecast $000	2015/16 Forecast $000	2016/17 Forecast $000
Total Employee Costs	96,510	99,708	103,340
Total Rates Revenue	(128,492)	(133,152)	(138,033)
NET REVENUE	**(31,982)**	**(33,444)**	**(34,692)**

It can be seen that this relationship has created a slight increase in the net revenue result each year. This increase is predominately due to the growth allowed in rates in line with new properties. The estimates for employee costs do not provide for any growth in establishment over this time. This assumption is described earlier and is based on the need for increased efficiencies and economies of scale. This assumption may be challenged over time.

The risk to Council is that employee increases exceed the rates increase by a margin greater than forecast going forward. There is immediate risk in this assumption as there is currently an Enterprise Agreement negotiation due in 2015 and every three years after. Should the agreed increases exceed indexation forecasts there will be immediate pressure on this equation. Employee costs are a reflection of employee wages and establishment numbers so adjustments are able to be made to numbers if the individual rates exceed expectations, but this is difficult to achieve without impacting services. Efficiency is built into Council's forecasts through the optional scenario's to be implemented that would make a decision such as this more difficult.

Should, for example, the relationship between employee costs and rates move by 1 percent in an adverse direction (from a results perspective) the net revenue variation would be as shown below.

Net Cost Employee Costs versus Rates (1% variance)			
	2014/15 Forecast $000	2015/16 Forecast $000	2016/17 Forecast $000
Total Employee Costs	97,475	100,705	104,374
Total Rates Revenue	(128,492)	(133,152)	(138,033)
NET REVENUE	**(31,017)**	**(32,447)**	**(33,659)**
NET VARIATION	**(965)**	**(997)**	**(1,033)**

The analysis shown in the table indicates Council's sensitivity to small changes in the indexation of wages. The one percent variation in one year that is not offset by similar indexation in revenue (rates) will reduce the bottom line by approximately $1 million. This information can be extrapolated to show that if just one percent variation was incurred over the three year period the cost would exceed $3 million per annum.

Sensitivity Analysis 2

Council's underlying long term financial challenge is linked to the need to renew its extensive level of infrastructure assets used in providing services. The financial results reflect the consumption of assets through depreciation as an expense in each year. The depreciation expense is an annualised cost calculated by dividing the replacement cost of the asset by the number of years it is expected to be used before replacement (useful life).

The estimates of useful life are averaged for each asset type. Life is estimated using information available from condition assessment, industry standards and design information. Some classes of assets, such as drains and roads, have very long lives and in many cases Wollongong City Council has not yet needed to replace the current assets. Therefore, accurate information on actual life has a degree of uncertainty. This sensitivity analysis is provided to show the impact of a change in the useful life.

To illustrate this sensitivity, a broad variation to the assumptions will be analysed. It is considered that this assumption would not vary in this way in practice; however, potential adjustments to asset lives could have a similar effect. For this sensitivity analysis, it is assumed that the asset lives of roads, drainage, and buildings are extended by 10%.

Depreciation - 10 % increase in asset lives			
	2014/15 Forecast $000	2015/16 Forecast $000	2016/17 Forecast $000
Current Depreciation	62,808	63,659	64,522
Scenario 2 Depreciation	57,818	58,601	59,395
NET REVENUE VARIATION	**4,990**	**5,058**	**5,127**

The outcomes of this analysis shows that the improvements in the bottom line effected by a change to asset lives is significant, although even with a 10% variation the funding gap remains high. While Council has expended substantial effort in improving asset information and assessment over a period of time, variation such as this remain a possible outcome as new information is brought to hand.

Overall, the financial forecasts have been designed to represent a reasonably tight set of numbers which will require restraint and constraint through strong management and will require change and flexibility to ensure targets are reached.

Budget Limitations/Development

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

- West Dapto Development

The West Dapto release area has commenced development from 2011-12. The current capital works program includes part of the West Dapto Access Strategy valued at $26.9 million predominately funded by loans and Section 94. Estimates for anticipated Section 94 contributions have been included based on preliminary development and Section 94 estimates. Rate revenue increases have also been estimated based on the current development projections. Depreciation expense based on the planned capital program is included.

There is significant planning and analysis required in estimating the financial impacts of the development which cannot be satisfactorily completed until there is greater certainty in relation to service and assets planned for the area.

- 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.

Understanding the Financials - Measurements

Council's Delivery Program includes an Income and Expense Statement for the Council. This shows the amount of income Council receives and how it plans to spend it. A Funding Statement is included to show how operational deficits (or surpluses) translate into funds available and how those funds together with non-operating income are allocated.

Council's financial estimates are based around five important 'bottom line' considerations:

Net Surplus (Deficit) [pre capital]

The Net Surplus (Deficit) [pre capital] is considered to be one of the main indicators of the long term 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 existing assets, which are an integral part of that service, when required. The indicator includes significant accounting and engineering estimates relating to the consumption of long lived assets (depreciation) which significantly impact this result.

Net Surplus/(Deficit)

This result in the Income and Expense Statement includes the dedication of, or cash contribution to, new assets. This result reflects the actual change in net assets of the organisation or community for the period. Over a period of time, it would be expected that community assets at least increase in line with population and inflation to maintain the current level of community wealth.

Operational Funds Available for Capital

Operational Funds Available for Capital is an important measure of Council's ability to fund asset renewal and growth in assets. The result is drawn from the Operating Statement after the removal of all non-cash transactions and the allocation of operational revenues to restricted assets. The funds left available for capital excludes payments required for employee leave and loan repayments. This result is detailed in the Funds Statement.

The improvement of this target remains the primary financial objective of Council to improve Council's ability to provide acceptable services and community amenities into the future.

Funds Result

The Total Funds Surplus/(Deficit) shows the degree to which the funds earned or acquired by the organisation are allocated during the period. This approximates the cash movements before timing issues related to debtors and creditors. 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 or slight surplus over the life of the Long Term Financial Plan. 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 breakeven funds results, this position can be maintained

Available Funds

Available Funds are the working capital of an organisation used to meet short term cash requirements, provide contingency for unexpected costs or loss of revenue, and to provide flexibility to take advantage of opportunities that may arise from time to time. While it is anticipated that at a point in time the Available Funds balance may fall below the targeted level, the onus in planning is to ensure adequate adjustment is made to restore the balance through future programs, within an acceptable timeframe.

THE ASSET MANAGEMENT PLAN

SECURING OUR FUTURE

Introduction

This Asset Management Plan provides a strategic direction for the management of Council's infrastructure assets to support the service delivery needs of the community into the future. This is balanced with the available financial resources and workforce to ensure long term sustainable service provision. This review of the Asset Management Plan has a particular focus on achieving financial sustainability as part of Council's Securing Our Future – Financial Sustainability Review.

This plan has been developed under the auspices of Council's Asset Management Policy and presents our Asset Management Strategy and Improvement Plan which enables the overarching objectives of the Community Strategic Plan and Resourcing Strategy to be achieved. The plan supports and directly integrates with our Long Term Financial Plan and policies, particularly those establishing minimum levels of investment of Council funds to capital renewal and the consideration of full lifecycle costs in all infrastructure-related decision making.

Our Assets

Council is the custodian of community assets with a current replacement cost of $4.04 billion. These assets are expected to be managed to provide the greatest benefits, at the lowest whole-of-life costs. These assets include roads, drains, footpaths, community facilities, recreational facilities, parks and gardens. Council has invested substantial resources to the maintenance of these assets over many years in order to service the needs and enhance the quality of life of the Wollongong Local Government Area community

Council has developed asset management plans (AMPs) for major asset groupings, which collectively provide a significant source of information and direction on our infrastructure assets. Existing service-based strategic plans, community engagement outcomes, population projections and demand forecasts have been considered in preparing this Asset Management Plan and the detailed AMPs. Overall, although owning and managing a large proportion of ageing infrastructure, the condition and performance of Council's assets is generally good. We do however face an increasing challenge to fund the ongoing maintenance and renewal of assets as they become due for replacement.

Sustainability of Our Assets

Council faces a similar challenge to many councils across the state in providing sufficient funds for the renewal of assets. In 2012, the NSW Treasury Corporation (TCorp) undertook an analysis of all councils in NSW to review their financial sustainability. They identified that Council was below the benchmark set for assets renewal.

Council has also undertaken a '*Lifecycle Analysis*' to assist in assessing the financial sustainability of managing our infrastructure assets over their life. This ranges from planning and construction to routine maintenance and decommissioning. This essentially provides an indication as to whether present consumers are paying a fair share of the cost of assets in providing services each year. To establish the financial sustainability of an asset's life cycle, the '*Lifecycle Cost*' and the '*Lifecycle Expenditure*' of the asset are compared to give a '*Sustainability Index*'.

The overall *Lifecycle Sustainability Index* for all Councils assets is 0.65. This value (being below 1.0) indicates that there is currently a shortfall in expenditure to match the optimum maintenance/operations and renewal expenditure required each year over the whole life of our assets. If this continues, asset condition/performance is likely to continue to decline, resulting in lower levels of service.

It also means that current users are not paying their full share of the cost of maintaining the city's infrastructure assets.

This Asset Management Plan, in association with the Long Term Financial Plan (LTFP) presents the detail behind the current challenge faced by Council in sustainably funding the management and replacement of its infrastructure assets. The plan also presents an analysis of the implications of adopting a number of scenarios to address the shortfall in funding for infrastructure renewal and compares these to the current *baseline* model. These analyses confirm the need for Council to source and allocate significant additional funding on an ongoing basis to the management and replacement of its infrastructure assets.

Asset Management Framework

Council endorsed an Asset Management Policy in June 2005 which has subsequently been reviewed. A revised 'Management of Assets Policy' has been prepared and is proposed to be tabled for adoption by Council in 2013-14. The policy has been updated to better reflect current thinking under the new requirements of the Local Government Act 1993. The updated policy will provide direction on the structure, and improvements necessary to meet the needs of our community and for the implementation of the Asset Management Strategy and Plans.

There are two main objectives of the Asset Management Strategy. These include:

– aligning Council's asset base, and its associated levels of service, with the objectives contained in the Community Strategic Plan, community priorities and the Asset Management Policy
– improving Council's Asset Management practices.

To date, asset management plans (AMPs) have been developed for the following asset categories:

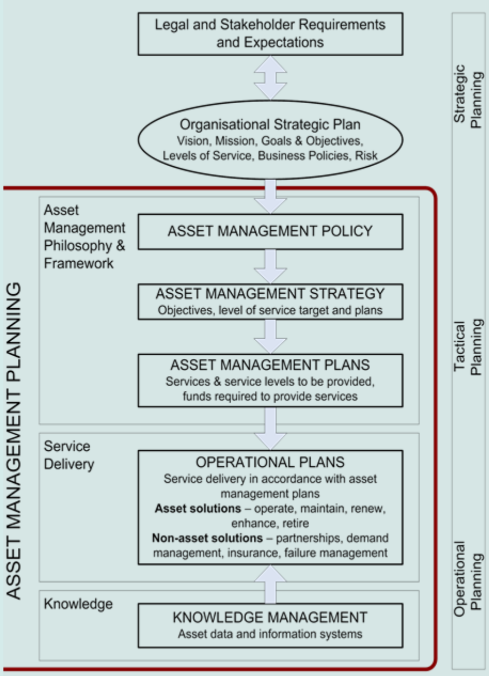
- Buildings and Facilities
- Transport Infrastructure
- Stormwater Drainage
- Recreation and Open Spaces
- Plant and Equipment.

These plans contain more specific details about:

- Quantity, value and condition
- Key standards, systems and guidelines which influence asset management activities
- Draft levels of service (current and desired) and a system of performance measures
- Factors influencing future demand and the impacts of changing demand
- Management of risk
- Summary of lifecycle strategies and costs
- Long term financial projections and sustainability assessment.

Asset Management Planning Process

Figure 1: Asset Management Planning Process



THE ASSET MANAGEMENT PLAN

Council will continually improve the management of its assets through its Asset Management Strategy and supporting Asset Management Plans. This will be achieved by engaging up-to-date technologies, methodologies and through consultation with the community to ensure that current and future community needs are addressed.

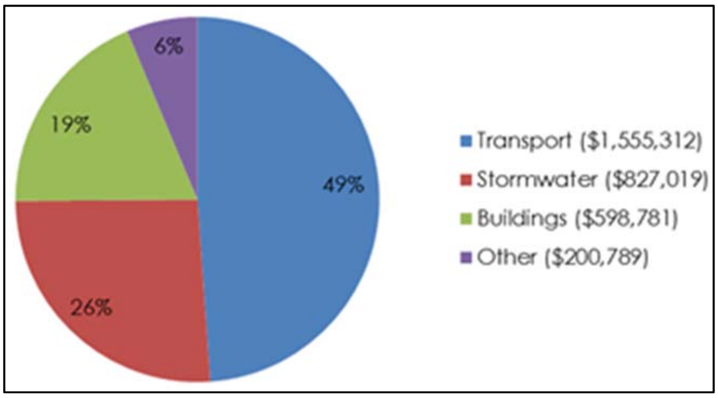
Our Community Infrastructure Assets - What we have

Council is the custodian of community assets valued at over $4.04 billion. These assets are expected to be managed to provide the greatest benefits, at the lowest whole-of-life costs. Assets such as land and some land improvements are not considered to incur a depreciation cost. The replacement value of Council's depreciable infrastructure assets totals more than $3.18 billion and is broken down as per the following table and figure.

Asset Replacement Value by Asset Class (as at end 2012–13 Financial Year)

ASSET Class	Description	Current Replacement Value (000's) $
TRANSPORT	• Roads (900km); road bridges (120); pedestrian bridges (95), jetties/boardwalks (47) and a range of associated assets (eg. kerb and guttering, guard rails, etc.) • Footpaths (380km), cycle ways (90km), bus shelters (351) and a range of associated assets (eg. fencing, retaining walls, etc) • Boat ramps (13) and car parks (282) • Traffic facilities, street lighting, etc.	1,555,312
STORMWATER	Pits (22,000), pipes (638km), water quality control (80 Units), flood control assets.	827,019
BUILDINGS	All buildings and building components relating to a range of delivery streams including community facilities (83), surf clubs (16), community and commercial pool buildings (8), district community centres/libraries (3), tourist park buildings, etc.	598,781
OTHER ASSETS	All other depreciable assets including plant and equipment, vehicles, recreation assets (excl. buildings and shelters), playgrounds; sports courts, pool plant and structures, library books; information and communications, etc.	200,799
		3,181,911
NON-DEPRECIABLE ASSETS	Operational land, community land, land under roads, some land improvements, heritage items.	865,675
		4,047,586

% Breakdown of Asset Replacement Value (as at end 2012-13 Financial Year)



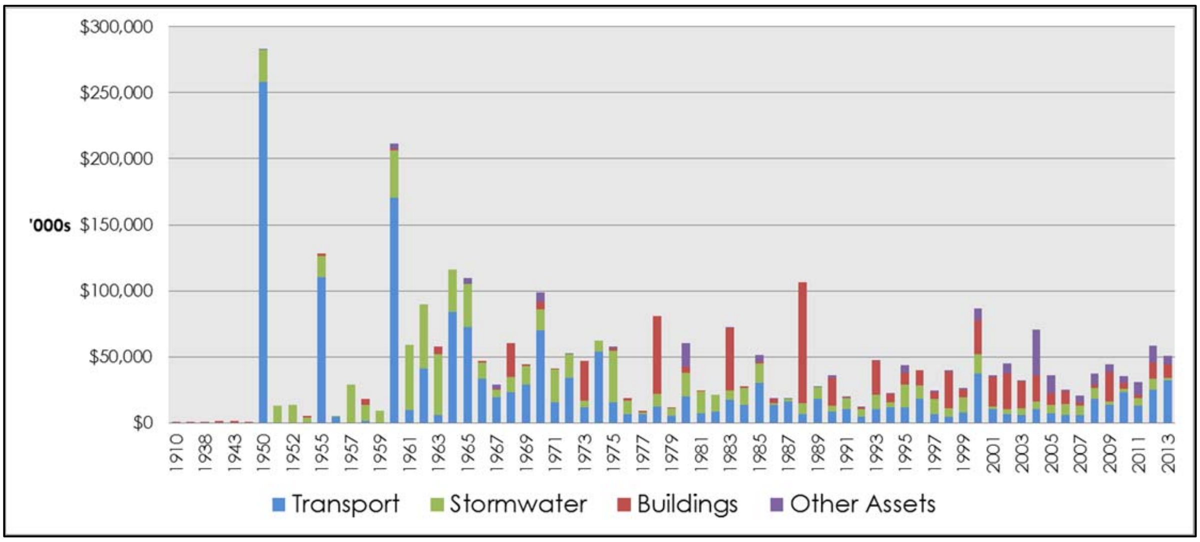
Our Community Infrastructure Assets – Condition and Performance

The current condition and performance of assets can be represented by Age, Condition and Functionality as outlined in the sections below.

Age of Assets

The age of infrastructure assets is illustrated in the figure below. Confidence in this information is generally good however; assumptions have been made in many cases for assets constructed, or acquired, prior to 1970. These assumptions generally apply to transport and stormwater assets and are reflected in the peaks in the figure below at 1950, 1955 and 1960.

Construction Date of Infrastructure Assets



An important aspect of managing our infrastructure assets is to identify when an asset is due to be renewed. This is done by adding the expected life for each asset to its year of construction or acquisition.

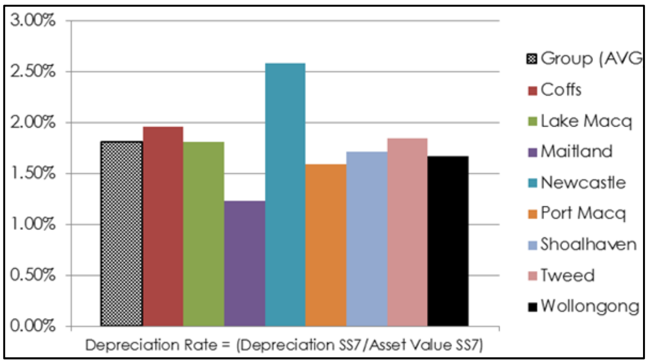
The previous figure shows that a significant proportion (30%+) of our infrastructure assets are more than 50 years old (ie. construction/acquisition date prior to 1963). Almost all of these assets are high-cost/long-life assets (eg. transport and drainage infrastructure) that have an expected life of around 60-100 years. Funding the projected renewal of these assets over the next 10-20 years is a significant challenge for Council. The assumed expected life for our key infrastructure assets are shown in table below.

Assumed Asset Expected Life Examples

Asset Type	Expected Life
Road Surfaces	20-40 Yrs.
Road pavements	80 Yrs.
Footpaths/cycle ways	40-60 Yrs.
Bridges concrete	80 Yrs.
Pipes	100 Yrs.
Culverts	100 Yrs.
Pits	75 Yrs.
Headwalls	75 Yrs.
Building - Structure	20-50 Yrs.
Building - Electrical	7-50 Yrs.
Building – Fitout	15-50 Yrs.
Building - Roof	15-50 Yrs.
Bus Shelters	15 Yrs.
Park furniture, landscaping, playgrounds	10-15 Yrs.
Skate parks	50 Yrs.
Sports court (Concrete)	60 Yrs.

In financial accounting terms, the assumed expected life of our assets can be represented by the depreciation rate (Total Depreciation/Total Asset Value). A comparison of depreciation rates for Group 5 Councils, to which Wollongong City Council belongs, as shown the figure below indicates that; overall we are depreciating our assets slightly slower than similar councils. This indicates that our assumed expected lives are slightly higher than average. Council's assumptions regarding how long assets are expected to last are reviewed annually and adjusted to take account of improved information, particularly relating to asset condition.

Total Depreciation Rate Comparison Group 5 Councils 2012-13



Condition of Assets

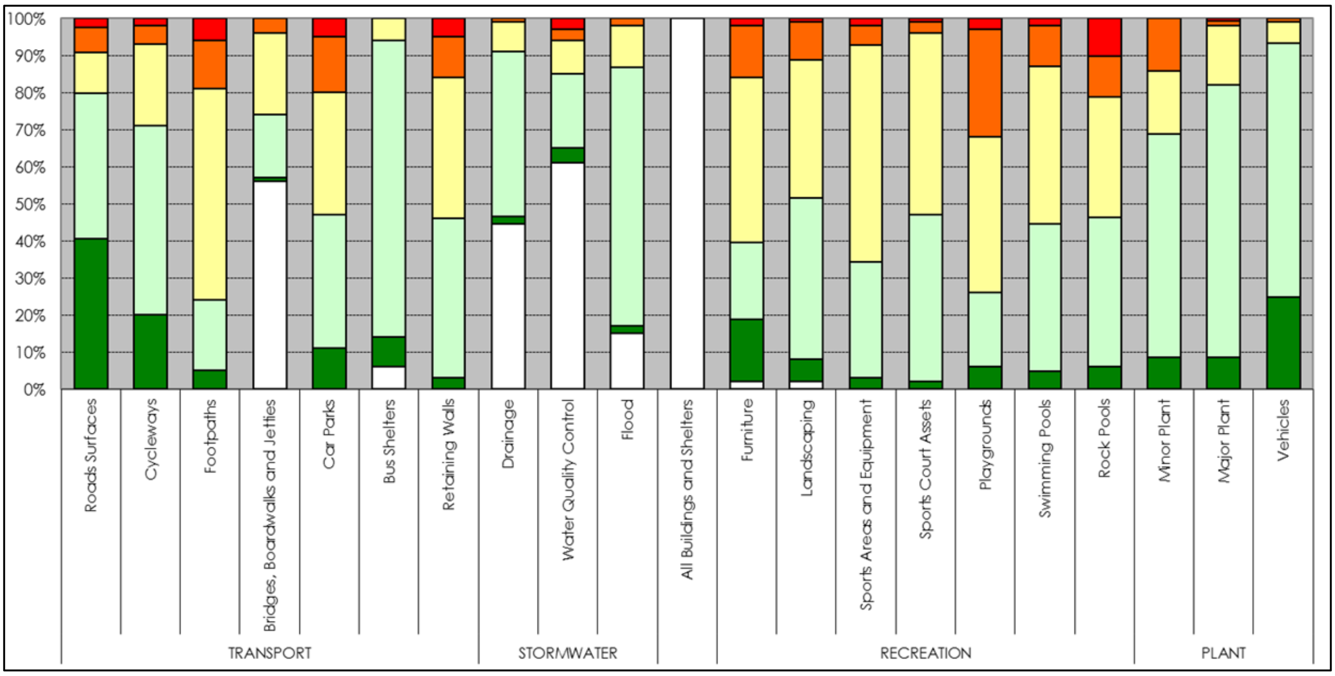
The condition of an asset generally refers to the structural (or 'physical') state of an asset and is measured using a variety of methods depending on the individual asset type. All condition information has been translated into a standard 1-5 rating scale as defined in following table.

Condition Rating Scale

Rating	Description of Condition
1	Excellent Condition: Only planned maintenance required
2	Very Good: Minor maintenance required plus planned maintenance
3	Good: Significant maintenance required
4	Average: Significant renewal/upgrade required
5	Poor: Unserviceable
	No Data

Current condition information for a range of Council's asset types is shown in the figure below:

Condition Profiles by Asset Type



Information on asset condition is used to revise the expected life of an asset and predict the optimal timing for major maintenance and/or replacement to meet identified levels of service.

The information represents the physical state of assets at a point in time when the information was collected. Although confidence levels in the condition information is quite variable between asset classes, Council continues to undertake programs to improve its reliability is identified within the individual asset management plans.

THE ASSET MANAGEMENT PLAN

It is generally unrealistic for all assets to be in as new condition or for Council to aim to have all its assets in perfect condition. One measure of the 'level of service' supported by infrastructure assets is the percentage of assets at, or above, a defined condition. As a reference point, Council's Annual reports present information on the value of assets in condition 4 or 5 and often communicate this as being 'unsatisfactory' level of service. The table below identifies draft levels of service for major asset groupings, current performance and trends based on current levels of expenditure.

Target Condition and Current Performance

	Asset Type	Target Proportion of Assets in Condition 1, 2 and 3	Current Performance	Condition Information Confidence	Trend
TRANSPORT	Roads surfaces	90%	92%	Good	⬇
	Cycle ways	90%	93%	Excellent	⬇
	Footpaths	90%	81%	Good	⬇
	Bridges, boardwalks and jetties	TBA	TBA	TBA	-
	Car parks	80%	80%	Good	➲
	Bus shelters	90%	94%	Fair	➲
	Retaining walls	90%	84%	Fair	➲
STORMWATER	Drainage	90%	55%[1]	Fair-Poor	-
	Water quality control	90%	33%[1]	Poor	-
	Flood control	90%	82%[1]	Good-Fair	-
ALL BUILDINGS[2]	All buildings and shelters	See section below on asset functionality			⬇
	Furniture	80%	83%	Good	➲
	Landscaping	80%	86%	Good	➲
	Sports areas and equipment	90%	92%	Good	➲
RECREATION	Sports court assets	90%	96%	Good	➲
	Playgrounds	100%	TBA	Good	⬇
	Swimming pools	90%	88%	Fair	⬇
	Rock pools	90%	78%	Good	⬇

(1) Note: 45% of drainage, 61% of water quality control and 15% of flood control assets have no current condition rating.
(2) See comments regarding functionality overleaf.

The previous table shows that the majority of Council's assets are in a condition above or close to the target condition 'level of service'. However the table also shows that these performance levels will decline, or at best only be maintained, should current levels of expenditure on asset renewal and maintenance continue.

Asset Functionality

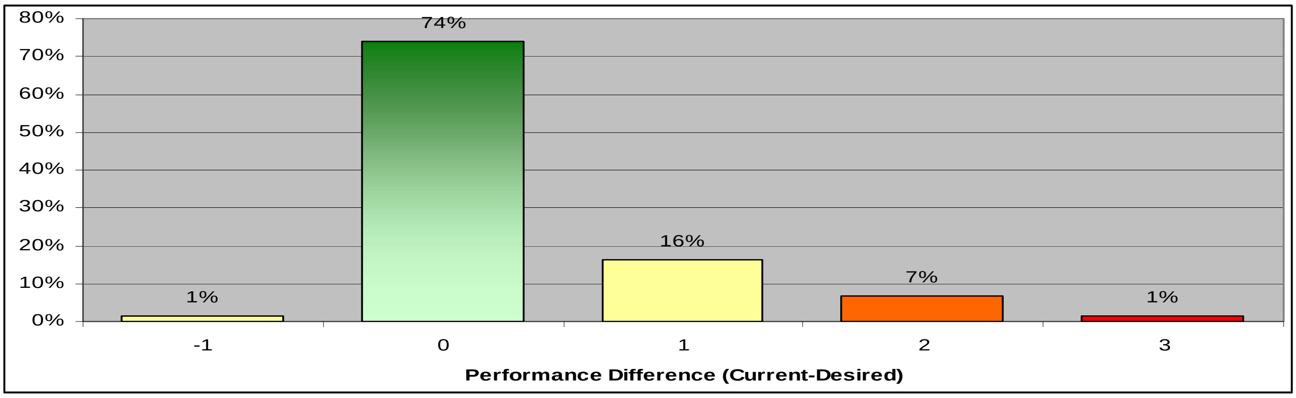
The functionality of an asset represents how well an asset meets its desired function/purpose. It also considers factors such as utilisation and capacity. In many cases there is a direct relationship between physical condition of an asset and its functionality. However, in some cases (eg. buildings and stormwater) the relationship is less direct.

For example, a stormwater pipe in condition 3-4 is likely to be able to provide the same level of functionality (ie. the conveyance and diversion of stormwater) as a pipe in condition 1. Information on the functionality of assets is currently very limited. Relevant actions are proposed in the Asset Management Improvement Program to address this issue. Understanding functionality is important in improving our ability to forecast the optimal timing for major maintenance and/or replacement to meet defined levels of service.

Acknowledging that there is limited reliable information currently available on the condition of our building assets (buildings and shelters); a preliminary assessment of the performance of these assets, in terms of how well they meet the functional needs of users, was undertaken during the writing of the Buildings and Facilities Asset Management Plan. The outcome of this assessment is illustrated in the Figure below and shows:

- 75% of structures at or above Desired Performance Levels (Gap -1 and 0)
- 24% (231) structures below Desired Performance Levels (Gap 1,2 and 3)
- 8% (77) structures are significantly below Desired Performance Levels
- 1% (10) Structures above Desired Performance Levels.

Performance Difference Summary for all Buildings/Shelters



The higher the percentage of structures with a Current Performance less than the Desired Performance (ie. [%1,2,3] in the following table) suggests poorer performance for the service/building group.

Performance Difference Analysis for Buildings/Shelters by Service-Building Group

Service/Buildings Group	Number of Structures	Performance Difference					
		-1	0	1	2	3	%(1,2,3)
Aquatic Services	97	1%	77%	13%	7%	1%	22%
Botanic Gardens	24	0%	58%	25%	17%	0%	42%
Community Facilities	113	2%	62%	29%	6%	1%	36%
Council Operational Buildings	43	7%	63%	29%	0%	0%	29%
Crematorium and Cemeteries	14	0%	21%	21%	43%	14%	79%
Emergency Services	24	0%	79%	21%	0%	0%	21%
Leased Properties	71	6%	68%	19%	6%	0%	25%
Leisure Facilities	20	0%	63%	32%	5%	0%	37%
Natural Area Management	7	0%	57%	0%	43%	0%	43%
Recreation Services	422	0%	88%	7%	4%	1%	12%
Tourist Parks	148	1%	54%	28%	12%	4%	45%
Waste	15	15%	62%	15%	8%	0%	23%

Council's infrastructure assets are essential for delivery of services to our community. Management of these assets includes planning for, and undertaking, the following works.

Asset Maintenance:	Expenditure on an asset that maintains the asset in use, but does not increase its service potential or life. (e.g. painting buildings, filling Potholes, minor repairs, etc).
Asset Operations:	Expenditure of regular activities on an asset to provide public health, safety and amenity, but does not increase its service potential or life. (eg, street sweeping, cleaning, mowing, etc).
Renewal:	Expenditure on an existing asset or a portion of an infrastructure network which returns the service potential, or extends the life of the asset, to its original potential.
Upgrade:	Expenditure on upgrading the standard of an existing asset to provide a higher level of service, or to extend the life of the asset beyond its original standard.
New Assets:	Expenditure on extending an infrastructure network at the same standard enjoyed by existing residents to a new group of users.

THE ASSET MANAGEMENT PLAN

Funding for undertaking the works comes from a variety of sources including rates revenue, fees and charges, interest, developer contributions and investments and grants. Some new assets are also transferred to Council from subdivision developments.

'*Lifecycle*' analysis is used to assess the financial sustainability of managing an asset over its life from construction to decommissioning. Essentially it provides an indication as to whether present consumers are paying a fair share of the cost of assets in providing services each year.

To establish the financial sustainability of an asset's lifecycle, the '*Lifecycle Cost*' and the '*Lifecycle Expenditure*' (as defined below) of the asset are compared to give a '*Sustainability Index*'.

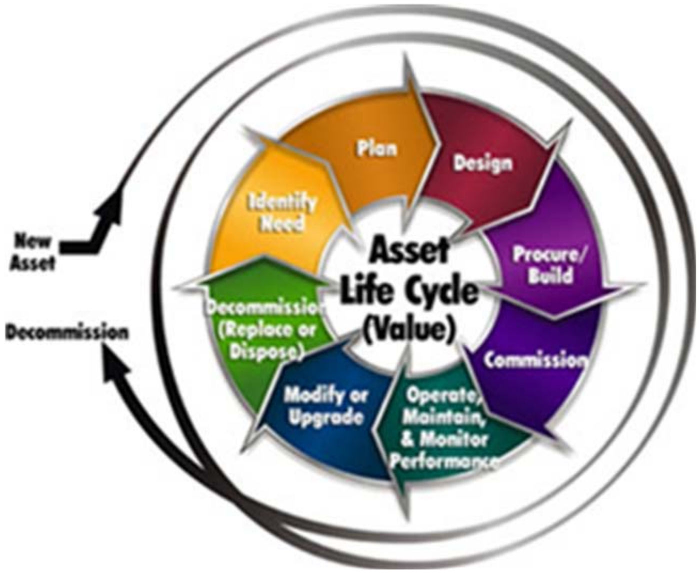


Figure: Asset Lifecycle

Lifecycle Cost: is the annual average cost to provide the asset over its life. It comprises of required annual maintenance, asset operations and asset consumption expense (represented by depreciation).

Lifecycle Expenditure: is the actual or planned annual maintenance, asset operations and capital renewal expenditure incurred in providing the asset in a specific year.

Sustainability Index: $\dfrac{\text{Lifecycle Expenditure}}{\text{Lifecycle Cost}}$

If lifecycle expenditure is less than the lifecycle cost, (Sustainability Index < 1), this indicates that current users are not paying their full share, essentially leaving a bill for future generations when assets are due for maintenance or renewal.

Current Position and Performance

The following table shows figures and performance indicators for the past four financial years, along with relevant targets and trends where appropriate.

Table: Current Position and Performance 2010-2013

	Actual				TARGET**	Performance
	2009/10	2010/11	2011/12	2012/13		
Annual depreciation	$57,060	$59,469	$60,434	$60,877		
Operational funds available for capital	$32,030	$42,500	$40,950	$42,440		
Total capital expense	$54,212	$110,777	$73,089	$79,990		
Capital new/upgrade	$25,847	$72,130	$40,959	$46,181		
Capital renewal	$28,365	$38,647	$32,130	$33,809		
Projected renewals	-	-	-	-		
Asset maintenance ratio	0.42	0.45	0.67	0.70	>1.0	☒
New/upgrade as % of total capital	48%	65%	56%	58%	Reduce	☒
Renewals Ratio*	50%	65%	53%	56%	>100%	☒
Depreciation - Renewal expend gap	$28,695	$20,822	$28,304	$27,068	$0	≈
Projected vs. planned renewals gap	-	-	-	-	$0	-
Renewals as % of operational funds available	89%	91%	78%	80%	>85%	☒
Capital Expenditure Ratio	0.95	1.86	1.21	1.31	>1.1	☑
Lifecycle cost	$92,390	$92,039	$92,701	$94,084		
Lifecycle expenditure	$51,063	$60,776	$58,141	$61,017		
Sustainability index	0.55	0.66	0.63	0.65	1.0	☒

* Is similar to the Buildings and Infrastructure Renewals Ratio except includes all assets.

**Targets reflect current policy or TCorp Local Government Benchmarks.

Confidence in the Lifecycle Analysis for Council's infrastructure is generally good. The overall *Lifecycle Sustainability Index* of 0.55-0.66 indicates that there is currently a shortfall in expenditure to match the optimum maintenance/operations and renewal expenditure required each year over the whole life of our assets. If this continues, asset condition/performance is likely to continue to decline, resulting in lower levels of service. It also means that current users are not paying their full share of the cost of maintaining the city's infrastructure assets.

As per the discussion outlined in Council's Long Term Financial Plan, the current position and performance table demonstrates the challenge facing Council and the community with regard to our assets. It highlights the gap in the long term between the average annual cost and average annual expenditure of managing our assets to deliver services. (Noting that Lifecycle costs include asset renewal, asset operating and asset maintenance costs). The Lifecycle Analysis for each of the major asset classes is provided in the table below for the financial year ending 2013.

Table: Lifecycle Sustainability Analysis by Asset Class (2012/13)

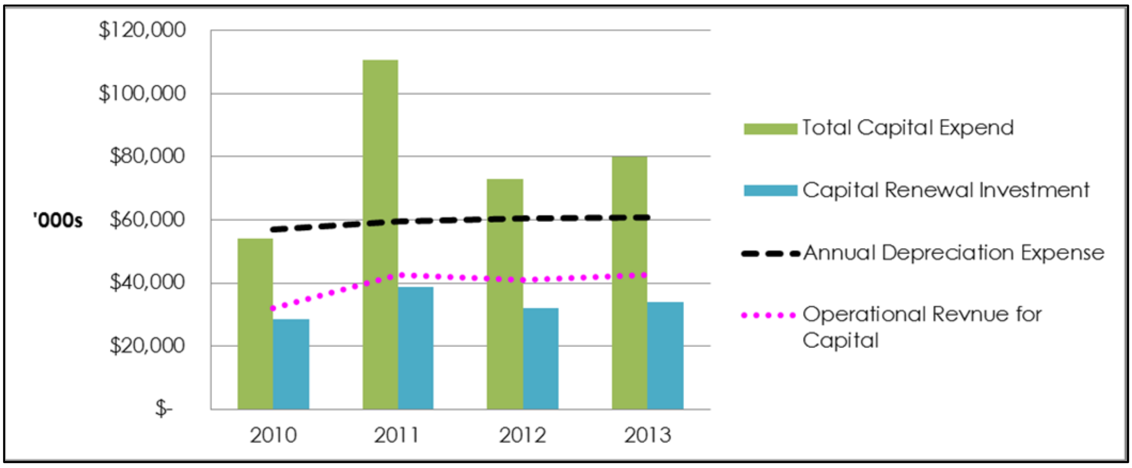
	TRANSPORT	STORMWATER	BUILDINGS	OTHER ASSETS	TOTAL
Annual depreciation cost	$25,433	$8,818	$15,680	$10,946	$60,877
Asset maintenance and operations expend	$9,774	$1,945	$5,720	$9,769	$27,208
Asset maintenance and operations required	$11,767	$3,949	$7,491	$16,833	$40,040
Capital renewal	$17,616	$413	$6,907	$8,873	$33,809
Lifecycle cost	$37,200	$12,767	$23,171	$20,946	$94,084
Lifecycle expenditure	$27,390	$2,358	$12,627	$18,642	$61,017
Sustainability Index	0.74	0.18	0.54	0.89	0.65
Depreciation – Renewal GAP	$7,817	$8,405	$8,773	$2,073	**$27,068**

The Sustainability Ratios for Stormwater and Buildings identified in the current position and performance table are considerably lower than the other asset classes. The reason for this is there was significantly lower renewal expenditure in the financial year ending 2012-13 for these asset classes. Buildings renewal projects fall mostly in the medium to longer term and stormwater well after the year 2043 (see Figure – Projected Renewals).

Capital Expenditure

The figure below shows the historical investment in the renewal of Council's assets as a proportion of total capital expenditure. It also shows the renewal investment in comparison to the depreciation expense for the same year.

Historical Capital Expenditure (2010-13)



The figure Historical Capital Expenditure 2010-13 shows:

1 Our investment in capital renewal has been significantly below the optimum amount as represented by annual depreciation. In Council's Annual Financial Statement this is reported as the Buildings and Infrastructure Renewals Ratio. In moving towards financial sustainability, there is a need to increase investment in renewal of our assets.

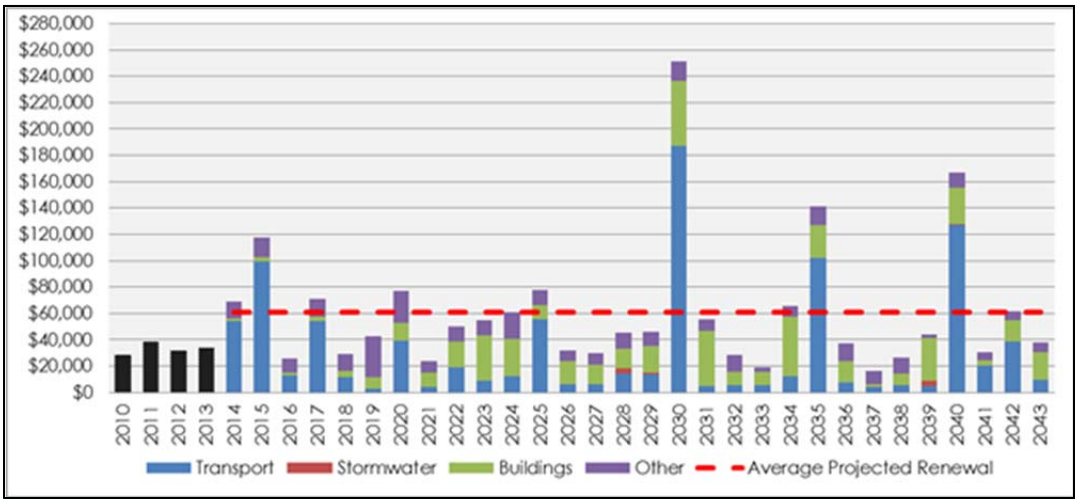
Buildings and Infrastructure Renewals Ratio	
2010	52.51%
2011	53.89%
2012	45.06%
2013	48.97%
TREND	
TARGET*	>100%
* Target is identified in TCorp review for Local Government (2012-13)	

2 On average, our investment in new/upgrade assets accounts for 57% of total capital cxpenditure over the past four years. This equates to around $46 million in additional assets every year corresponding to an increase in our annual depreciation expense of around $880,000 per year. Whilst a significant proportion of new/upgrade assets are funded via sources other than internal revenue, continued growth in our asset base ultimately results in compounding increases in depreciation, maintenance and operational expenditure.

Projected Renewals

As identified in previous sections, an important aspect of managing our infrastructure assets is to identify when an asset is due to be renewed. This is done by adding the expected life for each asset to its year of construction or acquisition. Information on asset condition is used to revise the expected life of an asset and predict the optimal timing for major maintenance and/or replacement.
Projected renewal expenditure by asset class is shown in the following Figure.

Projected Renewals 2013-23



The peak in projected renewals in 2030 largely reflects a significant number of transport assets with an assumed year of construction as 1950 and a design life of 80 years. Similarly, the peak in 2015 reflects footpaths assumed to have been constructed in 1950 with a useful life of 65 years. It does not necessarily reflect an accurate estimate of renewal funding required at that time; however these values are the basis for deriving depreciation values and rates for forward projections. As discussed earlier, Council is continuing to work to improve the confidence levels in the condition based information used to derive the 'due date' for renewals.

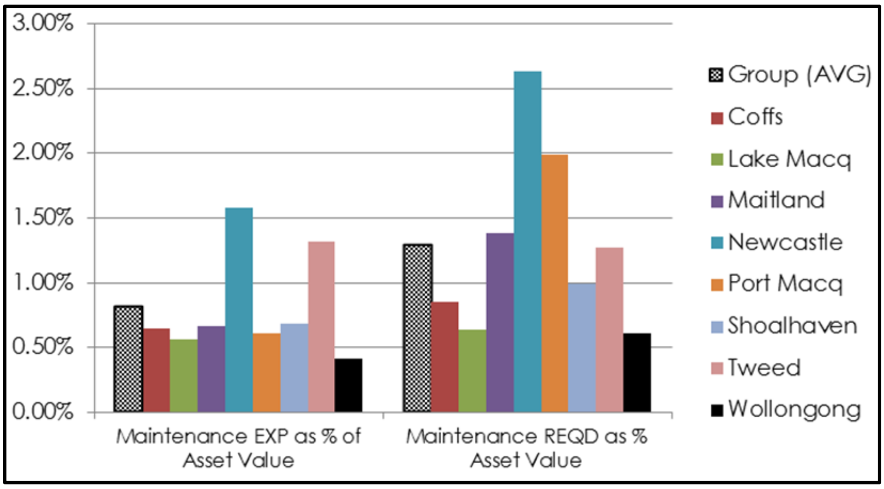
The Average Projected Renewal is roughly equivalent to the current depreciation of $61 million as the average is over a 30 year period capturing many of the major renewal peaks.

Asset Maintenance

There is a balance needed between the funding allocated to create new assets and the funding needed to maintain existing ones. Every new asset requires the initial capital cost of construction, then ongoing maintenance and asset operations costs, and eventually renewal costs. Regular maintenance can ensure that an asset lasts as long as its projected life, without which the need for total replacement would come sooner than planned.

The following graphs show a comparison between Wollongong and other Group 5 Councils of the reported actual and required maintenance expenditure relative to the value of each Council's assets. This shows that, by comparison, Wollongong spends less on maintenance by proportion of asset value than other councils. This supports our position of needing to reinvest in the maintenance and renewal of our assets.

Maintenance Expenditure Comparisons – Group 5 Councils 2012-13



Towards Financial Sustainability

Options to move towards financial sustainability are being considered by Council, in part based on recommendations by the Citizens Panel. Various scenarios for increasing revenue to fund an increased investment in asset renewal are detailed within the Long Term Financial Plan. The following tables and figures show the resulting impact on the Asset Information and lifecycle analysis indicators for each of the proposed scenarios, these being:

Baseline - Current projections without considering possible savings or additional income

Scenario 1 - Baseline modified to include an additional $21 million made available to capital to boost expenditure on asset renewal PLUS additional renewal and maintenance implications of taking into account all service reduction recommendations from the Citizen's Panel.

Scenario 2 - As per Scenario 1, modified to take into account only some of the Citizen's Panel service reduction recommendations, including the impacts from extending the lives of footpaths from 60 - 80 years.

Scenario 3 - As per Scenario 1, modified to take into account none of the Citizen's Panel service reduction changes except for the impacts from extending the lives of footpaths from 60 - 80 years.

BASELINE

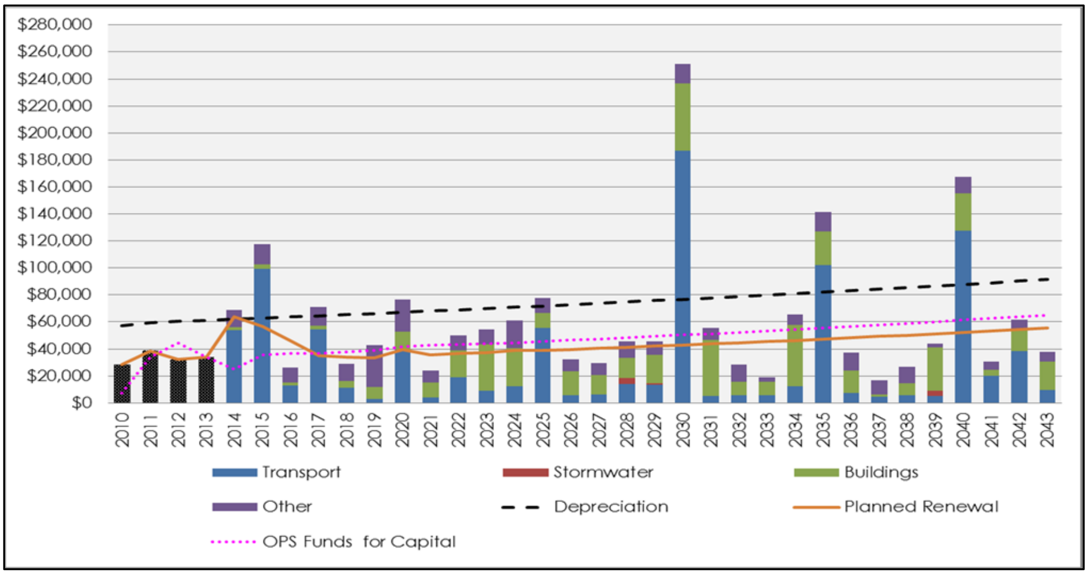
BASELINE – *Summary Analysis*

	3Yrs	10Yrs	30Yrs
Annual depreciation	$63,663	$66,776	$76,278
OPS funds available for capital	$36,344	$40,254	$49,822
Total capital expense	$67,157	$57,441	$61,358
Capital new/upgrade	$21,245	$18,076	$17,234
Capital renewal	$45,912	$39,365	$44,124
Projected renewals	$71,497	$55,214	$60,895
Asset Maintenance Ratio	0.70	0.70	0.70
New/upgrade as % of total capital	32%	31%	28%
Renewals Ratio*	72%	59%	58%
Depreciation - Renewal expend gap	$17,751	$27,411	$32,153
Renewals as % of OPS funds available	126%	98%	89%
Capital Expenditure Ratio	1.05	0.86	0.80
Sustainability Ratio	0.76	0.68	0.68

* Is similar to the Buildings and Infrastructure Renewals Ratio except includes all assets.
Please note Targets reflect current policy or TCorp Local Government Benchmarks

The table above shows the results of the analysis for baseline scenario, which continues current practices and planned investment levels for the management of our assets. This scenario sees a broadening of the gap between depreciation and asset renewals over a 30 year period. A decline in the Sustainability Ratio and Renewals Ratio is also representative of a worsening position in terms of the sustainable management of our assets.

BASELINE Analysis



SCENARIO 1

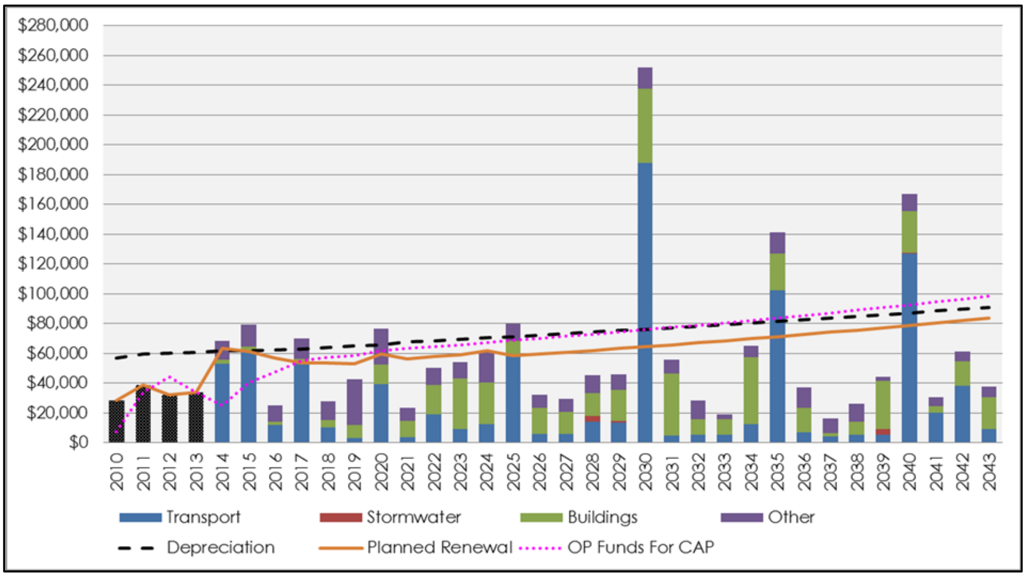
SCENARIO 1 – *Analysis*

	3Yrs	10Yrs	30Yrs
Annual depreciation	$62,396	$65,460	$74,784
OPS funds available for capital	$47,794	$58,286	$74,328
Total capital expense	$78,607	$75,473	$83,121
Capital new/upgrade	$21,245	$18,076	$17,234
Capital renewal	$57,362	$57,397	$65,887
Projected renewals	$71,497	$55,214	$60,895
Asset Maintenance Ratio	0.70	0.70	0.70
New/upgrade as % of total capital	27%	24%	21%
Renewals Ratio*	92%	88%	88%
Depreciation - Renewal Expend Gap	$5,034	$8,063	$8,897
Renewals as % of OPS Funds Avail.	120%	98%	89%
Capital Expenditure Ratio	1.26	1.15	1.11
Sustainability Ratio	0.88	0.85	0.86

* Is similar to the Buildings and Infrastructure Renewals Ratio except includes all assets.
Please note Targets reflect current policy or TCorp Local Government Benchmarks

The previous table shows the results of the analysis for Scenario 1, which introduces an additional $21 million to asset renewal over 5-8 years and also takes into account the associated reduction in asset renewal and maintenance needs from each of the Citizen's Panel recommendations and extending the average lives of our footpaths from 60-80 years.

The table shows that although the average depreciation – renewal gap continues to grow over time this model provides a considerably improved position than the baseline model.



SCENARIO 1 Analysis

SCENARIO 2/3

Scenario 2 is a slight modification of Scenario 1 by taking out some of the service level changes as recommended by the Citizen's Panel. Scenario 3 is a further modification by removing all service level changes except for the impacts of extending the average lives of our footpaths from 60-80 years. The results are similar to Scenario 1 so no separate figures are provided. A comparison of all scenarios is provided in the following section.

SCENARIO COMPARISON

The table below shows the comparison between scenarios over various timeframes (3, 10 and 30 years). In all cases, the proposed Scenarios 1, 2 and 3 provide a significant improvement over the current situation. As Scenarios 1, 2 and 3 introduce an additional $21 million for asset renewal, albeit from different sources and over different timeframes, they provide very similar outcomes with respect to the sustainable management of our assets to deliver services.

	Timeframe	Baseline	Scenarios 1	Scenario 2	Scenario 3
Renewals Ratio	3 YRS	72%	92%	92%	**94%**
	10YRS	59%	**88%**	87%	**88%**
	30YRS	58%	88%	88%	88%
Depreciation - Renewal Expend Gap	3 YRS	$17,751	$5,034	$4,969	**$3,584**
	10YRS	$27,411	$8,063	$8,322	**$7,975**
	30YRS	$32,153	$8,897	$9,313	**$8,769**
Renewals as % of OPS funds Available	3 YRS	126%	120%	120%	119%
	10YRS	98%	98%	**99%**	98%
	30YRS	89%	**89%**	**89%**	88%
Capital Expenditure Ratio	3 YRS	1.05	1.26	1.26	**1.28**
	10YRS	0.86	**1.15**	**1.15**	1.14
	30YRS	0.80	1.11	1.11	1.11
Sustainability Ratio	3 YRS	0.76	0.88	0.88	**0.90**
	10YRS	0.68	0.85	0.85	**0.86**
	30YRS	0.68	0.86	0.85	**0.86**

The rapid positive shift from the baseline to Scenarios 1, 2 and 3 is largely due to a combination of:

1. The progressive introduction of the additional $21 million to asset renewal.
2. The increase in average footpath lives from 60-80 years has 'pushed back' the required renewal date for over $30 million worth of footpaths.

Asset Risk Management

Council continues to improve information and planning around managing risks and this is recognised as a key improvement action for Council's asset management planning. The following table outlines the major risks identified.

Risk	Description	Management Strategy
Low levels of confidence with some asset information (eg. stormwater and buildings) resulting in significant variation in depreciation costs.	As identified, confidence in some asset information Fair-Poor. Changes to asset information can have a significant effect on depreciation.	• Regular independent evaluation of asset management practices. • Benchmarking – asset information and assumptions with other councils • Focused improvement programs where there is low confidence in asset information. • Regular reviews of asset condition and expected lives.
Maintenance expenditure is insufficient to ensure assets attain full expected lives.	Current levels of funding for maintenance are well below average for similar councils. Underfunding maintenance may result in assets not attaining full expected lives - thereby increasing depreciation costs.	A detailed review of maintenance budgets and expenditures aligned to specific levels of service and technical specifications is identified as a priority improvement action.
No funding for ongoing maintenance and operation of newly acquired assets.	Acquisition/construction of new assets can require additional funding for maintenance and operation.	Ensure the capital planning and budgeting process allows for appropriate increases in maintenance and operation of newly acquired or constructed assets.

Future Demand

Understanding future demand is a critical component in planning and managing our assets. Future demand is informed by factors such as population and demographic changes, social and economic trends, and service specific changes that relate to how we utilise assets. Some of the more significant forecasted changes are provided in the table below.

Forecast Changes Arising from Key Demand Factors

Demand Factor	Forecasted Changes
Population and demographics	• Ageing population. • West Dapto - a significant area for future growth. • Continued high population growth to the west and south of the Wollongong Local Government Area.
Social and economic trends	• Increase in people living in medium and high density housing. • Increase in the number of cars per household. • Increase in families under housing stress. • High transient student population associated with university and TAFE. • Above average increase in one parent families and households made up of couples with no dependents. • Impacts associated with changes to local industry and levels of employment.
Climate change and sustainability	• Increased rainfall intensity and volumes. • Sea level rise. • Increase storm surges. • Increased expectations in relation to the management and conservation of water and energy resources.

Addressing these changes whilst seeking to achieve long term financial sustainability is a significant challenge for Council. Our response will be guided by priorities identified as part of our current process of considering options to achieve long term sustainability.

Levels of Service

Levels of service documents specific targets and measures to meet the needs and expectations of the community.

Levels of Service have been grouped into the following categories:

- Community levels of service
- Technical/operational levels of service.

Community Levels of Service relate to how the community values the service in terms of safety, quality, quantity, reliability, responsiveness, cost/efficiency and legal requirements. A broad understanding of the level of community feeling can be drawn from Council's regular community survey. This information is presented in terms of the 'importance' placed on services and facilities by residents and the level of 'satisfaction' with these services and facilities. The performance gap is the difference between the actual scores for importance and satisfaction and can be used to establish the relative priority of the rating (ie. the higher the gap the more significant the resulting interpretation).

In February 2012, Council again undertook the biennial community survey to ascertain levels of importance and satisfaction. The survey covers services provided to the community and the assets that support them.

Respondents were asked to rate how important particular services and facilities were to them on a scale of 1 to 5, where 1 meant 'not at all important' and 5 meant 'very important'. Using the same set of services and facilities, the respondents were also asked to rate how satisfied they were, with 1 meaning 'not at all satisfied' and 5 meaning 'very satisfied'.

An in-depth analysis of importance and satisfaction ratings for Council services and facilities reveals where Council is performing well, and a number of priorities areas for improvement. The table below shows the areas where Council has been performing well over time. In 2012, Council performed well in the areas of 'Regulation of traffic flow in local area', 'Regulation of traffic flow in city centre', 'Domestic, recycling and green waste collection', 'Waste disposal depot facilities,' 'Environmental programs and education', 'Botanic Garden', and 'Wollongong City Central Library'.

Areas Where Council is Performing Well

	Identified as areas where Council is performing well in both Quadrant and Gap Analysis...		
	2008	2010	2012
Domestic, recycling and green waste collection	☑	☑	☑
Botanic Garden		☑	☑
Wollongong City Central Library		☑	☑
Regulation of traffic flow in local area			☑
Regulation of traffic flow in city centre			☑
Waste disposal depot facilities			☑
Environmental programs and education			☑

Whilst the table above highlights the areas where Council is performing well, the following highlights the priority areas where, according to residents, Council should improve. These are 'Management of parking in city centre', 'Availability of parking in city centre', 'Maintenance of local roads', 'Standard of Council public toilets', Availability of public toilets', 'Maintenance of footpaths', 'Services and/or facilities for children', 'Children's playgrounds', 'Cycle ways/shared pathways', 'Parks/open spaces/sports fields for active sport or recreation activities', and 'Parks/open spaces/sports fields for passive recreation purposes'.

The table also shows which priority areas for improvement have been repeated over time.

Time Series – Areas for Improvement

	Identified as not meeting resident expectations in both Quadrant and Gap Analysis...		
	2008	2010	2012
Maintenance of local roads	☑	☑	☑
Maintenance of footpaths	☑	☑	☑
Availability of parking in city centre	☑	☑	☑
Availability of public toilets	☑	☑	☑
Management of parking in city centre		☑	☑
Standard of Council public toilets		☑	☑
Services and/or facilities for children			☑
Children's playgrounds			☑
Cycleways/shared pathways			☑
Parks/open space/sports fields for active sport or recreation activities			☑
Parks/open space/sport fields for passive recreation purposes			☑

Community Engagement specifically undertaken for the Securing our Future program included discussion on desired levels of service for each of our asset classes. Across the engagement, including the Citizen's Panel engagement, it was clear that the community were supportive of the continuation of all asset services levels, and understood that this would mean greater investment over time in asset renewal. Footpaths were the only asset class identified where a minor increase in expected lifespan was considered acceptable.

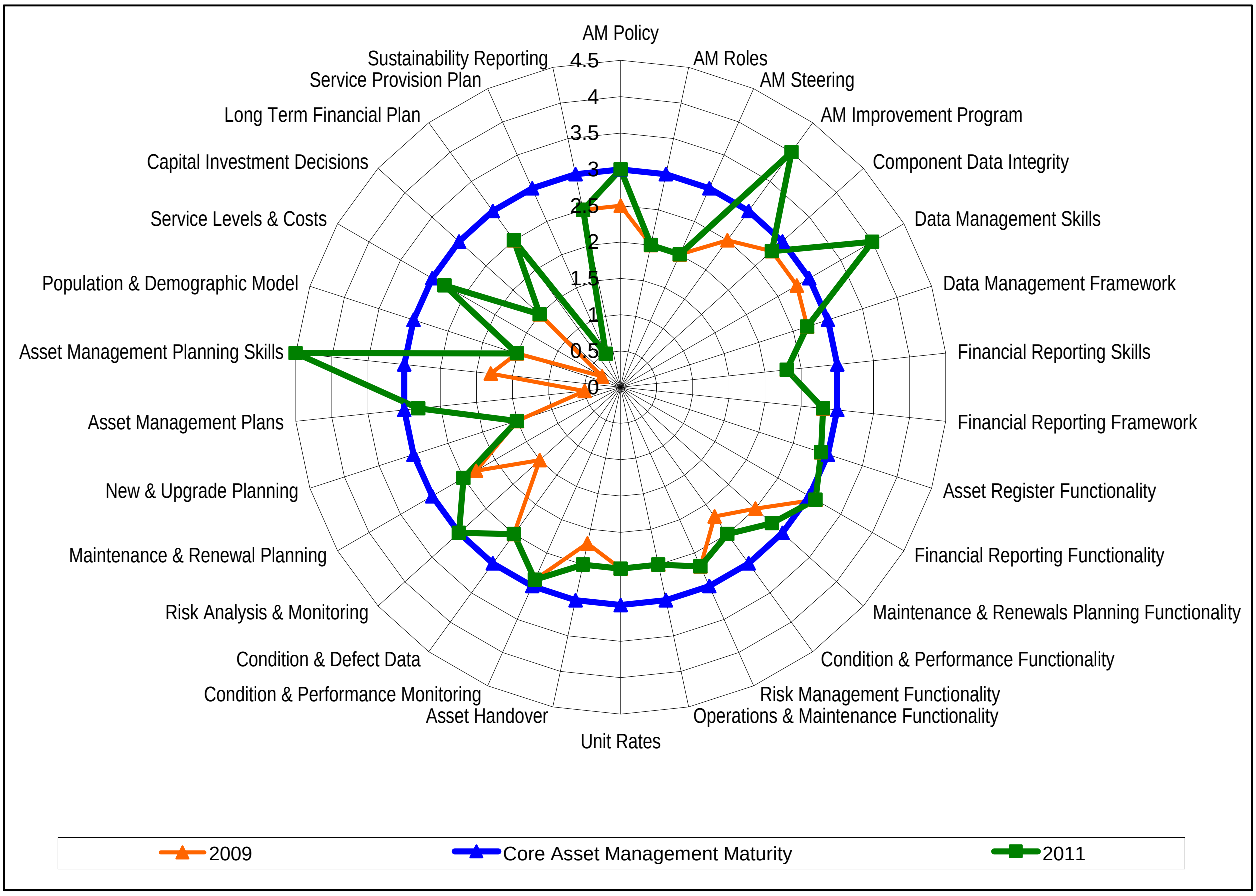
The results have informed the scenarios, and therefore distribution of capital funds within the capital program with a particular focus in Council's Draft Delivery Program on roads, footpaths and cycle ways and general asset renewal. It would appear from these results this approach is supported and requested by our local community.

Supporting community levels of service are our ***Technical/Operational Levels of Service***, which provide more specific direction as to how Council will meet the broader community levels of service. Specific technical/operational levels of service have been identified in each of the individual asset management plans.

Asset Management Practices and Maturity

In 2009, Council commissioned a maturity assessment to be undertaken to identify the current status of Council's asset management procedures, systems and training, and to determine priority areas for improvement. The maturity assessment model comprised 30 Asset Management Practice Areas that cover the key functions and processes of asset management. This maturity assessment was again undertaken in 2011, following the completion of the first draft of the detailed asset management plans. The results are shown in the figure below.

Asset Management Maturity Assessment Results 2009/2011



A comparison of the two assessments indicates advancement in maturity has been made in the following areas:

- Development of an Asset Management (AM) Improvement Program (exceeds core)
- Data Management Skills (exceeds core)
- Risk Analysis and Monitoring
- Development of Asset Management Plans (exceeds core)
- Asset Management Planning Skills (exceeds core)
- Definition of Service Levels and Costs.

The target over the next three years is to achieve core maturity for all asset management practice areas.

THE ASSET MANAGEMENT PLAN

Asset Management Policy

Council endorsed a Management of Assets Policy in June 2005 which has subsequently been reviewed. A revised 'Asset Management Policy' has been prepared and is scheduled to be tabled for adoption by Council in 2013-14. The Policy has been updated to better reflect current thinking under the new requirements under the Local Government Act 1993, provide direction on the structure and improvements necessary to meet the needs of our community, and implementation of the Asset Management Strategy and plans.

The following is an extract from the draft revised policy –

> ***OBJECTIVE***
>
> *To manage the city's assets in line with the adopted strategic direction in order to respond to the needs of our community.*
>
> ***POLICY STATEMENT***
>
> *Council will provide and manage its assets to ensure they are appropriate for the needs of our community whilst being effectively and sustainably utilised and maintained at agreed levels of service.*
>
> *Council will continually improve the management of its assets through an Asset Management Strategy and supporting asset management plans. This will be achieved by engaging up to date technologies, methodologies and through consultation with the community to ensure that current and future community needs are addressed. Furthermore, decisions regarding allocation of resources and implementation of actions will have regard to sustainable maintenance of assets and the ongoing provision of services provided by the assets.*

A copy of the current policy is available on Council's website. This will be updated once the revised version is adopted by Council.

Asset Management Strategy and Improvement Plan 2012-17

Council's Asset Management Strategy enables the overarching objectives of the Strategic Plan and Asset Management Policy to be achieved.

Council's Strategic Asset Management objectives are to:

- ☑ Establish and maintain clear linkages between Council's agreed community driven services and the planning, delivery and performance measurement of our asset management delivery programs (our policy framework).
- ☑ Enable and demonstrate responsible and efficient management of Council's assets to deliver services (our programs).
- ☑ Establish and embed within the organisation core understanding, appreciation and accountability to enable delivery of mature asset management practices (our people).
- ☑ Improve the information, processes and systems supporting the management of our assets (our processes and systems).

Strategic actions developed to achieve these objectives are defined in the table overleaf. Many strategic actions support multiple objectives and they are loosely grouped around their primary contribution. The table also shows the progress against these actions over the last two years.

Asset Management Strategies and Status to Achieve Objectives

No	Strategic Actions	Desired Outcome	Progress	Comments
Our Overarching Priorities				
S2	Implement Council's detailed Asset Management Improvement Plan	Improved financial and asset management capacity within Council to realise 'core' maturity for asset management planning by July 2013.	In progress	
S3	Implement a governance process for review, monitoring and reporting of progress, achievements, costs and risks associated with implementing the asset management improvement program.	Priorities, resources, outcomes and risks to achieve the asset management objectives are identified and acknowledged.	Complete	Asset Management Steering Committee (AMSC) established in Februar 2012.
S10	Review the maturity assessment bi-annually to ensure continued improvement in asset management planning and practices.	Ongoing improvement actions are informed by an up to date assessment of maturity consistent with National Standards and Frameworks.	Planned	Planned for 2014.
Our Policy Framework				
S1	Finalise the review of the Asset Management Policy and submit it for adoption by Council.	Council's asset management activities are guided by a clear policy direction that has been adopted by Council.	In progress	Council Meeting - February 2014 .
S18	Further develop performance measures, metrics and rating systems for identified levels of service to reflect the needs and expectations of our community.	Levels of service provide direction for decision making, intervention levels and the allocation of resources.	In progress	

Our Policy Framework				
S12	Develop, document and implement business processes to clearly identify operational service standards and monitor performance against these.	Service delivery is driven by, and performance measured against, clearly defined operational service standards.	In progress	
S7	Ensure that the ongoing asset management resource requirements for new and upgrade capital works projects are considered in setting annual budgets.	Ongoing costs for new and upgrade works are recognised in setting annual budgets.	In progress	Business proposal process requires consideration of whole-of-life costing.
S14	Develop and implement a systematic and transparent process for prioritising capital works projects to include triple bottom line and asset lifecycle sustainability criteria.	Transparent and equitable allocation of capital funding and improved synergies in project proposals.	In progress	To be completed in 2013-14.
S15	Undertake benchmarking to assist in assessing the efficiency of Council's infrastructure delivery programs and asset management activities.	Continued focus on assessing and improving Council's drive towards efficient service delivery.	In progress	
Our Processes and Systems				
S4	Continue to develop and annually review Asset Management Plans (AMPs) for the major asset groups to ensure they clearly communicate asset service related costs, benefits and risks.	AMPs provide a current summary of existing asset management information and provide direction for decision making and refining improvement actions.	In progress	Next review planned for 2014-15 following adoption of revised Resourcing Strategy.
S5	Implement business processes and system modifications to identify infrastructure expenditure by service, asset group and expenditure type.	Financial information relating to the management of Council's assets is readily available using consistent structures and definitions.	In progress	Progressive implementation of process and business improvements
S6	Ensure customer service request information and processes facilitate improved decision making and responsiveness for asset management.	Customer Service Requests inform asset management planning.	In progress	

S8	Further develop a risk management approaches for all asset classes such that risks are managed and any high residual risks are reported consistent with Council's corporate risk management process.	Priority risks are identified and managed.	In progress	
S9	Annually review and report on the completeness and accuracy of the data for all assets using the confidence grading system adopted in the detailed AMPs.	Information is of good quality and reliable to inform decision making.	In progress	
S11	Ensure Council's decisions are made from accurate and current information in asset registers, on service level performance and costs and 'whole of life' costs.	Improved decision making and greater value for money.	In progress	
S16	Review asset information and structures in Council's asset management information system to ensure that it aligns with strategic, tactical and operational planning requirements.	Resources for maintaining and utilising information are optimised.	In progress	Annual and ongoing review process.
S17	Consider processes and further actions to better manage heritage aspects associated with infrastructure assets.	Heritage aspects of Council's infrastructure assets are managed appropriately.	Planned	
Our People				
S13	Ensure roles and responsibilities for asset management are clearly defined and incorporated into organisational structures, staff position descriptions and performance objectives.	Responsibility for asset management is clearly defined.	In progress	Restructure of the Infrastructure and Works Department restructure undertaken to better clarify and allocate required roles and resources. Roles and responsibilities matrix developed.
S18	Further develop performance measures, metrics and rating systems for identified levels of service to reflect the needs and expectations of our community.	Levels of service provide direction for decision making, intervention levels and the allocation of resources.	In progress	
S19	Continue to develop skills and awareness of asset management planning across the organisation.	Improved organisational capacity and maturity in asset management planning.	In progress	

These strategic actions are supported by a range of detailed improvement actions identified in each of the asset management plans. The Table below shows the progress over the last two years against these detailed actions.

Detailed AMP Improvement Actions Status Summary

Buildings	Plant & Equipment	Recreation	Stormwater	Transport	Progress	Total
4	27	22	28	31	TOTAL	112
0	2	0	0	13	Complete	15
3	5	8	8	6	In progress	30
1	20	14	20	12	Planned	67

DRAFT WORKFORCE MANAGEMENT STRATEGY

SECURING OUR FUTURE

Introduction

Council currently employs 1,674 staff which is equivalent to 1,169 full time equivalent (FTE) positions (including casuals, temporary and contract employees). The projected employee cost is $107 million dollars per annum (2014-15). This makes Council not only a primary provider of community based services but also a major employer in the Wollongong Local Government Area. As such, we recognise our responsibilities to not only aim for the provision of excellent community based services but also our role as an employer and trainer in the economic and social development of the local community. This directly aligns not only our services with the community direction set out in Wollongong 2022 Community Strategic Plan but also aligns our purpose to one of the six goals of our community to have an innovative and sustainable economy.

In recognition of this role our workforce planning responsibilities are focused on:

- Financial sustainability
- Employment and training of youth
- Diversity of our workforce (cultural, demographic, social, economic)
- Management of the ageing workforce and low turnover
- Provision of excellent customer service across the whole organisation
- Development of a constructive, safe organisational and learning culture
- Identification, assessment and management of risk
- A safe and health work environment
- Managing employee performance
- Commitment to employee learning and development.

The workforce management strategy provides a strategic direction for the management of Council's workforce to achieve the services and goals identified through the Draft Delivery Program for the next four years. It is flexible and allows for management of the workforce to meet changing service delivery needs while focusing on optimisation of Council's ability to deliver outstanding customer and community services.

Our Direction

The Workforce Management Strategy defines how Council intends to manage its workforce resources in order to meet its operational and strategic directions. These directions are defined through a number of key strategic drivers including Wollongong 2022 Community Strategic Plan and Delivery Program, financial sustainability review, scenario planning and community feedback.

Community Strategic Plan and Draft Delivery Program

Workforce planning will help ensure the successful achievement of the community's strategic goals as identified in Wollongong 2022 Community Strategic Plan. The development of an effective workforce management strategy will enable Council to focus on the medium and long term community goals and provide a framework for dealing with associated workforce challenges in a consistent way.

The goal of this workforce management strategy is to:

- Identify key challenges in maintaining workforce efficiency and sustainability

- Identify strategies for the management of workforce challenges
- Build Council's capability to expressly link workforce resource planning to the Delivery Program.

Note: The current workforce is aligned to deliver Wollongong 2022 and the Draft Delivery Program via the alignment of services to actions.

Securing Our Future

Financial sustainability is a key direction for local government reform, and Council's Delivery Program recognises the need to address Council's long term financial position. Ensuring Council is financially sustainable means we are earning sufficient revenue on an annual basis to carry out the agreed functions of Council and the average cost of asset renewals over their life. It also means we return our operating budget to surplus. Achieving financial sustainability is likely to rely upon addressing three key areas in combination – services and service levels, internal efficiencies, and increased opportunity for revenue.

Management of Council's workforce will be a key factor in achieving and maintaining financial sustainability. This will require Council to make strategic decisions regarding the composition and structure of the workforce needed to deliver services and service levels and to achieve efficiencies. Opportunities to look at other ways of resourcing our services, including changing staff structures, establishment levels or delivery methods will also be important in developing these strategies.

Scenario Planning

With staff being a key part of the delivery of all Council services, changes to delivery cannot be considered without planning for and managing the subsequent impact on Council's workforce. Exploring these scenarios will therefore require Council to consider a number of difficult and challenging options particularly with regard to workforce composition and structure.

All three scenarios currently being discussed with the community would result in significant changes to the workforce, with varying degrees of impact and complexity. Under the current terms and conditions of Council's Enterprise Agreement (EA), no forced redundancies means alternate methods of managing workforce change would need to be implemented and managed.

Community Feedback

Our workforce planning process is supported by data and information, including important feedback from our community. In February 2012, we undertook our biennial community survey to assess community satisfaction with our service delivery and performance, as well as important information regarding community priorities.

Residents in the Wollongong Local Government Area (LGA) were asked about their level of agreement with the statement 'I am satisfied with the overall performance of Wollongong City Council over the last 12 months', to which almost three in five residents (56.3%) agreed to some extent. 18.3% of residents disagreed with this statement to varying degrees.

This resulted in a mean agreement score of 3.38 out of 5, which is considered to be a 'medium' level agreement score. This score is an improvement on the 2010 result achieved for this question.

This may include retraining, redeployment, management of vacancies across the organisation, transition to retirement for interested and eligible employees, or other strategies deemed appropriate in negotiation with employees, employee representative bodies and management.

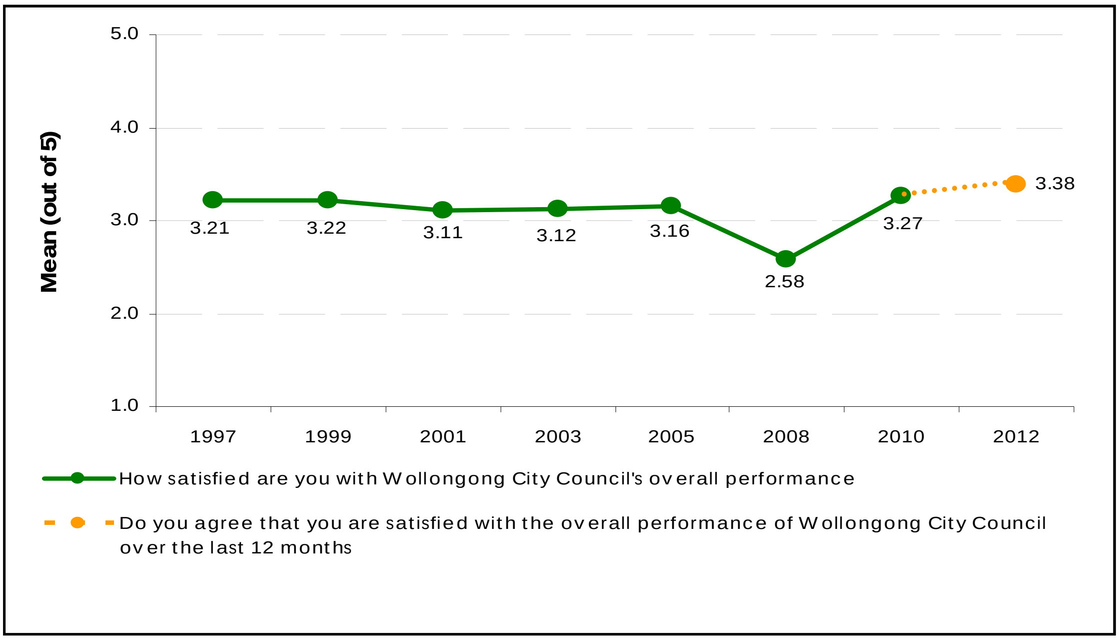
All of the scenarios will impact on the workforce in terms of change to work practice, delivery models, management models and a continued focus on increased productivity and cost containment. This is a consistent theme across all three scenarios outlined in the preceding sections of this document.

Scenario 1 could directly impact approximately 7% of the workforce and may result in reduced employment options. Endorsement of Scenario 2 would result in a similar impact on the workforce as Scenario 1. Scenario 3 also maintains a focus on efficiency, productivity and cost containment and could change the face of workforce composition and focus.

Important considerations for workforce planning include supporting the wellbeing of our people, and this may be via access to the Employee Assistance Program. Council will need to further consider the impacts of the preferred scenario at the end of this engagement period and will develop appropriate change management plans and implementation programs. This may also include exploring limited targeted voluntary redundancy, significant investment in retraining and up skilling, linking employees with appropriate agencies to access financial planning advice, and investigating flexible work arrangements such as reduced hours and other options.

The graph below plots the community's perceived performance of Council over time.

Mean agreement and satisfaction scores – time series



The graph shows that we have continued to improve the level of overall community satisfaction following a difficult period 2007-08. It highlights the opportunity for continued improvement and supports the direction outlined in the workforce management strategy to build, support and enhance our existing and future workforce.

Our Workforce

Through an integrated approach to workforce planning and organisational strategy, we seek to bring about behavioural changes in what we do and how we do things, rather than just a change in systems, processes and structures. Our aim is to have an organisation that is both responsive to and proactive towards the needs of our community.

Workforce Planning

People are a critical resource in delivering business outcomes and as such it is important to ensure a capable and flexible workforce. An effective workforce management strategy will provide Council with the people best able to contribute to its strategic direction, develop innovative approaches to issues and deliver services effectively and efficiently.

Strategic analysis of Council's workforce requirements include the commitments outlined in the Community Strategic Plan, Delivery Program and Annual Plan and developing a workforce structure to meet those commitments. These include workplace equity and diversity, workplace governance and safety, and supporting and developing staff.

Workforce Principles

Key principles have been identified that act as a filter for effective workforce planning providing a flexible, integrated and structured way to develop workforce strategies that meet both strategic and business needs.

These principles support and underpin development of the Workforce Management Strategy:

LEADERSHIP: knowing the type of organisation we want to be and inspiring the behaviours to get there.

CULTURE: developing and practicing the values and behaviours we need to achieve our vision.

CHANGE: keeping our vision in our sights and recognising change as a means to achieve it whilst being aware of what is happening around us and the changes we are making are shaping our transformation.

PERFORMANCE: facilitating the development of our people and processes to gain maximum impact in changing the way we do things resulting in improved performance.

COMMUNICATION: recognising that good communications are pivotal to our image and reputation both internally and externally and recognising that everybody has a role to play in achieving this.

PARTNERSHIP: working across the organisation, accepting that partnership is integral to growth and improvement.

COMMUNITY: participating in the achievement of community goals and objectives as an active member of the local community.

SAFETY AND WELLBEING: ongoing commitment to the provision of a safe working environment for all persons, including contractors, labour hire employees, volunteers and visitors.

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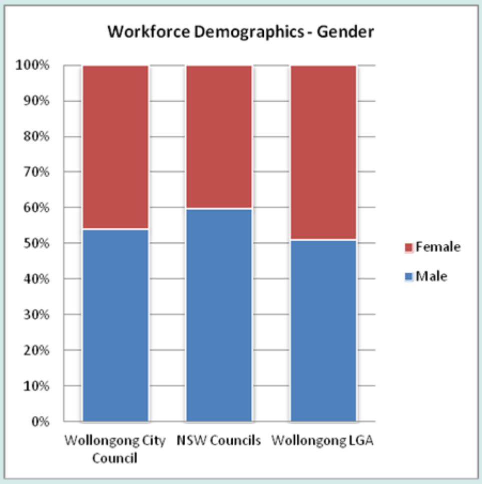
Current Workforce Profile

In undertaking the workforce analysis, we reviewed our workforce demographics in comparison to other councils and the composition of the Wollongong Local Government Area (LGA). This information is used in the assessment and development of strategies in relation to attraction, engagement and equal employment and diversity (EED). It also provides an understanding of the available workforce pool within the local community.

The benefits of a diverse workforce include better local representation, improved communication, greater understanding of the issues affecting local communities and having a workforce that can address issues facing Council. Such issues include internal workforce capability and flexibility, ageing workforce, business succession planning and services delivery.

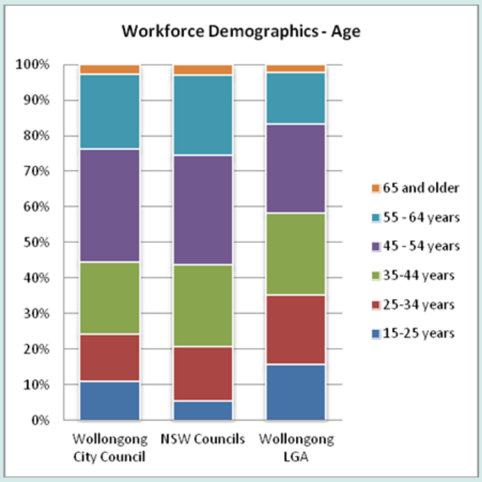
Gender

Council maintains a healthy gender balance employing 46% female and 54% male. This represents a more balanced workforce than the industry standard and only 3% difference to the working population of the LGA. Operational and trades sectors traditionally attract a greater number of male staff while greater numbers of females are attracted to community based sectors.



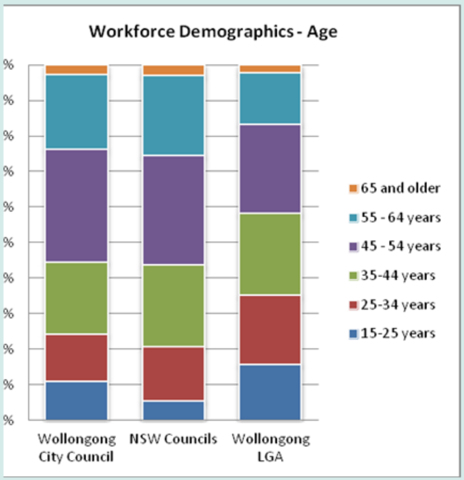
Age

Council's age demographics are also consistent with industry standards showing that the majority of the workforce (52%) is within the 35 – 54 age groups. The comparison with LGA demographics shows potential for increased employment from both the under 25 and 25 – 34 age groups. This demonstrates the need to continue to support workforce planning initiatives including the Youth Development Program and ageing workforce projects.



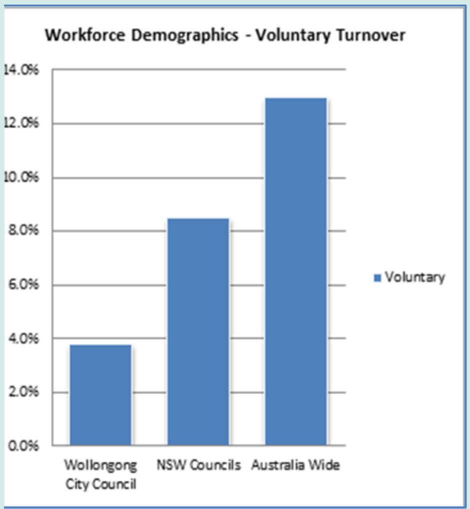
Employment Status

The composition of Council's workforce shows that the majority of staff are employed in a permanent full time capacity. Understanding this composition supports the development of strategy particularly relating to the flexibility of the workforce required to respond to changing service delivery needs.



Employee Turnover

The analysis of employee turnover identifies that Council's turnover is significantly low at 3.8%, in comparison with NSW councils at 8.5% and the current Australian standard of 13.0%. This is influenced by a high level of unemployment in the region representing limited employment opportunities. Low employee turnover is identified as a workforce challenge that must be considered in the development of workforce management strategies.



Our Challenges

Council's ability to put in place the workforce required to achieve the Draft Delivery Program and Wollongong 2022 Community Strategic Plan is affected by various internal and external challenges. These challenges have the potential to impact on the organisation's capacity to supply the right workforce at the right time.

Taking into account these challenges, community feedback and our current workforce profile, the following strategies form the basis of Council's Workforce Management Strategy. The implementation of this plan over the next four years will support the organisation to meet the expectations of the community and our commitments outlined in the Draft Delivery Program 2012-17.

This plan has been prepared in a period when Council is involved in a financial sustainability review for the whole organisation which has created uncertainty. The plan also includes workforce planning strategies required for Council to manage its existing workforce during the financial sustainability review.

Workforce Planning

The following internal and external challenges impact Council's Workforce Management Strategy in relation to the Community Strategic Plan and Draft Delivery Program:

Direct linkage between Workforce Management Strategy and the Draft Delivery Program

A key challenge is establishing specific links between the Workforce Management Strategy and the Delivery Program. Council's capacity to conduct workforce analysis and planning is being developed through its workforce planning capability and relies on the integration of workforce planning practices into Council's integrated planning and reporting, business and strategic planning and Human Resources practices.

Organisational approach to workforce management

Success relies on a whole of organisation approach to workforce management. To achieve this, workforce management strategies need to be integrated, adopted, supported and applied across the organisation. Strategies also need to focus on improving Council's service delivery while maintaining an appropriate balance between employee and business needs.

Perceived barriers to workforce management

Need for consistent approach to workforce management tools and resources across the organisation. Also recognising the nature of the workforce required to resource delivery of a diverse range of services.

Building evidence based human resource practice

An evidence based approach to human resource practice is established by developing, implementing and utilising predictive analytics to support workforce decision making. Council's capacity to develop and utilise this data will produce measurable results, reporting frameworks and ongoing workforce analytics enabling the management of workforce assets in a sustainable, strategic and value adding manner.

Strategy

The following strategies are identified to address these challenges

- Build Council's workforce planning capabilities
- Incorporate workforce resourcing data to the delivery program development process
- Build Council's workforce planning capabilities
- Incorporate workforce resourcing data to the delivery program development process
- Build Council's capacity to undertake evidence based human resource practice
- Integrate workforce planning practices into Council's business planning and human resource practices.

Securing Our Future

The following internal and external challenges impact Council's Workforce Management Strategy in relation to financial sustainability:

Changes in service levels in response to community priorities

Council is committed to undertaking community engagement to determine residents' priorities in relation to services and service levels. A challenge for Council is to deliver affordable services at levels and standards that the community considers are satisfactory and are supported by sustainable financial, asset and human resource planning. In response to future changes in services, Council will need to determine the effect on FTE and workforce structure.

Change management

The appropriate management of workforce changes required to support financial sustainability initiatives is vital to the success of these strategies in achieving efficiency and sustainability. Any workforce changes will be managed in accordance with Council's Change Management Framework with specific reference to the Managing Organisational Change Policy and the Wollongong City Council Enterprise Agreement.

Accountability

The success of financial sustainability relies on the accountability of all staff members to undertake the requirements of their position, in accordance with Council's operating policies, practices and procedures. All levels of staff are held accountable through employment instruments including contracts of employment and job descriptions. Accountability is recognised by Council as an important requirement of all positions and an employment capability that applies to all aspects of employment.

Driving continuous improvements

Initial business planning has emphasised the need for better integration of business systems to provide the best information to decision makers quickly and efficiently as well as the provision of learning and development opportunities for staff to be able to access cross functional roles.

Risk management

Recognising the challenges of the past and using this experience to develop and implement risk management across the organisation in order to limit risk, improve organisational culture and promote an ethical and trust based workforce.

Strategy

The following strategies are identified to address these challenges:

- Facilitate the development of workforce efficiency strategies
- Promote and implement change management frameworks and policies
- Provide evidence based human resource data to support organisational decision making
- Incorporate change management, accountability, continuous improvement and risk management capabilities into workforce design and performance measurement strategies.

Organisational Change

The following internal and external challenges impact Council's Workforce Management Strategy in relation to organisational change:

Workforce composition

Changes in the focus of Council's core business and service delivery impacts the workforce required to deliver those changed services. Flexibility of the workforce to respond to these changes in service delivery in terms of composition, capability and skills will be essential to achieving organisational change. Any changes to workforce composition associated with service delivery changes will be managed in accordance with Council's policies and procedures and the associated industrial instruments.

Workforce structure

The efficient management of changes in service delivery requires the availability of options to maintain a workforce structure that is specifically and efficiently designed to deliver the services required. Any changes to workforce structure associated with service delivery changes will be managed in accordance with Council's policies and procedures and the associated industrial instruments.

The following strategies are identified to address these challenges:

- Build Council's workforce planning capabilities
- Incorporate workforce resourcing data to the delivery program development process
- Build Council's capacity to undertake evidence based human resource practice.

Ageing Workforce

Current workforce

With an average age of 45 years and 55% of the workforce over the age of 45, an ageing workforce is a key issue for the management and planning of Council's workforce. Combined with the ageing population both nationally and within the (LGA), this raises many challenges to maintain and develop a skilled workforce. These challenges involve managing the inherent needs of an ageing workforce including knowledge management, skill transfer, valuing older workers, flexible work options for transition to retirement, whilst ensuring health and safety is maintained. Council must also ensure they are equipped to replace older workers when they decide it is the right time to retire.

Ageing labour market

An ageing LGA labour market presents challenges in regards to availability of a talent pool of potential staff within the region. This diminished labour market requires Council to have the ability to attract quality staff and maintain competitiveness with both the Sydney and private industry markets and partner with schools and educational institutions locally to ensure the organisation accesses all potential local talent pools.

The following strategies are identified to address these challenges:

- Strategic recruitment to support corporate skill and knowledge retention
- Promote and support flexible work practices to allow transition to retirement
- Actively engage older employees in the workplace
- Provide wellbeing programs for the various life stages
- Encourage knowledge sharing through investment in coaching and mentoring relationships
- Support workforce flexibility to allow appropriate structural and organisational change
- Succession planning and ongoing staff training and development.

Attraction and Engagement

The following internal and external challenges impact Council's Workforce Management Strategy in relation to attraction and engagement:

Attraction capacity

Attracting the right people with the right skills is important in order to maintain market competitiveness. Being competitive impacts on employment costs, through salary payments that reflect market rates and market recognised incentives such as motor vehicles, flexible work practices and learning and development opportunities. Projecting a positive employer brand and delivering on employee expectations is key to attraction.

Employee turnover and length of service

Our employee turnover rate has been steady between 2-4% for several years which is significantly below the local government industry rates of 8-9%. This is intrinsically linked to the age of the workforce and length of service. While a workforce with employees who have longer than average service can benefit the organisation, some turnover is optimum to facilitate change and adaptability. As well as understanding the nature of the workforce in development of resourcing strategies, it is important that Council also plan to maintain workforce engagement through the exploration of professional development and succession opportunities.

Proximity to Sydney job market

Wollongong's proximity to the Sydney job market impacts on the organisation's ability to attract and retain staff as we are often required to pay above regional and industry rates and include such incentives as cars to attract suitable staff. This subsequently impacts on employment costs.

Strategy

The following strategies are identified to address these challenges:

- Attract the best available people using best practice merit based employment strategies that are responsive to business needs and labour market changes
- Embed our values into all aspects of employment
- Induct employees into the organisation to assist them to embrace and apply our values, policies and procedures
- Develop and maintain systems that engage staff in setting their goals and outcomes to meet business needs
- Attract quality people seeking entry to the workforce by providing learning and skills development opportunities.

Social Responsibility

The following internal and external challenges impact Council's Workforce Management Strategy in relation to social responsibility:

Social responsibility

Recognise our social responsibility of giving back to the community – current focus is through Council's Employment, Equity and Diversity (EED) program. In particular, in providing support to community based services in the provision of training and support to disadvantaged or minority groups seeking entry to the workforce.

Employment, Equity and Diversity

Council's approach to EED planning focuses on linking with community planning. The primary aim is to achieve a workforce that reflects the diversity of the wider community and engage the whole community and promote Council as a diverse employer. Council recognises that it is necessary to include and apply its equity and fairness values into organisational culture.

Role of Council as a major employer within the community
Recognising jobs growth, jobs security, and the role the organisation has in the community to build employment based skills within the broader community. Council has a social and community responsibility to contribute to the Wollongong 2022: Community Strategic Plan as a major employer/partner separate from the service delivery responsibilities of Council.

High regional unemployment
Unemployment, and in particular youth unemployment, is one of the most significant economic and social issues facing the Illawarra region. Council is committed through the EED Plan, the Aboriginal and Torres Strait Islander Employment Plan and our Youth Development Plan to provide opportunities for employment and experience including a focus on cultural, demographic, social and economically disadvantaged groups.

Strategy
The following strategies are identified to address these challenges:

- To encourage ongoing learning among our people to maintain the capabilities required to meet current and future personal and organisational needs
- Be responsive to personal, legislative and organisational needs in learning and development activities
- Use technology to support learning
- Evaluate the effectiveness of learning and development strategies
- Develop organisational leadership strategies which promote value based management principles
- Provide a responsive learning program that addresses emerging business needs
- Support people to achieve their goals
- Develop skills to manage and implement change.

Organisational Development

The following internal and external challenges impact Council's Workforce Management Strategy in relation to organisational development:

Future skills requirements
Council is committed to consultation to identify skills gaps across the organisation which occurs through workforce planning and learning and development strategy development. The identification of these gaps will allow the organisation to plan for the appropriate education of the workforce to ensure that it has the skills and capabilities to deliver customer and community services.

Skills shortage
Maintaining relevant skills is essential to the effectiveness and performance of the organisation. Skills shortages can be due to a number of internal and external influences which must be strategically planned for in order to maintain a workforce capable of delivering Council's needs.

Strategy
The following strategies are identified to address these challenges:

- To encourage ongoing learning among our people to maintain the capabilities required to meet current and future personal and organisational needs
- Be responsive to personal, legislative and organisational needs in learning and development activities
- Use technology to support learning
- Evaluate the effectiveness of learning and development strategies
- Develop organisational leadership strategies which promote value based management principles
- Provide a responsive learning program that addresses emerging business needs
- Support people to achieve their goals
- Develop skills to manage and implement change.

Organisational Culture

The following internal and external challenges impact Council's Workforce Management Strategy in relation to organisational development:

Significant workplace and operational change

The current climate of uncertainty within the organisation in relation to future services delivery which may change or no longer be required presents significant challenges to building a constructive culture. Culture and organisational values need to underpin change management processes.

Strategy

The following strategies are identified to address these challenges:

- Create a work environment and culture that staff want and need to achieve professional, personal and organisational goals
- Foster a constructive culture that practices the organisational values
- Promote and develop leadership, coaching and support
- Support organisational and operational change that involves staff in decisions that affect them
- Implement effective workforce practices such as succession planning, cross function job opportunities, transferring and retaining knowledge and assisting staff to meet work-life balance needs
- Set and communicate workplace standards that support our desired culture and safety.

Workplace Health and Safety

The following internal and external challenges impact Council's Workforce Management Strategy in relation to organisational development:

Culture of safety and wellness

Significant progress has been achieved in our Work Health Safety (WHS) systems and processes. A key challenge is to continue to nourish and improve on our culture of safety and wellness through ensuring the ongoing demonstration of our constructive safety attitude and behaviour. This is achieved through genuinely engaging our workers to be applying preventative and proactive measures to ensure the safety and wellbeing now and into the future.

Ensuring legislative compliance

The new National Work Health Safety Act has become effective from 1 January 2012. Whilst the legislation is still new and untested, Council's WHS system requires a review and change to ensure compliance.

Application of the WHS system at an operational level

This is a significant priority for the organisation. The real success of the system is its application at an operational level that ensures the health and safety of Council employees, contractors and volunteers.

Injury management and redeployment capabilities

Our workforce demographics combined with Council's high number of manual work activities requires effective and efficient injury management and return to work strategies and practices. This enables a reduction on the number of days lost due to injury/illness and timely return to work timeframes for the benefit of the worker and Council. If the severity of the injury/illness prevents the worker being able to return to their normal position, flexibility in redeployment options needs to be improved.

Strategy

The following strategies are identified to address these challenges:

- Provide a work environment that values and supports the contributions of our people. This includes creating a safe, supportive and equitable work environment that sustains satisfaction, empowerment, commitment, enthusiasm and performance accountability
- Enhance safety through continuing support and development of our 'Get Smart – Stay Safe' culture
- Providing opportunities for employees to make positive and constructive changes in lifestyle choices
- Improvement in injury management intervention processes through timely Return to Work plans and established suitable duties registers for each operational area
- Ensure that WHS Management System is being applied at operational levels through verification and measurement activities against lead and lag performance indicators
- Provide a workers' compensation system that is efficient and cost effective and provides fairness and equity to Council and its people
- Balance between work, life and family is encouraged and supported.

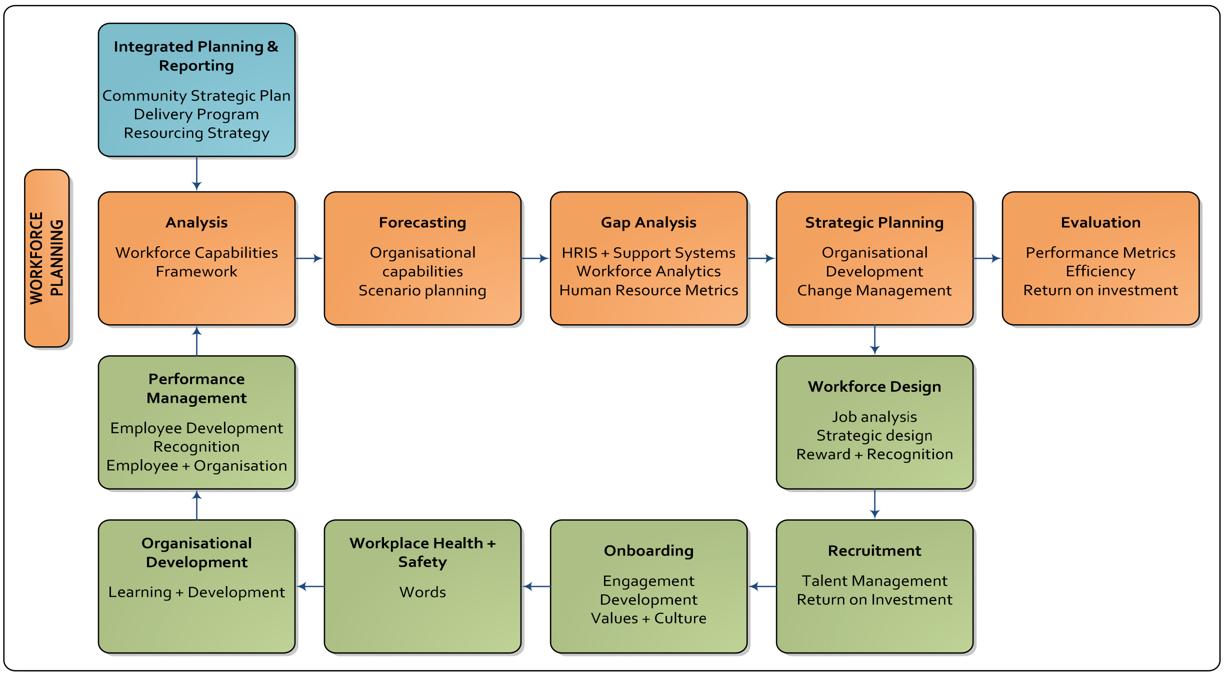
Our Plan

Council's Workforce Management Strategy has been designed with the specific purpose to establish direct linkage between workforce and corporate strategy. The aim of this plan is to improve Council's workforce planning capability, establish reliable metrics and analytics to support sustainable and measurable organisational improvement and respond to change strategies required to address financial sustainability.

Integration

The integration of workforce planning practices into human resources service delivery underpins the development of Council's workforce planning capabilities. Council is currently undertaking a review of Human Resource service delivery with the aim to embed workforce planning practices throughout the management of its workforce.

The following diagram demonstrates the integration of both Integrated Planning and Reporting, and Human Resources services with the workforce planning process.



Implementation

Workforce planning is addressed at both the organisational and divisional level and the responsibility for implementation is shared between Executive, Management and Human Resources. The following provides an outline of key roles and responsibilities across these primary roles.

Executive
The role of the Executive is to lead Council in the development and utilisation of workforce resourcing strategies to support business planning and decision making.

Responsibilities:

- Support inclusion of workforce resource data and analysis within the Integrated Planning and Reporting consultation process
- Support the integration of workforce planning strategies into corporate planning activities
- Support the accountability of management to engage in workforce planning strategy
- Utilise workforce planning data and analysis to support business strategy and decision making.

Management
At the divisional level it is the role of managers to continually analyse the composition and structure of their workforce to ensure that workforce has the right staff, with the right capabilities to meet emerging and future service delivery demands.

Responsibilities:

- Integrate workforce planning into local planning utilising workforce planning data
- Identify appropriate strategies/initiatives to meet workforce planning outcomes
- Manage local implementation of workforce planning strategies/initiatives
- Utilise workforce planning tools and support provided by Human Resources.

Human Resources (HR)
The role of Human Resources is to develop and implement organisational workforce resourcing strategies and deliver services and provide strategic and operational information that supports decision making.

Responsibilities:

- Providing strategic human resource advice and support in relation to the continuing development of workforce planning activities
- Development of tools to support workforce planning at the local level
- Informing local workforce planning discussions through the provision of local workforce data
- Coordinating organisation-wide workforce planning initiatives
- Facilitate the development of local workforce plans
- Provide policy advice
- Provide advice to managers on the most appropriate human resource activities to address identified workforce challenges.

Monitoring and Evaluation

Monitoring and evaluation is an important part of the workforce planning process that allows Council to analyse the effectiveness of its workforce and where required make changes to improve ongoing success.

Council will undertake this process through implementation of regular reporting designed to evaluate the effectiveness of implemented strategies and allow for changes to be made to support quality outcomes.

In addition, the development of workforce analytics and metrics data will be used to monitor and evaluate the effectiveness of the Workforce Management Strategy to support effective and efficient workforce resourcing decisions.

Draft Financial Strategy

COUNCIL POLICY

OBJECTIVE

The objective of this Strategy is to provide direction and context for decision making in the allocation, management and use of Wollongong City Council's financial resources. The Strategy will guide Council in the development of a ten year financial plan and determine financial boundaries for delivery of operational and capital plans.

Council will use ratepayer's money, together with other funding available, wisely to provide prioritised services and improve financial sustainability and asset management.

POLICY STATEMENT

Introduction

Wollongong City Council's Financial Strategy provides a clear direction and context for decision making that guides the allocation, management and use of its financial resources. It aims to ensure that Council remains financially stable while giving focus to financing key Council priorities through strong financial management. It acts as the catalyst for improving efficiency and releasing resources to improve frontline services and continuity.

The Financial Strategy sets the parameters within which Council agrees to operate in order to maintain accepted financial outcomes and should be viewed as an enabling Strategy that aims to provide financial stability, affordability, delivery, and value for money, over the short, medium and longer term.

Challenges

Over the next 5-20 years, Wollongong City Council will face many challenges that will require strong financial leadership and creative solutions to meet its aspirations. The key challenges faced over this period include:

1. Addressing Council's medium to long term shortfall in funding the renewal and maintenance of assets used to deliver our services.
2. Delivering organisational change to improve efficiency and assist in meeting the current financial challenge.
3. Meeting expectations from all areas including community, service users and government by ensuring standards across key services keep pace with demand and in balance with the capacity to fund these operations.
4. Financial risk associated with significant growth and development of new infrastructure and services in the West Dapto area.

5. Demands associated with the management of climate change.

The following aims and parameters are designed to assist Council in achieving financial stability, affordability, focus and efficiency:

Stability

Available Funds

Council will aim to maintain Available Funds (the unallocated portion of all future revenues) between 3.5% and 5.5% of operational revenue [pre capital].

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 Fund 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.

Debt

Council will remain a low debt user by maintaining a debt service ratio (principal and interest repayments compared to operational revenue) below 4 %.

Council will only use debt to fund capital expenditure. The term of any debt shall not exceed the life of the asset it is used to fund.

Debt will be considered as part of the Capital Budget process and will only be approved where there is an agreed economic, social, or environmental benefit from a project and other sources of funding are not available.

Council currently has a low level of debt reflected by a current debt service ratio of 1.71% (June 2013). Industry norms for non-growing councils suggest that the debt service ratio should remain below 10%. The debt levels permitted under this Strategy would add flexibility to future programs where warranted.

Operational Result [pre capital]

Council will develop actions, in consultation with its community, to move towards and maintain small surplus budgets in the future.

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. Council will plan based on the best information available.

Affordability

Total Funds Result

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.

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 near breakeven 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.

Capital Expenditure

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.

Capital expenditure decisions need to be fully informed by understanding the impacts on future results. For example, a building cannot be considered as a one off cost, it will have operational costs for electricity, water, and consumables and will normally involve services that will require operational budgets, including employee costs. The building will then need to be maintained and eventually renewed and/or be disposed of. Consideration of these costs and any potential revenue must be part of the initial evaluation and approval process and be recognised in future estimates to aid future planning.

Rates, Fees & Charges

Following deliberation with the community, Council will propose a Revenue Policy as part of its 2014-15 Annual Plan to achieve a financially sustainable outcome by balancing the level of rates and other revenues required with the cost of services agreed to be delivered.

Business rating structures and differential pricing between categories will be considered as part of the Annual Revenue Policy development.

Council's pricing methodology will be applied consistently for all fees and charges. Fees & Charges will be reviewed on a cyclical basis to ensure compliance.

Council's revenue strategies will be considered as part of the longer term financial planning in accordance with this strategy. General rates increases are determined by the Minister for Local Government through a 'rate pegging' mechanism that has generally been in line with increases in costs to local government. Rate variations beyond this level will be linked to community aspirations for service which will be considered in conjunction with other revenue options and cost reduction opportunities.

Investment of Surplus Cash

Council will invest surplus cash in accordance with its Investment Policy.

Returns on externally restricted cash will be transferred to restricted assets and treated as capital revenue where required.

Investment of surplus funds provides additional resource to Council and assists in maintaining the real value of restricted funds held. Council, in its Investment Policy, carefully weighs up its stewardship role and prudent investment risk to optimise returns. Events in past years have highlighted the need to remain vigilant in securing public monies and making appropriate risk reward decisions.

Returns from investments vary significantly from year to year based on interest rates and the level of cash held. From a planning perspective, it is deemed prudent to ensure that Council's investment returns are not funding ongoing operations which would be a risk when returns reduce. For this reason, it is considered reasonable to apply these funds to capital (or one off projects) that do not impact on future operational costs. It is also important to understand that predicted future returns may not be realised and funding may not be available as expected.

West Dapto

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.

West Dapto is the last significant 'green fields' development in Wollongong. It will have significant financial impacts over a period of time. It is anticipated that there will be substantial developer contributions and capital expenditure. The management of the Section 94 Plan has inherent risks due to the external pricing limits, estimating, scoping, and timing variables. Rate revenue will usually precede operational demand and assets built will require little renewal or maintenance for 7 to 15 years creating a perception of improved financial performance. Experience in developing councils has shown the negative long term impacts that the delayed expense pattern has if additional rate revenue is built into other recurrent operations.

It is considered important that a longer term view of additional revenue is given, and appropriate long term provisions are made from the commencement of the development.

Focused Delivery

Operational Services

Council's Delivery and Operational Plans will be used to:

- *determine core and value added services,*
- *Identify, deliver, and report on business improvement initiatives, and*
- *set actions to improve service levels, costs, and delivery methods*

Alignment of Council services with Wollongong 2022 will continue to play an important part in determining the future needs and operations of the organisation. Assuring that the right things are done in the most efficient way, and being able to measure that performance should provide a sound platform for communicating and planning to meet agreed community expectations.

Grant Funding and other Capital Contributions

Council will actively pursue grant funding and other contributions to assist in the delivery of core services.

Operational grants and contributions for specific purposes currently provide around 3% of Council's revenue [pre capital]. Continued effort in obtaining and improving Council's success in targeted grant funding is vital to future performance and stability.

Capital Funding

Council will develop actions in consultation with its community to move towards creating annual operational funds available for capital equal to depreciation.

Council will achieve its expenditure targets for capital renewal by programming these works with sufficient flexibility to allow re-phasing, deferral and/or the introduction of other deferred renewal works as required.

Council will apply at least 85% of Operational Funds Available for Capital to the renewal of existing assets.

Technically, full funding of depreciation should mean that all existing assets will be able to be renewed at existing service levels when their life has expired. In practice, it will be unusual for many assets to be used and replaced along a planned lifecycle. In many instances, assets built today may not be required in future years, or use may change over their lives. In other instances, associated third parties may be responsible for contributing to the renewal of assets that are held in ownership by Council. For this reason, it is expected that full depreciation funding for renewal may not be required. While this is the case, it is also recognised that many assets replaced will require some component of augmentation to meet existing standards or enhance service level. Capacity is built into future resourcing to manage this inevitability.

Efficiency - Value for Money

Service Reviews

Council will maintain an ongoing review of its services that seeks to better define service requirements, refine delivery methods and balance service aims against affordability for both the Council and our customers.

It is intended that all services be reviewed on a cyclical basis over a period of time. During each review of service the service budget will be zero based in line with the agreed service levels.

Council will deliver procurement savings through improved strategic procurement and collaboration with other authorities and agencies.

SUMMARY SHEET

RESPONSIBLE DIVISION	Finance
DATE ADOPTED ON BEHALF OF COUNCIL	Date to be inserted by Governance and Information Division
DATE OF PREVIOUS ADOPTION(S)	Date to be inserted by Governance and Information Division
DATE FOR REVIEW	Date to be inserted by Governance and Information Division

INDICATIVE RATING SCENARIOS

2014-15, 2015-16 and 2016-17

SCENARIO 1

Example Suburb		SCENARIO 1 - House Average Rate	2014/15	2015/16	2016/17	Cumulative Increase %	Cumulative Increase $	Average Weekly
DAPTO	Rate Peg (2.7, 3.0, 3.0%)	1,013	1,040	1,072	1,104	8.95%	90.70	1.74
	SRV (5.2, 5.5, 5.5%)		1,066	1,124	1,186	17.09%	173.11	3.33
	NET SRV INCREASE		25	53	82		$82.41	$1.58
FARMBOROUGH HEIGHTS	Rate Peg (2.7, 3.0, 3.0%)	1,145	1,176	1,212	1,248	8.95%	102.57	1.97
	SRV (5.2, 5.5, 5.5%)		1,205	1,271	1,341	17.09%	195.76	3.76
	NET SRV INCREASE		29	60	93		$93.19	$1.79
WEST WOLLONGONG	Rate Peg (2.7, 3.0, 3.0%)	1,234	1,268	1,306	1,345	8.95%	110.53	2.13
	SRV (5.2, 5.5, 5.5%)		1,298	1,370	1,445	17.09%	210.95	4.06
	NET SRV INCREASE		31	64	100		$100.42	$1.93
TOWRADGI	Rate Peg (2.7, 3.0, 3.0%)	1,376	1,413	1,456	1,499	8.95%	123.22	2.37
	SRV (5.2, 5.5, 5.5%)		1,448	1,527	1,611	17.09%	235.18	4.52
	NET SRV INCREASE		34	72	112		$111.96	$2.15
WOLLONGONG	Rate Peg (2.7, 3.0, 3.0%)	1,592	1,635	1,684	1,734	8.95%	142.55	2.74
	SRV (5.2, 5.5, 5.5%)		1,675	1,767	1,864	17.09%	272.06	5.23
	NET SRV INCREASE		40	83	130		$129.52	$2.49
AUSTINMER	Rate Peg (2.7, 3.0, 3.0%)	1,968	2,021	2,082	2,144	8.95%	176.22	3.39
	SRV (5.2, 5.5, 5.5%)		2,070	2,184	2,304	17.09%	336.33	6.47
	NET SRV INCREASE		49	102	160		$160.11	$3.08
STANWELL PARK	Rate Peg (2.7, 3.0, 3.0%)	2,084	2,140	2,204	2,271	8.95%	186.61	3.59
	SRV (5.2, 5.5, 5.5%)		2,192	2,313	2,440	17.09%	356.16	6.85
	NET SRV INCREASE		52	108	170		$169.55	$3.26
AVERAGE ALL SUBURBS	Rate Peg (2.7, 3.0, 3.0%)	1,262	1,296	1,335	1,375	8.95%	113.04	2.17
	SRV (5.2, 5.5, 5.5%)		1,328	1,401	1,478	17.09%	215.75	4.15
	NET SRV INCREASE		32	66	103		$102.71	$1.98

Example Suburb		SCENARIO 1 - Pensioner on Average Value Average Rate	2014/15	2015/16	2016/17	Cumulative Increase %	Cumulative Increase $	Average Weekly
AVERAGE ALL SUBURBS	Rate Peg (2.7, 3.0, 3.0%)	1,262	1,296	1,335	1,375			
	Less Pensioner Rebate	(250)	(250)	(250)	(250)			
	NET RATE	1,012	1,046	1,085	1,125	11.17%	113.00	2.17
	SRV (5.2%, 5.5%,5.5%)		1,328	1,401	1,478			
	Less Pensioner Rebate		(250)	(250)	(250)			
	NET RATE		1,078	1,151	1,228	21.31%	215.68	4.15
	Difference		32	66	103		$102.67	$1.97

Rate Category - Subcategory	SCENARIO 1 - Other Rates Cents in Dollar	2014/15 %	2015/16	2016/17	Cumulative Increase %
BUSINESS	0.502653	5.2%	5.5%	5.5%	17.09%
BUSINESS - LIGHT INDUSTRIAL	1.264245	5.2%	5.5%	5.5%	17.09%
BUSINESS - COMMERCIAL	1.549898	5.2%	5.5%	5.5%	17.09%
BUSINESS - HEAVY INDUSTRIAL	1.811452	5.2%	5.5%	5.5%	17.09%
BUSINESS - REGIONAL 3c	2.361820	2.7%	3.0%	3.0%	8.95%
BUSINESS - HEAVY INDUSTRIAL ACTIVITY 1	2.937984	2.7%	3.0%	3.0%	8.95%
FARMLAND	0.019886	5.2%	5.5%	5.5%	17.09%

Example Suburb		SCENARIO 1 - Strata Property Average Rate	2014/15	2015/16	2016/17	Cumulative Increase %	Cumulative Increase $	Average Weekly
DAPTO	Rate Peg (2.7, 3.0, 3.0%)	776	797	821	845	8.95%	69.49	1.34
	SRV (5.2, 5.5, 5.5%)		816	861	909	17.09%	132.62	2.55
	NET SRV INCREASE		19	40	63		$63.13	$1.21
FARMBOROUGH HEIGHTS	Rate Peg (2.7, 3.0, 3.0%)	824	846	872	898	8.95%	73.78	1.42
	SRV (5.2, 5.5, 5.5%)		867	915	965	17.09%	140.82	2.71
	NET SRV INCREASE		21	43	67		$67.04	$1.29
WEST WOLLONGONG	Rate Peg (2.7, 3.0, 3.0%)	792	813	838	863	8.95%	70.92	1.36
	SRV (5.2, 5.5, 5.5%)		833	879	927	17.09%	135.35	2.60
	NET SRV INCREASE		20	41	64		$64.44	$1.24
TOWRADGI	Rate Peg (2.7, 3.0, 3.0%)	856	879	905	933	8.95%	76.65	1.47
	SRV (5.2, 5.5, 5.5%)		901	950	1,002	17.09%	146.29	2.81
	NET SRV INCREASE		21	45	70		$69.64	$1.34
WOLLONGONG	Rate Peg (2.7, 3.0, 3.0%)	841	864	890	916	8.95%	75.31	1.45
	SRV (5.2, 5.5, 5.5%)		885	933	985	17.09%	143.73	2.76
	NET SRV INCREASE		21	44	68		$68.42	$1.32
AUSTINMER	Rate Peg (2.7, 3.0, 3.0%)	1,079	1,108	1,141	1,176	8.95%	96.62	1.86
	SRV (5.2, 5.5, 5.5%)		1,135	1,198	1,263	17.09%	184.40	3.55
	NET SRV INCREASE		27	56	88		$87.79	$1.69
STANWELL PARK	Rate Peg (2.7, 3.0, 3.0%)	962	988	1,018	1,048	8.95%	86.14	1.66
	SRV (5.2, 5.5, 5.5%)		1,012	1,068	1,126	17.09%	164.41	3.16
	NET SRV INCREASE		24	50	78		$78.27	$1.51
AVERAGE ALL SUBURBS	Rate Peg (2.7, 3.0, 3.0%)	829	851	877	903	8.95%	74.23	1.43
	SRV (5.2, 5.5, 5.5%)		872	920	971	17.09%	141.68	2.72
	NET SRV INCREASE		21	43	67		$67.45	$1.30

SCENARIO 2

Example Suburb		Average Rate	2014/15	2015/16	2016/17	Cumulative Increase %	Cumulative Increase $	Average Weekly
		SCENARIO 2 - House						
DAPTO	Rate Peg (2.7, 3.0, 3.0%)	1,013	1,040	1,072	1,104	8.95%	90.70	1.74
	SRV (6.7, 7.0, 7.0%)		1,081	1,156	1,237	22.16%	224.48	4.32
	NET SRV INCREASE		41	85	134		$133.77	$2.57
FARMBOROUGH HEIGHTS	Rate Peg (2.7, 3.0, 3.0%)	1,145	1,176	1,212	1,248	8.95%	102.57	1.97
	SRV (6.7, 7.0, 7.0%)		1,222	1,308	1,399	22.16%	253.84	4.88
	NET SRV INCREASE		46	96	151		$151.27	$2.91
WEST WOLLONGONG	Rate Peg (2.7, 3.0, 3.0%)	1,234	1,268	1,306	1,345	8.95%	110.53	2.13
	SRV (6.7, 7.0, 7.0%)		1,317	1,409	1,508	22.16%	273.53	5.26
	NET SRV INCREASE		49	104	163		$163.01	$3.13
TOWRADGI	Rate Peg (2.7, 3.0, 3.0%)	1,376	1,413	1,456	1,499	8.95%	123.22	2.37
	SRV (6.7, 7.0, 7.0%)		1,468	1,571	1,681	22.16%	304.95	5.86
	NET SRV INCREASE		55	115	182		$181.73	$3.49
WOLLONGONG	Rate Peg (2.7, 3.0, 3.0%)	1,592	1,635	1,684	1,734	8.95%	142.55	2.74
	SRV (6.7, 7.0, 7.0%)		1,699	1,817	1,945	22.16%	352.78	6.78
	NET SRV INCREASE		64	134	210		$210.24	$4.04
AUSTINMER	Rate Peg (2.7, 3.0, 3.0%)	1,968	2,021	2,082	2,144	8.95%	176.22	3.39
	SRV (6.7, 7.0, 7.0%)		2,100	2,247	2,404	22.16%	436.11	8.39
	NET SRV INCREASE		79	165	260		$259.90	$5.00
STANWELL PARK	Rate Peg (2.7, 3.0, 3.0%)	2,084	2,140	2,204	2,271	8.95%	186.61	3.59
	SRV (6.7, 7.0, 7.0%)		2,224	2,379	2,546	22.16%	461.83	8.88
	NET SRV INCREASE		83	175	275		$275.22	$5.29
AVERAGE ALL SUBURBS	Rate Peg (2.7, 3.0, 3.0%)	1,262	1,296	1,335	1,375	8.95%	113.04	2.17
	SRV (6.7, 7.0, 7.0%)		1,347	1,441	1,542	22.16%	279.76	5.38
	NET SRV INCREASE		50	106	167		$166.72	$3.21

Example Suburb		Average Rate	2014/15	2015/16	2016/17	Cumulative Increase %	Cumulative Increase $	Average Weekly
		SCENARIO 2 - Pensioner on Average Value						
AVERAGE ALL SUBURBS	Rate Peg 2.7, 3.0, 3.0%	1,262	1,296	1,335	1,375			
	Less Pensioner Rebate	(250)	(250)	(250)	(250)			
	NET RATE	1,012	1,046	1,085	1,125	11.17%	113.00	2.17
	SRV (6.7%, 7.0%, 7.0%)		1,347	1,441	1,542			
	Less Pensioner Rebate		(250)	(250)	(250)			
	NET RATE		1,097	1,191	1,292	27.64%	279.67	5.38
	Difference		50	106	167		$166.66	$3.21

Rate Category - Subcategory	SCENARIO 2 - Other Rates Cents in Dollar	2014/15 %	2015/16	2016/17	Cumulative Increase %
BUSINESS	0.502653	6.7%	7.0%	7.0%	22.16%
BUSINESS - LIGHT INDUSTRIAL	1.264245	6.7%	7.0%	7.0%	22.16%
BUSINESS - COMMERCIAL	1.549898	6.7%	7.0%	7.0%	22.16%
BUSINESS - HEAVY INDUSTRIAL	1.811452	6.7%	7.0%	7.0%	22.16%
BUSINESS - REGIONAL 3c	2.361820	2.7%	3.0%	3.0%	8.95%
BUSINESS - HEAVY INDUSTRIAL ACTIVITY 1	2.937984	2.7%	3.0%	3.0%	8.95%
FARMLAND	0.019886	6.7%	7.0%	7.0%	22.16%

Example Suburb		SCENARIO 2 - Strata Property Average Rate	2014/15	2015/16	2016/17	Cumulative Increase %	Cumulative Increase $	Average Weekly
DAPTO	Rate Peg (2.7, 3.0, 3.0%)	776	797	821	845	8.95%	69.49	1.34
	SRV (6.7, 7.0, 7.0%)		828	886	948	22.16%	171.97	3.31
	NET SRV INCREASE		31	65	102		$102.48	$1.97
FARMBOROUGH HEIGHTS	Rate Peg (2.7, 3.0, 3.0%)	824	846	872	898	8.95%	73.78	1.42
	SRV (6.7, 7.0, 7.0%)		879	941	1,007	22.16%	182.61	3.51
	NET SRV INCREASE		33	69	109		$108.82	$2.09
WEST WOLLONGONG	Rate Peg (2.7, 3.0, 3.0%)	792	813	838	863	8.95%	70.92	1.36
	SRV (6.7, 7.0, 7.0%)		845	904	968	22.16%	175.51	3.38
	NET SRV INCREASE		32	66	105		$104.59	$2.01
TOWRADGI	Rate Peg (2.7, 3.0, 3.0%)	856	879	905	933	8.95%	76.65	1.47
	SRV (6.7, 7.0, 7.0%)		913	977	1,046	22.16%	189.70	3.65
	NET SRV INCREASE		34	72	113		$113.05	$2.17
WOLLONGONG	Rate Peg (2.7, 3.0, 3.0%)	841	864	890	916	8.95%	75.31	1.45
	SRV (6.7, 7.0, 7.0%)		897	960	1,027	22.16%	186.37	3.58
	NET SRV INCREASE		34	71	111		$111.07	$2.14
AUSTINMER	Rate Peg (2.7, 3.0, 3.0%)	1,079	1,108	1,141	1,176	8.95%	96.62	1.86
	SRV (6.7, 7.0, 7.0%)		1,151	1,232	1,318	22.16%	239.12	4.60
	NET SRV INCREASE		43	91	142		$142.50	$2.74
STANWELL PARK	Rate Peg (2.7, 3.0, 3.0%)	962	988	1,018	1,048	8.95%	86.14	1.66
	SRV (6.7, 7.0, 7.0%)		1,026	1,098	1,175	22.16%	213.19	4.10
	NET SRV INCREASE		38	81	127		$127.05	$2.44
AVERAGE ALL SUBURBS	Rate Peg (2.7, 3.0, 3.0%)	829	851	877	903	8.95%	74.23	1.43
	SRV (6.7, 7.0, 7.0%)		885	946	1,013	22.16%	183.71	3.53
	NET SRV INCREASE		33	70	109		$109.48	$2.11

SCENARIO 3

Example Suburb		SCENARIO 3 - House Average Rate	2014/15	2015/16	2016/17	Cumulative Increase %	Cumulative Increase $	Average Weekly
DAPTO	Rate Peg (2.7, 3.0, 3.0%)	1,013	1,040	1,072	1,104	8.95%	90.70	1.74
	SRV (7.7, 8.0, 8.0%)		1,091	1,178	1,272	25.62%	259.53	4.99
	NET SRV INCREASE		51	107	169		$168.83	$3.25
FARMBOROUGH HEIGHTS	Rate Peg (2.7, 3.0, 3.0%)	1,145	1,176	1,212	1,248	8.95%	102.57	1.97
	SRV (7.7, 8.0, 8.0%)		1,234	1,332	1,439	25.62%	293.47	5.64
	NET SRV INCREASE		57	121	191		$190.91	$3.67
WEST WOLLONGONG	Rate Peg (2.7, 3.0, 3.0%)	1,234	1,268	1,306	1,345	8.95%	110.53	2.13
	SRV (7.7, 8.0, 8.0%)		1,329	1,436	1,551	25.62%	316.25	6.08
	NET SRV INCREASE		62	130	206		$205.72	$3.96
TOWRADGI	Rate Peg (2.7, 3.0, 3.0%)	1,376	1,413	1,456	1,499	8.95%	123.22	2.37
	SRV (7.7, 8.0, 8.0%)		1,482	1,601	1,729	25.62%	352.57	6.78
	NET SRV INCREASE		69	145	229		$229.35	$4.41
WOLLONGONG	Rate Peg (2.7, 3.0, 3.0%)	1,592	1,635	1,684	1,734	8.95%	142.55	2.74
	SRV (7.7, 8.0, 8.0%)		1,714	1,852	2,000	25.62%	407.87	7.84
	NET SRV INCREASE		80	168	265		$265.32	$5.10
AUSTINMER	Rate Peg (2.7, 3.0, 3.0%)	1,968	2,021	2,082	2,144	8.95%	176.22	3.39
	SRV (7.7, 8.0, 8.0%)		2,119	2,289	2,472	25.62%	504.21	9.70
	NET SRV INCREASE		98	207	328		$328.00	$6.31
STANWELL PARK	Rate Peg (2.7, 3.0, 3.0%)	2,084	2,140	2,204	2,271	8.95%	186.61	3.59
	SRV (7.7, 8.0, 8.0%)		2,244	2,424	2,618	25.62%	533.95	10.27
	NET SRV INCREASE		104	220	347		$347.34	$6.68
AVERAGE ALL SUBURBS	Rate Peg (2.7, 3.0, 3.0%)	1,262	1,296	1,335	1,375	8.95%	113.04	2.17
	SRV (7.7, 8.0, 8.0%)		1,360	1,468	1,586	25.62%	323.44	6.22
	NET SRV INCREASE		63	133	210		$210.40	$4.05

Example Suburb		SCENARIO 3 - Pensioner on Average Value Average Rate	2014/15	2015/16	2016/17	Cumulative Increase %	Cumulative Increase $	Average Weekly
AVERAGE ALL SUBURBS	Rate Peg 2.7, 3.0, 3.0%	1,262	1,296	1,335	1,375			
	Less Pensioner Rebate	(250)	(250)	(250)	(250)			
	NET RATE	1,012	1,046	1,085	1,125	11.17%	113.00	2.17
	SRV (7.7%, 8.0%,8.0%)		1,359	1,468	1,585			
	Less Pensioner Rebate		(250)	(250)	(250)			
	NET RATE		1,109	1,218	1,335	31.95%	323.34	6.22
	Difference		63	133	210		$210.34	$4.04

	SCENARIO 3 - Other Rates				
Rate Category - Subcategory	Cents in Dollar	2014/15 %	2015/16	2016/17	Cumulative Increase %
BUSINESS	0.502653	7.7%	8.0%	8.0%	25.62%
BUSINESS - LIGHT INDUSTRIAL	1.264245	7.7%	8.0%	8.0%	25.62%
BUSINESS - COMMERCIAL	1.549898	7.7%	8.0%	8.0%	25.62%
BUSINESS - HEAVY INDUSTRIAL	1.811452	7.7%	8.0%	8.0%	25.62%
BUSINESS - REGIONAL 3c	2.361820	2.7%	3.0%	3.0%	8.95%
BUSINESS - HEAVY INDUSTRIAL ACTIVITY 1	2.937984	2.7%	3.0%	3.0%	8.95%
FARMLAND	0.019886	7.7%	8.0%	8.0%	25.62%

		SCENARIO 3 - Strata Property						
Example Suburb		Average Rate	2014/15	2015/16	2016/17	Cumulative Increase %	Cumulative Increase $	Average Weekly
DAPTO	Rate Peg (2.7, 3.0, 3.0%)	776	797	821	845	8.95%	69.49	1.34
	SRV (7.7, 8.0, 8.0%)		836	903	975	25.62%	198.82	3.82
	NET SRV INCREASE		39	82	129		$129.33	$2.49
FARMBOROUGH HEIGHTS	Rate Peg (2.7, 3.0, 3.0%)	824	846	872	898	8.95%	73.78	1.42
	SRV (7.7, 8.0, 8.0%)		887	958	1,035	25.62%	211.12	4.06
	NET SRV INCREASE		41	87	137		$137.33	$2.64
WEST WOLLONGONG	Rate Peg (2.7, 3.0, 3.0%)	792	813	838	863	8.95%	70.92	1.36
	SRV (7.7, 8.0, 8.0%)		853	921	995	25.62%	202.92	3.90
	NET SRV INCREASE		40	83	132		$132.00	$2.54
TOWRADGI	Rate Peg (2.7, 3.0, 3.0%)	856	879	905	933	8.95%	76.65	1.47
	SRV (7.7, 8.0, 8.0%)		922	996	1,075	25.62%	219.32	4.22
	NET SRV INCREASE		43	90	143		$142.67	$2.74
WOLLONGONG	Rate Peg (2.7, 3.0, 3.0%)	841	864	890	916	8.95%	75.31	1.45
	SRV (7.7, 8.0, 8.0%)		906	978	1,056	25.62%	215.47	4.14
	NET SRV INCREASE		42	89	140		$140.17	$2.70
AUSTINMER	Rate Peg (2.7, 3.0, 3.0%)	1,079	1,108	1,141	1,176	8.95%	96.62	1.86
	SRV (7.7, 8.0, 8.0%)		1,162	1,255	1,355	25.62%	276.45	5.32
	NET SRV INCREASE		54	114	180		$179.84	$3.46
STANWELL PARK	Rate Peg (2.7, 3.0, 3.0%)	962	988	1,018	1,048	8.95%	86.14	1.66
	SRV (7.7, 8.0, 8.0%)		1,036	1,119	1,208	25.62%	246.48	4.74
	NET SRV INCREASE		48	101	160		$160.34	$3.08
AVERAGE ALL SUBURBS	Rate Peg (2.7, 3.0, 3.0%)	829	851	877	903	8.95%	74.23	1.43
	SRV (7.7, 8.0, 8.0%)		893	964	1,041	25.62%	212.40	4.08
	NET SRV INCREASE		41	87	138		$138.17	$2.66

Wollongong City Council Financial Sustainability Review Citizens Panel Report

This report has been compiled by Straight Talk with input and direction from the Citizens Panel to outline the Panel's recommendations for review by the community and Councillors.

The sections of this report written in bold have been added by Straight Talk to provide further explanation for the Panel's recommendations.

This report will form the basis of consultation with the community during November. Submissions and comments on the Panel's recommendations will be considered by Councillors prior to making a decision about whether to adopt the recommendations or not.

Background and context

On 24 June 2013 Wollongong City Council determined to undertake a financial sustainability review that included comprehensive community engagement. In August Council agreed to convene a Citizens Panel to provide advice to Councillors and the community on how to find $21 million a year to ensure Council is financially sustainable over the long term.

The Panel was tasked with providing recommendations in response to the following three questions:

1. What are the priority services for Council to deliver and to what level should Council deliver these services?
2. What are the opportunities to achieve operational improvements?
3. How should Council fund the delivery of these services to the desired level?

The panel comprised 34 individuals who were randomly selected by a third party, Taverner Research, a specialist market research firm, to provide a representative sample of the Wollongong community in terms of age, gender, geography, level of education, cultural background and housing tenure.

Categories	Description	Demographic profile	Participant profile	
		Percentage	Number	Percentage
Service age groups	**18-24 years (Tertiary / independent)**	**13.4% of 18 yrs+**	5	**13.9%**
	25-34 years (Young workforce)	**16.2%**	5	**13.9%**
	35-49 years (Parents / homebuilders)	**26.0%**	9	**25.0%**
	50-59 years (Older workers / pre-retirees)	**16.3%**	6	**16.7%**
	60-69 years (Empty nesters retirees)	**12.9%**	6	**16.7%**
	70+ years (Seniors / elderly)	**15.3%**	5	**13.9%**
Ward	**North – ward 1**	N/A – Council wanted	13	**36.1%**

	Central – ward 2	the Panel to evenly represent all three wards	11	**30.6%**
	South – ward 3		12	**33.3%**
Home tenure	**Own/buying**	**64.4%**	27	**75.0%**
	Renting	**29.3%**	9	**25.0%**
Gender	**Male**	**49.5%**	21	**58.3%**
	Female	**50.5%**	15	**41.7%**
Ethnicity	**Speaks only English**	**79.4%**	28	**77.8%**
	Speaks another language (NESB) (and English well/ very well/ not well/ not at all)	**17.6%**	8	**22.2%**
Qualifications	**No education above high school**	**43.9%**	13	**36.1%**
	Advanced diploma / diploma / vocational certificate	**28.7%**	14	**38.9%**
	Bachelor / higher degree	**16.8%**	9	**25.0%**

The Panel met four times, as follows:

- Meeting 1 – 26 September 2013 (3 hours) – Focused on the group coming together to understand the task and the panel process
- Meeting 2 – 2 October 2013 (3 hours) – Focused on understanding the issues affecting Council's financial sustainability
- Meeting 3 – Weekend of 11/12 October 2013 (11 hours) – Focused on reviewing technical information and identifying preliminary recommendations
- Meeting 4 – Weekend of 26/27 October 2013 (11 hours) – Focused on reviewing and refining recommendations and reaching agreement as a group.

Panel meetings were independently facilitated by Straight Talk, a specialist community engagement firm.

Council's Executive team provided support and information to the Panel but did not lead any of the discussion sessions.

All information provided to the Panel has been made publicly available by Council and can be accessed from their Internet site (http://haveyoursaywollongong.com.au/projects/financial-sustainability). **Only one fact sheet was not provided publicly based on the commercial in confidence nature of the information it contained.**

Securing financial sustainability is an important public issue that will, to some extent, impact everyone in Wollongong, however, Council could not undertake in-depth consultation with the whole community. As part of an extensive community consultation program that involves multiple opportunities for the wider community to provide feedback, Council opted to appoint a smaller diverse, but representative, randomly selected group of citizens and give them time and support to review information and deliberate together to enable them to provide considered and informed feedback about service delivery and associated options for financial sustainability.

Members of the Panel were everyday citizens who committed to spend a significant amount of time learning about issues affecting Council's budget. They were no more, or less, politically motivated that average citizens and unlike active citizens or representatives of special-interest groups, who routinely lobby Council, they had no vested interests. They worked together as a group, and not as individuals, to identify recommendations that would serve the common good and minimise impact on the community as a whole.

Panel's findings and recommendations

We the Panel encourage the community to review the information located on Council's Have Your Say page, http://haveyoursaywollongong.com.au/projects/financial-sustainability in order to understand issues affecting Council's financial sustainability and our decisions.

We encourage the community to read our report and provide comment to Council on our recommendations.

We identified the following principles to guide us in making our decisions, and for Council to follow to ensure financial sustainability going forward:

- Spend the community's money wisely
- Do everything possible to avoid a rate rise – 'Tighten the belt' through efficiencies and service level changes
- Focus on maintaining existing assets before building new assets
- Focus investment on assets for highest and best use
- Make decisions that benefit the whole community over vested localised interests
- Make financially responsible decisions
- Ensure staff and Councillors are accountable to the community
- Ensure staff and Councillors are competent
- Ensure staff and Councillors do not engage in corruption.

Our decisions were made based on the information and time made available to us. Council staff and Straight Talk staff had no untoward influence over our decisions. We did everything possible to identify savings and efficiencies to minimise the impact on rates.

The Panel reached consensus on the following recommendations for changing the level of service, improving the efficiency and/or changing the way specific delivery streams are funded. They were aware that some of these recommendations may be unpopular and may impact groups in the community who use the services, but in reviewing services the Panel realised there is no easy way to find millions of dollars in savings without an impact. Accordingly, the Panel made its recommendations in an effort to minimise the impact on the least number of people and to mitigate the impact on rates.

Notwithstanding this, our recommendations include that Council:

- Implement a minimum of $10 M (of the $13 M identified by the Panel) of suggested savings within 3 years
- Cap a rate rise at a maximum of 7-7.5% (excluding CPI), to be introduced over 3 years
- Challenge Council to bridge the gap by stretching for further efficiencies and savings.

  The Panel recognise that there is a gap and have set this 'stretch target' so Council can continue to demonstrate to the community how it is doing its bit to minimise impacts of a rate rise on the wider community.

- Maintain good faith with the community and not renege on the Panel's recommendations or be influenced by special interest groups or political affiliations. **The Panel made its recommendations because it believed they were the fairest way for everyone to do their bit to ensure Council's long term financial sustainability.**

- Ensure they do not get into this position again:

  - Ensure that depreciation of capital expenditures is fully funded
  - Change the financial strategy to maintain the budget to break-even or better in each financial year.

- Communicate transparently to the community about the impact on rates – express the rate rise as a percentage and in dollars (both in terms of increase per year and per week) and clarify that the increase is on top of the expected Consumer Price Index (CPI) rise to be announced shortly by NSW Government.

- Negotiate a more cost effective Enterprise Agreement for new staff that is more in line with the market with regards to – wage/salary levels and terms/conditions.

- Ensure all savings and funds generated through the Panel's recommendations and the rate rise are fully directed to renewal of assets.

- Ensure Councillors are fully accountable and report back to the Panel on the implementation of recommendations and savings, in particular recommendations that are not implemented. **The Panel would like Councillors to meet with Panellists, as a group, if they are going to change or not implement any or all of its recommendations.**

We reviewed all of the services provided by Council including the 117 delivery streams. It should be noted that we have not eliminated any services outright, but instead have reviewed service levels in order to identify savings.

Specific recommendations and associated savings are listed below. In total the Panel identified approximately $13 M in savings through a mix of reduction to service levels, service delivery efficiencies and increased user fees and charges. It should be noted that the magnitude of savings

is an estimate only and has not been tested or verified with detailed costing analysis. The estimates represent those amounts that were available to the Panel at the time.

Service level changes = anticipated up to $4.351 M (recurrent annually)

- Lakeside Leisure Centre – close centre and sell land $300K due to utilisation and availability of other providers
- Pensioner interest – remove interest exemption for full payment by May from Pensioner Policy $50K
- Unanderra Library – close due to proximity to other services and level of utilisation $200K
- Coalcliff/Scarborough beach season- due to level of visitation reduce from 7 to 3 hours per day $40K
- Events- reduce to 1 night of fireworks per year $20K, and reduce Viva La Gong contribution by $50K
- Urban Renewal and Civic Improvement- halve the current program $300K
- Playgrounds- move towards improved centralised facilities rather than lots of little ones - minimum 10% reduction across 151 playgrounds based on utilisation, location and condition $105K
- Community Pools- reduce pool season by 2-4 weeks $67K - $133K
- Community Pools- Berkeley pool reduce from 96 hours per week to 55 hours per week due to level of utilisation $60K
- Ocean Rock Pools- reduce those close to other aquatic facilities and run to fail –Average $45K depreciation per pool $135K (2-3 pools)
- Community Facilities - rationalise 10-15% (reduce or sell) existing assets with a focus on those that are underutilised - move towards improved centralised facilities rather than lots of little ones, average $30K depreciation per building $120 – 150K
- Community Facilities - Coalcliff Hall - due to level of utilisation demolish $33K
- Pensioner waste exemptions – remove exemption $200K
- Charitable waste exemptions – remove exemption $200K
- Learning & Development- halve the Cadet, Apprenticeships and Trainee program $1M
- Crematorium - exit
- Parks- divest in small parks – reduce number by 10% based on utilisation, location
- Mechanical Street Sweeping – reduce level of service
- Community Engagement - reduce $50K
- Crown Street Façade - no further work beyond existing applications with current commitment $300K for 2 years (note: one off savings, not a recurrent program)
- Community Development - review
- Environmental Programs & Partnerships – review
- Environmental Assessment & Compliance – review
- Social Planning- reduce $25K
- Footpaths- expand lifespan to 80 years saving $1M

Efficiencies- anticipated $7M (recurrent annually)

Direct budget minimum reduction across the organisation of 5% ***of discretionary operational spend (excluding assets)*** *- which may include, or be in addition to the following:*

- Beaton Park- increase income from third party operators- $25K
- Russell Vale Golf Course -outsource - $150K (temporary option to increase fees $33K)
- Tourist Parks- lease- outsource all $1M saving
- Supply Management- reduce- $600K and potential for further efficiency in service areas
- Community Development- reduce production of service directories $20K
- Community Safety & Graffiti- reduce staff $50K reduction
- Cultural development- reduce/review spend $20K reduction
- IPAC/Town Hall - integrate management $50K saving
- Environment Community Programs & Partnerships- review- $20K mix of revenue and budget reduction
- Legal Services- review- $20K reduction
- Tourism – Increase investment in tourism assets but reduce tourism marketing $100K
- Nursery- - conservation focus, reduce staff x 1 $80K
- Marketing, sign shop, printing- outsource- requires market testing. Reduce $20K advertising
- Infrastructure Information & Systems Support- reduce staff numbers, cut waste- $80K reduce staff x 1 and review systems
- Design & Technical services - reduce staff - apply efficiency target
- Roads & bridges- outsource- reduce staff- apply efficiency target
- Customer Service – reduce - apply an efficiency target
- Corporate & Councillor support- reduce- apply an efficiency target
- Vehicles - reduce non-operational vehicles, explore hire vehicles
- GM & executive- reduce – efficiency
- Human Resources - reduce staffing levels across the organisation (indoor and outdoor staff) – shift to more temporary less permanent staff, do not replace staff that exit the organisation - average cost per employee between $80 - $100K
- Economic Development- reduce – efficiency
- Public Toilets - outsource cleaning
- Enterprise Agreement – change
- Library – shift to more electronic books - efficiency - reduce annual book vote contribution by $200K

Revenue sources-anticipated $1.7 M (recurrent annually)

- Commercial Heated Pools- Increase fees by 10% over next 3 years $44K
- Community Pools – gold coin donation at entry (non-staffed) - $800K
- Gleniffer Brae- integrate with Botanic Gardens- seek rental return on Gleniffer Brae - potential rental $50K
- City Gallery- reduce- $20K increase in revenue- could also review
- Sports fields - 25% increase in fees $87K
- Fitness Trainers - 25% increase fees
- Youth Services - revenue
- Libraries- increase late fees
- Environmental Assessment and Compliance- review- increase tree permit fees and charges $25K
- Car parking- extend metered parking- all day Stewart Street car park $80K, increase parking fees in City Centre by 50% $600K

$13.051 M/$21 M

None of the Panel welcomed a rate rise, but given that the magnitude of savings was not sufficient to ensure financial sustainability, the majority of Panellists accepted a maximum 7 – 7.5% rate rise over 3 years on condition that a minimum of $10 M in savings as identified by the Panel were achieved and that Council delivered further efficiencies. The rate rise would generate $8.4 M in additional funds. It was noted that City Centre and Heavy Industrial rate payers already pay high rates as a result of special levies and that they should be exempt from further rises given the current economic climate.

$13.051 M + $8.4 M = $21.451 M