

ATTACHMENT 1

2020-2023

OPERATIONAL AND CAPITAL BUDGET

ADOPTED 29 JUNE 2020

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Table of Contents

Introduction.....	1
Financial Overview	3
Financial Budget Reports	11
Budget 2020-2021	17
Current Assumptions.....	17
Service Levels	17
Indexation.....	17
Revenue	19
Rates	19
Pensioner Rebates	20
Annual Charges	21
Domestic Waste Management Charges	21
Stormwater Management Charge	21
Waste Management Services – Non-Domestic Premises.....	22
User Fees, Charges and Other Revenue	22
Interest On Investments	23
Operational Grants.....	24
Financial Assistance Grant.....	24
Better Waste and Recycling Program	24
Specific Purpose Operational Grants	25
Capital Income.....	26
Share of Interest in Joint Venture.....	26
Profit/Loss on Disposal of Assets	26
Expenses.....	27
Employee Costs	27
Salary & Wages.....	27
Superannuation.....	28
Parental Leave.....	29
Workers’ Compensation	29
Salary & Wages Recovery.....	29
Learning & Development	30
Cadets, Apprentices & Trainees.....	30
Fringe Benefits Tax.....	30
Borrowing Costs (Financing).....	30
Materials, Contractors & Other Expenses	31
EPA Levy	31
Street Lighting.....	31
Emergency Services.....	32
Insurance.....	32
Legal Costs.....	33
Fuel	33
Affiliates Contributions.....	33
Other Contributions, Donations & Subsidies	34
Councillors’ Expenses.....	34
Council Elections.....	34
Telephone	34
Mobile Phone.....	35
Postage	35
Council Rates	35

Supporting Documents - Planning Studies & Investigations	35
Housing Affordability Program	36
Centrally Held Budget Capacity.....	37
Rates Growth	37
Operational Contingency	37
Depreciation	38
West Dapto Key Assumptions.....	39
West Dapto Development.....	39
Revenue.....	39
Capital Programs	39
Contributed Assets	40
Operational Expenses.....	40
Loans.....	40
Other Key Assumptions.....	41
Restricted Revenue.....	41
Strategic Projects Internally Restricted Asset	41
City Parking Strategy Internally Restricted Asset	41
Waste Disposal Facilities Internally Restricted Cash.....	41
Overview of Domestic Waste Model	46
Summary of Operating Result (pre capital) by Service	47
Budget Limitations/Development.....	48
COVID-19	48
Indices.....	48
Utility Cost	48
Asset Management – Valuation and Asset Lives	49
Lake Illawarra.....	49
Internal Charging	49
Contributed Assets	49
Section 7.11 Income (excluding West Dapto)	49
Property Sales and Investment	50
Climate Change.....	50
Section 2: Capital Program and Budget 2021-2023.....	51
Capital Budget Funding 2020-2021	51
Capital Budget by Assets 2020-2021 – 2022-2023	52
Upcoming Capital Projects in 2020-2021	53
Capital Budget 2020-2021 to 2022-2023.....	54

INTRODUCTION

In April 2017, Council adopted its current Financial Strategy that recognised Council had reached its target of financial sustainability and committed to maintain that position. Since that time, Council has continued to build on its financial strength, exceeded its expectations in some areas and was planning for continued improvement in operations and the levels of service provided to our community. The preparation of the Operational Plan 2020-2021 has been heavily influenced by uncertainty due to the impacts of COVID-19 that will draw on our reserves and future capacity.

Wollongong City Council will remain committed to the principles of financial sustainability and good financial management. This will include long term and whole of life considerations that ensure we endeavour not to increase future costs through delayed asset maintenance or unreasonably transfer costs to future generations in managing this crisis.

Wollongong City Council's finances will be impacted by COVID-19 measures and the restrictions introduced by various levels of government to control the spread of the virus. This has been particularly evident in the closure of services, reduction in gatherings in public places and implementing social distancing requirements. Council has developed new ways to operate and deliver services while maintaining the health and wellbeing of our people. While this crisis is first and foremost a humanitarian crisis, it is substantially impacting individuals, business and Council at an economic and financial level.

Council is required to make its plans and set its budget, fees, and charges for the coming year through this Operating Plan and its Revenue Policy. There is a high degree of uncertainty in terms of the depth of impacts and duration of COVID-19, and so this plan includes two critical assumptions that underpin the estimates. These estimates are at a point in time and Council has a continuous budget process that ensures our short and long term estimates are revised at least on a quarterly basis throughout the year. Council will remain active and diligent in its review of external and internal variances and responses that have potential impacts on the Plan.

The most significant assumption is that the current level of restrictions and operating requirements will not deteriorate and that the social distancing requirements will not be progressed to the next level. Under this scenario, Council will continue to operate with the provision of services and arrangements as at 30 April 2020 for a period of time and then commence a return to full service provision. The estimates are based on the restrictions as they relate to Council business that are expected to have substantial impacts for a period of time into 2020-2021 and a sustained period of recovery throughout the year, resulting in an estimated 37% net revenue impact on affected services. These assumptions will be extremely sensitive to actual restrictions and community responses, the duration and nature of the recovery phase and any longer-term changes that may be required in the way services are delivered. These developments will need to be carefully monitored and continually reassessed. Council will give effect to changes in these assumptions through its Quarterly Budget Reviews.

Based on the above assumptions and actions that have been approved by Council through this Operating Plan, the estimated loss of net revenue over the current period to end of this financial year and through 2020-2021 is in the order of \$16 million.

The strategy to manage this loss is in the first instance to absorb immediate shortfalls through Council's reserves that it has built up for unexpected loss (Available Funds \$5.1 million) and funds it holds for Future Investment (Strategic Projects \$4 million and Property Investment \$5 million). In addition, Council has committed to an Improvement Program, or savings against budget, that improves the net result for 2020-2021 by \$2 million.

Available Funds are a cornerstone of our Financial Sustainability and while usage is appropriate in the short term, the Financial Strategy requires these funds to be re-established over time to return to our current position to ensure we are prepared for such events in the future. Likewise, the Property Investment Restriction, to be used to fund the revenue loss due to COVID-19, was an integral part of our future to deliver opportunity for investment that would create increased capacity to deliver service enhancement. The financial plan includes a continuation of the Improvement Program for up to a further five years to re-establish the current positions in those restrictions.

Council recognises that as a large provider of essential services, leadership and economic impact in the City our obligation is to strive to continue to provide our services and works during this crisis. In doing so, Council has provided through this Operating Plan a comprehensive relief package to business, residents and other customers of Council. Council's COVID-19 Relief Package includes:

- A provision for any ratepayer who is unable to pay, to defer their rates and annual charges until 31 December 2020. This will be an interest-free period. Council has requested that the payment of rates by those who are able to continue to pay as we are committed to continuing to provide essential services to our community during this challenging time.
- A rephasing of the deferred fourth instalment across 2020-2021 so that a double instalment is not required in September.
- A well-developed Debt Recovery and Hardship Assistance Policy that provides a range of options that can be utilised and will remain valid for customers during the current period, including:
 - Deferral of payment due date.
 - Periodical Payment Arrangement of a frequency that suits the ratepayer(s).
 - Deferral of Rates and Annual Charges for Eligible Pensioners (3.6% Interest rate).
 - An option to grant a 90-day deferral period for payment – interest free due to a significant event or natural disaster.
- An interest free deferral of all leases and licences until 30 September 2020
- A freeze on increases to:
 - Domestic Waste Management Charges
 - Stormwater Management Charges
 - Fees & Charges

The impact of these provisions will have a substantial impact on the cash flow and financial performance of Council over the period. It is estimated the cost of deferrals and price freeze measure will cost in the order of \$3.4 million over the two financial years and impact cashflow by up to \$60 million, albeit that assumed deferral percentages, particularly on rates, is based on a worst case scenario. As cashflow is impacted significantly by deferral and service closures it is forecast that Council will be effectively using its restricted assets held for future expenditure to meet payment requirements. Council will continue to reflect the restricted assets in its reporting; however, they will effectively be funded by debt rather than cash for significant periods during the crisis and well into recovery. This will require that some future projects, not yet in budget, to be delayed.

While Council is providing substantial relief through its COVID-19 Relief Package, it is equally committed to the recovery phase of the crisis through its leadership and investment in programs and works during 2020-2021 and beyond. Council is preparing to invest in a Capital Works program over the next three years in the vicinity of \$289 million. This program will provide essential infrastructure including new and renewed footpaths, cycleways, libraries

and sporting recreation facilities. This program includes an injection of an additional \$3.2 million from Council's Strategic Project Restricted Asset that has been created through better than budgeted results in prior years. These works not only provide service for our community but are also significant economic drivers in our local community through employment, contracts and materials much of which is sourced locally. Council has recently announced an increase in its Local Supply criteria used in its procurement process to provide even greater Local Supply content to its operations.

Council's current Financial Strategy has provided Council with a platform to achieve Financial Sustainability and the underlying premise will be unchanged. Our Financial Strategy aims to ensure that Council remains financially stable while giving focus to financing key Council priorities through strong financial management. The Financial Strategy includes three key indicators to manage and measure success that will remain in place and help guide us through the current situation and beyond:

- 1 Available Funds
- 2 Operating Result [pre capital]
- 3 Funds Available from Operations

These key performance indicators are supported by clear targets to support continuous measurement of financial sustainability. The financial forecasts are built within the parameters to provide the direction and context for decision making in the allocation, management and use of Council's limited financial resources.

FINANCIAL OVERVIEW

Financial Strategy

The Financial Strategy is reviewed on an ongoing basis and targets modified, over time, to reflect Council's financial sustainability, maturity, evolution and in this year to respond to crisis and external influences. The Financial Strategy is viewed as an enabling Plan that provides the guiding principles to allow for financial stability over the short, medium and longer term.

The current Financial Strategy has clear targets for its key indicators that include:

- Council will aim to maintain Available Funds between 3.5% and 5.5% of operational revenue [pre capital].
- Council will plan to maintain a small operational surplus (average over three years) in the future.
- Council will plan for Funds Available from Operations at least equal to depreciation.

In addition, the Financial Strategy requires:

- Council's annual allocations to operational and capital budgets will generally not exceed anticipated cash inflows.
- Where the level of Available Funds is above minimum requirements, consideration will be given to the allocation of funds to investments that reduce future operational costs.
- The full life cost of capital expenditure will be considered before capital projects are approved. Asset renewal, maintenance and operational costs impacting on future budgets will be included in forecasts as part of the capital budgeting process.
- Council will remain a low debt user by maintaining a debt service ratio below 4%.

Financial Forecasts

The financial forecasts contained in this document provide a financial view that encapsulates the Service levels and outcomes as documented in the Resourcing Strategy 2018-2021 and updated by the revised Delivery Program 2018-2022 and Operational Plan 2020-2021. The forecasts include estimates of the impacts of COVID-19 based on the revised assumptions relating to the pandemic, Council's responses and planned recovery programs to be initiated through the Plan. Potential longer term outcomes and changes, both social and economic, are not yet fully understood and have, therefore, not been included. Council will continue to monitor the impacts and reflect changes as information of market changes becomes more evident or decisions are made by Council or other levels of government.

A full range of assumptions that impact Council's estimates is included in the document at a later stage. The overarching assumptions relating to COVID-19 that are included in the introduction have a critical impact on the estimates and provide a higher level of variability to Council's normal operating position.

These significant assumptions are:

- that the current level of restrictions and operating requirements will not become worse
- the current restrictions, as they relate to Council business, will remain in place up to 30 September

There will be a sustained recovery period throughout the remainder of the year that will continue to impact revenues. The forecast includes estimated reductions to net revenues across a range of services from April 2020 and through 2020-2021 as summarised below.

COVID-19 FORECAST INCOME IMPACTS		
Service	2019/20 Current \$'000's	2020/21 Forecast \$'000's
RESTRICTION OF SERVICE DELIVERY IMPACTS		
Aquatic Services	142	101
Community Facilities	208	312
Development Assessment and Certification	338	507
Financial Services	100	105
Leisure Services	748	1,122
Libraries	27	40
Parks and Sportsfields	129	194
Public Health	10	15
Regulatory Control	972	1,458
Tourist Parks	1,245	1,761
Transport Services	141	212
Waste Management	724	1,448
	4,784	7,276
RELIEF PACKAGE		
Suspension of Indexation of Fees		
	0	497
Suspension of Fees & Deferred Payment Options		
Property Services	853	1,279
Financial Services (includes impact of deferred rates)	335	550
Public Health (inspection fees)	0	428
	1,188	2,256
TOTAL COVID-19 INCOME IMPACTS	5,971	10,029

COVID-19 FORECAST RECOVERY INITIATIVES		
	2019/20 Current \$000's	2020/21 Forecast \$000's
City Marketing & Activation		750
<i>(Proposed allocation of approximately \$5M over next 10 years from Parking Strategy Internally restricted cash)</i>		
Domestic Waste Management Charge		
<i>(Maintained at prior year levels for 2020/21 through application of externally restricted cash)</i>		

The remaining forecasts have also been informed by asset management plans, timing of capital program and are supported by the range of underlying indices and assumptions that are discussed throughout this document. The development of Council's forecasts is part of the continuous budget process that has been updated in line with longer term and annual delivery planning, annual resets of assumptions and indices, Quarterly Review changes and one-off changes where new information leads to a requirement to alter the forecast. The underlying indices supporting the long-term forecasts have been revised through the 2020-2021 annual planning process to reflect most recent economic indicators.

West Dapto remains a substantial variation to the continuous operations of Council due to its size, variability in speed of delivery and uncertainty in delivery. The current modelling of the potential impacts of West Dapto operations on the key performance indicators is included in these forecasts. It is expected that the West Dapto development will occur over a 40 to 60 year period which is a disproportionately long period in terms of the 10 year Long Term Financial Plan. The implications are that Council has introduced the financial reporting implications in future years, based on extremely broad assumptions for actions that may vary markedly as the future unfolds. A conservative approach is currently being taken to these forecasts that assume that West Dapto does not negatively impact on the existing financial performance of Council and can remain self-funded as contained in the Resourcing Strategy and revised Delivery Program 2018-2021. The financial impacts of West Dapto within the current assumptions and modelling are discussed further throughout this document.

The key financial forecasts are shown in the table below for 2020-2021 to 2022-2023 while forecasts for the key performance indicators for the revised Long-Term Financial Plan are shown over the 10 year period in diagrams 2 to 4 later in this document.

The estimates show that Council's medium and longer term financial capacity remains sound and that Council will be able to achieve and maintain results that are within the targets outlined in the key performance indicators in the Financial Strategy. In the short term there is undoubtedly impacts to Council's Operating Result and a deterioration in our Available Funds position which will reduce our immediate resilience levels, however the financial plan to reinstate those positions in the medium term will provide a positive outlook. Council plans to maintain its level of Funds Available from Operations to be equal to depreciation to ensure the highest levels of construction activity due to its impact on the local economy and to ensure that we are not artificially creating savings in the short term that will be detrimental to asset condition and future maintenance and renewal costs that would adversely impact future generations.

The forecast deficit results for the Operating Result [pre capital] and Total Funds for 2020-2021 has been impacted by the early payment of the first two quarters of the 2020-2021 Financial Assistance Grant of \$9.9 million in the previous financial year and the expected impact of COVID-19. The full impact of COVID-19 shown in the Operating Result [pre capital] does not flow on to the Total Funds Result as this is partially offset by support from Strategic Projects and Property Investment Fund internally restricted cash.

KEY INCOME & EXPENSE RESULTS			
	2020/21 Budget \$M	2021/22 Forecast \$M	2022/23 Forecast \$M
Operating Result [pre capital]	(22.0)	2.4	5.3
Operating Result	13.4	30.7	35.8
Funds Available from Operations	56.9	68.8	72.2
Total Funds Surplus / (Deficit)	(9.1)	0.6	(0.5)

Continued investment, service enhancement, and recovery actions

In past years where Council achieved financial improvements beyond the targets set in the financial forecasts, these were transferred to Strategic Projects internally restricted cash to be held for allocation through the annual planning cycle. This provided a level of additional capacity that could be applied to enhance some service deliveries, accelerate planned projects or introduce additional projects. The Operational Plan 2020-2021 and revised Delivery Program 2018-2021 propose the inclusion of a limited number of capital and operational projects that are non-recurrent or fixed duration to be funded from Strategic Projects restricted cash over a five year period. These projects are detailed in the first section of the diagram below and have an estimated cost of \$5.1million. In addition to these projects, \$4 million has effectively been used to offset COVID-19 impacts resulting in an unallocated balance of approximately \$0.6 million.

It is intended that the established practise of transferring financial improvements in excess of planned targets will resume in the future.

Diagram 1

PROPOSED PROJECTS & PROGRAMS						
Funded from Strategic Projects Restricted Cash						
	2020/21 \$000'S	2021/22 \$000'S	2022/23 \$000'S	2023/24 \$000'S	2024/25 \$000'S	2025/26 \$000'S
Capital Projects						
Beaton Park Tennis Court Relocation and Upgrade		1,250				
Cringila Hills (Stage 1) Masterplan Implementation	1,500					
Fred Finch Park Netball Courts Redesign	200	200				
Surf Boat Storage Shed - North Wollongong SLSC	95					
	1,795	1,450	0	0	0	0
Studies & Supporting Documents						
Battery Park, Smiths Hill & Flagstaff Hill Forts Heritage Co			120			
Botanic Gardens Design Investigation for Asset Improvement				60		146
Climate Change Action	90					
King George V Oval Landscape Masterplan	35					
Water Supply Quality Assurance Program	100	104	107			
Mt Keira Summit Park Interpretation Design Guide						50
	225	104	227	0	60	196
Other non recurrent projects						
Events Support	176	211	125			
Mobility Network Modernisation	295					
Network Security Enhancement	36					
Council & Public Wifi Expansion	166					
	674	211	125	0	60	196
ANNUAL TOTAL	2,694	1,766	351	0	60	196
Cumulative total funded from Strategic Projects Restricted Cash						
						5,067
Service Enhancements (Recurrent) Funded from Operational Capacity						
Beaton Park Tennis Courts depreciation			77	79	81	83
Cringila Hills Masterplan Deprec & Mtce		77	79	81	83	85
Local Government Elections Price Increase		357				
McAuley's Beach Sub Division Natural Area Maintenance			55	55	57	58
Mobility	401	410	420	430	440	451
Natural Areas maintenance (previously funded from Southern Phones divide	96	99	101	104	107	110
Tramway Creek Vegetation Management	73	32	11	11	11	12
Vegetation Management Plans for natural areas	25	26	26	27	27	28
Wifi & IT Security	135	174	178	182	187	191
TOTAL SERVICE ENHANCEMENTS	730	1,175	948	970	993	1,017

Financial Position - Available Funds

Available funds are funds that Council has earned but not allocated to specific expenditure in the past or future.

They are held as Council's savings and are used to act as a buffer against unanticipated future costs or can be used to provide flexibility to take advantage of opportunities that may arise.

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

Council has been able to consistently maintain Available Funds at the mid or upper point of the target providing Council with a significant level of resilience. It is this capacity that will be utilised in the first instance to support the impact of COVID-19 along with the use of internally restricted cash with a longer term proposal for Available Funds to be returned to pre COVID-19 levels through a savings program.

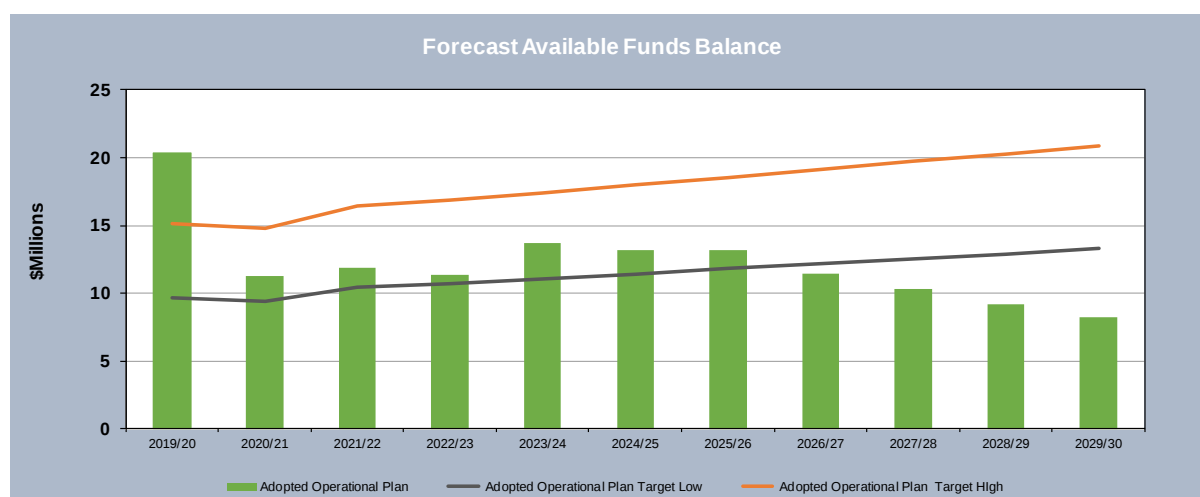
The Operating Plan seeks to fund \$6 million of the COVID-19 impacts by using the Available Funds balance to manage short term requirements and then re-establish a midpoint of the targeted position over time. This is an appropriate use of the Available Funds and one of the reasons we hold such funds as part of our Financial Strategy.

The financial response to COVID-19 does not seek to fully use the Available Funds capacity in its immediate action due to the level of uncertainty around the depth and length of the crisis. Effectively, the proposal seeks to maintain a level of resilience through the Available Funds balance should the broad assumptions around COVID-19 be too optimistic or, importantly, should Council be blindsided by second unanticipated event or circumstance.

While the Available Funds balance may fall below or towards the bottom of the targeted level during the period, our Financial Strategy provides an onus in our planning to ensure adequate adjustment is made to restore the balance through future programs within an acceptable timeframe.

The diagram below provides the levels of Available Funds along the targeted upper and lower levels, along with the impact of the COVID-19 response in the earlier years and the planned recovery as the savings program is implemented.

Diagram 2



During the exhibition period advice was received of an increase to the annual Emergency Service Levy of approximately \$0.7 million or 17.5% compared to prior year levy. As part of the COVID-19 relief measures for councils, the NSW State Government announced that councils would receive a one off grant for 2020-2021 equivalent to the increase in their levy contribution. This has negated the impact on forecasts for 2020-2021 but has resulted in a

deterioration in future years results with the cumulative impact of this becoming evident in the latter years of the forecast Available Funds that will require further consideration in future planning cycles.

Operational Performance – Operating Result [pre capital]

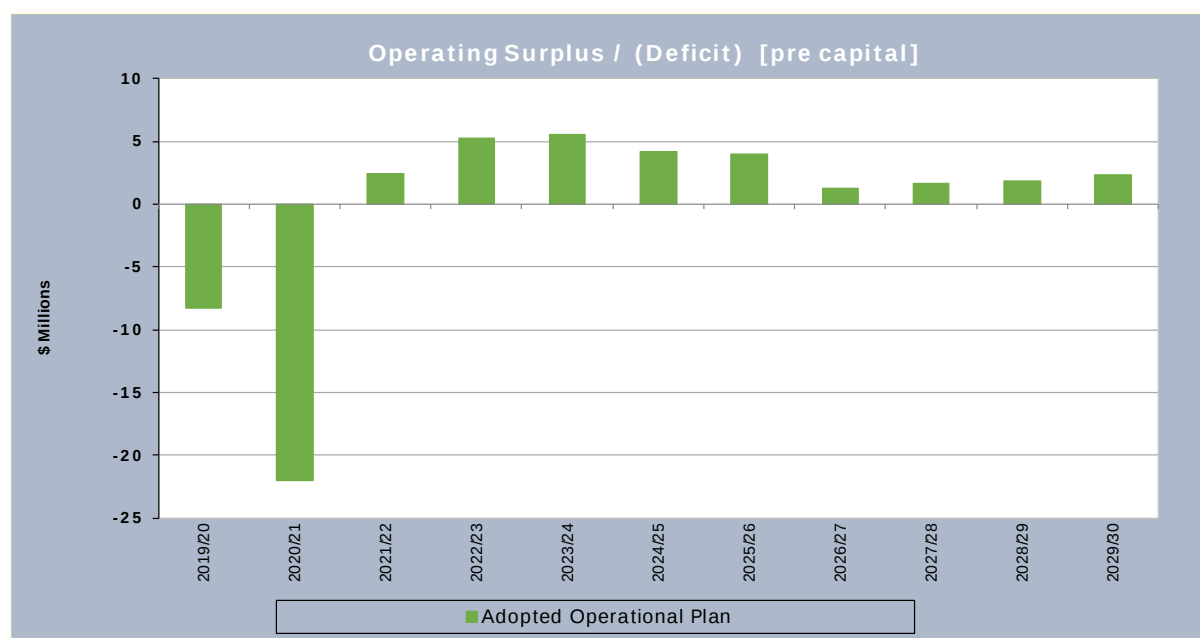
Council's Financial Strategy targets a small operational surplus [pre capital] (average over three years).

The Operating Result [pre capital] is one of the main indicators of the long-term financial viability of Council. The long-term nature of Operating Result is often misunderstood by reflection on single year surplus or deficit results that may be uniformed.

In broad terms, a deficit from operations over a period of time indicates that Council is not earning sufficient revenue to fund its ongoing operations (services) and renewal of assets, which are an integral part of that service, when required. This measure should be viewed over the long term as annual results may be impacted by timing. For example, in the diagrams below, 2019-2020 is a deficit result arising from the early payment of part of the Financial Assistance Grant for 2019-2020 in 2018-2019. Other timing impacts may result from grants or contributions received in one year where they are recognised as income and then expended in future years. Similarly, the introduction of operational projects funded from internally restricted assets has the same impact.

Likewise, the impact of COVID-19 will impact 2019-2020 and 2020-2021. While this event will have an impact on our capacity to deliver over and above our original plans for the most part where Council is able to provide service it will continue to do so and will plan to restore any down turn in funds over a longer term period to maintain financial sustainability over that time. The 2020-2021 result has also been impacted by the early payment of the first two quarters of the 2020-2021 Financial Assistance Grant in May 2020.

Diagram 3



Operational Performance – Funds Available from Operations

The Financial Strategy requires that Council plan for a Funds Available from Operations result at least equal to depreciation

The depreciation target is a proxy for the long-term annual funding required to replace Council's assets at their gross replacement value. This target does not fully provide for

inevitable increases in standards when replacing assets, which has some broad provision through the Rates Growth provisions discussed in the assumptions.

Without this target, it is possible to achieve an appropriate level of Available Funds and have a surplus Operating Result and remain financially unsustainable. This target is the key to ensuring Council has the funds to address the hidden deterioration in and eventual replacement of assets that are used to serve the community.

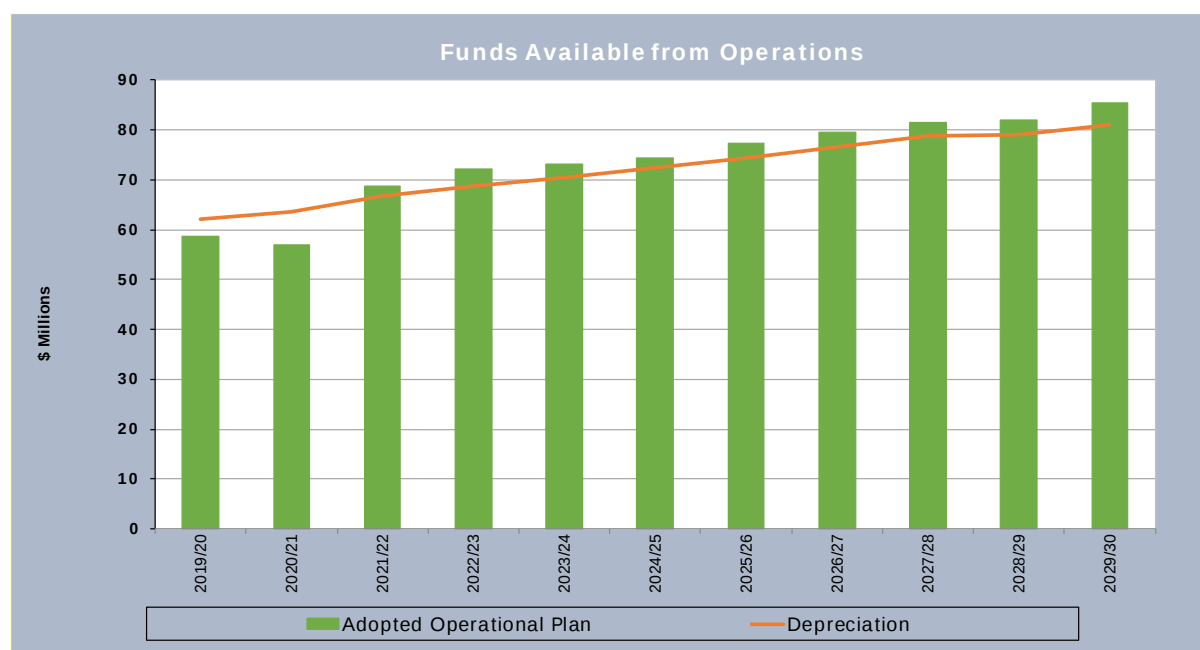
The ultimate 'financial sustainability' goal for Council is to be able to provide services at an agreed level on a continuous basis and to be able to maintain the ability to replace assets used in providing those services on an ongoing basis.

Council receives income and elects to spend that money on day to day activities to provide services and operate the organisation. This is reflected in the Income and Expense Statement. The Operating Result [pre capital] disclosed in the Income and Expense Statement includes depreciation and other non-cash expenses so a balanced Operating Result will produce an operating cash surplus. It is this cash surplus that is available to fund the renewal of existing assets that Council considers a more reliable indicator.

Council is committed to maintaining its targeted position and spending on asset renewal and maintenance during the COVID-19 impacted period to ensure it is not merely deferring immediate works that will have a multiplied detrimental impact on future periods through increased asset deterioration, shortened asset lives, and increased maintenance costs.

The forecast Funds Available from Operations compared to depreciation is shown below.

Diagram 4



Assets

Council's Statement of Financial Position (page 13) shows the extent of assets managed by Council for the community. Property, Plant and Equipment that make up the large portion of Council's assets is valued at \$2.6 billion. This amount is the current value of assets after allowing for depreciation. These assets have a current replacement value in excess of \$4.1 billion.

The Budget for 2020-2021 includes a capital expenditure program of \$93.4 million and contributed assets of \$11.6 million. These forecasts are inclusive of work and contributed assets for the West Dapto release area of \$7.5 million and \$11.6 million respectively.

Borrowings

Borrowings are considered as part of the Capital budget process in accordance with the Financial Strategy and Asset Management Policy.

Council currently has a small loan portfolio comprised of an interest free loan from the Department of Planning and a number of loans under the Local Infrastructure Renewal Scheme (LIRS) program which provide a subsidy for borrowing costs. The (LIRS) program was introduced by the State Government as incentive to councils to accelerate infrastructure renewal. Loan funds have been used to accelerate the City-wide Footpaths, Shared Path Renewal, Missing Links Construction Program and building refurbishment works for a number of Council facilities and to support the West Dapto Access – Fowlers Road project.

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

Council will continue to evaluate and consider opportunities that may arise for subsidised or low-cost borrowing programs.

Unbudgeted Initiatives and Actions from Supporting Document

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

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

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

- 2022 UCI Road World Championships
- Alternate waste technologies
- Further street lighting alternate lighting technologies
- Implementation of Leading the Way program that focuses on optimising performance through more effective, efficient and innovative service delivery. This will encompass programs such as the review and optimisation of facilities and office accommodation used by Council, implications and outcomes of the Information Management & Technology Strategy, Workforce Strategy and Reward Strategy program
- Potential longer term impacts of COVID-19

FINANCIAL BUDGET REPORTS

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

Whole of Council Three Year Financial Forecasts:

- Income Statement
- Funding Statement (including Capital Budget)
- Statement of Financial Position
- Statement of Cash Flows
- Detailed Service Groups Income Statement 2020-2021

WOLLONGONG CITY COUNCIL

3 Year Financials

	2020/2021 Budget \$'000	2021/2022 Forecast \$'000	2022/2023 Forecast \$'000
INCOME STATEMENT			
Income From Continuing Operations			
Revenue:			
Rates and Annual Charges	208,445	214,974	222,260
User Charges and Fees	27,034	38,523	39,798
Interest and Investment Revenues	2,343	3,175	3,344
Other Revenues	9,498	11,152	11,505
Grants and Contributions - Operating	21,679	30,912	29,903
Capital Grants & Contributions	35,460	28,246	30,583
Other Income:			
Share of Interest in Joint Venture	0	0	0
Profit/Loss on Disposal of Assets	0	0	0
Total Income From Continuing Operations	304,459	326,983	337,395
Expenses From Continuing Operations			
Employee Costs	140,635	142,564	146,683
Borrowing Costs	2,374	2,101	1,985
Materials, Contracts & Other Expenses	104,493	105,580	105,603
Depreciation, Amortisation + Impairment	63,702	66,829	68,632
Internal Charges (labour)	(16,569)	(17,077)	(17,551)
Internal Charges (not labour)	(3,596)	(3,693)	(3,796)
Total Expenses From Continuing Operations	291,038	296,303	301,555
Operating Result	13,421	30,679	35,840
Operating Result [pre capital]	(22,039)	2,434	5,256

WOLLONGONG CITY COUNCIL

3 Year Financials

	2020/2021 Budget \$'000	2021/2022 Forecast \$'000	2022/2023 Forecast \$'000
FUNDING STATEMENT			
Surplus (Deficit) [Net Operating Result for the Year]	13,421	30,679	35,840
Add back :			
- Non-cash Operating Transactions	82,363	86,154	88,509
- Restricted cash used for operations	29,815	13,594	11,812
- Income transferred to Restricted Cash	(54,169)	(46,642)	(48,496)
- Payment of Accrued Leave Entitlements	(14,533)	(14,969)	(15,471)
- Payment of Carbon Contributions	0	0	0
Net Share Joint Venture using Equity Method	0	0	0
Funds Available from Operations	56,897	68,817	72,193
Borrowings repaid	(5,242)	(5,482)	(3,702)
Advances (made by) / repaid to Council	0	0	0
Operational Funds Available for Capital Budget	51,655	63,335	68,491
CAPITAL BUDGET			
Assets Acquired	(93,359)	(106,034)	(89,850)
Contributed Assets	(11,562)	(8,358)	(9,289)
Transfers to Restricted Cash	(1,447)	(1,854)	(2,300)
Funded From :-			
- Operational Funds	51,655	63,335	68,491
- Sale of Assets	1,801	1,854	1,885
- Internally Restricted Cash	13,371	18,419	8,626
- Borrowings	0	0	0
- Capital Grants	4,762	4,498	900
- Developer Contributions (Section 94)	11,931	14,962	10,389
- Other Externally Restricted Cash	1,170	2,520	400
- Other Capital Contributions	12,559	11,278	10,229
TOTAL FUNDS SURPLUS / (DEFICIT)	(9,119)	620	(519)

WOLLONGONG CITY COUNCIL

3 Year Financials

	2020/2021 Budget \$'000	2021/2022 Forecast \$'000	2022/2023 Forecast \$'000
STATEMENT OF FINANCIAL POSITION			
CURRENT ASSETS			
Cash Assets	102,813	86,826	93,349
Investment Securities	11,424	9,647	10,372
Receivables	23,748	25,505	26,317
Inventories	337	337	337
Assets held for Sale (previously non-current)	0	0	0
Other	12,523	12,849	13,183
TOTAL CURRENT ASSETS	150,845	135,164	143,558
NON-CURRENT ASSETS			
Non Current Cash Assets	0	0	0
Non Current Investment Securities	0	0	0
Non-Current Receivables	0	0	0
Non-Current Inventories	5,948	5,948	5,948
Investments Accounted for using Equity Method	2,929	2,929	2,929
Investment Property	5,368	5,558	5,753
Intangible Assets	440	440	440
Property, Plant & Equipment	2,634,390	2,669,399	2,690,076
TOTAL NON-CURRENT ASSETS	2,649,075	2,684,274	2,705,145
TOTAL ASSETS	2,799,919	2,819,438	2,848,703
CURRENT LIABILITIES			
Current Payables	26,193	26,667	27,140
Provisions < 12 Months	15,494	15,897	16,310
Provisions > 12 Months	45,876	47,069	48,292
Interest Bearing Liabilities	5,482	3,702	2,564
TOTAL CURRENT LIABILITIES	93,045	93,335	94,306
NON-CURRENT LIABILITIES			
Non Current Current Payables	385	385	385
Non Current Interest Bearing Liabilities	6,997	3,294	730
Non Current Provisions	47,049	39,300	34,318
TOTAL NON-CURRENT LIABILITIES	54,430	42,979	35,433
TOTAL LIABILITIES	147,475	136,314	129,740
NET ASSETS	2,652,444	2,683,124	2,718,963
EQUITY			
Accumulated Surplus	(1,373,224)	(1,403,421)	(1,425,660)
Surplus (Deficit) for period	(13,421)	(30,679)	(35,840)
Asset Revaluation Reserve	(1,153,123)	(1,153,123)	(1,153,123)
Restricted Assets	(112,677)	(95,901)	(104,341)
TOTAL EQUITY	(2,652,444)	(2,683,124)	(2,718,963)

WOLLONGONG CITY COUNCIL

3 Year Financials

	2020/2021 Budget \$'000	2021/2022 Forecast \$'000	2022/2023 Forecast \$'000
STATEMENT OF CASH FLOWS			
CASH FLOWS FROM OPERATIONS			
Receipts			
Rates and Annual Charges	208,559	213,217	221,448
User Charges & Fees	27,034	38,523	39,798
Investment Incomes	2,343	3,175	3,344
Grants & Contributions	45,577	50,800	51,198
Other Operating Receipts	8,995	10,637	10,977
Payments			
Employee Costs	(121,483)	(122,649)	(126,326)
Materials & Contracts	(100,251)	(101,413)	(101,334)
Borrowing Costs	(643)	(392)	(191)
Other Operating Payments	0	0	0
NET CASH PROVIDED BY (OR USED IN) OPERATIONS	70,131	91,899	98,915
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Sale of Investment securities	2,667	1,776	(725)
Proceeds from Sale of Property, Plant & Equipment	1,801	1,854	1,885
Repayments from Deferred Debtors	0	0	0
Payments			
Purchase of Property Plant & Equipment	(93,359)	(106,034)	(89,850)
Advances to Deferred Debtors	0	0	0
Purchase of Interest in Joint Ventures			
NET CASH PROVIDED BY (OR USED IN) INVESTING ACTIVITIES	(88,891)	(102,404)	(88,689)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Proceeds from Borrowings and advances	0	0	0
Payments			
Repayments of Borrowings and Advances	(5,242)	(5,482)	(3,702)
Repayment of Lease Finance Liabilities			
NET CASH PROVIDED BY (OR USED IN) FINANCING ACTIVITIES	(5,242)	(5,482)	(3,702)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS HELD	(24,002)	(15,987)	6,523
Cash at Beginning of Period	126,815	102,813	86,826
CASH & CASH EQUIVALENTS AT EOY	102,813	86,826	93,349
PLUS other investment securities	11,424	9,647	10,372
TOTAL CASH & INVESTMENTS	114,237	96,473	103,721

WOLLONGONG CITY COUNCIL

Detailed Service Group Financials Budget 2020/2021

	Planning & Engagement \$'000	Environment \$'000	Transport Services / Infrastructure \$'000	Community Services & Facilities \$'000	Recreation & Open Space \$'000	Regulatory Services & Safety \$'000	Governance & Internal Services \$'000	Total \$'000
INCOME STATEMENT								
Income From Continuing Operations								
Revenue:								
Rates and Annual Charges	1,259	36,256	0	0	0	0	170,930	208,445
User Charges and Fees	767	9,877	1,074	1,837	8,950	3,303	1,225	27,034
Interest and Investment Revenues	0	0	0	0	0	0	2,343	2,343
Other Revenues	414	609	20	635	322	1,759	5,738	9,498
Grants and Contributions - Operating	35	1,052	3,554	5,424	51	1,231	10,333	21,679
Capital Grants & Contributions	29,822	700	4,767	0	170	0	0	35,460
Other Income:								
Share of Interest in Joint Venture	0	0	0	0	0	0	0	0
Profit/Loss on Disposal of Assets	0	0	0	0	0	0	0	0
Total Income From Continuing Operations	32,298	48,494	9,415	7,896	9,493	6,294	190,569	304,459
Expenses From Continuing Operations								
Employee Costs	27,055	10,402	2,978	16,695	23,827	12,480	47,198	140,635
Borrowing Costs	0	1,731	0	0	0	0	643	2,374
Materials, Contracts & Other Expenses	16,805	41,079	9,037	7,942	7,991	6,187	15,452	104,493
Depreciation, Amortisation + Impairment	15,068	11,990	28,010	1,531	4,608	523	1,971	63,702
Internal Charges (labour)	(6,778)	440	2,870	78	495	56	(13,730)	(16,569)
Internal Charges (not labour)	(22,096)	2,302	2,951	9,532	11,086	1,405	(8,777)	(3,596)
Total Expenses From Continuing Operations	30,055	67,944	45,846	35,778	48,008	20,652	42,755	291,038
Operating Result	2,243	(19,450)	(36,431)	(27,882)	(38,515)	(14,358)	147,814	13,421
Operating Result [pre capital]	(27,579)	(20,150)	(41,199)	(27,882)	(38,685)	(14,358)	147,814	(22,039)

BUDGET 2020-2021

CURRENT ASSUMPTIONS

SERVICE LEVELS

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

COVID-19 has impacted a number of services and service delivery modes that, at this stage, are considered to be of a limited duration. Longer term impacts may require further consideration.

The table below shows the recurrent enhancements to existing service levels that have been through the 2020-2021 planning process. These are generally associated with whole of life costs for new asset or city growth through creation of new subdivisions such as the McAuley Beach and Tramway Creek projects.

Diagram 5

Service Enhancements (Recurrent) Funded from Operational Capacity						
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	\$000'S	\$000'S	\$000'S	\$000'S	\$000'S	\$000'S
Beaton Park Tennis Courts depreciation			77	79	81	83
Cringila Hills Masterplan Deprec & Mtce		77	79	81	83	85
Local Government Elections Price Increase		357				
McAuley's Beach Sub Division Natural Area Maintenance			55	55	57	58
Mobility	401	410	420	430	440	451
Natural Areas maintenance <i>(previously funded from Southern Phones divide</i>	96	99	101	104	107	110
Tramway Creek Vegetation Management	73	32	11	11	11	12
Vegetation Management Plans for natural areas	25	26	26	27	27	28
Wifi & IT Security	135	174	178	182	187	191
TOTAL SERVICE ENHANCEMENTS	730	1,175	948	970	993	1,017

INDEXATION

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

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

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

Indices			
	2020/21	2021/22	2022/23+
Rate Increase	2.60%	2.70%	3.00%
Rate Increase - growth	0.20%	0.40%	0.40%
Rate Increase - growth West Dapto		0.26%	0.27%
Fees & Charges	0.00% 1	3.10%	3.20%
Interest Rates (90 day bill rate)	1.20%	1.40%	1.50%
Labour	2.50% 2		
Superannuation Guarantee	9.50%	10.00%	10.50%
CPI General Increase	2.00%	2.20%	2.40%
Utilities			
- electricity	3.0% 3	3.2%	3.4%
- street lighting	3.0% 3	3.2%	3.4%
- other utilities	3.0%	3.2%	3.4%

1. No increase to 2020/21 Fees & Charges as part of COVID-19 relief package.

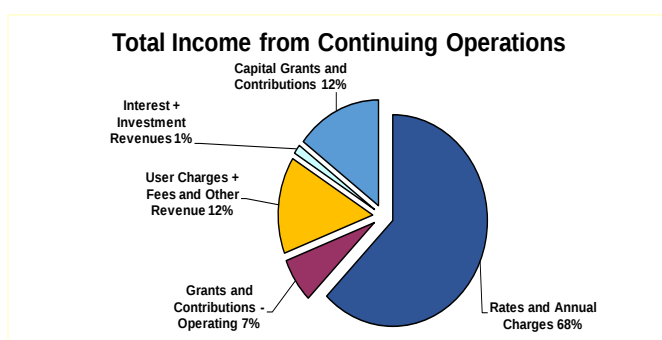
2. 2020/21 is the last year of the current Enterprise Agreement and is conditioned on the outcome of the next NSW Local Gov Award with the agreement that increase is higher of 2.5% or State award if higher and years beyond subject to EA negotiations.

3. Electricity & street lighting subject to contract rates for Jan 2020 to Dec 2022. It is assumed that utility costs will increase at 1% above cpi outside of contract period.

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

REVENUE

Revenue Type	2020/21 Budget \$M
Rates and Annual Charges	208.4
Grants and Contributions - operating	21.7
User Charges + Fees and Other Revenue	36.5
Interest + Investment Revenues	2.3
Capital Grants and Contributions	35.5
Total Income from Continuing Operations	304.5



RATES

Council proposes to increase its rate income in line with the IPART rates cap that reflects the increased cost to councils generally to provide the current level of service of 2.6%.

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

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

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

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

In addition to general rates, Council currently applies two special rates, the Mall Special Rate and the City Centre Special Rate. The Wollongong City Centre Improvement Fund Rate that was applied in 2011-2012 was merged with the Mall Special Rate from 2012-2013. Together, Special Rates are projected to generate \$1.59 million of revenue for 2020-2021.

The projected rate revenues shown below are based on the current rating structure and property information at May 2020. More detailed information relating to the rates and rating policy is provided as part of the Revenue Policy, Fees and Charges.

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Rates Revenue			
General Rates			
Ordinary Rates - Residential	122,996	127,205	131,940
Ordinary Rates - Farmland	328	338	350
Ordinary Rates - Mining	962	991	1,025
Ordinary Rates - Business	49,629	51,167	52,907
Rates - Abandonments	(55)	(56)	(58)
Special Rates			
Special Rates - Mall	1,197	1,229	1,266
Special Rates - City Centre	431	443	456
Total Rates Revenue	175,487	181,318	187,886

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

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

Pensioner Rebates

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

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

The voluntary Council rebate is currently indexed annually in line with the rates increase, which will result in a rebate of \$267.82 for 2020-2021.

Pensioner rebates are netted off against rates revenue for reporting purposes (\$3.3 million for Rates and \$0.9 million for Domestic Waste Management based on the current estimates for 2020-2021).

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Pensioner Rebates			
Pensioner Rate Rebate - Statutory s575	2,932	2,962	2,992
Pensioner Rate Rebate - Council s582	366	322	276
Total Pensioner Rates Rebate	3,298	3,284	3,268
Pensioner DWM Rebate - Statutory s575	816	823	831
Pensioner DWM Rebate - Council s582	91	79	67
Total Pensioner DWM Rebate	906	903	898
Total Pensioner Rebates	4,205	4,187	4,167

ANNUAL CHARGES

Domestic Waste Management Charges

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

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

Pricing and revenue for Domestic Waste Management are applied on an averaging basis over a period of time to avoid abnormal fluctuations in price. As part of the COVID-19 Relief Package initiative, annual charges for services have been maintained at 2019-2020 levels for 2020-2021. The anticipated revenue for Domestic Waste Management is shown below with more details on the charges set out in the Revenue Policy, Fees and Charges booklet provided under separate cover.

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Domestic Waste Management Revenue			
Annual Charges Domestic Waste Management	35,316	35,986	36,668

Stormwater Management Charge

Council levies a Stormwater Management Charge on all parcels of rateable land, other than those exempt under the Local Government Act. The pricing for Stormwater Management charge is to remain unchanged for 2020-2021. The rate has remained static since the original setting by the State Government in April 2006.

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

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Stormwater Management Revenue			
Annual Charges Stormwater Management Service	1,847	1,858	1,872

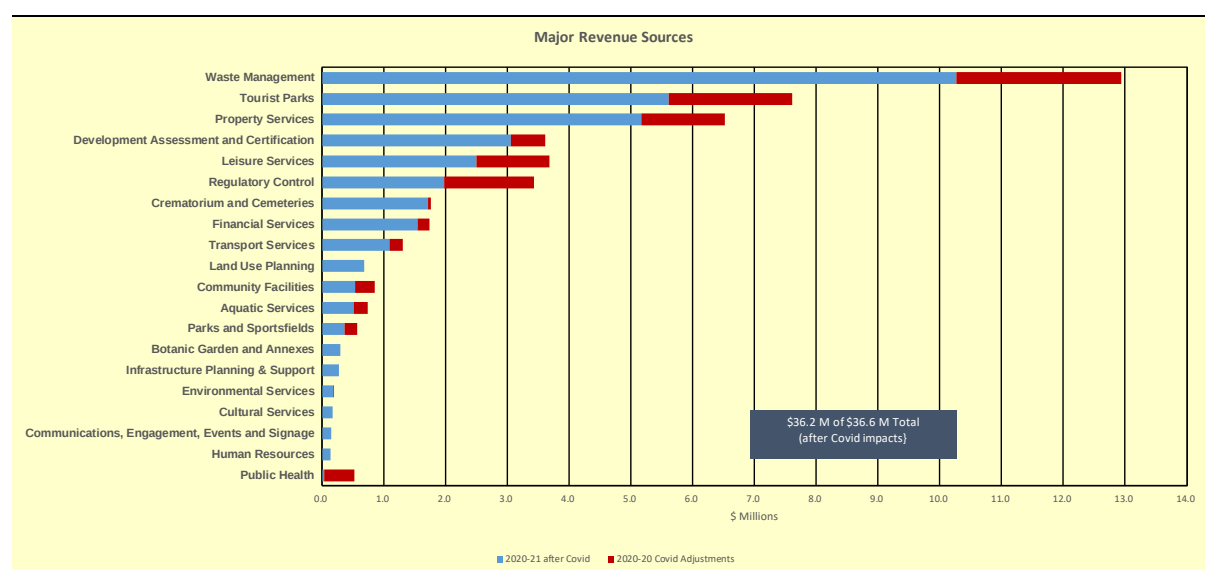
Waste Management Services – Non-Domestic Premises

Council levies a Waste Management fee on approximately 440 non-residential properties where approved. The operations of this service are currently managed through the kerbside collection contracts and costs have not been separated from Domestic Waste. The fee for this service has historically been set in line with Domestic Waste Management fees to avoid cross subsidisation.

User Fees, Charges and Other Revenue

The forecasts for User Fees, Charges and Other Revenue income streams have been significantly impacted by COVID-19 through pauses in services delivery resulting from compulsory closure of business, legislative impacts and the relief package. The relief package by Council includes the removal of price increases for 2020-2021 across all fees, rental assistance to tenants and the suspension of some inspection fees for 2020-2021. It is important to note that these estimates are based on underlying assumptions of expected impact, duration and recovery period that may change over time.

User Fees, Charges and Other Revenue account for 13.1% of Council's revenue [pre capital] for 2020-2021 inclusive of COVID-19 estimated impact. User Fees, Charges and Other Revenues have generally represented around 16% of Council's revenue stream. The major elements for 2020-2021 are shown in the table below with the blue bar representing estimated income inclusive of COVID-19 impacts and the red portion representing the indicative level of expected impact of COVID-19 on these income streams.



Council's user fees charges and other income is primarily attributable to its commercial operations of Council's waste facilities, tourist parks, property management, recreation centres, swimming pools and other park facilities. Other major income sources include planning and building applications, ranger and regulatory services including parking infringements and Memorial Gardens and cemeteries

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

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

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

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

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

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

INTEREST ON INVESTMENTS

Interest and investment revenues shown in the Income Statement are inclusive of interest on Council's investment portfolio, charges for overdue rates applied at statutory percentage. Council disposed its shareholding in Southern Phones resulting in no dividends to be received beyond 2019-2020.

Investment portfolio income forecasts are based on anticipated cash holdings and projected interest rates. Cash holdings projections are drawn from the budgeted revenues and expenditures in the budget and anticipated internal and external restricted cash balances. Council is required to restrict any interest attributed to Section 7.11 Developer Contributions (formerly S94), Domestic Waste Management and a number of grants.

Income forecasts have incorporated the impact of COVID-19 assumptions arising from the relief package.

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Interest on Investments and transfers of Interest to Restricted Assets			
Sources			
General Interest	605	1,431	2,129
Property Rating	349	678	695
Southern Phones Dividend	0	0	0
	954	2,109	2,823
Interest transferred to Restricted Assets	882	891	756
Net General Interest after Restricted Assets transfers	72	1,219	2,067

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

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

OPERATIONAL GRANTS

Financial Assistance Grant

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

The NSW Local Government Grants Commission is responsible for the distribution of the Grant to councils within the State. Distribution criteria include population changes, changes in standard costs, disability measures, local roads and bridge lengths and changes in property values. The distribution methodology is currently under review and may have an impact on future receipts. Income for 2020-2021 has been impacted by the early payment of the first two instalments of the 2020-2021 Grant during May 2020.

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Financial Assistance (Revenue Sharing) Grant			
General Purpose component	8,202	17,164	17,525
Roads component	2,503	2,555	2,672
Total Financial Assistance Grant	10,705	19,720	20,197

Better Waste and Recycling Program

The State Government introduced the Waste Less, Recycle More initiative in 2013-2014 as a four year program to provide funding to Local Government to enable councils to work with their communities to increase recycling and reduce illegal dumping and littering. The State Government announced the extension of the program with further funding provided over four years from 2017-2021 to continue the work already underway. At this stage, funding is only confirmed until 2020-2021.

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Better Waste and Recycling Program	217	0	0

Specific Purpose Operational Grants

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

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Specific Purpose Operating Grants			
Aged and Disability Services	3,880	3,965	2,758
Community Programs	21	21	22
Cultural Services	190	193	195
Development Assessment and Certification	70	70	70
Emergency Management	1,171	472	473
Environmental Services	217	0	0
Financial Services	515	330	155
Human Resources	4	4	4
Libraries	35	0	0
Natural Area Management	543	555	568
Land Use Planning	59	58	33
Communications, Engagement, Events and Signage	51	0	0
Parks and Sportsfields	60	0	0
Regulatory Control	233	233	233
Transport Services	117	119	122
Youth Services	39	40	41
Total Specific Purpose Operating Grants	7,205	6,059	4,673

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

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

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

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

The 2020-2021 forecasts also include a one off grant of \$0.7 million from the State Government as part of their COVID-19 relief package to councils to offset the increase in Emergency Service levy.

CAPITAL INCOME

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

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

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

SHARE OF INTEREST IN JOINT VENTURE

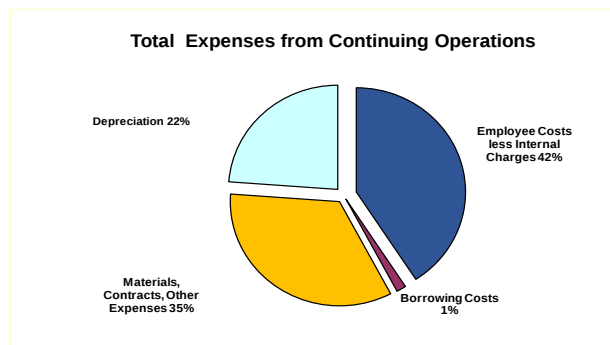
Council is a member of the Civic Risk West (formerly Westpool) and Civic Risk Mutual (formerly United Independent Pools) Self Insurance pools. These pools are valued annually and each member receives a share of the profit or loss and other comprehensive income of the pools for that year. Amounts are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

PROFIT/LOSS ON DISPOSAL OF ASSETS

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

EXPENSES

Expense Type	2020/21 Budget \$M
Employee Costs less Internal Charges	124.1
Borrowing Costs	2.4
Materials, Contracts, Other Expenses	100.9
Depreciation	63.7
Total Expenses from Continuing Operations	291.0



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

EMPLOYEE COSTS

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

Salary & Wages

Labour and associated employee costs are based on position complement required to deliver current service levels with a small allowance for growth of approximately 0.3% to provide for changing resourcing needs over time. Additional labour costs related to specific non-recurrent projects (where identified) are also included. Labour costs are budgeted in accordance with the Enterprise Agreement rates with anticipated indexation for increases beyond the current Enterprise Agreement. The current Enterprise Agreement for 2018-2019 to 2020-2021 set increases for the three years commencing 1 July 2018. Increase for 2018-2019 and 2019-2020 were agreed at 2.5% with the final increase conditioned on the outcome of the next NSW Local Government (State) Award (being the higher of 2.5% or State Award increase). There is no indication of any future Enterprise Agreement or State Award outcomes. The third and future years are currently premised on an increase that is aligned to economic forecasts provided by a number of external bodies.

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

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Salaries & Wages			
Salaries and Wages	103,785	106,928	109,707
Superannuation	10,546	11,261	12,026
Defined Scheme Superannuation Top Up	1,846	0	0
Workers' Compensation Insurance	2,124	2,051	1,996
Fringe Benefits Tax	176	179	184
Payroll Tax	51	53	54
Training Costs (excluding Salaries)	1,379	1,412	1,444
Other Employee Costs	3,274	2,526	2,640
Change in Workers Comp Provision	258	266	275
Protective Clothing	303	310	317
Labour Hire	35	36	37
Direct Labour Oncosts	16,858	17,541	18,002
Total Employee Salaries & Wages	140,635	142,564	146,683
Capitalised & Distributed Employee Costs	16,569	17,077	17,551
Total Operational Employee Salaries & Wages	124,066	125,487	129,132

The amount shown as Other Employees costs in future years is largely tied to specific projects or activities introduced that are planned to be delivered with additional labour resources. These projects include Council's Corporate Enterprise Information System implementation, Events Support, the Water Supply Quality Assurance program.

Superannuation

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

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

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

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

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

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Superannuation			
Superannuation (regular)	10,546	11,261	12,026
Defined Scheme Superannuation Top Up	1,846	0	0

Parental Leave

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

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Parental Leave	252	259	266

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

Workers' Compensation

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

Under this arrangement, Council meets all workers' compensation related costs including salary and wages, medical and associated costs up to \$750,000 on any individual claim. Claims beyond this are supported by an external insurance policy. This policy is reviewed annually.

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Workers Compensation			
Total Payments	2,124	2,051	1,996
Increase/(Decrease) in Provision	258	266	275

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

Salary & Wages Recovery

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

Learning & Development

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

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Learning & Development			
Training, Conferences & Seminars	1,379	1,412	1,444

Cadets, Apprentices & Trainees

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

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Cadets & Apprentices			
Cadets & Apprentices	2,264	2,324	2,376

Fringe Benefits Tax

Council incurs a range of fringe benefit costs, some of which are recovered through salary packaging. Future years' FBT has been reduced via the pricing and management of motor vehicle use. The majority of FBT exposure in future years is associated with housing benefits at tourist parks.

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Fringe Benefits Tax			
Fringe Benefits Tax	176	179	184

BORROWING COSTS (FINANCING)

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

The introduction of the Local Infrastructure Renewal Scheme (LIRS) by the State Government provided an incentive to councils to accelerate infrastructure renewal through a subsidised loan program. Council has also been successful in securing subsidies for loans under the three rounds of the LIRS program and has entered into loans of \$20 million in 2012-2013 for Round 1, \$4.3 million in 2013-2014 for Round 2, \$15 million for Round 3 in 2014-2015 and a further \$5.5 million in 2016-2017. The LIRS program provides a loan subsidy of 4% for Round 1 and 3% for the subsequent rounds. Loan funds have been used to accelerate the Citywide Footpaths, Shared Path Renewal, Missing Links Construction Program, building refurbishment works for Berkeley Community Centre, Corrimal Library and Community Centre, Thirroul Pavilion and Kiosk and to support the West Dapto Access – Fowlers Road project respectively. These loans are planned to be generally repaid over a 10 year period with final payment due in 2024-2025.

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Borrowing Cost on LIRS			
Interest	641	390	189
Recognise interest on loan funds associated with Local Infrastructure Renewal Scheme [LIRS] (excludes subsidy)			

MATERIALS, CONTRACTORS & OTHER EXPENSES

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

EPA Levy

The EPA levy is applicable to waste and cover materials going to landfill. Rates applicable are determined by the Department of Environment and Climate Change based on geographic location, with Wollongong classified as being within the Extended Regulated Area. Application of the levy to cover materials was introduced in March 2007. Current operational expenditure forecasts and fee structures propose that Council will be able to source an amount of cover materials on site to reduce the overall cost of this levy.

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

Application of the levy to cover materials was introduced in March 2007. At Council's current landfill site, there are two types of cover materials in use - slag and VENM (Virgin Excavated Natural Material). The quantity of cover material required is impacted by tonnages of waste that are processed to landfill. The current model is based on slag cover ratio of 0.15 and VENM of 0.25 to waste tonnages. Both slag and VENM incur the EPA levy, however, VENM attracts a 10% pricing discount. Where cover materials are site sourced, these do not attract the levy. Current projections are based on Council being able to site source 100% up until 2023-2024 then 50% of VENM requirements on site for the next five years. Again, these projections are reviewed annually both in terms of waste tonnages and availability of site sourced materials as well as changes in practices that may impact on the quantity of material required.

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
EPA Levy			
EPA Levy - Council	594	617	641
EPA Levy - Commercial	3,393	5,427	5,648
EPA Levy - Domestic	6,736	6,842	6,964
EPA Levy on cover Material	700	701	701
TOTAL EPA Levy	11,423	13,586	13,953

Street Lighting

Street lighting costs are made up of an infrastructure charge and a consumption charge. Council also receives a rebate from the State Government resulting in a net cost to Council. Council has recently secured new contracts for electricity and street lighting consumption pricing for a period of three years commencing 1 January 2020. The rate secured is significantly more favourable than current market rates. Mitigation strategies were commenced during 2019-2020 with the planned conversion of a number of street lights to LED at a cost of \$1.6 million that is funded from internally restricted asset for Strategic Projects. It is expected that this will contribute to a reduction in electricity consumption.

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Street Lighting	3,286	3,396	3,487
Street Lighting Subsidy	(727)	(743)	(760)

Emergency Services

Emergency Services operations are contributed to by Council as below:

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Emergency Services contributions			
Rural Fire Service	867	884	903
State Emergency Services	430	439	449
NSW Fire Brigade	3,411	3,479	3,555
Total Emergency Services contributions	4,707	4,802	4,907

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

A working group that included representatives from the State and Local Government was formed during 2016-2017 and preliminary investigation into the collection of the levy by councils as an element on the Property Rates notices was commenced. The State Government has deferred the final determination of this change pending further consultation with the broader community. Councils were reimbursed for the costs of investigation into implementing the deferred levy and no further impacts have been foreshadowed on the contributions side at this stage while there still is no indication of any rescheduled implementation dates currently.

The Operational Plan 2020-2021 includes an increase in contributions of \$0.7 million for 2020-2021 with years beyond subject to anticipated indexation increases. The State Government announced the provision of a one off grant to councils for 2020-2021 equivalent to the increase in their contribution for that year as part of the State Government COVID-19 relief measures for councils.

Insurance

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

The excess levels applicable to the two major risks, Industrial Special Risk (property damage) and Public & Professional Liability are \$20,000 and \$100,000 respectively. These levels are under constant review and may change in the future.

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Insurances			
ISR Property Insurance	1,122	1,233	1,263
Motor Vehicle/Plant Insurance	321	348	356
Statutory Liability/CDO Insurance	148	155	159
Public Liability/Professional Indemnity Insurance	1,474	1,634	1,673
Crime/Fidelity Guarantee Insurance	46	51	52
Fine Arts	21	20	20
Other	20	20	21
Total Insurance Premiums	3,152	3,461	3,544

Legal Costs

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

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Legal Expenses			
External Legal Costs	838	858	880
"In House" Legal expenditures including employees	795	822	851

Fuel

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

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Fuel & Oil	1,751	1,759	1,767

Affiliates Contributions

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

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Affiliates Contributions			
Tourism Support & Contributions	1,541	1,514	1,550
Performing Arts Centre	729	745	763
TOTAL Affiliates Contributions	2,271	2,259	1,833

Other Contributions, Donations & Subsidies

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Gong Shuttle Contribution	350	0	0
Neighbourhood Youth Program	98	100	103
IRIS Contribution	97	99	102
Sponsorship Fund	70	72	73
Illawarra Shoalhaven Joint Organisation	83	85	87
Natural Areas Management	66	68	70
Illawarra Surf Lifesaving Contribution	57	58	60
Business Development	56	58	59
Illawarra Escarpment - Geotech. Research	54	54	54
City Centre - Events & Marketing	40	43	46
Community Arts Programme - Public Art	42	43	44
Illawarra Institute Sport Contribution	38	39	40
Business Investment & Attraction	32	33	34
Neighbourhood Small Grants Program	21	21	22
Scholarships	14	14	15
Anzac Day Support	15	15	16
Aboriginal Activities	10	10	10
Public Bands Contribution	9	9	10
Southern Stars Contribution	8	8	8
Life Education Illawarra Contribution	7	8	8
Cultural Centres Operations	4	4	4
WCC Social Club	4	4	4
Wollongong Eisteddfod	4	4	4
Personel Administration	2	2	2
Minor Donations	4	4	4
TOTAL Other Contributions, Donations and Subsidies	1,185	854	875

Councillors' Expenses

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Councillor support costs	17	17	18
Councillors	560	578	596
Councillor expenses	577	595	614

Council Elections

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Council Elections	0	1,222	0

The Council elections that were due in September 2020 have been postponed due to the COVID-19 pandemic and are now expected in September 2021. It is anticipated that the election cycle will reset to its usual timing after this election.

Telephone

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Telephone - Central Admin budget	105	107	110
Telephone - other areas budget	120	123	126
Total Telephone	225	230	235

Mobile Phone

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Mobile Telephone	182	186	191

Postage

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Postage - Central Admin budget	215	220	225
Postage - other areas budget	313	320	327
Total Postage	528	540	553

Council Rates

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

	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Council Rates Expense (Council owned properties)	369	379	391

Supporting Documents - Planning Studies & Investigations

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

Service & Project	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Corporate Strategy	20	192	417
Centralised Studies & Plans		142	417
Community Strategic Plan Review	20	50	
Infrastructure Planning & Support	100	104	107
Management of Council's Water Supply & Waterwaste Infrastructure	100	104	107
Land Use Planning	375	557	340
West Dapto Flood Risk Review	74	57	
West Dapto Review Structure Plan	5		
West Dapto Review WaterCycle Masterplan	25	50	
Tourism Accommodation Review Planning Controls	40		
Industrial Land Planning Controls Review		30	30
Heritage Asset Management Strategy	18		
City Centre Planning Review	15		
City Wide LEP Review		100	100
Development of Crown Land Plans of Management	123	125	90
Landscape development plan for West Dapto - for riparian corridor		120	
Battery Park, Smiths Hill & Flagstaff Hill Forts			
Heritage Consultancy			120
LGA Wide Retail Centres Study	75	75	

Supporting Documents - Planning Studies & Investigations (con' t)

Service & Project	2020/21 Budget \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Stormwater Services	1,025	663	657
Floodplain Management Studies	344	373	657
Review of Towradgi Creek FRMS	70		
Review of Hewitts Creek FRMS	70		
Review of Allans Creek FRMS	100	30	
Review of Fairy Cabbage Creeks FRMS	100	30	
Investigation of Flood Mitigation Options	41		
Community Education	40		
DCP Review	60		
FLIA Automation	70		
Review of Duck Creek FRMS	40	30	
Review of Collins Creek FRMS	50	50	
Review of Wollongong City FRMS	40	30	
Review of Brooks Creek FRMS		40	
Review of Minnegang Creek FRMS		40	
Review of Kully Bay FRMS		40	
Environmental Services	138	0	0
Climate Change Risk Assessment & Adaption Plan	48		
Climate Change Action Team	90		
Natural Area Management	25	26	26
Vegetation Management Plans for High Priority Natural Areas	25	26	26
Transport Services	314	257	66
City Centre Parking Surveys - EMS Report		69	
Integrated Transport Strategy		50	50
City Centre Parking Strategy	40		
Bellambi Foreshore Precinct Plan	120	122	
Wollongong LGA Feasibility Studies	15	15	15
Lake Illawarra Shared Path Masterplan	89		
Towradgi Creek Shared Path Feasibility Investigations	50		
Cultural Services	0	0	120
Art Gallery 2nd Entrance Design			120
Parks and Sportsfields	60	46	0
Blue Mile Masterplan - update		46	
Fred Finch Park - Landscape Masterplan	25		
King George V Oval Landscape Masterplan	35		
Property Services	55	0	0
Bulli Showground Masterplan	55		
Total Expenditure *	2,113	1,845	1,733

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

Housing Affordability Program

Council has entered into a Memorandum of Understanding with the Commonwealth Government that has allowed Council to retain funding originally provided through the Building Better Regional Cities Program to develop a program that facilitates the delivery of affordable housing in the region.

At its meeting on 10 December 2018, Council provided a range of guidelines for the program that included a focus on innovative, energy efficient and sustainable solutions, the ability for proposals to generate income streams that will support a continuation or expansion of the program into the future and support for schemes that target (but are not limited to) single

women aged over 50 years. Council also resolved that existing funds be equally committed to affordable housing delivery proposals from not for profit organisations and an affordable home ownership scheme for low to moderate income earners to enter the housing market that could be combined with land owned by Council in the West Dapto release area. During December 2019, Council completed a tender process for the provision of the first part of the above commitment. Council has resolved to accept in principle the tender of the Illawarra Community Housing Trust Ltd (trading as Housing Trust) for the delivery of an affordable home ownership scheme for low to moderate income earners with the development of the contract now in progress.

Centrally Held Budget Capacity

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

Rates Growth

The growth in rateable assessments leads to additional impacts on some Services and the need for additional resources to meet those demands. The Rates Growth provision provides resourcing for these extra impacts from increased ratepayer numbers by drawing from the additional rate income. An indicative allocation model based on the assessment of the impacts of increased population on services has been devised to be used in the forward estimates. While some Services are directly or indirectly impacted by growth, other areas are not, thereby creating natural economies of scale that lead to increased capacity. Council's initial modelling indicates that 40% of the rates increase is required to maintain existing service levels due to a broader population in the short to medium term. The remaining 60% is equally allocated to support the additional cost of enhanced assets replacements used in improving those Services and to be allocated to additional or improved Service levels. The Operational Plan 2020-2021 proposes the allocation of \$0.6 million recurrently for enhanced services

The following table provides funding allocation and availability forecasts.

Rates Growth			
	2020/21	2021/22	2022/23
	\$000'S	\$000'S	\$000'S
Balance	1,184	1,763	2,356
<i>Comprised of:</i>			
Volumne increase impacts	412	712	942
Asset enhancements impacts	367	558	753
Economies of scale	405	494	660

Operational Contingency

In past years, an Operational Contingency budget has been held centrally in the Corporate Strategy Service that was intended to support non-recurrent or unplanned projects and events or to address short term issues that may arise from time to time. This has been relatively small compared to Council's overall operating expense budget with an indicative target of around \$1.0 million per annum. Access to these funds has generally been through the strategic planning process including Impact Statements, Business Proposals, Service Reviews, Pricing Adjustments or as otherwise directed by the Executive Management Committee. This contingency has been reduced to \$0.3 million in 2020-2021 and \$0.5 million onwards as a partial offset for reducing investment revenues resulting from the lower interest rates. The intent is that future budget improvements and windfalls could be used to rebuild the Operational Contingency levels as funding is available.

DEPRECIATION

Depreciation represents 22% of the operating expenses budget. While depreciation is not cash expenditure, it is an important part of the real cost of maintaining Council services. Depreciation represents the consumption of an asset over its life. This deterioration in value of assets occurs through use, ageing or obsolesce.

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

Council's maturity in asset management is improving and as new information becomes available changes may occur, particularly to asset lives and valuation information. Depreciation forecasts in the long-term financial projections include provision for additional assets that are included in the capital works program (excluding West Dapto) and conservative estimates for expected growth through revaluation. No provision is currently included for any assets that may be contributed to Council from other levels of government or future developments.

WEST DAPTO KEY ASSUMPTIONS

West Dapto Development

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

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

Revenue

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

Developer contributions are based on pricing that is contained in the West Dapto Section 7.11 Developer Contributions (formerly Section 94 (S94)) Plan that was adopted in 2017 and expected lot release timing. The developer contributions income is inclusive of funds that are expected to be provided to Council by the State Government through the Local Infrastructure Growth Scheme as support for the gap between projected infrastructure costs and the level of the State capped developer contributions that have been applied until 2019-2020 when the cap is no longer applicable and contributions can be based on Plan cost projections subject to approval by IPART. Council has currently submitted an application to IPART for 2020-2021. The Section 7.11 Developer Contributions (formerly S94) contributions shown in the Long Term Financial Model are based on this agreement and are reflected in the Capital Grants and Contributions part of the Income Statement. Section 7.11 Developer Contributions (formerly S94) income projections in the Operational Plan 2020-2021 have been reduced to reflect the discounted rates applicable to industrial land. These contributions will be held as restricted cash and are planned to be used to support the capital program and loan repayments.

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

Capital Programs

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

These works are to be funded from Section 7.11 Developer Contributions (formerly S94), grant funds (including Building Better Regional Cities and Resources for Regions - \$2.4 million), and an interest free loan from the NSW Department of Planning Industry and Environment. Council continues to investigate funding opportunities to accelerate the delivery of infrastructure in the West Dapto Urban Release Area.

The West Dapto capital budget shows a significant increase in investment in the completion of conceptual and detailed civil designs of the key transport infrastructure identified in Council's West Dapto Access Strategy. In addition to specific projects, forward projections also include capital budgets at an aggregated level that will become specific projects as project scopes are further developed

Contributed Assets

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

Operational Expenses

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

Loans

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

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

OTHER KEY ASSUMPTIONS

Restricted Revenue

The level of available or untied cash is expressed as cash and investment holdings after allowance for restricted assets. Assets, generally cash, may be externally or internally restricted. External restrictions are usually imposed by an external or legislative requirement that funds be spent for a specific purpose. This may include unspent grant funds that have been provided to Council for the delivery of a particular project or service, funds collected as developer contribution under 7.11 Developer Contributions (formerly S94) or surpluses achieved in the delivery of domestic waste. In some of these instances, Council is also required to restrict investment earnings that are generated by these cash holdings. Internal restrictions are funds that Council has determined will be used for a specific future purpose such as the future replacement of waste facilities. A comprehensive review of internal restrictions was undertaken in 2009 and Council resolved to rationalise several 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 table following shows anticipated restrictions and subsequent table outlines the nature, funding and purpose of current internally restricted asset funds.

Strategic Projects Internally Restricted Asset

The Strategic Projects internally restricted assets has been created largely from prior year financial improvements that exceeded planned targets, along with a number of non-recurrent windfall gains such as the proceeds from the settlement of a long term litigation matter and a number of land sales such as the Flinders Street property. Accumulated funds have provided a level of additional capacity to support enhancement of some service deliveries, accelerate planned projects or introduce additional projects. The Operational Plan 2020-2021 and 2018-2021 Delivery Program include a range of projects with a total value of \$43 million to be funded from this source between 2020-2021 and 2029-2030. It is also planned that \$4 million be returned to Available Funds (unrestricted) to support the impact of COVID-19. This will leave a relatively minor balance of unallocated funds of approximately \$0.6 million. In the short term, this will limit the ability to fund additional projects. The capacity to rebuild this in future years may be impacted by outcomes from COVID-19

City Parking Strategy Internally Restricted Asset

This restriction is created from the net surplus from the Inner City Parking Strategy that included the introduction of parking meters. In the past, it has been applied to parking, transport and pedestrian access, bicycle and public transport projects in the City Centre. The Operational Plan 2020-2021 proposes that the net estimated annual surplus for the next 10 years be applied to projects that will support the recovery and reactivation of the City Centre post COVID-19.

Waste Disposal Facilities Internally Restricted Cash

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

3 YEAR RESTRICTED ASSETS SUMMARY

		2020/2021 Budget \$'000			2021/2022 Forecast \$'000			2022/2023 Forecast \$'000		
PURPOSE OF RESTRICTED ASSET	Opening Balance 1/07/20	Transfer		Balance 30/06/21	Transfer		Balance 30/06/22	Transfer		Balance 30/06/23
		In	Out		In	Out		In	Out	
Internally Restricted Assets										
Strategic Projects	39,233		17,837	21,396		8,116	13,279		1,354	11,926
Strategic Projects (unallocated)	595			595			595			595
Property Investment Fund	7,860	396	4,078	4,177	125	119	4,183	156	122	4,218
MacCabe Park Development	1,440	150		1,590	150		1,740	150		1,890
City Parking Strategy	2,196	565	2,245	516	545	744	317	527	527	317
Sports Priority Program	757	307	539	525	312	300	537	317	250	604
Natural Areas Fund	1,097			1,097			1,097			1,097
West Dapto Rates (additional)	5,727	1,447	721	6,453	1,854	747	7,560	2,300	772	9,087
Lake Illawarra Estuary Management Fund	300	165	165	300	165	165	300	165	165	300
Darcy Wentworth Park	171			171			171			171
Waste Disposal Facilities ***	573	5,485	3,860	2,198	5,647	11,300	(3,455)	5,889	8,195	(5,762)
Total Internal Restricted Assets	59,948	8,516	29,446	39,018	8,797	21,491	26,324	9,504	11,385	24,443
Externally Restricted Assets										
Developer Contributions (formerly S 94)	27,986	18,773	12,311	34,448	16,348	15,354	35,442	18,771	10,793	43,419
Planning Agreements	154			154			154			154
Grants	6,003	12,264	12,021	6,246	10,591	11,289	5,547	8,209	6,668	7,088
Loan Repayment	2,652	16	500	2,168	(13)	2,000	155	(17)		139
Domestic Waste Management	14,226	(113)	2,830	11,284	(135)	800	10,348	490		10,839
Contributed Assets	137	11,562	11,562	137	8,358	8,358	137	9,289	9,289	137
External Service Charges to Restricted Assets	61	63		124	65		189	66		256
Other Contributions	6,073	966	977	6,061	800	2,100	4,761	683	362	5,082
Special Rates Levies - City Centre + Mall	124	1,590	1,640	74	1,641	1,702	13	1,693	1,743	(38)
Housing Affordability Program	11,069	126		11,195	167		11,362	213		11,575
Local Infrastructure Renewal Scheme	556	6		562	8		570	10		580
Stormwater Management	1,679	1,847	2,321	1,205	1,869	2,177	898	1,885	2,115	668
Total External Restricted Assets	70,720	47,101	44,162	73,658	39,699	43,780	69,577	41,292	30,970	79,899
Grand Total	130,668	55,616	73,608	112,677	48,496	65,271	95,901	50,796	42,356	104,341
*** The Waste Disposal Facilities Restricted Asset is held for the development and renewal of assets within Council's waste facilities and for the rehabilitation of the sites at the end of their lives. Council's Waste Strategy and Master Plan for facilities is currently being reviewed and will potentially change the life and capital requirements of the facilities. While this review is being progressed the forward capital works program only includes specific works that are not impacted by a revised strategy. Adjustments to the works program will be made where necessary following completion of the review program. Cash collections have been estimated in accordance with the current program.										

3 YEAR DEVELOPER CONTRIBUTIONS RESTRICTED ASSETS SUMMARY										
PURPOSE OF RESTRICTED ASSET		2020/2021 Budet \$'000			2021/2022 Forecast \$'000			2022/2023 Forecast \$'000		
	Balance 1/07/20	Transfer		Balance 30/06/21	Transfer		Balance 30/06/22	Transfer		Balance 30/06/23
		In	Out		In	Out		In	Out	
Externally Restricted Assets										
Old Plans	419			419			419			419
West Dapto	4,613	17,371	9,311	12,672	14,954	7,813	19,813	17,395	8,018	29,190
Calderwood	364	13		377	13		390	14		404
City Centre	2,304	10	337	1,978	3	250	1,731	(4)	500	1,227
City Wide	20,286	1,379	2,663	19,002	1,378	7,291	13,089	1,365	2,276	12,179
Total Developer Contributions Restricted Assets	27,986	18,773	12,311	34,448	16,348	15,354	35,442	18,771	10,793	43,419

Internally Restricted Assets

City Parking Strategy

Purpose

To fund future parking, transport and pedestrian access, bicycle and public transport projects in the City Centre. During the adoption of the 2020-2021 Operational Plan, Council resolved to allocate \$750K in 2020-2021 and the net annual surplus for the ensuing 10 years for projects that will support the recovery and activation of the City Centre post COVID-19.

Source of Funds

Net surplus of the Inner City Parking Strategy.

Darcy Wentworth Park

Purpose

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

Source of Funds

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

Lake Illawarra Estuary Management Fund

Purpose

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

Source of Funds

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

MacCabe Park Development

Purpose

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

Source of Funds

Recurring annual allocation made by Council.

Natural Areas Fund

Purpose

To provide funding for natural area projects.

Source of Funds

Proceeds from dividend payment from Southern Phones that are allocated to specific projects annually in arears. Council has sold its interest in Southern Phones (Budget Year 2019-2020) and no future dividend will be received.

Property Investment Fund

Purpose

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

Source of Funds

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

Internally Restricted Assets (con't)

Sports Priority Program

Purpose

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

Source of Funds

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

Strategic Projects

Purpose

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

Source of Funds

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

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

Waste Disposal Facilities

Purpose

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

Source of Funds

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

West Dapto Rates

Purpose

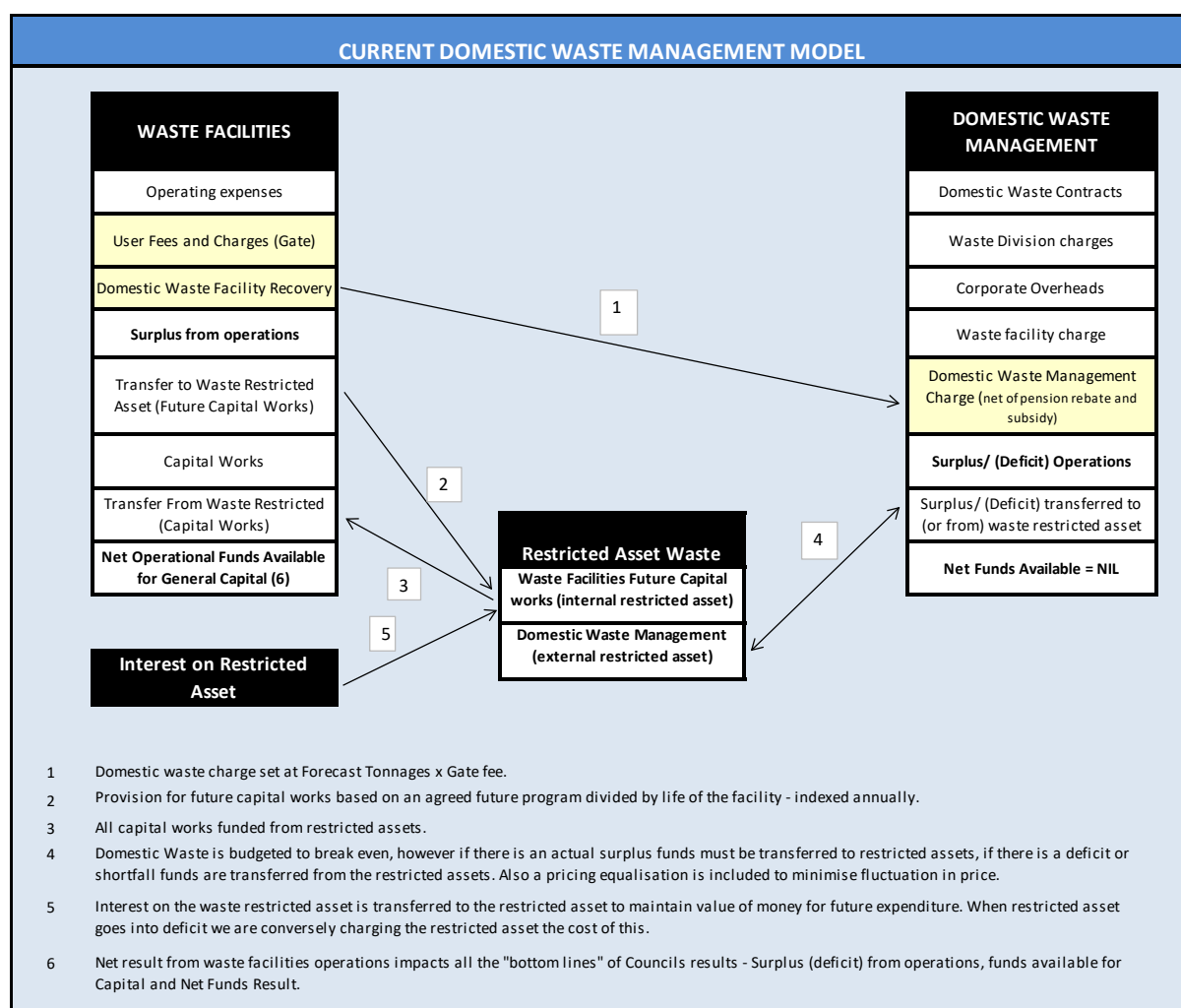
Increased annual rate revenue created from subdivision in West Dapto will be restricted and only allocated to operational expenditure as the area develops. In the interim period, the annual revenue should be made available to meet infrastructure or planning requirements in the area and support loan repayments.

Source of Funds

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

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

OVERVIEW OF DOMESTIC WASTE MODEL



SUMMARY OF OPERATING RESULT [PRE CAPITAL] BY SERVICE

OPERATING BUDGETS			
	2020/2021		
	EXPENSES	REVENUE	Net
	Budget \$'000	Budget \$'000	Budget \$'000
Corporate Strategy	(3,135)	(369)	(3,505)
City Centre Management	(4,142)	1,712	(2,430)
Economic Development	(3,079)	0	(3,079)
Infrastructure Planning & Support	(12,689)	272	(12,417)
Land Use Planning	(4,054)	718	(3,336)
Communications, Engagement, Events and Signage	(2,956)	143	(2,813)
Stormwater Services	(15,347)	2,116	(13,232)
Environmental Services	(2,543)	398	(2,145)
Natural Area Management	(3,762)	146	(3,616)
Waste Management	(46,292)	45,135	(1,157)
Transport Services	(45,846)	4,648	(41,199)
Aged and Disability Services	(4,815)	4,400	(415)
Community Facilities	(6,084)	552	(5,532)
Community Programs	(2,190)	292	(1,898)
Crematorium and Cemeteries	(2,561)	1,716	(846)
Cultural Services	(7,170)	254	(6,916)
Libraries	(11,602)	640	(10,961)
Youth Services	(1,357)	42	(1,315)
Aquatic Services	(14,059)	513	(13,546)
Botanic Garden and Annexes	(3,841)	290	(3,551)
Leisure Services	(4,933)	2,497	(2,435)
Parks and Sportsfields	(19,065)	413	(18,652)
Tourist Parks	(6,109)	5,609	(500)
Development Assessment and Certification	(7,854)	3,050	(4,804)
Emergency Management	(6,333)	1,171	(5,162)
Public Health	(1,165)	34	(1,130)
Regulatory Control	(5,300)	2,038	(3,261)
Integrated Customer Service	(5,419)	12	(5,406)
Financial Services	(6,809)	185,152	178,344
Governance and Administration	(9,584)	93	(9,491)
Human Resources	(8,131)	144	(7,986)
Information and Communications Technology	(8,814)	0	(8,814)
Internal Charges Service	656	0	656
Property Services	(4,655)	5,167	512
Grand Total - Operational	(291,038)	268,999	(22,039)

BUDGET LIMITATIONS/DEVELOPMENT

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

COVID-19

There is a high degree of uncertainty in terms of the depth of impacts and duration of COVID-19. The financial forecasts in the Operational Plan 2020-2021 are based on a number of key assumptions. The most significant assumption is that the current level of restrictions and operating requirements will not become worse and Council will continue to operate with the provision of services and arrangements as at 30 April 2020 for a period of time and then commence a return to full service provision.

These assumptions will be extremely sensitive to actual restrictions and community responses, the duration and nature of the recovery phase and any longer term changes that may be required in the way services are delivered. These developments will need to be monitored and potential impacts on Council's business reassessed.

Indices

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

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

Utility Cost

Projected increases for utility costs are generally based on the IPART publications where applicable other than for electricity which also includes recognition of specific negotiated contracts that are in place for street lighting and Council Buildings and Facilities Sites and Small Sites. Street lighting is subject to separate contracts for infrastructure and electricity. Council's electricity contracts have been renewed for a three year period commencing in January 2020.

Asset Management – Valuation and Asset Lives

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

Lake Illawarra

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

Internal Charging

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

Contributed Assets

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

Section 7.11 Income (excluding West Dapto)

Section 7.11 (formerly 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 revised Delivery Program 2018-2021 and Operational Plan 2020-2021 that are dependent on funding from this source. The timing and capacity to deliver these will need to be monitored in the context of ability to achieve income projections.

Property Sales and Investment

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

Climate Change

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

SECTION 2: CAPITAL PROGRAM AND BUDGET 2021-2023

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

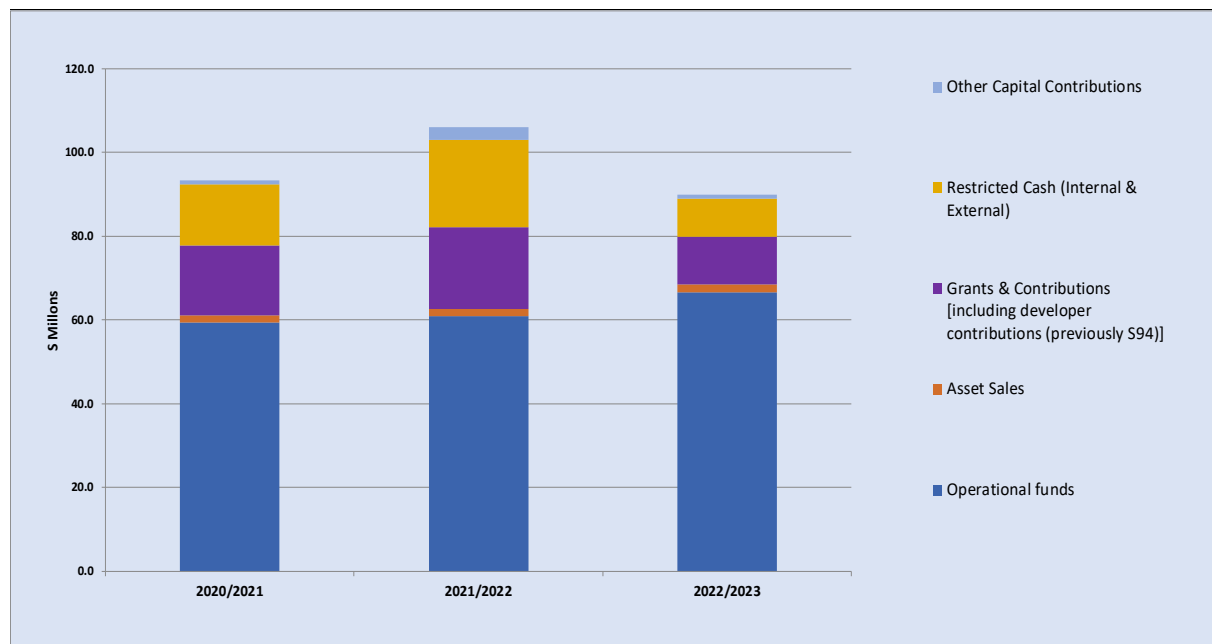
- Community input and strategic directions stated in the Wollongong Community Strategic Plan
- Council's Asset Management Policy and Strategies
- Economic, tourism and growth factors including West Dapto
- Availability of funding

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

Capital Budget Funding 2020-2021

In 2020-2021, \$93.4 million has been allocated for capital works – much of which will go towards improving the condition of existing community assets, with a focus on replacing assets. The total Capital Budget for 2020-2021 is derived from the allocation of operational funds (including contributions from operational savings), asset sales, contributions from restricted assets, allocations from Section 7.11 Developer Contributions (formerly S94) funds and funding from State and Federal Government grants.

Capital Budget Funding Sources – Summary Graph



Capital Budget Funding Sources – Table

Revenue Type	2020/21 Budget \$M	2021/22 Forecast \$M	2022/23 Forecast \$M
Operational Funds	59.3	60.9	66.7
Asset Sales	1.8	1.9	1.9
Grants and Contributions [including Developer Contributions (previously s94)]	16.7	19.5	11.3
Restricted Cash (internal and external)	14.5	20.9	9.0
Borrowings	0.0	0.0	0.0
Other Capital Contributions	1.0	2.9	0.9
TOTAL	93.4	106.0	89.8

Council will continue to pursue grant funding for investment in major capital projects; including the construction of infrastructure for the new development areas of West Dapto, expansion of Council's cycleway and shared path network and upgraded community and recreational facilities.

CAPITAL BUDGET BY ASSETS 2020-2021 – 2022-2023

An asset class breakdown of the budget over the next three years is outlined below:

Asset Class	2020/21 Budget \$M	2021/22 Forecast \$M	2022/23 Forecast \$M
Roads And Related Assets	15.1	19.4	16.7
West Dapto	7.7	7.1	5.3
Footpaths And Cycleways	16.9	17.4	13.6
Carparks	2.5	1.4	1.4
Stormwater And Floodplain Management	4.4	6.5	6.8
Buildings	16.4	18.6	17.6
Commercial Operations	1.3	0.9	2.5
Parks Gardens And Sportfields	7.5	8.4	4.3
Beaches And Pools	3.3	1.2	2.3
Natural Areas	0.0	0.0	0.0
Waste Facilities	3.8	11.3	8.1
Fleet	1.8	1.8	1.8
Plant And Equipment	4.4	4.2	3.4
Information Technology	2.1	1.5	1.6
Library Books	1.3	1.3	1.3
Public Art	0.1	0.1	0.1
Emergency Services	0.0	0.0	0.0
Land Acquisitions	2.8	2.4	0.3
Non-Project Allocations	2.1	2.6	2.8
Loans	0.0	0.0	0.0
TOTAL	93.4	106.0	89.8

The above information represents Council's planned capital works program and is exclusive of potential contributed assets. Estimates for contributed assets over the next three years are as follows:

- \$11.6 million 2020-2021
- \$8.4 million 2021-2022
- \$9.3 million 2023-2024

Upcoming Capital Projects in 2020-2021

During 2020-2021, Council plans to undertake the key capital projects listed below.

PROJECTS – PLANNING AND DESIGN

- Twelve new cycleway / shared path connections – including some major east-west links in Fairy Meadow, West Wollongong and the Wollongong CBD.
- Stage 2 of the Helensburgh Town Centre Upgrade (Stage 2)
- New accessible amenities at Port Kembla Beach and North Wollongong Beach
- Upgrades to the Beaton Park Tennis Court
- Upgrades of the Fred Finch Netball Court
- New beach access ramps at Port Kembla and Austinmer.
- New pool filtration systems at Western Suburbs and Corrimal Pool.

PROJECTS – COMMENCING CONSTRUCTION

- 37 road reconstruction and resurfacing projects
- 37 new footpaths across the city
- Replacement of the Puckey's Estate Boardwalk
- Next stages of the Grand Pacific Walk in Clifton and Coledale
- Corrimal CBD Upgrade, Stage 2 + 3
- Footpath upgrade of Crown Street, from Wollongong train station up to Wollongong hospital (north side)
- Helensburgh CBD Upgrades (Stage 1)
- Port Kembla Beach Viewing Platform
- Construction of four new debris control devices on major culverts in Bellambi, Bulli, Corrimal and Dapto
- Port Kembla Stormwater Quality Improvement Devices
- Austinmer Beach Amenities Upgrade
- North Wollongong Surf Life Saving Club Renewal
- Cringila Hills Masterplan Implementation (Stage 1)
- Multiple amenities upgrades at community facilities across the LGA including Bellambi SLSC, Guest Park, Gilmore Park and Heinenger Hall Mens and Ladies Amenities

CONTINUATION OF WORKS

- Completion of repairs to bridge over Byarong Creek on Uralba St, Figtree
- Corrimal CBD Upgrade (Stage 1)
- Renewal of the Towradgi Rock Pool Concourse
- Design for the replacement of air conditioning systems at the Illawarra Performing Arts Centre, Town Hall and Wollongong Art Gallery
- Wongawilli Road and West Dapto Road Upgrades
- Design for the New Warrawong and Helensburgh Community Centre and Library projects
- Design for the Warrawong CBD Streetscape Upgrade
- Design for the Smith St Cycleway Underpass
- Design for Beaton Park Masterplan Implementation

CAPITAL BUDGET 2020-2021 TO 2022-2023

CAPITAL BUDGET 2020 / 21 to 2022 / 23 \$'000									
Asset Class	2020 / 2021			2021 / 2022			2022 / 2023		
	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding
Roads And Related Assets									
Traffic Facilities	2,375	(1,313)	1,062	2,531	(1,938)	593	900	(300)	600
Public Transport Facilities	335	0	335	320	(20)	300	375	0	375
Roadworks	10,376	(1,154)	9,222	14,380	(4,670)	9,710	12,214	(1,440)	10,774
Bridges, Boardwalks and Jetties	2,010	0	2,010	2,150	0	2,150	3,188	0	3,188
Total Roads And Related Assets	15,095	(2,467)	12,629	19,381	(6,628)	12,753	16,677	(1,740)	14,937
West Dapto									
West Dapto Infrastructure Expansion	7,665	(7,665)	0	7,065	(7,065)	0	5,265	(5,265)	0
Total West Dapto	7,665	(7,665)	0	7,065	(7,065)	0	5,265	(5,265)	0
Footpaths And Cycleways									
Footpaths	7,194	(2,664)	4,530	8,225	(3,725)	4,500	3,684	(526)	3,158
Cycle/Shared Paths	4,115	(2,075)	2,040	4,082	(2,042)	2,040	4,220	(1,000)	3,220
Commercial Centre Upgrades - Footpaths and Cycleways	5,547	(2,082)	3,465	5,140	(930)	4,210	5,655	0	5,655
Total Footpaths And Cycleways	16,856	(6,821)	10,035	17,447	(6,696)	10,750	13,559	(1,526)	12,033
Carparks									
Carpark Construction/Formalising	915	(200)	715	225	(200)	25	409	0	409
Carpark Reconstruction or Upgrading	1,565	(280)	1,285	1,200	0	1,200	1,000	0	1,000
Total Carparks	2,480	(480)	2,000	1,425	(200)	1,225	1,409	0	1,409
Stormwater And Floodplain Management									
Floodplain Management	2,000	(270)	1,730	3,600	(480)	3,120	4,150	(450)	3,700
Stormwater Management	2,210	(335)	1,875	2,500	(100)	2,400	2,420	(100)	2,320
Stormwater Treatment Devices	185	(185)	0	370	(370)	0	250	(250)	0
Total Stormwater And Floodplain Management	4,395	(790)	3,605	6,470	(950)	5,520	6,820	(800)	6,020

CAPITAL BUDGET 2020/21 to 2022/23

\$'000

Asset Class	2020/2021			2021/2022			2022/2023		
	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding
Buildings									
Cultural Centres (IPAC, Gallery, Townhall)	1,010	0	1,010	7,220	0	7,220	4,375	0	4,375
Administration Buildings	1,935	0	1,935	880	0	880	2,230	0	2,230
Community Buildings	13,247	(1,814)	11,433	10,445	(810)	9,635	10,840	(600)	10,240
Public Facilities (Shelters, Toilets etc.)	230	0	230	60	0	60	200	0	200
Carbon Abatement	0	0	0	0	0	0	0	0	0
Total Buildings	16,422	(1,814)	14,608	18,605	(810)	17,795	17,645	(600)	17,045
Commercial Operations									
Tourist Park - Upgrades and Renewal	870	0	870	820	0	820	1,200	0	1,200
Crematorium/Cemetery - Upgrades and Renewal	265	0	265	55	0	55	1,100	0	1,100
Leisure Centres & RVGC	170	0	170	50	0	50	175	0	175
Total Commercial Operations	1,305	0	1,305	925	0	925	2,475	0	2,475
Parks Gardens And Sportfields									
Play Facilities	2,610	(770)	1,840	1,979	(707)	1,272	1,843	(205)	1,638
Recreation Facilities	2,661	(1,761)	900	2,355	(2,125)	230	419	0	419
Sporting Facilities	2,143	(850)	1,293	4,080	(2,250)	1,830	1,940	(250)	1,690
Lake Illawarra Foreshore	100	0	100	0	0	0	100	0	100
Total Parks Gardens And Sportfields	7,514	(3,381)	4,133	8,414	(5,082)	3,332	4,302	(455)	3,847
Beaches And Pools									
Beach Facilities	828	0	828	500	0	500	100	0	100
Rock/Tidal Pools	970	0	970	30	0	30	1,000	0	1,000
Treated Water Pools	1,480	0	1,480	650	0	650	1,200	0	1,200
Total Beaches And Pools	3,278	0	3,278	1,180	0	1,180	2,300	0	2,300
Natural Areas									
Natural Area Management and Rehabilitation	0	0	0	0	0	0	0	0	0
Total Natural Areas	0	0	0	0	0	0	0	0	0

CAPITAL BUDGET 2020/21 to 2022/23

\$'000

Asset Class	2020/2021			2021/2022			2022/2023		
	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding
Waste Facilities									
Whytes Gully New Cells	2,690	(2,690)	0	4,100	(4,100)	0	7,675	(7,675)	0
Whytes Gully Renewal Works	620	(620)	0	550	(550)	0	200	(200)	0
Helensburgh Rehabilitation	500	(500)	0	6,600	(6,600)	0	270	(270)	0
Total Waste Facilities	3,810	(3,810)	0	11,250	(11,250)	0	8,145	(8,145)	0
Fleet									
Motor Vehicles	1,800	(949)	851	1,800	(949)	851	1,800	(949)	851
Total Fleet	1,800	(949)	851	1,800	(949)	851	1,800	(949)	851
Plant And Equipment									
Portable Equipment (Mowers etc.)	100	(27)	73	100	(27)	73	100	(28)	72
Mobile Plant (trucks, backhoes etc.)	4,280	(826)	3,454	4,100	(878)	3,222	3,250	(909)	2,341
Total Plant And Equipment	4,380	(853)	3,527	4,200	(905)	3,295	3,350	(937)	2,413
Information Technology									
Information Technology	2,134	0	2,134	1,500	0	1,500	1,600	0	1,600
Total Information Technology	2,134	0	2,134	1,500	0	1,500	1,600	0	1,600
Library Books									
Library Books	1,251	0	1,251	1,283	0	1,283	1,315	0	1,315
Total Library Books	1,251	0	1,251	1,283	0	1,283	1,315	0	1,315
Public Art									
Art Gallery Acquisitions	100	0	100	137	0	137	100	0	100
Total Public Art	100	0	100	137	0	137	100	0	100
Emergency Services									
Emergency Services Plant and Equipment	20	0	20	0	0	0	0	0	0
Total Emergency Services	20	0	20	0	0	0	0	0	0

CAPITAL BUDGET 2020/21 to 2022/23

\$'000

Asset Class	2020/2021			2021/2022			2022/2023		
	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding
Land Acquisitions									
Land Acquisitions	2,750	(2,700)	50	2,400	(2,250)	150	300	(250)	50
Total Land Acquisitions	2,750	(2,700)	50	2,400	(2,250)	150	300	(250)	50
Non-Project Allocations									
Capital Project Contingency	2,103	0	2,103	2,532	0	2,532	2,769	0	2,769
Capital Project Plan	11,562	(11,562)	0	8,378	(8,358)	20	9,309	(9,289)	20
Total Non-Project Allocations	13,665	(11,562)	2,103	10,910	(8,358)	2,552	12,078	(9,289)	2,789
Loans									
West Dapto Loan	0	0	0	0	0	0	0	0	0
LIRS Loan	0	(2,304)	(2,304)	0	(2,388)	(2,388)	0	(2,474)	(2,474)
Total Loans	0	(2,304)	(2,304)	0	(2,388)	(2,388)	0	(2,474)	(2,474)
Not Applicable									
Not Applicable	0	0	0	0	0	0	0	0	0
Total Not Applicable	0	0	0	0	0	0	0	0	0
TOTAL	104,921	(45,594)	59,327	114,392	(53,531)	60,861	99,139	(32,429)	66,710
NET REVENUE FUNDED		59,327			60,861			66,710	
"Contributed Assets" in non-project	11,562	(11,562)	0	8,358	(8,358)	0	9,289	(9,289)	0
Total Excluding "contributed assets"	93,359	(34,032)	59,327	106,034	(45,173)	60,861	89,850	(23,140)	66,710

Note: The Total line shown above includes estimates in the 'Non-Project Allocation' asset class for Contributed Assets – such as from sub-divisions assets handed to Council. This amount is not included in Council's construction program. Anticipated contributed assets budgets for the three years of above program are identified after the TOTAL line above.