

ATTACHMENT 1

2021-2022 BUDGET

ADOPTED 28 JUNE 2021

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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 advent of COVID-19 in 2020 has had direct impact both on our community and Council. Measures were taken during the formulation of the 2020-2021 Operational Plan to alleviate the anticipated immediate impact of the pandemic and to plan for a recovery in financial terms for Council over the longer term. For our community, a comprehensive relief package to business, residents and other customers of Council was endorsed to assist in managing the impacts on individuals and business. This package included provision for rate payers to defer their rate and annual charges payments with an interest free period, implementation of the government directive on relief for commercial lessees, freezes on fees and charges increases including domestic waste, and the suspension of a range of public health inspection fees. For Council, the direct impacts have come from closure of services, reduction in gatherings in public places, implementation of social distancing requirements and the need to develop new ways to operate and deliver services while maintaining the health and wellbeing of our people. Together, these impacts were estimated to result in a loss of net revenue for Council in the order of \$16M to the end of financial year 2020-2021.

These impacts were recognised in Council's financial projections along with a strategy which endeavoured to manage this crisis without increased future costs through delayed asset maintenance or unreasonable transfer costs to future generations. The planned recovery in the first instance was to absorb immediate shortfalls through Council's reserves it has built up for unexpected loss (Available Funds \$5.1M) and funds it holds for Future Investment (Strategic Projects \$4M and Property Investment \$5M) and the commitment to an Improvement Program, or savings against budget, that improved the net result for 2020-2021 by \$2M. Longer term projections include a continuation of the improvement for up to a further five years (until 2025-2026) to support the repayment of funds drawn from the Property Investment Fund and to return Available Funds forecasts back within the Financial Strategy targets.

Available Funds are a cornerstone of our Financial Sustainability and while usage was appropriate in the short term, the Financial Strategy requires these funds to be re-established to ensure we are prepared for such events in the future. Likewise, the Property Investment Restriction, being used to fund the revenue loss due to COVID-19, is an integral part of our future to deliver opportunity for investment to create increased capacity to deliver service enhancement.

The most significant assumption in determining the estimated financial impact on Council and developing the long-term financial forecasts that support the Operational Plan 2021-2022 is that there will continue to be a sustained recovery period over the coming months with services and activities returning to relatively normal pre COVID-19 position by June 2021.

Although current trends indicate these assumptions are reasonable, there continues to be a high degree of uncertainty in the evolution of impacts and duration of COVID-19. Our assumptions will be 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 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. Developments will be carefully monitored and continually reassessed. Council will give effect to changes in these assumptions through its Quarterly Budget Reviews.

Financial support has been made available from other levels of government through stimulus packages that allow Council to deliver additional projects or enhance existing proposals. Council has been successful in securing a range of grants including \$1.56M and \$6.76M respectively under phase 1 and phase 2 of the Federal Government Local Roads and Community Infrastructure Program, \$0.45M for NSW Streets as Shared Spaces, \$1.3M under the combined Federal and State Government funded Road Safety Stimulus Program and \$1.1M under the NSW Resources for Regions Round 7. Council has also been deemed eligible for funding under the Public Spaces Legacy Program of up to \$3.0M.

In addition to stimulus funding, Council has also been successful in securing funding of \$4.2M under the NSW Coastal & Estuary Grant Funding Program that will support the North Beach Seawall project and \$25.5M through the Housing Acceleration Fund that will be used to support the West Dapto Road project. There is a range of other active grant funding programs which Council may be successful in securing further funding. Many of these grants have specific delivery timeframes that will require an ongoing review and management of capacity to deliver these along with our planned programs.

FINANCIAL STRATEGY

An updated Financial Strategy is included as part of the planning documents on exhibition. The revision continues with the principles currently endorsed with some minor changes and an update relating to the use of borrowings.

Wollongong City Council remains committed to the principles of financial sustainability and good financial management. Council will use rate payers' money, together with other funding available, wisely to provide prioritised services, improve financial sustainability and asset management. Financial Sustainability is defined as where the planned, long-term service and infrastructure levels and standards of Council can be met without unplanned increases in rates or disruptive cuts to service.

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

The Financial Strategy is reviewed on an ongoing basis and targets modified over time to reflect Council's financial sustainability, maturity, evolution and to respond to 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 terms.

The current Financial Strategy has a number of clear objectives that include:

- Council will aim to maintain Available Funds between 3.5% and 5.5% of Income from Continuing Operations [pre-capital].
- Council will plan to maintain a small Operating Result surplus (average over three years) in the future.
- Council's annual allocations to Operating and Capital Budgets will generally not exceed anticipated cash inflows. Where the Available Funds level is above minimum requirements, additional funds will be transferred to the Strategic Projects Restricted Asset and consideration given to the allocation of funds through the Strategic Planning process.
- Council will plan for Funds Available from Operations at least equal to depreciation.
- In determining the approval of budget for additional or enhanced assets, Council will

ensure the whole of life cost is considered and are able to be sustainably accommodated within future forecasts.

- Council will actively consider borrowings through its Resource Strategy and Capital Budget as a source to finance timing mismatches between cash availability and expenditure requirements and to provide for intergenerational equity where determined applicable.

FINANCIAL FORECASTS

The financial forecasts contained in this document provide a financial view that encapsulates the service levels and outcomes as documented in the Adopted Resourcing Strategy and Delivery Program 2018-2022 and Operational Plan 2021-2022. The forecasts include estimates of the impacts of COVID-19 for 2020-2021 and the planned recovery programs in the ensuing years. There is still uncertainty about the ongoing or future impacts of COVID-19. The financial forecasts in the Operational Plan 2021-2022 are based on the assumption that generally Council will return to full service provision in the new financial year, there will not be significant changes in the operation and delivery of services and Council will have the planned capacity to work towards reinstating the pre COVID-19 financial position. 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.

The forecasts have also been informed by asset management plans, timing of capital program and are supported by the range of underlying indices and assumptions discussed throughout this document. The development of Council's forecasts is part of the continuous budget process updated in line with annual delivery planning, a reset of assumptions and indices, Quarterly Review changes, one-off changes where new information leads to a requirement to alter the longer term forecast. The underlying indices supporting the long-term forecasts have been revised through the 2021-2022 annual planning process to reflect most recent economic indicators.

West Dapto remains a substantial variable to the continuous operations of Council due to its size, unpredictability and delivery requirements. The current modelling of the potential impacts of West Dapto operations on the key performance indicators is included in these forecasts. It is expected the West Dapto development will occur over a 40 to 60 year period, which is a disproportionately long period in terms of the Long-Term Financial Plan 2018-2028. The implications are 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 West Dapto does not negatively impact the existing financial performance of Council and can remain self-funded as advocated in the Resourcing Strategy and Delivery Program 2018-2022. The financial impacts of West Dapto within the current assumptions and modelling are discussed further throughout this document.

The estimates show Council's medium and longer term financial capacity remains sound and Council will be able to achieve and maintain results within the targets outlined in the key performance indicators in the Financial Strategy. In the short term, there have been 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 provide a positive outlook. Council continues to plan to achieve a Funds Available from Operations to be equal to depreciation to ensure the highest levels of construction activity are maintained.

While Council aims to achieve a small Operating Surplus [pre capital], there is a forecast deficit result for the Operating Result [pre capital] and Total Funds in 2020-2021. This has been

impacted by the early payment of part of the 2020-2021 Financial Assistance Grant of \$9.9M in the previous financial year and the expected impact of COVID-19. The impact of COVID-19 does not fully flow on to the Total Funds Result as it was partially offset by support from Strategic Projects and Property Investment Fund internally restricted cash.

The key financial forecasts are shown in the table below for 2021-2022 to 2023-2024.

KEY INCOME & EXPENSE RESULTS			
	2021/2022 Budget \$M	2022/2023 Forecast \$M	2023/2024 Forecast \$M
Operating Result [pre capital]	(9.2)	5.5	6.1
Operating Result	22.9	44.0	47.6
Funds Available from Operations	59.1	71.7	72.0
Total Funds Result Surplus / (Deficit)	(9.1)	(1.0)	1.2

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. During 2020-2021, \$4M of these restricted funds were returned to Available Funds (unrestricted) to support the impact of COVID-19. At the commencement of the 2021-2022 planning process there was a forecast unallocated balance of \$7.6M. The Operational Plan 2021-2022 proposes the inclusion of a number of capital and operational projects that are non-recurrent or fixed duration to be funded from Strategic Projects restricted cash. These projects are detailed in the diagram below and have an estimated cost of \$4.4M over the next five years.

Diagram 1

PROPOSED PROJECTS & PROGRAMS					
Funded from Strategic Projects Restricted Cash					
	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000	2023/2024 Forecast \$'000	2025/2026 Forecast \$'000
Capital Projects					
Accessible Viewing Platform at Hill 60 (Design)	50				
Botanic Gardens Rainforest Walk - Stage 2	100				
Design & Implementation of King George V Park Masterplan Stage 1	20	237			
Draft Illawarra Escarpment Mountain Bike Strategy	250				
Enhanced City Presentation and Public Place Recycling	20				
Parking Compliance Vehicle	30				
Port Kembla Railway Station to Southern Cycleway shared path link (Design)	50				
Priority Pedestrian Infrastructure Improvements (Traffic Facility Imp)	300	300	300	300	
	820	537	300	300	0
Studies & Supporting Documents					
Access and Movement Strategy Review	125				
Barina Park Oval Investigative Studies (Land form modifications)	40				
Feasibility Study Synthetic Football Pitch in Planning Area 1 (North)	50				
Illawarra Sports Stadium Extension - Arboriculture Impact Assessment	15				
Pedestrian Bridge Thurston Avenue - Feasibility Study	30				
Review Planning Controls - Wilga Street, Corrimall	150				
Western Sydney Development Impacts Study	150				
	560	0	0	0	0
Other non recurrent projects					
Bald Hill to Stanwell Park Pathway Feasibility	25				
Climate Change and Sustainability Program	150	155	157		
Detailed Concept Plan for Re-Use of Hill 60 Tunnels	150				
Interpretive Historical Signage Grand Pacific Walk	80	80	40		
IPAC Additional Support	110	62	63	64	65
King George V Masterplan - Vegetation Management		30			
Relocation of "Amy" monument Thirroul Beach	58				
Volunteering Illawarra - Service Sustainability	135				
Wollongong Learning City Project	48	98	100	68	
WEC Concept Plan Contribution *	150				
	907	425	359	132	65
ANNUAL TOTAL	2,287	962	659	432	65
Cumulative total funded from Strategic Projects Restricted Cash					4,405

* WCC contribution to project is conditional on receiving NSW State Government funding first

Financial Position - Available Funds

Available funds are funds 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.

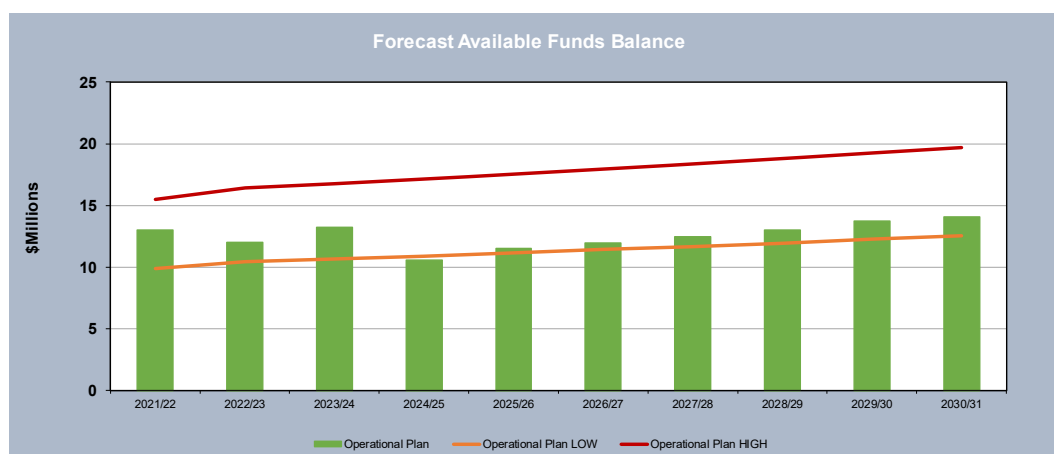
Council aims to maintain Available Funds (the unallocated portion of all future revenues) between 3.5% and 5.5% of Income from Continuing Operations [pre-capital].

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.

Prior to COVID-19, Council was able to consistently maintain Available Funds at the mid or upper point of the target providing Council with a significant level of resilience. This capacity was utilised in the first instance to support the impact of COVID-19 along with the use of internally restricted cash. The financial projections include a longer term proposal for Available Funds to be returned to pre COVID-19 levels through a savings program.

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

Diagram 2



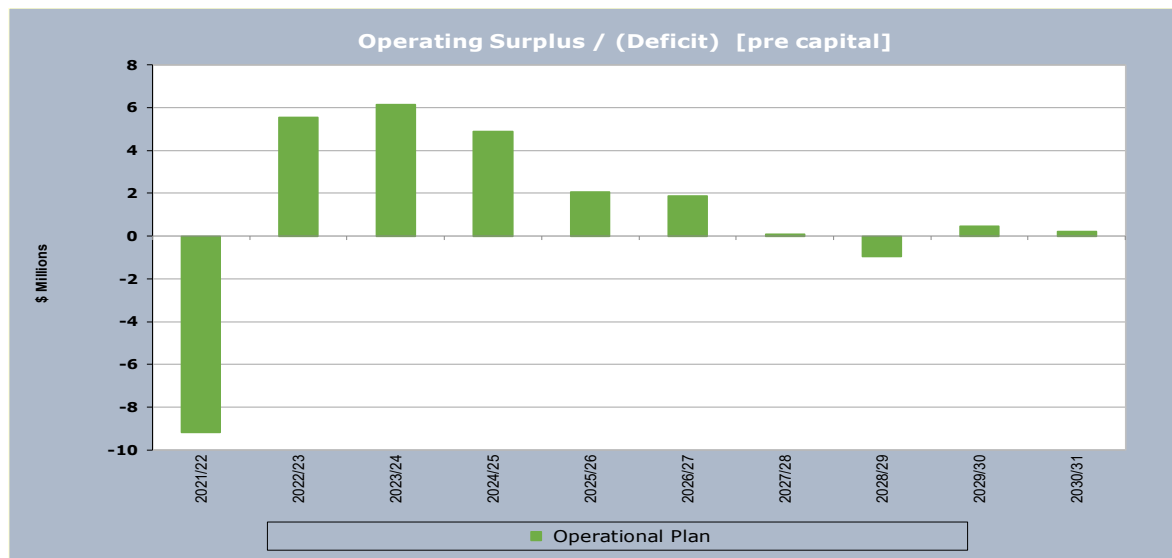
Operational Performance – Operating Result [pre capital]

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 impacted by unusual circumstances or events.

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, 2021-2022 is a deficit result mainly due to the early payment of the first two quarters of the 2021-2022 Financial Assistance Grant in June 2021. 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.

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 budget that is discussed later.

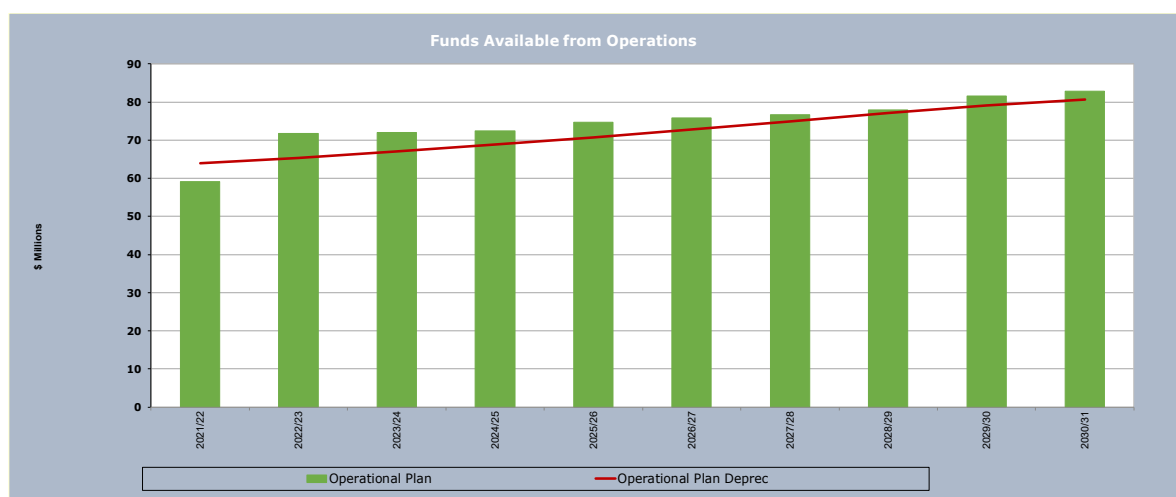
Without this target, it is possible to achieve an appropriate level of Available Funds and have a surplus Operating Result and remain financially unsustainable. This target is the key to ensuring Council has the funds to address the hidden deterioration in and eventual replacement of assets that are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

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

Diagram 4



Assets

Council's Statement of Financial Position shows the extent of assets managed by Council for the community. Property, Plant and Equipment make up the large portion of Council's assets and is valued at \$2.7B. This amount is the current value of assets after allowing for depreciation. These assets have a current replacement value in excess of \$4.5B.

The Budget for 2021-2022 includes a capital expenditure program of \$109.3M and contributed assets of \$8.4M. These forecasts are inclusive of work and contributed assets for the West Dapto release area of \$9.5M and \$8.4M 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 loan portfolio comprised of several loans under the Local Infrastructure Renewal Scheme (LIRS) program. The LIRS program was introduced by the State Government as incentive to councils to accelerate infrastructure renewal through the provision of a loan subsidy. Loans entered into under this program have been used to accelerate the City Wide Footpaths, Shared Path Renewal, Missing Links Construction Program, building refurbishment works for a number of Council facilities and to support the West Dapto Access - Fowlers Road project. These loans were taken over a 10 year period and will be completed by June 2025.

Council's current forecasts indicate Council will remain a low debt user although capacity remains for Council to take on new debt in line with our Financial Strategy. The timing of infrastructure development and progress for West Dapto release areas and other asset requirements is continuously reviewed to determine need for financing through debt. The current modelling for West Dapto development and asset requirements indicates in the latter years of the 10 year plan there is a possibility some infrastructure assets will need to be built in preparation for development and could require borrowing. If that were to occur, the debt 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 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 Supporting Document Initiatives

The terminology 'Supporting Documents' is used at Wollongong City Council in reference to a range of documents that includes plans, strategies or studies to 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 large volume of Supporting Documents provide clear, longer term intent and direction for Council in terms of what it would like to do and what it will endeavour to do with the resources that may be available. These Supporting Documents are important in planning future Council services and are used to identify and respond to opportunities for future external funding and/or an increase or redirection of own source funds available to Council.

One of the major sets of Supporting Documents relate to the West Dapto Release Area. A significant part of Wollongong's population growth is expected to be centred on new residential developments at West Dapto in Wollongong's south-west. Growth in West Dapto will require significant new services supported by a substantial level of new infrastructure. Supporting Documents, such as the West Dapto (Local Environment Plan) LEP, Infrastructure Plan, Access Strategy and West Dapto Development Contribution Plans have articulated proposed services, assets and potential future sources of funds to some extent and this has informed the development of a West Dapto release area financial forecast model. The implications of this model have been incorporated into the financial forecasts. The model is based on extremely broad assumptions for actions that may vary markedly as the future unfolds. A conservative approach has been taken that assumes a self-funding model and only includes agreed grant programs in these forecasts. The financial impacts of West Dapto within the current assumptions and modelling are discussed further throughout this document.

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

- Longer term capital works and impacts of development and operations for West Dapto
- Foreshore Parking Strategy implications
- Potential development of Council owned land in West Dapto
- Grand Pacific Walk future stages
- Implications of future management of Lake Illawarra
- Greenhouse Park rehabilitation
- 2022 UCI Road World Championships
- Alternate waste technologies
- Further Affordable Housing partnerships
- Further alternate street lighting technologies
- Sporting facility investigation to attract national level baseball teams
- Implementation of Leading the Way program focused 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.

Other Risks and Exposures

The financial forecasts are based on the information available at a point in time and may also be impacted by external factors. There are a number of potential risk areas that include:

- **Financial Assistance Grant.** Council currently receives an annual allocation of approximately \$19M per annum that represents 6.5% of total operating revenues. Recent discussion on potential changes to allocation methodology and indexation application may impact on financial forecasts.
- **Superannuation Defined Benefits Scheme.** While final additional payments were expected to end in the 2020-2021 financial year, an extension into 2021-2022 was advised in early January 2021 and has been included in the financial forecasts. Historically these payments have been in the vicinity of \$1.9M per annum and any further extension will have a significant impact on Council's financial position.
- **Interest on investments.** Impacted by continued volatility in investment market conditions.
- **Waste Facility Income and Operational Costs.** The waste facility forecasts include \$6M income projections from commercial customers that are subject to increasingly competitive external market conditions. Operational costs in this area may also be impacted by changing environmental compliance requirements and emerging technologies.
- Potential longer term impacts of COVID-19.
- **Enterprise Agreement.** Renewal of current agreement is due by 1 July 2021 and negotiations are currently in progress.
- Shifts in policy in other layers of Government that may affect funding or expenditure requirements.

FINANCIAL BUDGET REPORTS

The following budget reports are provided for the 2021-2022 Budget and Long-Term Financial Position:

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 2021-2022

WOLLONGONG CITY COUNCIL

3 Year Financials

	2021/2022 LTM Budget \$'000	2022/2023 LTM Budget \$'000	2023/2024 LTM Budget \$'000
INCOME STATEMENT			
Income From Continuing Operations			
Revenue:			
Rates and Annual Charges	213,766	219,672	225,092
User Charges and Fees	31,493	33,039	33,811
Interest and Investment Revenues	3,167	3,330	3,222
Other Revenues	5,547	5,657	5,802
Fair Value Adjustment on Investment Properties	190	194	198
Rental Income	6,326	6,446	6,581
Grants and Contributions - Operating	19,325	27,898	28,291
Pensioner Rebate (Rate Income)	2,092	2,115	2,141
Capital Grants & Contributions	32,091	38,497	41,486
Other Income:			
Net Share Joint Venture using Equity Method	0	0	0
Total Income From Continuing Operations	313,998	336,848	346,623
Expenses From Continuing Operations			
Employee Costs	144,255	143,466	146,176
Borrowing Costs	1,954	1,831	1,803
Materials and Contracts	66,429	68,873	70,228
Other Expenses	35,444	34,728	35,508
Depreciation, Amortisation + Impairment	64,652	66,099	67,767
Internal Charges (labour)	(19,309)	(19,670)	(19,906)
Internal Charges (not labour)	(2,339)	(2,507)	(2,578)
Profit/Loss on Disposal of Assets	0	0	0
Total Expenses From Continuing Operations	291,087	292,820	298,998
Operating Result	22,911	44,028	47,624
Operating Result [pre capital]	(9,180)	5,531	6,138

WOLLONGONG CITY COUNCIL

3 Year Financials

	2021/2022 LTM Budget \$'000	2022/2023 LTM Budget \$'000	2023/2024 LTM Budget \$'000
FUNDING STATEMENT			
Surplus (Deficit) [Net Operating Result for the Year]	22,911	44,028	47,624
Add back :			
- Non-cash Operating Transactions	82,509	84,333	86,413
- Restricted cash used for operations	15,807	12,591	11,357
- Income transferred to Restricted Cash	(48,130)	(54,914)	(58,720)
- Payment of Right of Use Leases	0	0	0
- Payment of Accrued Leave Entitlements	(14,018)	(14,318)	(14,669)
- Payment of Carbon Contributions	0	0	0
Net Share Joint Venture using Equity Method	0	0	0
Funds Available from Operations	59,079	71,720	72,005
Borrowings repaid	(5,482)	(3,702)	(2,564)
Advances (made by) / repaid to Council	0	0	0
Operational Funds Available for Capital Budget	53,597	68,018	69,441
CAPITAL BUDGET			
Assets Acquired	(107,093)	(107,135)	(103,364)
Contributed Assets	(8,358)	(9,289)	(12,022)
Transfers to Restricted Cash	(1,854)	(2,300)	(2,758)
Funded From :-			
- Operational Funds	53,597	68,018	69,441
- Sale of Assets	1,854	1,885	1,728
- Internally Restricted Cash	8,675	10,887	12,954
- Borrowings	0	0	0
- Capital Grants	20,069	13,353	11,280
- Developer Contributions (previously S.94)	13,035	13,374	11,324
- Other Externally Restricted Cash	0	0	0
- Other Capital Contributions	10,958	10,209	12,642
Total Funds SURPLUS\ (DEFICIT)	(9,118)	(998)	1,224

WOLLONGONG CITY COUNCIL

3 Year Financials

	2021/2022 LTM Budget \$'000	2022/2023 LTM Budget \$'000	2023/2024 LTM Budget \$'000
STATEMENT OF FINANCIAL POSITION			
CURRENT ASSETS			
Cash and cash equivalents	94,907	89,518	91,964
Investments	10,545	9,946	10,218
Receivables	24,492	26,274	27,037
Inventories	381	381	381
Contract assets	5,669	5,669	5,669
Assets held for sale (previously non-current)	0	0	0
Other	10,923	11,087	11,309
TOTAL CURRENT ASSETS	146,917	142,875	146,577
NON-CURRENT ASSETS			
Investment	0	0	0
Receivables	0	0	0
Inventories	5,972	5,972	5,972
Investments accounted for using equity method	3,484	3,484	3,484
Investment property	5,376	5,570	5,768
Intangible assets	254	254	254
Right of use assets	1,790	1,790	1,790
Infrastructure, property, plant and equipment	2,736,233	2,777,094	2,813,202
TOTAL NON-CURRENT ASSETS	2,753,108	2,794,164	2,830,470
TOTAL ASSETS	2,900,025	2,937,039	2,977,047
CURRENT LIABILITIES			
Payables	26,198	26,354	26,910
Income received in advance	2,377	2,377	2,377
Provisions < 12 Months	13,714	13,920	14,198
Provisions > 12 Months	49,402	50,143	51,145
Contract liabilities	3,571	3,571	3,571
Interest bearing liabilities	3,702	2,564	656
Lease liabilities	341	341	341
TOTAL CURRENT LIABILITIES	99,305	99,269	99,198
NON-CURRENT LIABILITIES			
Payables	0	0	0
Interest bearing liabilities	3,273	709	53
Lease liabilities	1,519	1,519	1,519
Provisions	41,290	36,875	29,985
TOTAL NON-CURRENT LIABILITIES	46,082	39,104	31,558
TOTAL LIABILITIES	145,387	138,373	130,756
NET ASSETS	2,754,638	2,798,666	2,846,290
EQUITY			
Accumulated surplus	(1,415,242)	(1,441,352)	(1,483,458)
Surplus (Deficit) for period	(22,911)	(44,028)	(47,624)
Revaluation reserves	(1,214,858)	(1,214,858)	(1,214,858)
Restricted assets	(101,628)	(98,428)	(100,350)
TOTAL EQUITY	(2,754,638)	(2,798,666)	(2,846,290)

WOLLONGONG CITY COUNCIL

3 Year Financials

	2021/2022 LTM Budget \$'000	2022/2023 LTM Budget \$'000	2023/2024 LTM Budget \$'000
STATEMENT OF CASH FLOWS			
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rates and annual charges	215,840	220,005	226,470
User charges and fees	31,493	33,039	33,811
Investment and interest revenue received	3,167	3,330	3,222
Grants and contributions	43,058	57,105	57,755
Other operating receipts	11,733	11,939	12,161
Payments			
Employee benefits and on-costs	(122,478)	(121,324)	(123,816)
Materials and contracts	(64,460)	(66,210)	(67,095)
Borrowing costs	(392)	(191)	(81)
Other	(35,444)	(34,728)	(35,508)
Other operating payments	0	0	0
NET CASH PROVIDED BY (OR USED IN) OPERATING ACTIVITIES	82,516	102,966	106,920
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Sale of Investment securities	2,821	599	(272)
Sale of infrastructure, property, plant and equipment	1,854	1,885	1,728
Repayments from deferred debtors	0	0	0
Payments			
Purchase of infrastructure, property, plant and equipment	(107,093)	(107,135)	(103,364)
Advances to deferred debtors	0	0	0
Purchase of interest in joint ventures			
NET CASH PROVIDED BY (OR USED IN) INVESTING ACTIVITIES	(102,419)	(104,651)	(101,908)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Proceeds from borrowings and advances	0	0	0
Payments			
Repayments of borrowings and advances	(5,482)	(3,702)	(2,564)
Repayment of lease finance liabilities			
NET CASH PROVIDED BY (OR USED IN) FINANCING ACTIVITIES	(5,482)	(3,702)	(2,564)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS HELD	(25,384)	(5,387)	2,448
Cash and cash equivalents - beginning of period	120,293	94,907	89,518
CASH & CASH EQUIVALENTS AT EOY	94,909	89,520	91,966
PLUS other investment securities	10,545	9,946	10,218
TOTAL CASH & INVESTMENTS	105,454	99,466	102,184

WOLLONGONG CITY COUNCIL

Detailed Service Group Financials - Budget 2021/2022

	Planning & Engagement \$'000	Environment \$'000	Transport Services & Infrastructure \$'000	Community Services & Facilities \$'000	Recreation & Open Space \$'000	Regulatory Services & Safety \$'000	Corporate Governance & Internal \$'000	Total \$'000
INCOME STATEMENT								
Income from Continuing Operations								
Revenue:								
Rates and Annual Charges	1,282	36,647	0	0	0	0	175,837	213,766
User Charges and Fees	759	8,437	1,241	1,944	12,693	4,475	1,944	31,493
Interest and Investment Revenues	0	0	0	0	0	0	3,167	3,167
Other Revenues	444	384	14	315	130	3,521	738	5,547
Fair Value Adjustment on Investment Properties	0	0	0	0	0	0	190	190
Rental Income	0	237	6	597	210	0	5,277	6,326
Grants and Contributions - Operating	281	442	3,586	5,529	619	427	8,440	19,325
Pensioner Rebate (Rate Income)	0	463	0	0	0	0	1,629	2,092
Capital Grants & Contributions	16,653	700	12,007	0	2,730	0	0	32,091
Other Income:								
Net Share Joint Venture using Equity Method	0	0	0	0	0	0	0	0
Total Income from Continuing Operations	19,419	47,310	16,854	8,386	16,383	8,424	197,222	313,998
Expenses from Continuing Operations								
Employee Costs	25,474	10,963	3,225	17,098	24,159	13,081	50,256	144,255
Borrowing Costs	0	1,562	0	0	0	0	392	1,954
Materials and Contracts	11,911	28,947	5,441	4,556	6,885	1,493	7,195	66,429
Other Expenses	2,930	10,861	3,465	2,305	2,973	4,370	8,540	35,444
Depreciation, Amortisation + Impairment	16,765	12,138	26,745	1,536	4,961	528	1,978	64,652
Internal Charges (labour)	(6,514)	514	1,858	98	1,792	57	(17,113)	(19,309)
Internal Charges (not labour)	(23,055)	1,660	2,343	9,799	11,145	1,411	(5,643)	(2,339)
Profit/Loss on Disposal of Assets	0	0	0	0	0	0	0	0
Total Expenses from Continuing Operations	27,511	66,646	43,077	35,392	51,915	20,940	45,607	291,087
Operating Result	(8,092)	(19,337)	(26,222)	(27,006)	(35,533)	(12,516)	151,616	22,911
Operating Result [pre capital]	(24,745)	(20,037)	(38,229)	(27,006)	(38,263)	(12,516)	151,616	(9,180)

BUDGET 2021-2022

CURRENT ASSUMPTIONS

SERVICE LEVELS

The current budget includes service levels as outlined in the revised Delivery Program 2018-2022 and Operational Plan 2021-2022. 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 delivery strategies are confirmed.

COVID-19 has impacted on a number of service and delivery modes through 2019-2020 and 2020-2021 that, at this stage, are not expected to continue into future years. Council will need to monitor developments and changes in circumstances may require further consideration.

The table below shows the recurrent enhancements to existing service levels proposed through the 2021-2022 planning process.

Service Enhancements Funded from Operational Capacity					
	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000	2023/2024 Forecast \$'000	2025/2026 Forecast \$'000
Art Collection Conservation	50	51	52	53	54
Dune Vegetation Management at Patrolled Beaches**	66				
Enhanced City Presentation & Public Place Recycling	415	421	430	438	447
Flower Planters at Suburban Community and Retail Precincts		82	83	84	86
Natural Areas Priorities - Bike Trails		62	63		
Natural Areas Priorities - Grant Matching Fund	100	102	104	106	108
Parking Compliance Additional Resources	15	15	15	16	16
Resourcing the SMART Regions Strategy	364	258	263	268	274
Recurrent costs associated with capital projects approved above	1	10	31	40	48
** Project approved in 2020/21 planning cycle to commence in 2022/23, earlier start now proposed					
TOTAL SERVICE ENHANCEMENTS	1,011	1,000	1,040	1,005	1,033

INDEXATION

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

Where indices have been used, these are based on information sourced from a number of sources including various bank financial reports and economic reports, ABS reports, Deloitte's Access Economics Economic Brief and KPMG Quarterly Economic Outlook-Australian Outlook. The annual process for the preparation and review of the financial forecasts for the long-term financial plan provides for an initial review of these indices and continuous update through the process for significant changes. Variations in recurrent budget costs in excess of expected indices will be 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			
	2021/22	2022/23	2023/24+
Rate Increase	2.00%	1.80%	2.00%
Rate Increase - growth	0.15%	0.40%	0.40%
Rate Increase - growth West Dapto		0.26%	0.27%
Fees & Charges	2.00% ¹	1.80%	2.00%
Interest Rate (90 day bill rate)	²		
Labour	1.50% ³	2.00%	2.00%
Superannuation Guarantee	10.00%	10.50%	11.00%
CPI General Increase	1.00% ⁴	1.50%	2.00%
Utilities			
- electricity	2.30% ⁵	2.70%	3.20%
- street lighting	2.30% ⁵	2.70%	3.20%
- other utilities	2.30%	2.70%	3.20%

1. No increase in Fees & Charges was applied during 2020/21 as part of the COVID-19 relief package. The increase for 2021/22 does not include a catch up hence is effectively an increase on the 2019/20 base in most instances.

2. Investment rates currently under review due to market variability.

3. Council's current Enterprise Agreement ends on 30 June 2021 with renewal negotiations in progress. Indices shown above reflect the recently approved State Award, lagged by one year.

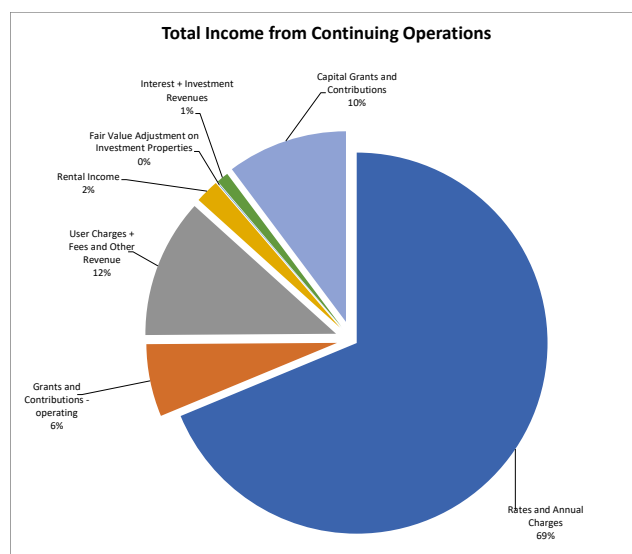
4. Forecasts from various source indicate potential increase of 1.3% for 2021/22. Financial forecasts are based on a reduced increase to reflect over provision in CPI increase for 2020/21,

5. Electricity & street lighting are subject to contract rates for Jan 2020 to Dec 2022. It is assumed that utility costs will increase approximately 1% above CPI outside of the contract period.

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

REVENUE

Revenue Type	2021/22 Budget (\$M)
Rates and Annual Charges	215.9
Grants and Contributions - operating	19.3
User Charges + Fees and Other Revenue	37.0
Rental Income	6.3
Fair Value Adjustment on Investment Properties	0.2
Interest + Investment Revenues	3.2
Capital Grants and Contributions	32.1
Profit/Loss on Disposal of Assets	0.0
Total Income from Continuing Operations	314.0



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 2.0%.

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 (September of the year before). As publications are not available that provide forecast data on these indices, the Long-Term Financial forecasts beyond 2021-2022 for rates have been based on a weighted average of expected labour and CPI increases that are lagged by one year. 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 will generally grow by 0.4% per annum. This is based on historical trends and future expectations of growth and equates to approximately 420 additional properties. In addition, growth has also been built into the long-term forecasts for expected development at West Dapto and this has been aligned to estimated staging of that release area.

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

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 was applied in 2011-2012 and was merged with the Mall Special Rate from 2012-2013. Together, Special Rates are projected to generate \$1.6M of revenue for 2021-2022. A review of City Centre rates is currently in progress.

The projected rate revenues shown below are based on the current rating structure and property information at February 2021 and these projections will change marginally through the planning process as property information changes. More detailed information relating to the rates and rating policy is provided as part of the Revenue Policy, Fees and Charges.

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Rates Revenue			
General Rates			
Ordinary Rates - Residential	126,730	129,932	133,491
Ordinary Rates - Farmland	332	339	347
Ordinary Rates - Mining	986	1,008	1,032
Ordinary Rates - Business	50,752	51,869	53,114
Rates - Abandonments	(56)	(57)	(58)
Total General Rates	178,744	183,091	187,926
Special Rates			
Special Rates - Mall	1,221	1,243	1,268
Special Rates - City Centre	438	446	455
Total Special Rates	1,659	1,689	1,723
Pensioner Rebates - Rates			
Pensioner Rate Rebate - Statutory s575	(2,962)	(2,992)	(3,022)
Pensioner Rate Rebate - Council s582	(322)	(276)	(227)
Pensioner Rate Subsidy	1,629	1,646	1,662
Net Pensioner Rebate	(1,655)	(1,623)	(1,587)
TOTAL Rates Revenue (net of pensioner rebates)	178,748	183,157	188,062

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 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 steady increase in the number of rate payers who are entitled to the State Government pensioner rebate, while rate payers still entitled to the Council rebate dwindle slowly as entitlement has been held to only those pensioners who were eligible for the rebate in 1993.

The compulsory pensioner rebate to eligible rate payers 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 25 years ago. A significant portion (55%) of this rebate is funded from government subsidy which is included in untied grant revenues. The component funding splits are 50% from the State Government and 5% from the Federal Government.

The voluntary Council rebate is currently indexed annually in line with the rates increase, which will result in a rebate of \$273.17 for 2021-2022.

Pensioner rebates are netted off against rates revenue for reporting purposes (\$3.3M for Rates and \$0.9M for Domestic Waste Management based on the current estimates for 2021-2022).

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Pensioner Rebates			
Pensioner Rate Rebate - Statutory s575	2,962	2,992	3,022
Pensioner Rate Rebate - Council s582	322	276	227
Total Pensioner Rates Rebate	3,284	3,268	3,249
Pensioner DWM Rebate - Statutory s575	823	831	838
Pensioner DWM Rebate - Council s582	79	67	55
Total Pensioner DWM Rebate	903	898	893
Total Pensioner Rebates	4,187	4,167	4,143

ANNUAL CHARGES

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

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

Pricing and revenue for Domestic Waste Management are applied on an averaging basis over a period of time to avoid abnormal fluctuations in price. Details on the charges are included in the Revenue Policy, Fees and Charges booklet provided under separate cover.

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Domestic Waste Management Revenue			
Annual Charges Domestic Waste Management	35,679	37,180	37,699

STORMWATER MANAGEMENT

Council levies a Stormwater Management Charge on all parcels of rateable land, other than those exempted under the Local Government Act. The pricing of the Stormwater Management charge is to remain unchanged for 2021-2022. The rate has remained static since the original setting by the State Government in April 2006.

The actual yield for 2020-2021 and future estimates for the Stormwater levy are shown below. Further details are included as part of the Revenue Policy, Fees and Charges booklet provided under separate cover. The income from this charge is transferred to a restricted asset and the projects proposed to be funded from this revenue are detailed by theme in the Revenue Policy, Fees and Charges booklet.

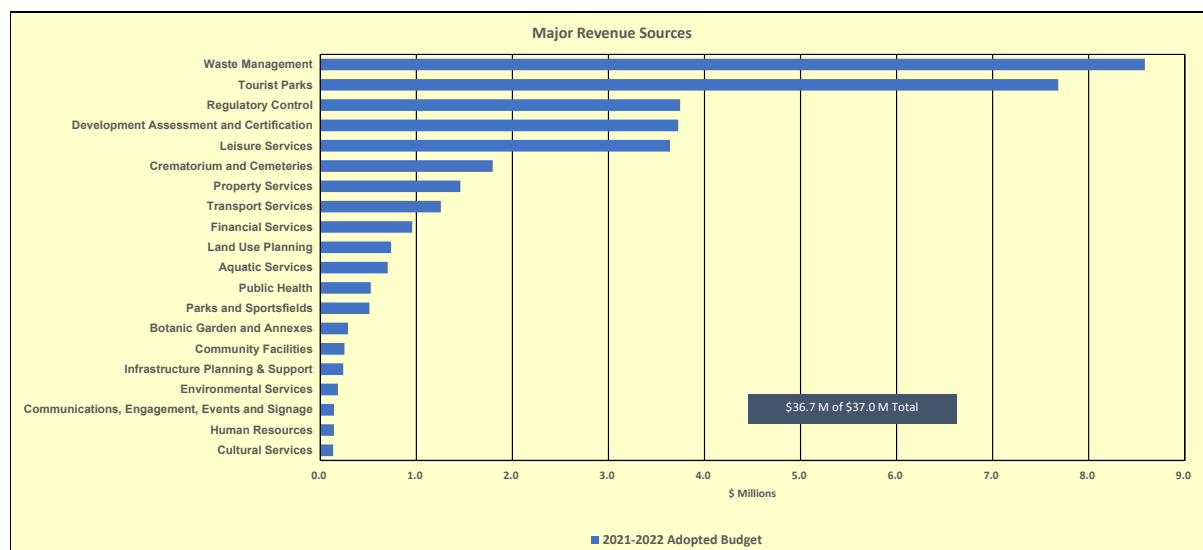
	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Stormwater Management Revenue			
Annual Charges Stormwater Management Service	1,871	1,878	1,886

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

User Fees, Charges and Other Revenue account for 13% of Council's revenue [pre-capital]. The major elements are shown in the following table.



Council's user fees and other income is primarily attributable to commercial operations of Council's waste facility, tourist parks, property management, recreation centres, heated swimming pools and other park facilities. Other major income sources include planning and building applications, ranger 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 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. Fees and charges for 2021-2022 will be included in the Revenue Policy, Fees and Charges booklet for public exhibition and consideration by Council. The income received from fees reduces the amount of rates and other untied income required for these services. Other charges are generally not for service and include penalty income, leasing, recoveries, sponsorship etc.

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

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

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

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

Increases to fees and other revenue for 2021-2022 have been linked to rate index and the initial forward budgets have been prepared on that basis. Some prices vary outside the index based on specific issues impacting the operations, costs, or pricing parameters of the particular service.

INTEREST ON INVESTMENTS

Interest and investment revenues shown in the Income Statement are inclusive of interest on Council's investment portfolio and charges for overdue rates applied at statutory percentage.

Investment portfolio income forecasts are based on anticipated cash holdings and projected interest rates derived from a number of sources including banking sector projections and Council's investment adviser. Projected interest rates are generally based on forecast 90 day bill rates plus a small premium to reflect current investment strategies and the continuing performance of Council's investment portfolio compared to this benchmark. 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.

There has been a significant reduction in interest rates over the past 12 months that will continue to impact on this revenue stream. Interest revenues included in the financial projections for 2021-2022 onwards are of a preliminary nature and will need to continue to be reviewed through the budget development process.

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

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Interest on Investments and transfers of Interest to Restricted Assets			
Sources			
General Interest	2,497	2,650	2,528
Property Rating	670	680	394
Southern Phones Dividend	0	0	0
	<u>3,167</u>	<u>3,330</u>	<u>2,922</u>
Interest transferred to Restricted Assets	891	757	565
Net General Interest after Restricted Assets transfers	<u>2,277</u>	<u>2,573</u>	<u>2,357</u>

OPERATIONAL GRANTS

The Financial Strategy states 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 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 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.

FINANCIAL ASSISTANCE GRANT

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

The NSW Local Government Grants Commission is responsible for the distribution of the Grant to councils within the State. Distribution criteria include population changes, changes in standard costs, disability measures, local roads and bridge lengths and changes in property values. The distribution methodology is currently under review and may have an impact on future receipts. The Federal Government may from time to time choose to partly prepay the annual grant allocation which can create a distortion of income on an annual basis. While there has been early payment of the first two quarters of the grant in the preceding year since 2018-2019, early payment is usually confirmed through the annual Federal Budget process, generally in April. The financial projections shown below assume early payment of the 2021-2022 grant will not occur at this stage.

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Financial Assistance (Revenue Sharing) Grant			
General Purpose component	8,107	16,885	17,222
Roads component	1,223	2,573	2,503
Total Financial Assistance Grant	9,330	19,458	19,725

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 program was subsequently extended for a further four years, ending in June 2021. The State Government is currently completing their waste strategy and further funding is dependent on the outcome of this.

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Better Waste and Recycling Program	0	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.

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Specific Purpose Operating Grants			
Aged and Disability Services	3,988	2,781	2,836
Community Facilities	21	21	22
Community Programs	191	198	200
Cultural Services	41	0	0
Emergency Management	412	412	412
Environmental Services	66	309	314
Financial Services	330	155	62
Human Resources	4	4	4
Land Use Planning	281	0	0
Libraries	571	585	562
Natural Area Management	58	33	33
Regulatory Control	15	0	0
Stormwater Services	233	233	233
Transport Services	149	151	154
Youth Services	40	40	41
Total Specific Purpose Operating Grants	6,400	4,922	4,872

CAPITAL INCOME

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

Any changes in the quantum or timing in the availability of these grants and contributions will have a direct impact on the capital works program. Impacts may include changes in timing of

projects pending as alternate sources of funding or substitution of Council funding which may result in a delay in non-funded projects.

The current year has provided opportunity for additional funding or increased funding in part associated with COVID-19 pandemic stimulus related packages provided by both State and Federal Government. These have included: \$1.56M and \$6.76M under Phase 1 and 2 respectively under the Federal Local Roads and Community Infrastructure Program (LRCI), \$0.45M for NSW Streets as Shared Spaces, \$1.3M under the combined Federal and State Government funded Road Safety Stimulus Program and \$1.1M under the NSW Resources for Regions Round 7. Council has also been deemed eligible for funding under the Public Spaces Legacy Program of up to \$3.0M.

In addition to stimulus funding, Council has also been successful for \$4.2M under the NSW Coastal & Estuary Grant Funding Program that will support the North Beach Seawall project. There is a range of other active grant funding programs through which Council may be successful in securing further funding. Many of these grants have very specific delivery timeframes that will require an ongoing review and management of capacity to deliver these along with our planned programs.

INSURANCE POOLS

The CivicRisk West (formerly Westpool) and CivicRisk Mutual (formerly United Independent Pools) Self Insurance pools were combined into CivicRisk Mutual Limited at 1 July 2020 and are no longer recognised as joint ventures. The change in business structure means this will be reported as a passive interest financial asset under the Accounting Standards (AASB 9). As there are many unknown elements that impact on the valuation of this item and definitive trend information is not available, a budget is not provided for this.

PROFIT/LOSS ON DISPOSAL OF ASSETS

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

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

EXPENSES

Expense Type	2021/22 Budget (\$M)
Employee Costs less Internal Charges	124.9
Borrowing Costs	2.0
Materials, Contracts, Other Expenses	99.5
Depreciation	64.7
Total Expenses from Continuing Operations	291.1

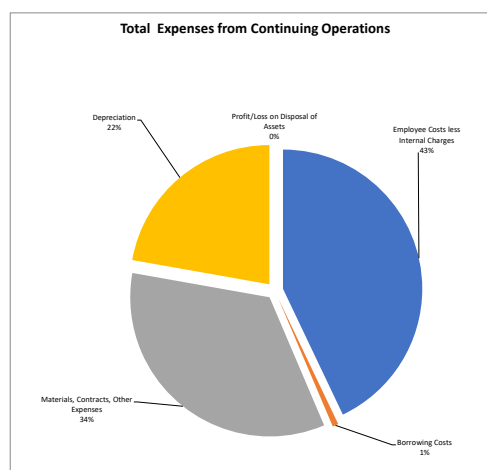
EMPLOYEE COSTS

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

SALARY & WAGES

Labour and associated employee costs are based on position complement required to deliver current service levels 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 EA rates with indicative indexation for increases beyond the current EA. The current EA ends in June 2021 and negotiations are in progress for the renewal. Pending the outcome of this, indices used for 2021-2022, 2022-2023 and 2023-2024 have been aligned with the current NSW Local Government State Award with a one year lag as the Award is applicable from 1 July 2020. The State Award increases are 1.5% for 2020-2021 and 2.0% for 2021-2022 and 2022-2023.

Recurrent casual and overtime budgets are maintained to match the service and structure levels required for 2021-2022. It is usual some of these budgets are exceeded during the year as additional employee resources are used for projects that are planned but not allocated to labour in the first instance, or for new projects introduced with funding.



	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Salaries & Wages			
Salaries and Wages	105,812	107,295	109,294
Defined Scheme Superannuation Top Up	1,914	0	0
Workers' Compensation Insurance	2,046	1,982	1,924
Parental Leave	259	264	269
Fringe Benefits Tax	177	180	184
Payroll Tax	52	53	54
Training Costs (excluding Salaries)	1,401	1,420	1,449
Other Employee Costs	4,485	3,197	2,852
Change in Workers Comp Provision	262	267	273
Protective Clothing	310	315	321
Labour Hire	50	50	51
Direct Labour Oncosts	29,791	30,689	31,699
Total Employee Salaries & Wages	144,255	143,466	146,176
Capitalised & Distributed Employee Costs	19,309	19,670	19,906
Total Operational Employee Salaries & Wages	124,947	123,796	126,270

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

SUPERANNUATION

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

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

As part of the 2014 Federal Budget negotiations, previously legislated Superannuation Guarantee increases were paused until June 2021. Currently, there are now a series of 0.5% annual increases proposed from 2021-2022 to 2025-2026 which 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, are then in an 'award' phase for contributions and are covered by a percentage contribution level 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 with annual contribution of \$1.8M. Advice was received from the Superannuation Board in January 2021 that there would be a further extension of the top up payment into 2021-2022 with a contribution of \$1.9M required. This has a significant impact on Council's financial position. At this stage, there is no indication if this will continue beyond 2021-2022.

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Superannuation (regular)	11,262	11,921	12,655
Defined Scheme Superannuation Top Up	1,914	0	0

PARENTAL LEAVE

The current Enterprise Agreement provides for parental leave at full pay of 12 weeks' maternity leave and nine weeks' paternity leave. This is paid from a central provision and an estimate of this cost is distributed as part of the labour on costs. The budget and forecast takings are shown below.

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Parental Leave	259	264	269

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

WORKERS' COMPENSATION

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

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

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Workers Compensation			
Total Payments	2,046	1,982	1,924
Increase/(Decrease) in Provision	262	267	273

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.

OTHER EMPLOYEE COSTS

LEARNING & DEVELOPMENT

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

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Learning & Development			
Training, Conferences & Seminars	1,401	1,420	1,449

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.

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Cadets & Apprentices	2,275	2,321	2,365

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.

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Fringe Benefits Tax	177	180	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 Financial Strategy indicates Council will actively consider borrowings through its Resource Strategy & Capital Budget as a source to finance timing mismatches between cash availability and expenditure requirements and to provide for intergenerational equity where determined applicable.

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 \$20M in 2012-2013 for Round 1, \$4.3M in 2013-2014 for Round 2, \$15M for Round 3 in 2014-2015 and a further \$5.5M 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 City wide Footpaths, Shared Path Renewal, Missing Links Construction Program, building refurbishment works for Berkeley Community Centre, Corrimal Library and Community Centre, Thirroul Pavilion and Kiosk and to support the West Dapto Access – Fowlers Road project respectively. These loans are planned to be generally repaid over a 10 year period with final payment due in 2024-2025.

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Borrowing Cost on LIRS			
Interest	390	189	79
Recognise interest on loan funds associated with Local Infrastructure Renewal Scheme [LIRS] (excludes subsidy)			

MATERIALS, CONTRACTS & OTHER EXPENSES

Forecasts for materials, contracts and other expenses are either specifically budgeted or based on existing service level resourcing plus indexation. The following sections and tables provide background to the 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 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 processed to landfill. The current model is based on slag cover ratio of 0.06 and VENM of 0.10 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% for the next 10 years. 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.

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
EPA Levy			
EPA Levy - Council	733	752	775
EPA Levy - Commercial	2,805	2,907	3,028
EPA Levy - Domestic	6,301	6,152	6,288
EPA Levy - Cover Material	591	589	606
TOTAL EPA Levy	10,430	10,400	10,697

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 entered into 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 \$1.6M funded from internally restricted asset for Strategic Projects. It is expected this will contribute to a reduction in electricity consumption.

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Street Lighting	3,364	3,428	3,547
Street Lighting Subsidy	(736)	(746)	(760)

EMERGENCY SERVICES

Emergency services operations are contributed to by Council as below:

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Emergency Services contributions			
Rural Fire Service	634	648	664
State Emergency Services	332	339	348
NSW Fire Brigade	3,161	3,231	3,308
Total Emergency Services contributions	4,127	4,218	4,319

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 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 including 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 2021-2022 includes the increased level of annual contributions of approximately \$0.7M advised by the State Government at the time of developing the 2020-2021 Operational Plan. A one off grant equivalent to the increase in their contribution was provided to councils for 2020-2021 as part of the State Government COVID-19 relief measures for councils.

INSURANCE

Council joined the CivicRisk West (formerly Westpool) and CivicRisk 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.

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Insurances			
Insurance Premiums			
ISR Property Insurance	1,233	1,263	1,293
Motor Vehicle/Plant Insurance	348	356	365
Statutory Liability/CDO Insurance	155	159	163
Public Liability/Professional Indemnity Insurance	1,634	1,673	1,713
Crime/Fidelity Guarantee Insurance	51	52	53
Fine Arts	20	20	23
Other	20	21	20
Total Insurance Premiums	3,461	3,544	3,630
Excess Payments			
PL Above Excess Payments	0	0	0
PL Below Excess Payments	200	200	200
Insurance Claims Below Excess covered from Divisional Budgets	100	100	100
Total Excess Payments	300	300	300

LEGAL COSTS

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

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Legal Expenses			
External Legal Costs	679	689	878
"In House" Legal expenditures including employees	961	983	1,005

FUEL & OIL

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Fuel & Oil	1,695	1,705	1,714

Fuel and oil pricing are 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 specific indices.

AFFILIATES CONTRIBUTIONS

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Affiliates Contributions			
Tourism Support & Contributions	1,556	1,519	1,549
Performing Arts Centre	847	809	825
TOTAL Affiliates Contributions	2,403	2,328	2,374

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

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	2021/22 Budget \$'000	2022/23 Forecast \$'000	2023/24 Forecast \$'000
Corporate Strategy	79	237	412
Centralised Studies & Plans	14	237	412
Community Strategic Plan Review	65		
Infrastructure Planning & Support	156	156	
Management of Councils Water Supply & Waterwaste Infrastructure	156	156	
Land Use Planning	929	617	102
West Dapto Review		73	
West Dapto Flood Risk Review	39		
West Dapto Review WaterCycle Masterplan	25	50	
Tourism Accommodation Review Planning Controls	30		
Industrial Land Planning Controls Review	30	30	
Heritage Asset Management Strategy	18		
City Centre Planning Review	40		
City Wide LEP Review		100	100
Development of Crown Land Plans of Management	123	90	
Landscape development plan for West Dapto - for riparian corridor	120		
Sandon Point Interpretive Signage & Indigenous Art Consultan	23		
Sandon Point Interpretive Signage & Indigenous Art	2	2	2
Battery Park, Smiths Hill & Flagstaff Hill Forts Heritage Co		120	
LGA Wide Retail Centres Study	130		
Review Riparian Corridor Management Study & Policy	50	52	
West Dapto Open Space and Community Facilities Needs		100	
Western Sydney Development Impacts Study	150		
Review Planning Controls - Wilga St, Corrimal	150		
Stormwater Services	1,093	757	569
Floodplain Management Studies	260	350	350
Review of Towradgi Creek FRMS	30		
Flood Risk Management Studies Best Practice	192	407	219
Review of Allans Creek FRMS	62		
Review of Fairy Cabbage Creeks FRMS	99		
Investigation of Flood Mitigation Options	35		
Community Education	25		
DCP Review	30		
FLIA Automation	50		
Review of Duck Creek FRMS	50		
Review of Collins Creek FRMS	90		
Review of Wollongong City FRMS	50		
Review of Brooks Creek FRMS	40		
Review of Minnegang Creek FRMS	40		
Review of Kully Bay FRMS	40		

SUPPORTING DOCUMENTS - PLANNING STUDIES & INVESTIGATIONS [CON'T]

Service & Project	2021/22 Budget \$'000	2022/23 Forecast \$'000	2023/24 Forecast \$'000
Environmental Services	296	489	471
Biodiversity Strategy	71		
City Beach Dune Contamination Management	21		
Climate Change Risk Assessment & Adaptation Plan	30		
Coastal Management Program for the Open Coast	99	464	471
Prepare Subsequent Climate Change Mitigation Plan	75	26	
Natural Area Management	25	26	26
Vegetation Management Plans for High Priority Natural Areas	25	26	26
Transport Services	597	65	86
Accessible Car Parking and Bus Stops audit	22		
Access and Movement Strategy Review	125		
City Centre Parking Surveys - EMS Report	69		71
Integrated Transport Strategy	50	50	
Bellambi Foreshore Precinct Plan	122		
Wollongong LGA Feasibility Studies	8	15	15
Lake Illawarra Shared Path Masterplan	100		
Towradgi Creek Shared Path Feasibility Investigations	46		
Bald Hill to Stanwell Park Pathway Feasibility	25		
Pedestrian Bridge Thurston Av - Feasibility Study	30		
Cultural Services		120	
Art Gallery 2nd Entrance Design		120	
Aquatic Services	100		
Community Recreation & Aquatic Centre Concept Plan West Dapto	80		
Coalcliff Surf Club Proposed Refurbishment Works - Feasibility	20		
Parks and Sportsfields	301	35	
Blue Mile Masterplan - update	46		
Fred Finch Park - Landscape Masterplan		35	
Hill 60 Tunnels Reopening- Detailed Concept Plans	150		
Illawarra Sports Stadium Extension - Arboriculture Impact Assessment	15		
Feasibility Study Synthetic Football Pitch in Planning Area	50		
Barina Park Oval Investigative Studies	40		
Total Expenditure *	3,576	2,501	1,666

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

OTHER CONTRIBUTIONS, DONATIONS, MEMBERSHIPS & SUBSIDIES

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Gong Shuttle Contribution	350	355	362
WEC Concept Plan Contribution #	150	0	0
Resourcing the SMART Regions Strategy #	95	0	0
Illawarra Shoalhaven Joint Organisation	84	86	87
Sponsorship Fund	71	72	73
Natural Areas Management	67	68	70
Illawarra Surf Lifesaving Contribution	58	59	60
Illawarra Escarpment - Geotech. Research	54	54	54
City Centre - Events and Marketing	43	45	48
Community Arts Programme -Small Grants Program	42	43	44
Neighbourhood Youth Program	99	100	102
Illawarra Institute Sport Contribution	38	39	40
Investment Marketing	33	33	34
CAWS Program (RSPCA)	25	26	26
I3 Net	23	24	24
Economic Gardening	23	23	24
Neighbourhood Small Grants Program	21	21	22
Anzac Day Support	15	15	16
UOW Scholarships	14	14	15
IBC Business Awards	11	11	11
Aboriginal Activities	10	10	10
Public Bands Contribution	9	9	9
Southern Stars Contribution	8	8	8
Life Education Illawarra Contribution	7	8	8
Illawarra Historical Society	4	4	4
WCC Social Club	4	4	4
Wollongong Eisteddfod	4	4	4
Minor Donations	5	5	6
TOTAL Other Contributions, Donations and Subsidies	1,367	1,139	1,163

COUNCILLORS' EXPENSES

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Councillor support costs	17	17	18
Councillors	571	582	594
Councillor expenses	588	599	611

The impact of the COVID-19 pandemic in 2020 has resulted in elections that were due in September 2020 being postponed by one year and the Councillors' term being extended with elections now to be held in September 2021.

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Council Elections	1,222	0	0

TELEPHONE

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Telephone - Central Admin budget	106	107	109
Telephone - other areas budget	112	114	116
Total Telephone	218	221	226

MOBILE PHONE

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Mobile Telephone	185	188	191

POSTAGE

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Postage - Central Admin budget	218	221	225
Postage - other areas budget	316	321	327
Total Postage	533	541	552

COUNCIL RATES

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Council Rates Expense (Council owned properties)	377	383	391

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

HOUSING AFFORDABILITY PROGRAM

Council has entered into a Memorandum of Understanding with the Commonwealth Government allowing 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 including 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 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 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 entered into an agreement with the Illawarra Community Housing Trust Ltd (trading as Housing Trust) for the delivery of affordable rental housing managed by Illawarra Housing Trust. The agreement seeks the completion of 17 units (minimum) to be constructed to target, but not limited to, single women over 50 years.

CENTRALLY HELD BUDGET CAPACITY

The operational expense budget also includes centrally held amounts intended to be distributed for specific purposes through the year. These are held in the financial projections as follows.

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 rate payer 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 40% of the rates increase is required to maintain existing service levels to a broader population in the short to medium term. The remaining 60% is available to support additional or enhanced Service, including assets used in providing those services. The Operational Plan 2021-2022 proposes the allocation of \$0.8M for new or enhanced service.

The following table provides funding allocation and availability forecasts.

	2021/2022 Budget \$'000	2022/2023 Forecast \$'000	2023/2024 Forecast \$'000
Rates Growth			
Volume Increase Impacts	220	951	1,223
Depreciation (Asset enhancement)	558	753	953
Economies of scale	0	664	834
Total Rates Growth	778	2,368	3,011

OPERATIONAL CONTINGENCY

In past years, a central Operational Contingency has been held in the Corporate Strategy Service intended to support non-recurrent or unplanned projects and events or addressing short term issues that may arise from time to time. This has been relatively small compared to Council's overall operating expense budget with an indicative annual target of around \$1.0M. 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 \$0.2M in 2021-2022 and approximately \$0.5M each year after. A portion of this budget was used to offset the continuation of the Defined Benefits Superannuation top up payment announced in February 2021 resulting in a lower budget for 2021-2022. The intent is 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 obsolescence.

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

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 19,800 new dwellings and increase the local government area population by 57,400 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 income is based on pricing contained in the West Dapto Section 7.11 Developer Contributions (formerly Section 94 (S94)) Plan and expected timing of lot release. Council adopted a revised contribution plan on 14 December 2020 replacing the prior plan that was in effect since 2017. The current plan was subject to a review by IPART during May 2020 and Council was directed by the Minister for Planning to incorporate the recommendations from this review. The new Plan is no longer subject to State capped developer contributions supported through the Local Infrastructure Growth Scheme that ended on 30 June 2020. The discount factor that was applicable to industrial in the prior two years has now been replaced by revised industrial and commercial rates that are less than those in the 2017 Plan. Developer contributions income forecasts for West Dapto are currently being reviewed in the context of the new Plan and lot release timing projections. Developer 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 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 2018-2028, creating an improved cash position through increased Funds Available from Operations. Experience in developing councils has shown the long-term negative impacts 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

Council continues to support the West Dapto Urban Release Area through delivering capital projects, particularly to improve transport links. For example, Council was pleased to open the Fowlers Road extension including Karrara Bridge in April 2020.

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

OPERATIONAL EXPENSES

The Long-Term Financial Plan 2018-2028 includes depreciation, operating and maintenance costs associated with services required by the new population in that area such as community, library and open space facilities 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 loaned \$20.5M under Round 3 of the Local Infrastructure Renewal Scheme (LIRS) that has been used to support the West Dapto Access – Fowlers Road project. The final payment for these loans is due in 2024-2025. It is intended 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. Council also had an earlier a \$26.1M interest free loan from the Department of Planning used to accelerate construction of the West Dapto Access Strategy. Repayment of this loan was completed in 2019-2020.

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 provided to Council for the delivery of a particular project or service, funds collected as developer contribution under Section 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 generated by these cash holdings. Internal restrictions are funds Council has determined will be used for a specific future purpose such as the future replacement of waste facilities. A comprehensive review of internal restrictions was undertaken in 2009 that resulted in Council resolving to rationalise a number of internally restricted assets. This approach was consistent with the introduction of improved management of capital works through a centralised process and a longer term planning focus. The current Long-Term Financial Plan 2018-2028 maintains this approach. The below table shows anticipated restrictions and the subsequent table outlines the nature funding and purpose of the 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. During 2020-2021, \$4M of accumulated funds from this restriction were returned to Available Funds (unrestricted) to support the impact of COVID-19. The Adopted Operational Plan 2020-2021 and 2018-2021 Delivery Program included a range of projects with a total value of \$43M to be funded from this source between 2020-2021 and 2029-2030. The Operational Plan 2021-2022 proposes the inclusion of a further \$4.4M of projects to be funded from this internal restriction. This will leave an estimated unallocated funds balance of approximately \$3.8M.

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. In June 2020, Council approved the application of the net estimated annual surplus for the next 10 years to 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 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 the position will be recovered over time.

3 YEAR RESTRICTED ASSETS SUMMARY

		2021/2022 Budget \$'000			2022/2023 Forecast \$'000			2023/2024 Forecast \$'000		
PURPOSE OF RESTRICTED ASSET	Opening Balance 1/07/21	Transfer		Balance	Transfer		Balance	Transfer		Balance
		In	Out	30/06/22	In	Out	30/06/23	In	Out	30/06/24
Internally Restricted Assets										
Strategic Projects	25,396	3,748	10,158	18,986		4,274	14,712		3,128	11,584
Strategic Projects (unallocated)	7,589	(3,748)		3,841			3,841			3,841
Property Investment Fund	4,414	125	219	4,320	156	122	4,354	1,170	126	5,398
MacCabe Park Development	1,590	150		1,740	150		1,890	150		2,040
City Parking Strategy	850	542	614	777	523	527	774	505	579	700
Sports Priority Program	469	312	450	331	317	400	248	322	400	170
Natural Areas Fund	173			173			173			173
West Dapto Rates (additional)	6,793	1,854	948	7,699	2,300	920	9,079	2,758	795	11,042
Lake Illawarra Estuary Management Fund	337	165	165	337	165	165	337	165	165	337
Darcy Wentworth Park	171			171			171			171
Waste Disposal Facilities ***	2,946	2,694	2,295	3,345	4,216	7,641	(79)	4,432	9,846	(5,493)
Total Internal Restricted Assets	50,727	5,842	14,849	41,720	7,828	14,049	35,499	9,503	15,039	29,963
Externally Restricted Assets										
Developer Contributions (formerly S 94)	34,895	8,818	13,426	30,287	18,771	13,776	35,282	17,736	11,737	41,282
Planning Agreements	2,020			2,020			2,020			2,020
Grants	2,846	22,215	25,741	(681)	16,249	19,239	(3,670)	17,441	16,654	(2,883)
Loan Repayment	917	(13)		904	(17)		887	(19)		868
Domestic Waste Management	10,514	202	42	10,674	563	45	11,192	202	46	11,347
Contributed Assets		8,358	8,358		9,289	9,289		12,022	12,022	
External Service Charges to Restricted Assets	125	65		189	66		256	66		322
Other Contributions	5,826	792	2,166	4,453	675	350	4,777	672	357	5,092
Special Rates Levies - City Centre + Mall	272	1,659	1,666	265	1,689	1,697	256	1,723	1,729	250
Housing Affordability Program	9,667	167	100	9,734	213		9,947	235		10,182
Local Infrastructure Renewal Scheme	280	8		288	10		299	12		311
Stormwater Management	2,100	1,871	2,197	1,774	1,878	1,969	1,683	1,886	1,972	1,597
Total External Restricted Assets	69,460	44,143	53,696	59,907	49,387	46,365	62,929	51,976	44,518	70,387
Grand Total	120,187	49,984	68,544	101,628	57,214	60,414	98,428	61,479	59,557	100,350

*** 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 (formerly S94) SUMMARY

		2021/2022 Budget \$'000			2022/2023 Forecast \$'000			2023/2024 Forecast \$'000		
PURPOSE OF RESTRICTED ASSET	Opening Balance 1/07/21	Transfer		Balance 30/06/22	Transfer		Balance 30/06/23	Transfer		Balance 30/06/24
		In	Out		In	Out		In	Out	
Externally Restricted Assets										
Old Plans	419			419			419			419
West Dapto	9,943	7,424	5,851	11,516	17,395	4,900	24,011	16,328	5,728	34,611
Calderwood	365	13		378	14		392	14		406
City Centre	2,846	3		2,849	(4)	800	2,045	(8)	160	1,876
City Wide	21,322	1,378	7,574	15,126	1,365	8,076	8,415	1,403	5,849	3,969
Total Developer Contributions (ex S94) Restricted Assets	34,895	8,818	13,426	30,287	18,771	13,776	35,282	17,736	11,737	41,282

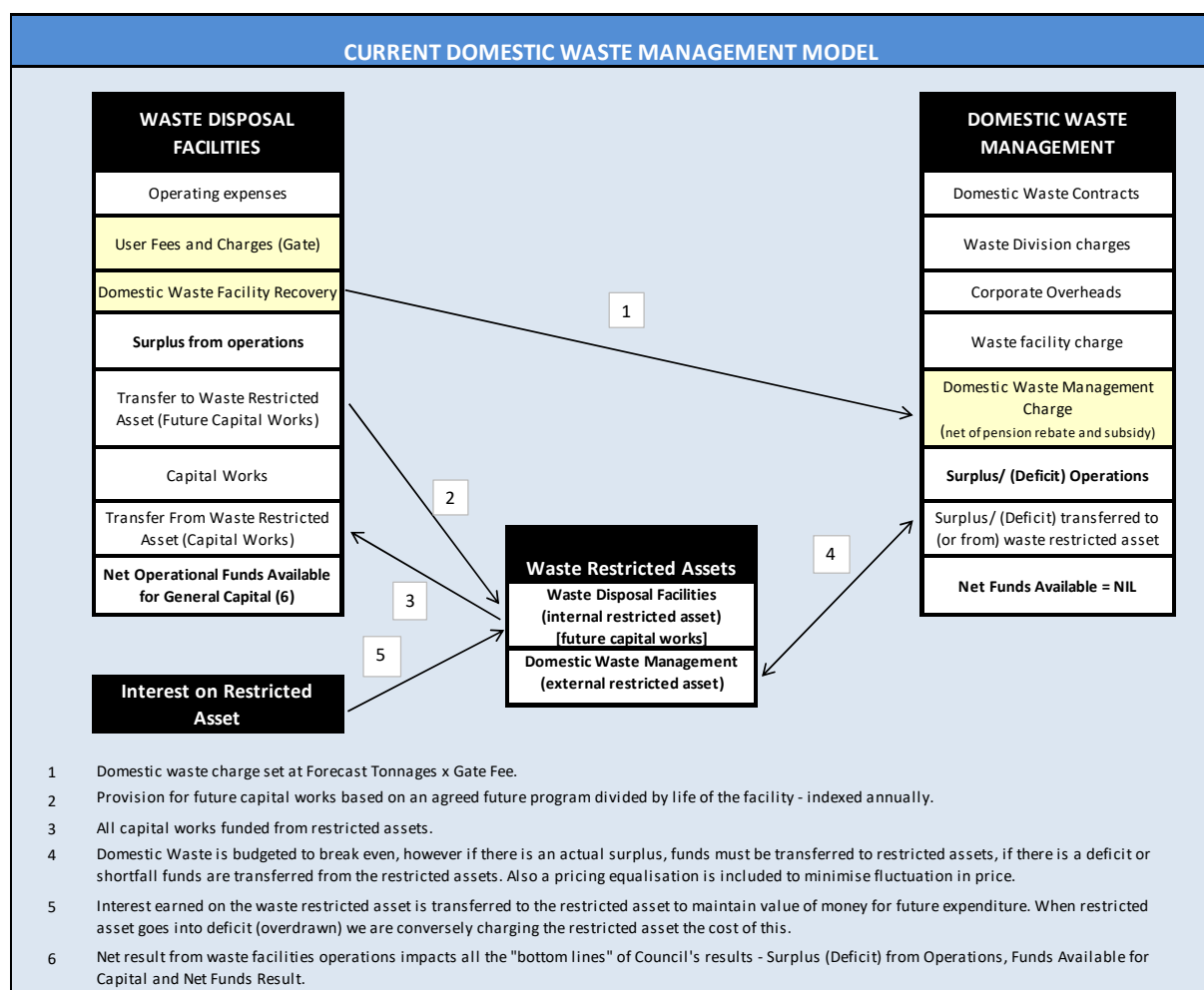
Internally Restricted Assets

City Parking Strategy		
Purpose		Source of Funds
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.		Net surplus of the Inner City Parking Strategy.
Darcy Wentworth Park		
Purpose		Source of Funds
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.		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		Source of Funds
Wollongong and Shellharbour Council now share the responsibility for the management of Lake Illawarra and it's surroundings after the State Government disbanding the Lake Illawarra Authority in July 2014.		Funding for the LIEM Fund has been 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		Source of Funds
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.		
Natural Areas Fund		
Purpose		Source of Funds
To provide funding for natural area projects.		Proceeds from dividend payment from Southern Phones that are allocated to specific projects annually in arrears. Councils old its interest in Southern Phones (Financial Year 2019-2020) and no future dividend will be received.
Property Investment Fund		
Purpose		Source of Funds
To provide funding for investment in longer term income generating activities.		Proceeds of property sales (excluding those already identified through the property rationalisation program), investment income on accumulated funds held and dividends from investments funded from this source.

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 2014-15 Annual Plan preparation, it was decided 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



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 still uncertainty about the ongoing or future impacts of COVID-19. The financial forecasts in the Operational Plan 2021-2022 are based on the assumption that generally Council will return to full service provision in the new financial year, there will not be significant changes in the operation and delivery of services and Council will have the planned capacity to work towards reinstating the pre COVID-19 financial position. 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

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

UTILITY COST

Projected increases for utility costs are generally based on the Independent Pricing and Regulatory Tribunal (IPART) publications, where applicable, other than for electricity which also includes recognition of specific negotiated contracts 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 for street lighting and large sites have been renewed for a three year period commencing in January 2020. Small sites' contracts were finalised subsequently and are linked to IPART pricing.

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

The Coastal Management Plan (CMP) for Lake Illawarra was gazetted in late 2020. The CMP sets out actions to be undertaken over the next 10 years to protect and enhance the health of the lake. The total cost to undertake all actions is approximately \$35.3M. The CMP nominates an indicative funding arrangement shared between Wollongong City Council, Shellharbour City Council and various State Government agencies. Wollongong City Council has committed approximately \$2.5M under the current four year Delivery Program towards CMP actions. The development of future Delivery Plans will need to consider allocations towards unfunded actions in the CMP.

INTERNAL CHARGING

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

CONTRIBUTED ASSETS

Council's estimates do not currently provide fully for potential assets 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'.

DEVELOPER CONTRIBUTIONS (FORMERLY SECTION 94 INCOME) (EXCLUDING WEST DAPTO)

Developer contributions (formerly S94) 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 included in the Delivery Program 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 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, 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. Activities in this regard will be guided by Climate Change Mitigation Plans (current and future) and the Climate Change Adaptation Plan currently under development.

OPERATING BUDGET BY SERVICE

OPERATING BUDGETS			
2021/2022 Budget			
	EXPENSES \$'000	REVENUE \$'000	NET \$'000
Corporate Strategy	(1,099)	(377)	(1,476)
City Centre Management	(4,134)	1,743	(2,391)
Economic Development	(2,595)	0	(2,595)
Infrastructure Planning & Support	(10,167)	238	(9,929)
Land Use Planning	(6,049)	1,018	(5,031)
Communications, Engagement, Events and Signage	(3,466)	143	(3,323)
Stormwater Services	(15,958)	2,153	(13,805)
Environmental Services	(2,819)	250	(2,569)
Natural Area Management	(4,167)	144	(4,023)
Waste Management	(43,701)	44,062	360
Transport Services	(43,077)	4,847	(38,229)
Aged and Disability Services	(4,137)	4,508	372
Community Facilities	(6,104)	867	(5,237)
Community Programs	(2,320)	283	(2,037)
Crematorium and Cemeteries	(2,350)	1,795	(555)
Cultural Services	(7,434)	190	(7,243)
Libraries	(11,723)	703	(11,020)
Youth Services	(1,324)	40	(1,284)
Aquatic Services	(15,607)	1,351	(14,256)
Botanic Garden and Annexes	(3,897)	288	(3,609)
Leisure Services	(5,014)	3,655	(1,360)
Parks and Sportsfields	(21,153)	563	(20,590)
Tourist Parks	(6,244)	7,796	1,552
Development Assessment and Certification	(8,332)	3,727	(4,605)
Emergency Management	(5,742)	412	(5,329)
Public Health	(1,199)	524	(676)
Regulatory Control	(5,667)	3,761	(1,906)
Integrated Customer Service	(3,100)	8	(3,093)
Financial Services	(6,344)	190,805	184,461
Governance and Administration	(11,016)	96	(10,920)
Human Resources	(9,536)	144	(9,392)
Information and Communications Technology	(11,064)	24	(11,040)
Internal Charges Service	71	0	71
Property Services	(4,618)	6,145	1,527
Grand Total - Operating Result [pre capital]	(291,087)	281,907	(9,180)

SECTION 2

CAPITAL PROGRAM AND BUDGET 2021-2022/2024-2025

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:

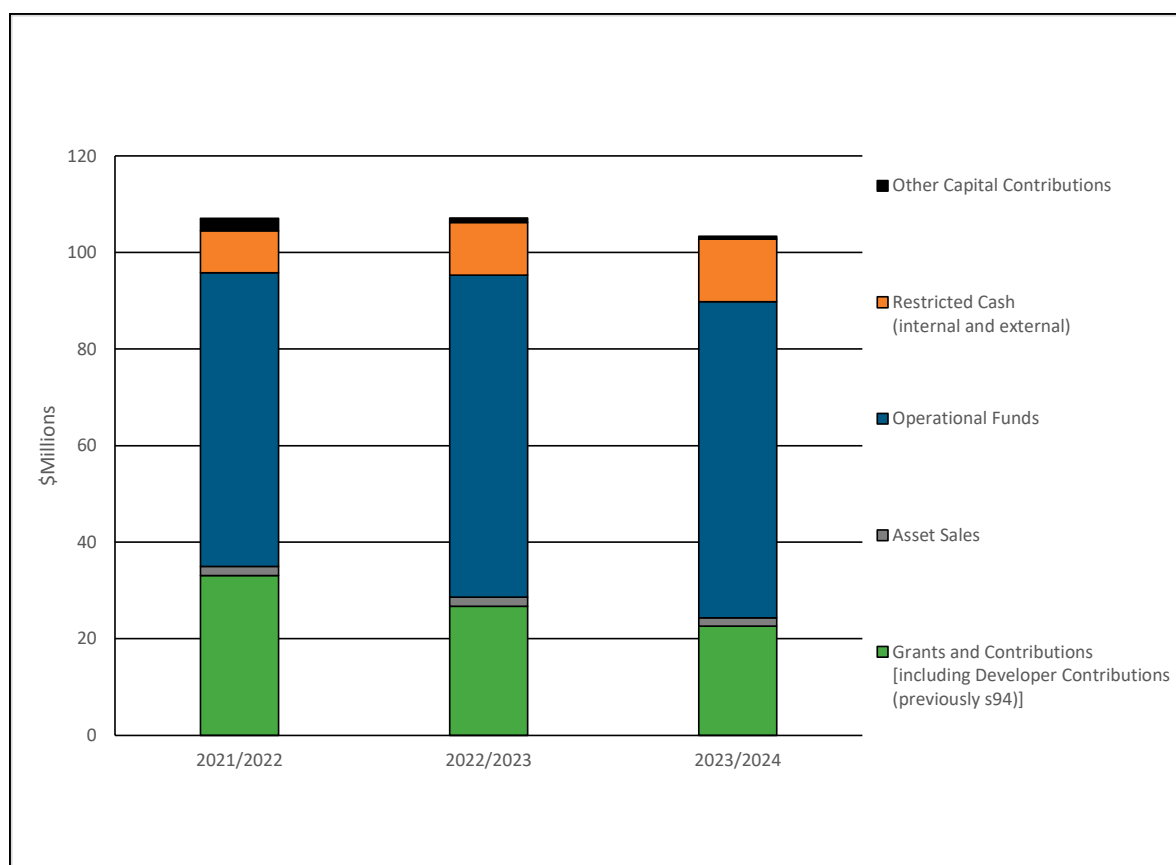
- Community input and strategic directions stated in the Our Wollongong 2028 - Community Strategic Plan
- Council's Asset Management Policy and Strategies
- Economic, tourism and growth factors including West Dapto
- Availability of funding

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 2021-2022

In 2021-2022, \$107.1M will be 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 2021-2022 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 BY FUNDING SOURCES – SUMMARY GRAPH



CAPITAL BUDGET BY FUNDING SOURCES - TABLE

Revenue Type	2021/2022 Budget \$M	2022/2023 Forecast \$M	2023/2024 Forecast \$M
Operational Funds	60.9	66.7	65.5
Asset Sales	1.9	1.9	1.7
Grants and Contributions [including Developer Contributions (previously s94)]	33.1	26.7	22.6
Restricted Cash (internal and external)	8.7	10.9	13.0
Borrowings	0.0	0.0	0.0
Other Capital Contributions	2.6	0.9	0.6
TOTAL #	107.1	107.1	103.4
# Excluding contributed assets			

CAPITAL BUDGET BY ASSET CLASS

Asset Class	2021/2022 Budget \$M	2022/2023 Forecast \$M	2023/2024 Forecast \$M
Roads And Related Assets	18.5	15.6	14.2
West Dapto	7.6	11.4	11.0
Footpaths And Cycleways	24.7	17.5	17.6
Carparks	2.1	1.3	1.9
Stormwater And Floodplain Management	8.3	6.7	6.7
Buildings	17.1	20.0	22.3
Commercial Operations	1.7	2.2	1.7
Parks Gardens And Sportfields	9.2	6.0	4.2
Beaches And Pools	3.9	6.2	3.5
Natural Areas	0.0	0.0	0.0
Waste Facilities	2.3	7.6	9.8
Fleet	1.8	1.8	1.8
Plant And Equipment	4.2	3.9	3.4
Information Technology	1.7	1.7	1.7
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	0.3	2.4	0.3
Non-Project Allocations	10.7	11.0	14.0
Loans	0.0	0.0	0.0
	115.5	116.4	115.4
Contributed assets	8.4	9.3	12.0
Total excluding contributed assets	107.1	107.1	103.3

UPCOMING CAPITAL PROJECTS IN 2021-2022

PROJECTS – PLANNING AND DESIGN

During 2021-2022 Wollongong City Council plans to continue and complete approximately 240 design projects including the following:

- Footpath Upgrade - Keira Street; Burelli Street to Crown Street, East and West sides
- Corrimal District Library – Air Conditioning
- Ribbonwood – HVAC Upgrade
- Belmore Basin – Amenities Replacement
- Wollongong Lawn Cemetery – Condolence Room & Amenities
- Botanic Garden – Southern Amenities Replacement
- Cringila Hills MTB Amenities (DDA)
- Stuart Park Amenities (DDA)
- Warrawong Library and Community Centre
- Warrawong Town Centre Upgrade
- Fred Finch Park netball court realignment

PROJECTS – CONSTRUCTION

During 2021-2022, Wollongong City Council plans to commence or continue over 250 construction projects including the following:

- Road Reconstruction – Walker Street; Merringong Place to Lawrence Hargrave Drive, Helensburgh
- Rockfall Catch Fencing – Harry Graham Drive, Kembla Heights
- Harry Graham Drive – Embankment Stabilisation and Repairs
- Road Resurfacing – Squires Way - Elliotts Road to Bridge
- Lawrence Hargrave Drive – Boardwalk Reconstruction
- North Wollongong Beach – Seawall Renewal Stage 1
- New Shared Path – Princes Highway; Memorial Drive to Bourke Street, North Wollongong
- New Shared Path – Swan Street, Wollongong
- Grand Pacific Walk – Clifton
- Helensburgh Village Centre – Stage 2
- Bridge Upgrade – West Dapto Road/Wongawilli Road
- Channel Reconstruction – Railway to Holy Spirit College, Bellambi
- Helensburgh Pool Filtration and Treatment system
- North Wollongong SLSC
- Multipurpose Criterium Track
- Thomas Dalton Sports Field Lighting
- Beaton Park Tennis Court Relocation and Upgrade

CAPITAL BUDGET 2021/22 to 2023/24

\$'000

Asset Class	2021/2022			2022/2023			2023/2024		
	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding
Roads And Related Assets									
Traffic Facilities	2,663	(2,288)	375	1,303	(888)	415	990	(520)	470
Public Transport Facilities	335	0	335	390	0	390	350	0	350
Roadworks	13,330	(3,800)	9,530	12,457	(2,120)	10,337	11,237	(1,820)	9,417
Bridges, Boardwalks and Jetties	2,172	(117)	2,055	1,440	0	1,440	1,650	0	1,650
Total Roads And Related Assets	18,500	(6,205)	12,295	15,590	(3,008)	12,582	14,227	(2,340)	11,887
West Dapto									
West Dapto Infrastructure Expansion	7,610	(7,610)	0	11,365	(11,365)	0	11,040	(11,040)	0
Total West Dapto	7,610	(7,610)	0	11,365	(11,365)	0	11,040	(11,040)	0
Footpaths And Cycleways									
Footpaths	13,360	(7,573)	5,788	6,005	(1,215)	4,790	8,761	(4,241)	4,520
Cycle/Shared Paths	7,310	(5,252)	2,058	5,810	(3,100)	2,710	3,325	(950)	2,375
Commercial Centre Upgrades - Footpaths and Cycleways	4,060	(800)	3,260	5,685	0	5,685	5,500	0	5,500
Total Footpaths And Cycleways	24,730	(13,624)	11,106	17,500	(4,315)	13,185	17,586	(5,191)	12,395
Carparks									
Carpark Construction/Formalising	385	(325)	60	100	0	100	700	(500)	200
Carpark Reconstruction or Upgrading	1,750	(500)	1,250	1,175	0	1,175	1,200	0	1,200
Total Carparks	2,135	(825)	1,310	1,275	0	1,275	1,900	(500)	1,400
Stormwater And Floodplain Management									
Floodplain Management	2,695	(566)	2,129	3,800	(500)	3,300	4,150	(200)	3,950
Stormwater Management	5,570	0	5,570	2,655	0	2,655	2,400	0	2,400
Stormwater Treatment Devices	55	0	55	250	0	250	150	0	150
Total Stormwater And Floodplain Management	8,320	(566)	7,754	6,705	(500)	6,205	6,700	(200)	6,500

CAPITAL BUDGET 2021/22 to 2023/24

\$'000

Asset Class	2021/2022			2022/2023			2023/2024		
	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding
Buildings									
Cultural Centres (IPAC, Gallery, Townhall)	700	0	700	5,810	0	5,810	3,050	0	3,050
Administration Buildings	2,965	0	2,965	3,980	0	3,980	2,190	0	2,190
Community Buildings	13,025	(2,783)	10,242	9,975	(3,600)	6,375	16,590	(3,400)	13,190
Public Facilities (Shelters, Toilets etc.)	440	(30)	410	250	0	250	450	0	450
Total Buildings	17,130	(2,813)	14,317	20,015	(3,600)	16,415	22,280	(3,400)	18,880
Commercial Operations									
Tourist Park - Upgrades and Renewal	1,420	0	1,420	850	0	850	1,200	0	1,200
Crematorium/Cemetery - Upgrades and Renewal	115	0	115	1,255	0	1,255	315	0	315
Leisure Centres & RVGC	150	0	150	100	0	100	200	0	200
Total Commercial Operations	1,685	0	1,685	2,205	0	2,205	1,715	0	1,715
Parks Gardens And Sportfields									
Play Facilities	1,888	(843)	1,045	1,815	(755)	1,060	1,408	(408)	1,000
Recreation Facilities	4,105	(3,850)	255	1,467	(1,037)	430	500	0	500
Sporting Facilities	3,180	(2,620)	560	2,700	(1,650)	1,050	2,150	(500)	1,650
Lake Illawarra Foreshore	0	0	0	10	0	10	100	0	100
Total Parks Gardens And Sportfields	9,173	(7,313)	1,860	5,992	(3,442)	2,550	4,158	(908)	3,250
Beaches And Pools									
Beach Facilities	750	(500)	250	0	0	0	200	0	200
Rock/Tidal Pools	350	0	350	800	0	800	50	0	50
Treated Water Pools	2,770	0	2,770	5,350	0	5,350	3,250	0	3,250
Total Beaches And Pools	3,870	(500)	3,370	6,150	0	6,150	3,500	0	3,500
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 2021/22 to 2023/24 \$'000

Asset Class	2021/2022			2022/2023			2023/2024		
	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding
Waste Facilities									
Whytes Gully New Cells	2,255	(2,255)	0	7,580	(7,580)	0	9,785	(9,785)	0
Total Waste Facilities	2,255	(2,255)	0	7,580	(7,580)	0	9,785	(9,785)	0
Fleet									
Motor Vehicles	1,830	(979)	851	1,800	(949)	851	1,800	(949)	851
Total Fleet	1,830	(979)	851	1,800	(949)	851	1,800	(949)	851
Plant And Equipment									
Mobile Plant (trucks, backhoes etc.)	4,200	(905)	3,295	3,850	(937)	2,913	3,350	(779)	2,571
Fixed Equipment	0	0	0	0	0	0	0	0	0
Total Plant And Equipment	4,200	(905)	3,295	3,850	(937)	2,913	3,350	(779)	2,571
Information Technology									
Information Technology	1,650	0	1,650	1,650	0	1,650	1,650	0	1,650
Total Information Technology	1,650	0	1,650	1,650	0	1,650	1,650	0	1,650
Library Books									
Library Books	1,283	0	1,283	1,315	0	1,315	1,340	0	1,340
Total Library Books	1,283	0	1,283	1,315	0	1,315	1,340	0	1,340
Public Art									
Art Gallery Acquisitions	137	0	137	100	0	100	100	0	100
Total Public Art	137	0	137	100	0	100	100	0	100
Emergency Services									
Emergency Services Plant and Equipment	0	0	0	0	0	0	0	0	0
Total Emergency Services	0	0	0	0	0	0	0	0	0

CAPITAL BUDGET 2021/22 to 2023/24

\$'000

Asset Class	2021/2022			2022/2023			2023/2024		
	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding	Expenditure	Funding	Revenue Funding
Land Acquisitions									
Land Acquisitions	250	(250)	0	2,350	(2,250)	100	250	(250)	0
Total Land Acquisitions	250	(250)	0	2,350	(2,250)	100	250	(250)	0
Non-Project Allocations									
Capital Project Contingency	2,335	0	2,335	1,674	0	1,674	1,962	0	1,962
Capital Project Plan	8,358	(8,358)	0	9,309	(9,289)	20	12,042	(12,022)	20
Total Non-Project Allocations	10,693	(8,358)	2,335	10,983	(9,289)	1,694	14,004	(12,022)	1,982
Loans									
West Dapto Loan	0	0	0	0	0	0	0	0	0
LIRS Loan	0	(2,388)	(2,388)	0	(2,474)	(2,474)	0	(2,564)	(2,564)
Total Loans	0	(2,388)	(2,388)	0	(2,474)	(2,474)	0	(2,564)	(2,564)
TOTAL	115,451	(54,591)	60,861	116,424	(49,708)	66,716	115,386	(49,927)	65,458
NET REVENUE FUNDED		60,861			66,716			65,458	
"Contributed Assets" in Non-Project	8,358	(8,358)	0	9,309	(9,309)	0	12,042	(12,042)	0
Total Excluding "contributed assets"	107,093	(46,233)	60,861	107,115	(40,399)	66,716	103,344	(37,885)	65,458