



City of Perth

ANNUAL REPORT 2018/19



Cover

The cover is based on artwork *Makuru – Season Story* by Nerolie Bynder, a proud Badimia-Nyoongar-Yamatji woman. Chosen by the City of Perth's Elders Advisory Group for its depiction of the Whadjuk Nyoongar connection to the land and the Swan River (Derbarl Yerrigan), the artwork makes a visible statement about the City's commitment to reconciliation.

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About the Annual Report

REPORTING

The *Local Government Act 1995* requires local governments to produce an Annual Report by 31 December each year. The City of Perth reports to the community and its stakeholders in a number of ways and goes beyond statutory requirements by producing a dynamic report.

This Annual Report focuses on the City of Perth's financial and operational performance in the 2018/19 financial year. It documents the City's performance against the 2018/19 Budget and its progress in line with the Strategic Community Plan.

The Strategic Community Plan outlines the City of Perth's long-term strategic direction and expresses the community's vision for the future, together with objectives to deliver community aspirations.

The plan is guided by the following goals:

- A city for people.
- An exceptionally well-designed, functional and accessible city.
- A city connected to its natural beauty.
- A future focussed and resilient city.
- A prosperous city.
- A city that celebrates its diverse cultural identity.
- An open and engaged city.
- A city that delivers for its community.

The City of Perth's Annual Report includes a snapshot of performance and an overview of the City's outlook for the future. It includes plans to ensure the sustainability of the organisation, Perth city and the community being served.

It also provides employees with information about how well the City of Perth has performed over the past year and how their efforts have contributed to achieving the City's vision.

To ensure its accuracy, the Annual Report was reviewed by the City of Perth's Chief Executive Officer and the financial statements were certified by an independent auditor.

In line with the City's sustainability goals, only a limited number of hard copies of this Annual Report were produced. However, it can be downloaded through the website: perth.wa.gov.au

Thank You

Thank you for taking the time to read the City of Perth's 2018/19 Annual Report. The City of Perth hopes you find this information useful and gain valuable insight into the City's achievements for the 2018/19 financial year.

Contact Us

If you have any enquiries, contact the City of Perth on 9461 3333 or email info.city@cityofperth.wa.gov.au. If you are representing the media, please contact the Media and Communications team on 9461 3425.

Acknowledgement

The City of Perth acknowledges the Whadjuk Nyoongar people as the Traditional Owners of the lands and waters where Perth city is situated today and pays respects to Elders past and present.



Andrew Hammond

Chair Commissioner's MESSAGE

In the past year, Commissioners have driven a series of strategic improvements that reflect the needs of the community. An increasingly mature understanding of and engagement with the city's ratepayers, stakeholders and customers has enabled us to set a direction much more aligned with the community's vision for Perth as a vibrant, liveable and progressive city. Looking to the future, these improvements have prompted a shift in the organisation's focus to a more sustainable and responsible use of ratepayer funds while fulfilling the City's role under the City of Perth Act 2016.

The Act provides greater opportunity for collaboration with the State Government, ensuring Perth continues to grow and become an increasingly innovative, sustainable and vibrant city. The City's responsibilities in the Act, along with community feedback and other legislative requirements, have guided the development of its Strategic Community Plan. As a result, it recognises more than the needs of the City's defined local government area and considers the desires of all Western Australians.

This year, Council repealed reimbursement of expenses policies for Elected Members and replaced them with policies more closely in line with community expectations. A renewed focus

on transparency saw the policy put to consultation and then abolished to ensure a clear nexus between expenses paid by the City and the functions of an Elected Member under the Local Government Act 1995. This removed Elected Member entitlements such as use of the Council dining room, grooming, personal donations and clothing expenses.

In December, the City awarded three tenders for initiatives under the Federal Government's Smart Cities and Suburbs program, for which it won a \$1.3 million matched funding grant. This saw work start on a Smart Precinct, Smart Irrigation, Smart Sustainability and Data Hub. The technology aims to improve quality of life and provide a knowledge platform for residents, visitors, businesses and tech start-ups.

The City abolished outdoor dining fees and streamlined the application process in January to create a more attractive environment for businesses and encourage street level activation. With Perth's warm climate, outdoor dining offers the important benefits of attracting people to spend time in the city and increasing trading opportunities for cafes, restaurants and bars.

Early 2019 saw the signing of a Memorandum of Understanding between the Cities of Perth, South Perth, Subiaco, Vincent and the Town of Victoria Park to facilitate improved partnerships across the local

governments. The collaborative approach will offer an opportunity to align on major issues that affect the wider community, such as waterfront activities and tourism. It will also support the City to fulfil its responsibilities under the City of Perth Act 2016.

In addition to improved partnerships, placemaking and community capacity building are crucial areas for the City in the coming years. The City's actions will be aided by an active and responsive place management approach to the neighbourhoods outlined in the City Planning Strategy. The City must continue to work closely with the community to create and nurture thriving neighbourhoods that connect people and celebrate our many diverse cultural identities and distinct precinct characteristics.

In June, I introduced strategies to Council to address parking, homelessness and retail challenges in the city, setting a clear mandate for the City of Perth's services. To revitalise the CBD's core retail precinct, Council endorsed a 12-month parking trial of up to three-hour free parking on weekends and holidays in strategically located areas to stimulate city visitation and support of local businesses.

The measures for homelessness include a commitment by the City to consider appropriate locations for the establishment of a safe night space and support service hub to assist rough sleepers and people in need. The City will continue to maintain an open dialogue with the State Government while it develops its homelessness strategy, as it will take a united front from all levels of government to find long term solutions to end homelessness. The work will complement existing work already underway by the City of Perth, focussing on City-led coordination of outreach homeless services.

Council's decision also outlined that the City would facilitate a forum with key property and retail representatives to discuss challenges facing the CBD precinct, such as anti-social behaviour, economic factors, ongoing parking initiatives and competition from major suburban shopping centres.

In 2019/20 and beyond, the City of Perth is focussed on creating a city with a diverse and resilient economy that capitalises on its unique competitive advantages, including the economic, social and cultural benefits of a thriving education sector. Though there are many educational facilities in the CBD, the City has long identified the opportunity for a major university campus to be based in Perth. It is committed to working with the State and Federal Governments and all tertiary institutions to reach what would be a significant outcome, elevating Perth as a capital city with a diverse blend of occupants living and learning in the CBD.

By representing the broader Perth area and the state of Western Australia, the City of Perth builds on the progress made to date and ensures Perth city will continue to flourish for future generations. The City of Perth's role is to recognise, promote and enhance the social, environmental, economic and cultural setting of the city for society. The City is committed to working closely with the community and its stakeholders to achieve the vision for Perth as a vibrant, connected and progressive city now and into the future.



Murray Jorgensen

Chief Executive Officer's MESSAGE

2018/19 was a year dominated by the Inquiry into the City of Perth and the Commissioners' ongoing stewardship of the City. It also included significant changes to the leadership and strategic direction of the City of Perth.

The Commissioners performed an exhaustive investigation into all areas of the City's strategy development, information systems, policy review and business planning. This involved engaging four external consulting firms to review and make professional recommendations on the following:

- Australian Business Excellence Framework performance
- Customer service performance analysis
- Stakeholder engagement and corporate communications
- Human resources performance analysis

Following a long period of uncertainty, the Commissioners resolved to change the leadership and appointed a new CEO in November 2018, to provide stability and lead the necessary reform and recovery of the organisation.

As a team, we acknowledge we have considerable work to do to restore trust in the City of Perth following a turbulent period in the City's history. We are confident the foundations are now in place to ensure we can once again be a leader in local government.

The turnaround is focussing on:

- Reconnecting with the community, customers and stakeholders we serve to earn back their respect.
- A Corporate Recovery Implementation Plan formed to re-establish the City as a local government exemplar. Karin Strachan, our Project Director – Corporate Recovery is leading this initiative.
- A more strategic approach involving review of the Strategic Community Plan 2020-2029 and using the Integrated Planning and Reporting Framework to guide our approach to well-planned, efficient service delivery that is sustainable.
- Reducing our corporate overheads by moving from five Directors to four General Managers and planning to reduce overall staff numbers, including the number of managers from 31 to 16. The number of fleet vehicles provided to staff will also reduce.
- A rebuild of our financial, information and communication technology and reporting systems and the establishment of a Long Term Financial Plan. Michael Kent, our Project Director – Strategic Finance is leading this initiative.
- Recruiting a high-performance executive that will focus on reducing competition between directorates and increasing collaboration through a "One City" service model.

- Redressing the financial and other risks that have been historically associated with procurement and project management at the City. We are developing new systems and expertise to achieve this outcome.

Despite the challenges outlined, I am extremely proud of the resilience, dedication and support I have received from most of the amazing staff at the City. They are committed to serving our community, stakeholders and customers to a very high standard but in many cases, were locked into a poor culture and operating environment, with out of date systems, poor policy, procedures and guidelines.

With the foundations set for our corporate recovery and our strategic direction set by the Commissioners throughout 2018/19, we implemented a series of measures that will ensure Perth continues to grow as a vibrant and liveable capital city.

Some of the exciting initiatives we are working on include **activation of our precincts** to support local business through events and strategic activation. Highlights include Winter Fest, Spring in the City, the City at Christmas and New Year, Australia Day Long Weekend, Lunar New Year and business-led campaign Let's Thursday Like We Friday. These ensure the city offers unique cultural and retail experiences to visitors, workers, residents, ratepayers and businesses year-round, delivering feet on the street and economic return.

Responding to strong community feedback on **parking**, in June Council approved a year-long parking trial in Claisebrook, East Perth and West Perth. Commissioners introduced up to three-hour free parking on weekends and public holidays in strategically located areas to encourage people into the CBD and provide an economic injection into local businesses.

To support capacity building and deliver maximum community benefit for the distinct **neighbourhoods**, the City awarded \$400,000 for the new Precinct

Enhancement Grants as part of the wider \$4.2 million grants and sponsorship program. We supported a range of initiatives across arts, community enhancement, events and festivals, key sector development, small business, business events and venue support.

Progress continued for the planned **revitalisations** of Wellington Square and the East End of the CBD, our first Cultural Development Plan, our Reflect Reconciliation Action Plan and the release of a draft City Planning Strategy which formalised the idea of Perth as a city of neighbourhoods. This concept will guide the City's approach to ensure it is delivering the best outcomes for each precinct and maintaining the distinct identities and characteristics for these communities.

Community safety is also an important focus area for the City of Perth as shown by collaboration with Western Australian Police for: engagement with and advice to local business about crime prevention and response and a campaign to prevent bicycle theft and operations at Citywatch, the City-managed CCTV surveillance centre. In response to community concern, targeted ranger patrols were implemented in specific areas, the City hosted business safety and security forums and produced Creating Safer Spaces: Design guidelines to reduce crime and antisocial behaviour.

We are well-positioned to take advantage of many exciting opportunities to work with the State Government, the community and our stakeholders to rejuvenate our service offerings and build a great capital city resident and visitor experience.

The City of Perth is dedicated to working towards providing excellent leadership to support a growing and evolving population. With positive change afoot at the City of Perth, we are committed to listening to the ratepayers and stakeholders of this city and working alongside them to help achieve the vision of Perth as a vibrant, connected and progressive capital city.

City of Perth Commissioners



Eric Lumsden
Chair Commissioner

Prior to commencing at the City of Perth, Eric Lumsden was the Chairman of the Western Australian Planning Commission. Before this, he was the Director General of the Department of Planning from 2007 to 2013. Eric holds Masters degrees in Town Planning and Business Administration, as well as postgraduate qualifications in local government and social sciences.

In 2005, Mr Lumsden was awarded the Public Service Medal and a place on the Queen's Birthday Honours List for his contribution to local government. In 2010, he was awarded the LGMA Gold Medal for his outstanding achievements and contributions to the profession of local government management. Eric has also been awarded the National Fellow Award by the Institute of Public Administration and has more than 30 years' experience in local government.

Due to health reasons, Eric Lumsden resigned as Chair Commissioner in August 2019. He sadly passed away in December. Eric made a significant contribution to the City of Perth and his legacy is his passion for Perth. He will be sadly missed.



Gaye McMath
Deputy Chair Commissioner

Gaye McMath is the former Executive Director of Perth Education City. She was previously the Chief Operating Officer at The University of Western Australia following a 23-year career with BHP. Gaye has had several non-executive directorships and her experience spans 20 years on listed companies, government trading enterprises, not-for-profit and national member organisations.

Gaye is currently on the Board of Gold Corporation, Committee for Perth and the Chamber of Arts and Culture WA. Gaye holds a Bachelor of Commerce from Melbourne University, a Masters of Business Administration from Melbourne Business School and has completed the Advanced Management Program at the Harvard Business School.



Andrew Hammond **Commissioner**

Andrew Hammond joined the City of Perth shortly after his resignation as Chief Executive Officer at the City of Rockingham after 10 years in the role. Andrew has significant senior experience in local government having held CEO positions in Albany, Wyndham East Kimberley and Nannup. He also sits on the Board of Governance of the International Institute of Business and Technology Pty Ltd.

Andrew holds an Executive Master of Business in Administration from the University of Western Australia. He is also a Fellow of Local Government Managers Australia, the Australian Institute of Management and a graduate of the Australian Institute of Directors.

Council Suspension

The City of Perth Council was suspended pursuant to section 8.19 of the Local Government Act 1995 on 2 March 2018.

Register of Complaints

Section 5.121 of the Local Government Act 1995 requires a local government to maintain a register of complaints that result in an action under Section 5.110(6) (b) or (c). There were no complaints to the Local Government Standards Panel during the 2018/19 financial year which resulted in any breach orders by the Standards Panel s5.110 (6) (b) or (c).

Leadership and Administration

As Perth city continues to grow, the City of Perth's administration will continue to adapt to meet new and emerging priorities. In the years ahead, the City's focus will be to ensure Perth is the most sustainable and liveable capital city possible.

OUR WORKFORCE

SIZE

754

Employees

TENURE



The average tenure at the City of Perth is six years.

DIVERSITY



Employees

47%

Managers

36%



Employees

53%

Managers

64%



Age range

20-79

Average age

45



Representation of many different cultures and nationalities



Office of the Chief Executive

CEO, Murray Jorgensen

The Office of the Chief Executive is responsible for the establishment of strategic plans that enable the City to deliver its vision. It is responsible for establishing inter-governmental frameworks that enable the City of Perth to partner with external stakeholders and provides support to address Council needs and queries. The Office of the Chief Executive is made up of Strategy and Partnership, Governance and Corporate Communications.



Community and Commercial Services

Director, Rebecca Moore

During the year, Emma Landers acted in this position.

The Community and Commercial Services Directorate provides services and facilities for the enjoyment of the whole community. The directorate ensures it meets community expectations in a commercially sustainable way and is made up of Commercial Parking, Community Amenity and Safety, Community Services, Customer Service, Health and Activity Approvals, Library and Parking Services.



Construction and Maintenance

Director, Paul Crosetta

During the year, Nathan Ahern acted in this position.

The Construction and Maintenance Directorate builds and maintains the infrastructure and related assets that underpin the growing city. The directorate comprises specialists in construction and maintenance and approaches work with excellence and sustainability in mind. The directorate includes Construction, Parks, Plant and Equipment, Properties, Street Presentation and Maintenance, and Waste and Cleansing services.



Economic Development and Activation

During the year, Ben Fitzpatrick,

and Daniel High acted in the position of Director.

The Economic Development and Activation Directorate delivers vitality to Perth city, striving to create and maintain the conditions for a vibrant, yet sustainable lifestyle. This directorate brings the world's best to our doorstep by developing and deploying strategic policies, plans and projects to guide the future economic prosperity of the city. The directorate is made up of Arts, Culture and Heritage, Business Support and Sponsorship, Economic Development, and Marketing and Activation.



Corporate Services

Director, Robert Mianich

During the year, Mark Ridgwell acted in this position.

The Corporate Services Directorate has responsibility for overall governance and corporate matters. It provides services to all other directorates, as well as a range of value for money services and systems that ensure the organisation can do what it needs to do in a manner that is both compliant and meets the needs of external customers. The directorate is comprised of Asset Management, Data and Information, Finance, Human Resources and Information Technology.



Planning and Development

Director, Erica Barrenger

During the year, Robert Farley acted in this position.

The Planning and Development Directorate is responsible for the sustainable planning, regulation and development of Perth city's natural and built environment, including the public realm and as many of the activities that happen within it. The directorate is comprised of City Planning, Coordination and Design, Development Approvals, Sustainability and Transport.

About the City of Perth

Perth is Western Australia's vibrant and rapidly growing capital city. Located on the Indian Ocean Rim within the Asia Pacific region, it is one the world's fastest growing and developing economic zones.



OUR STATE

SIZE (KM²)

2,525,500

POPULATION

2.61M

OUR CITY

SIZE (KM²)

6,422

POPULATION

2.06M

OUR LOCAL GOVERNMENT

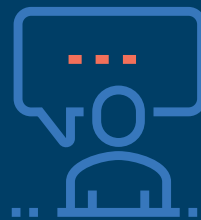
SIZE (KM²)

20.017

POPULATION

27,762

PEOPLE



MEDIAN AGE

30 - 31

BORN OVERSEAS

54.7%



HOUSEHOLDS

14,745

HOUSEHOLD SIZE

1.79 Persons







ENVIRONMENT



PARKLAND AREA

541.9 ha

RIVER FRONTAGE

11.25 km

NATIVE PLANTS PLANTED

14,953

TOTAL LENGTH OF ROADS

95 km

ECONOMY



WORKFORCE

149,474

OFFICE FLOOR SPACE

1.9M m²

ECONOMIC OUTPUT

\$75.5B

GROSS PRODUCT

\$41.4M (Regional)

TOP SECTORS BY ECONOMIC OUTPUT



Mining

Professional,
Scientific & TechnicalFinance
& Insurance

The City of Perth

Constituted under the *Local Government Act 1995*, the City of Perth provides services and facilities to a broad range of stakeholders including residents, businesses, workers and local, national and international visitors.

The City of Perth has origins from 1829 when the Swan River Colony was established by the British Government and was named after Perth in Scotland. For thousands of years prior, the area had been an important meeting place for the Nyoongar people who have lived in the south-west region of Western Australia for more than 35,000 years.

In 1856, Perth formally attained 'city' status when it was declared a Bishop's See by Queen Victoria. The first meeting of the Perth City Council was held on 10 December 1858. However, it was not until the Centenary of Foundation in 1929 that the position of Mayor was elevated to Lord Mayor.

The Council has met at several locations over the years, before moving to Council House in 1963. In 1994, the sprawling local government area was split into four separate authorities, with the creation of the Towns of Vincent, Victoria Park and Cambridge.

In May 2015, a Bill was introduced in State Parliament to establish the *City of Perth Act 2016* to recognise Perth as the capital city of Western Australia and to establish the City of Perth Council as the State's pre-eminent local government authority. This came into effect on 1 July 2016.



Statistics compiled from the following sources:

City of Perth; profile.id (<https://profile.id.com.au/perth>); Australian Bureau of Statistics, 2018, Australian Demographic Statistics, Cat. no. 3101.0; Department of Lands, Planning and Heritage Land Use Survey for office floor space (2015); and REMPLAN.

ORGANISATION

SISTER CITIES

Kagoshima

JAPAN (1974)

Megisti

GREECE (1984)

Houston

UNITED STATES (1984)

Rhodes

GREECE (1984)

San Diego

UNITED STATES (1987)

Vasto

ITALY (1989)

Nanjing

CHINA (1998)

Taipei

TAIWAN (1999)

Chengdu

CHINA (2012)

CHARTERS OF MUTUAL FRIENDSHIP

Perth

SCOTLAND (2006)

Seochu

REPUBLIC OF KOREA (2008)

DGE



CLAISEBROOK

EAST PERTH

KANGAROOS LOOKED AFTER

3



WASTE RECYCLED

4,820 t

GRAFFITI REMOVED

12,874 m²

PHONE CALLS RECEIVED

67,465

ENVIRONMENTAL HEALTH

>3,000

Inspections



LIBRARY VISITS

412,538

COMMUNITY CENTRE VISITS

129,623

SOCIAL MEDIA FOLLOWERS

457,347

ANNUAL OPERATING REVENUE

\$206.66M

Key Achievements

- 1 A city for people
- 2 An exceptionally well designed, functional and accessible city
- 3 A city connected to its natural beauty
- 4 A future focussed and resilient city
- 5 A prosperous city
- 6 A city that celebrates its diverse cultural identity
- 7 An open and engaged city
- 8 A city that delivers for its community

Street Lighting

Not only does street lighting promote amenity and safety, it is integral to the city's night time economy. Ageing lighting in the CBD has been replaced with more sustainable LED lighting on St Georges Tce from Irwin St to Victoria Ave, Hay St between Barrack St and Pier St and Murray St from Barrack St to Irwin St. The City also conducted an independent review of street lighting levels in East Perth, which will be factored into future budgeting.

GOALS

- 1
- 2
- 4
- 8



Think Perth Website

In January, the City launched its Think Perth campaign, featuring an investment focussed website to drive economic development outcomes. Featuring advocates from key industry sectors including resources and energy, medical and life sciences, tourism and hospitality and commercial property, Think Perth provides a repository of relevant information aiming to attract national and international investment into Perth.

GOALS

- 5
- 8



City of Neighbourhoods

As part of the City of Neighbourhoods, the City of Perth is helping the community by facilitating the capacity to make change happen together. The community is being empowered to become active in place and community development. It is also creating a platform that ensures communication, coordination and cooperation across the city. The Council awarded its first Neighbourhood Precinct Grants to community precinct groups to fund relevant initiatives.

GOALS

- 3
- 4
- 8

Smart Irrigation

The Smart Irrigation Project received funding from the Australian Government and has involved installation of smart irrigation controllers across 104 sites. Weather stations provide local data (temperature, rainfall, solar radiation, wind and humidity) to inform irrigation schedules, which ensures water use is managed sustainably. These schedules can now be automatically adjusted based on weather conditions, resulting in increased efficiency and costs savings.

GOALS

- 7
- 8

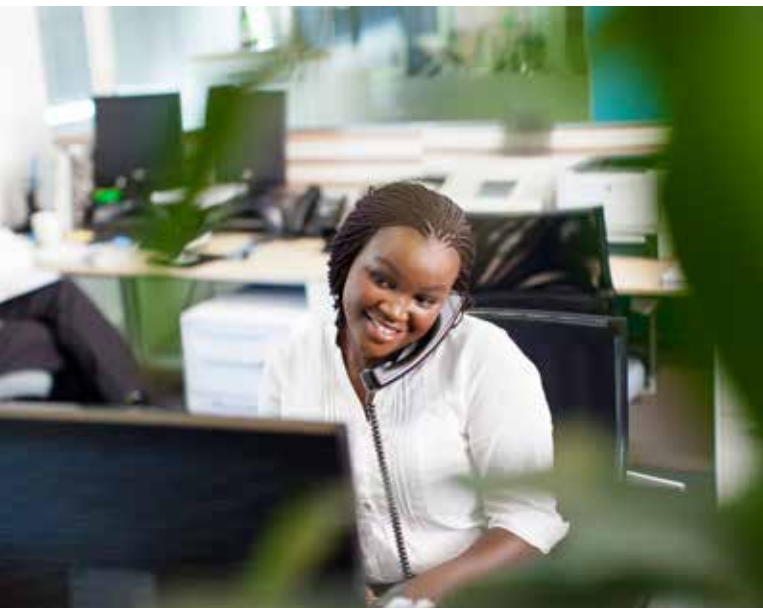


City Planning Strategy

The draft strategy provides a platform for collaboration between the City of Perth, the community, State Government and neighbouring local governments. It is intended to guide future land use planning and decision-making for Perth city, and sets out a shared vision and framework for the coordinated delivery of projects and actions that require stakeholder and government collaboration.

GOALS

- 1
- 2
- 3
- 4
- 5
- 6
- 7



Customer Service Improvements

From the Customer Perception Survey in 2018, web chat was identified as a desired customer service channel by 73 per cent of respondents. In response to this, the City conducted a trial in June to determine the benefits of extending services to include live chat on high traffic pages of its website. Qualitative feedback demonstrated value to the community and the trial was extended for 12 months.

GOALS

7

8

Community Parklets

In May, two parklets were installed in Nedlands on Hampden Road. Designed to support local business and encourage community engagement, the parklets supported the community's aspiration for Perth to be 'vibrant, connected and progressive'. As part of the activation, local musicians gave live performances to surprise and delight passers-by. These were the first parklets to be delivered within the City of Perth boundary.

GOALS

1

2

3

5

6



Outdoor Dining

To boost street and place activation, Council adopted a new Outdoor Dining Framework which transformed outdoor dining within the city. The changes include removing outdoor dining fees, simplifying the application process through an online portal, providing instant approvals and improving the quality of outdoor dining areas through guidance on design and fit-out. This initiative has meant nearly 200 cafes and restaurants now offer patrons an outdoor dining experience.

GOALS

1

5

8

COMPANY STATE THEATRE
COMPANY



Major Projects

The City of Perth takes an integrated approach to its strategic planning to ensure it delivers the best outcomes for the community and creates a vibrant, connected and progressive city. The plan was formed to adapt to population growth, economic fluctuations, environmental trends and social and community needs, now and into the future.



East End Revitalisation

Endorsed by Council in 2018, the East End Revitalisation Masterplan is a multi-staged plan aiming to improve the environment, character and quality of the precinct through renewal of the streetscape. The masterplan involves the Hay Street Pedestrian Priority Zone (PPZ) concept, which is designed to improve the street by providing more space for pedestrians. An innovative and unique concept, community feedback showed support for the PPZ. Following stakeholder engagement including community information sessions, detailed design was undertaken and works for the first stage on Hay Street are expected to begin in 2020.

Wellington Square

The Wellington Square Masterplan was approved by Council in September 2018. This high-level plan incorporates key strategic considerations and will guide future enhancements of the area. Feedback captured during the development of the masterplan indicated strong support, with the community eager for the project to commence. Construction is scheduled to start in early 2020 and will see the development of basketball courts, formal sports areas, a Stolen Generation place of reflection and beautiful meeting spaces for all to enjoy. Native planting will also offer habitat for wildlife and provide homage to the history of the site as a former wetland.

Mount Street East

The Mount Street East Concept Plan Draft project aims to reinforce Perth city's connection with Kings Park, provide improved street amenity and create a safer, slow speed environment for all users. The first stage of consultation and a draft plan were presented to Council and approved in February 2019. New street furniture, additional street trees, wider footpaths, safer pedestrian crossings and a designated pick up and drop off area are all included in the final masterplan. The design has been informed by both stages of consultation and was well received by the community. The final draft masterplan and stakeholder engagement outcomes will be presented for approval by Council.

Key Initiatives



Homelessness

The City of Perth is committed to taking a lead role in addressing homelessness by coordinating service delivery. It aims to shift the strategic focus of the City and sector from 'managing homelessness' to 'ending homelessness' in Western Australia within the next nine years. The City of Perth has been working with State Government, local governments, service providers and community groups to develop an Interim Homelessness Plan for the City of Perth. The City will focus on key priority areas including coordination of services, assertive outreach services, expansion of existing day centres, safe night spaces and low barrier/low threshold social housing options.

Parking

Parking that best services the needs of the community is a priority for the City of Perth. With a daytime population of more than 200,000 people, provision of effective parking services is integral to all who visit, work, live or invest in the city. In the 2018 Stakeholder Perception Survey, 85 per cent of respondents considered the cost of parking to be expensive or very expensive. Responding to the community's needs, Council approved free 12-month parking trials in City-controlled areas, with further trials to be explored. Moving forward the City will prioritise the development of a business plan and approach that best suits the community's requirements.

Community Safety

The City of Perth works with various agencies including WA Police, on initiatives that aim to keep people safe and minimise damage and crime. This includes managing the CCTV network, engaging with businesses about crime prevention, hosting business safety and security forums, targeted ranger patrols and development of guidelines to reduce crime and antisocial behaviour through environmental design. After winning a Smart Cities grant from the Federal Government, the City began implementing smart CCTV data and analytics and smart lighting to create a safer community in East Perth and for patrons heading to Optus Stadium.

Financial Highlights

Responsible, sustainable financial management that ensures the effective stewardship of financial and community assets is a core responsibility of local government. The community is entitled to expect rigorous, strategically focussed financial planning that ensures services and capital projects delivered to the community are properly funded and appropriately resourced.

Proactive treasury management and effective operational financial management should deliver best value to the community from the use of the City's financial resources, while regular reporting should provide accountability for the use of those financial resources.

The City of Perth's annual financial statements provide one perspective on how the City has performed against those expectations. While this report focuses specifically on the 2018/19 financial year results, it is important to view these results within the context of financial trends over a period of at least five years. The tables below provide summarised data and key financial ratio trends that indicate how the City has performed financially over the past five years.

Table One (below) shows the value of community assets (the City's net asset position) has remained very consistent across the last five years as a result of ongoing capital investment in enhancing important community infrastructure.

1. Financial Performance - 5 Year Trends	2014/15	2015/16	2016/17	2017/18	2018/19
Operating Revenue	184.93	191.27	201.06	201.99	206.66
Non Operating Revenue	1.76	5.44	2.15	3.32	1.84
Total Operating Expenditure	170.32	181.34	190.57	191.57	194.40
Non Operating Adjustments/Revaluation	(9.35)	1.57	6.80	(10.59)	6.59
Operating Result	25.72	13.80	5.84	24.33	7.73
Total Assets	1,340.27	1,341.88	1,432.77	1,315.84	1,319.00
Total Liabilities	79.79	69.76	67.20	56.93	52.21
Equity/Net Assets	1,260.48	1,272.12	1,365.57	1,258.91	1,266.79
Net Cash from Operating Activities	48.53	35.49	46.03	47.99	52.63

\$ Millions

However, it also indicates that the challenging economic climate over the last five years has seen operating costs growing at a faster rate than revenues, resulting in a significant decline in the operating result.

As shown in Table Two (below), the trends in most financial ratios are consistent with industry benchmarks, with the exception of the operating surplus ratio and the asset sustainability ratio.

The adverse general trend in the operating surplus ratio reflects the challenge the City faces in responsibly balancing service delivery costs against the available funding streams. The asset ratio trends suggest the City is adequately funding for important asset renewal activities, but it has not been able to consistently execute the delivery of those proposed works over the last five years.

The information provided below relates specifically to the City's financial position and performance in relation to the 2018/19 financial year.

3. Financial Snapshot 2018/19

\$Million

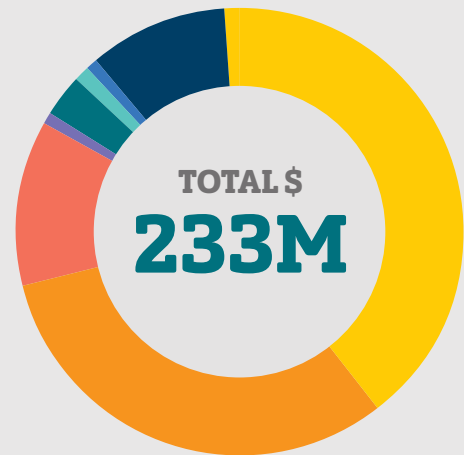
Operating Revenue	206.66
Profit on Sale of Assets	0.42
Other Non Recurrent Revenue	1.57
Operating Expenditure	(194.40)
Loss on Disposal of Assets	(7.29)
Asset Revaluation Adjustments	0.91
Total Comprehensive Income	7.87
Capital Program Delivered	27.39
Cash Reserves – Discretionary & Quarantined	104.34
Net Assets	1,266.79

2. Key Financial Ratios - 5 Year Trends

	2014/15	2015/16	2016/17	2017/18	2018/19
Current Ratio (ideally should be greater than 1.00)	1.02	1.08	1.33	1.20	1.52
Operating Surplus Ratio (ideally positive between 0% and 15%)	8.94%	4.40%	4.00%	4.00%	5.00%
Own Source Revenue Ratio (ideally greater than 40%)	108.0%	104.0%	108.0%	103.0%	101.0%
Debt Service Ratio (ideally greater than 5.00)	5.62	4.85	8.66	7.33	5.02
Asset Consumption Ratio (ideally between 50% and 70%)	61.0%	57.0%	56.0%	60.0%	58.0%
Asset Sustainability Ratio (ideally greater than 90%)	50.0%	95.0%	60.0%	72.0%	55.0%
Asset Renewal Funding Ratio (ideally between 95% and 100%)	100.0%	100.0%	100.0%	100.0%	99.0%
Financial Health Indicator	80	69	86	80	84
(ideally 70 or above out of 100)					

Funding Sources

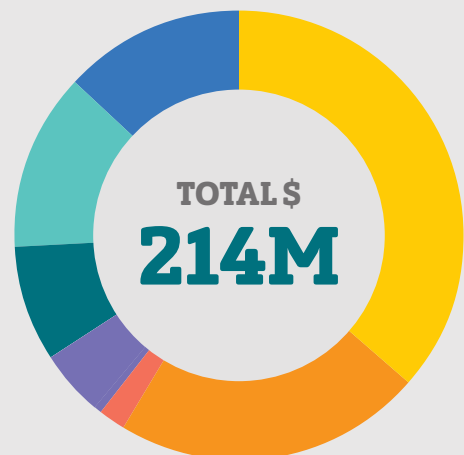
● Rates Revenue	92,515,866	40%
● Parking Revenue	75,606,718	32%
● Fees & Charges	27,431,916	12%
● Grants – Operational	3,411,494	1%
● Interest Revenue	6,016,681	3%
○ Profit on Sale of Assets	418,352	0%
● Grants – Asset Acquisition	1,572,765	1%
● Other Revenue	1,678,597	1%
○ Borrowings	0	0%
● Cash Reserves Used	23,878,507	10%
○ Asset Valuation Changes	915,620	0%



Cash Expenditure

● Employee Costs	78,297,805	37%
● Material & Contracts	47,542,031	22%
● Utilities & Insurances	4,047,418	2%
○ Interest Expense	989,869	0%
● Other Expenses	10,698,513	5%
● Parking Levy	17,646,671	8%
● Assets Created	27,110,412	13%
● Cash Reserves Created	27,798,884	13%
● Depreciation & Amortisation	35,181,475*	

* depreciation expense (non-cash)



Capital Program

The City's capital expenditure program reflects the creation of new assets, as well as renewal of existing ones. The 2018/19 financial year was a challenging year for the City with a particularly ambitious capital program being impacted by limited availability of sufficiently skilled procurement and project management resources, as well as other operational issues that emerged during the year.

From the proposed capital works program, some \$27.39m worth of projects were completed. Capital projects completed represented only 48.7 per cent of budget expectations at 30 June.

At year end, there were some in-progress but incomplete capital works that are being carried forward into the 2019/20 financial year. These projects totaled around \$12.08m in value.

Currently, \$49.04m is recorded as Capital Work in Progress (from previous years and 2018/19) and will subsequently be capitalised upon commissioning of the new asset.

Financial Performance 2018/19

Annual revenue for the year reached \$208.55m against a budget of \$203.47m. The overall favourable variance of 2.5 per cent was largely due to slightly better than expected performance in most operational revenue areas, plus the receipt of additional unbudgeted capital grants and contributions.

Operating grants and contribution revenues were disclosed as being 62 per cent ahead of budget, but this was largely due to the receipt of an advance payment of 2019/20 WA Local Government Grant Commission funding and unbudgeted event contributions of \$0.5m.

Rates revenue was 2.5 per cent above budget expectations due to a strong performance on interim rates levied after the initial rates strike.

Investment revenues were 26 per cent over budget as a consequence of the superior performance of an investment that is marked to the performance of the Australian share market.

Revenues from fees and charges were close to budget overall in most areas, with only a few small offsetting variances other than parking revenue which was around 1.5 per cent higher than the adopted budget target.

Capital revenue of \$1.57m was 7 per cent ahead of budget expectations for the year after the receipt of an unbudgeted river wall funding contribution.

Operating expenditure was \$194.40m against a budget target of \$198.23m, with most operational areas other than materials and contracts, insurances and other expenses being close to budget. Salaries and associated costs were within 0.1 per cent of budget expectations at year end.

Materials and contracts expenditure was 8 per cent under budget expectations due to underspending or delays in some consultancy initiatives, removal of the need to pay for hosting services for parking management systems and a \$1.6m provision relating to the City of Perth Local Government Inquiry not being required in the 2018/19 financial year. A prudent funding allocation towards this item was included separately in the 2019/20 annual budget.

Utilities expenses were close to budget, while insurance costs were significantly higher than budgeted due to the impact of past claims history and closing out of previous claims. Other expenses were 6.2 per cent over budget, but it should be noted that all major budgeted cost components within this category (including the \$17.6m state government parking levy) were on or close to budget. The unfavourable variance arose from a change in accounting treatment to expense \$1.99m of costs that were incorrectly capitalised in previous years.

4. Capital Program

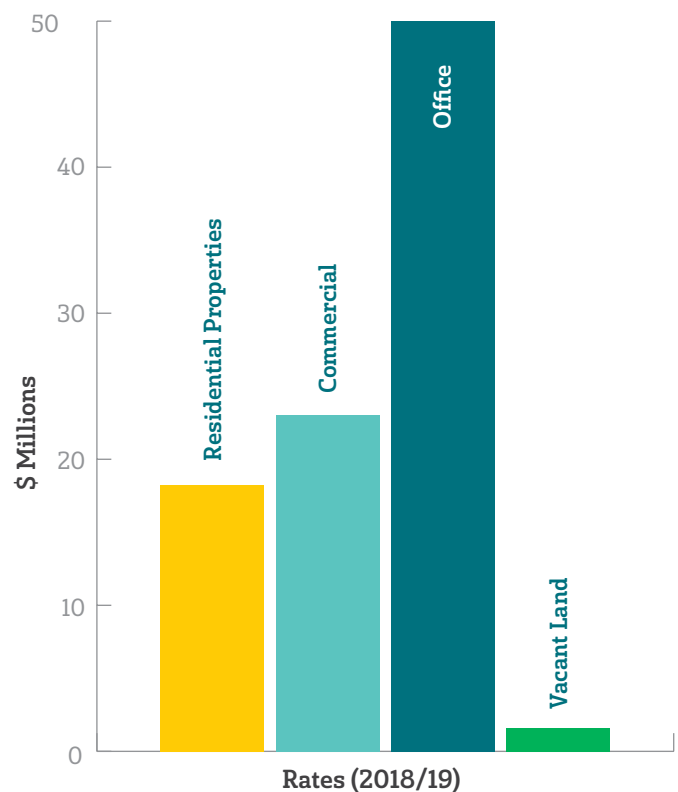
	2014/15	2015/16	2016/17	2017/18	2018/19
Assets Acquired/Created	50.77	41.74	27.05	42.02	30.02
Increase/(Decrease) in Work in Progress	0.00	0.00	(1.67)	(1.68)	(2.83)
Contributed Assets	-	-	1.63	6.89	0.18
Assets – Initial Recognition	0.00	0.00	0.00	2.57	0.02
Total	50.77	41.74	27.01	49.80	27.39
Budget	72.12	59.61	62.73	60.37	56.29
% of Capital Budget Delivered	70.4%	70.0%	43.1%	82.5%	48.7%

Rates

The data shown in Table Five (below) provides a concise summary of the City's 2018/19 differential rating model. It shows the respective revenue contributions from each rating property class and then, by contrasting the revenue generated from each property class with the available gross rental values (GRV) from each property class; it derives a relative rating effort (RRE) co-efficient for each property class.

By contrasting the revenues generated from each property class in this way, you can derive a comparative measure of how each property class is contributing relatively to the total rates revenue.

Analysis of the current status of this model when setting the 2019/20 budget indicated to Council that retail properties were making a proportionately larger contribution than office properties. In response, the 2019/20 annual budget incorporated a lesser rate increase for retail properties than for office properties – the first step in achieving a greater equity of contribution from the City's ratepayers.



5. Property Type	Number of Properties	GRV \$M	Rates \$M	Revenue Contribution	Relative Rating Effort*
Residential Properties	14,093	308.76	18.22	19.6%	5.90%
Commercial	2,541	412.76	23.02	24.8%	5.58%
Office	2,409	1,065.63	49.99	53.9%	4.69%
Vacant Land	85	24.96	1.58	1.7%	6.32%
	19,128	1,812.11	92.81	100.0%	
Adjust for Heritage Rate Concession			(0.28)		
Net Rates Revenue			92.52		

* Relative Rating Effort refers to a comparable indicator of the rates revenue return generated from the available Gross Rental Values of a particular property class.

Financial Ratios

The long term strength of the City's financial position is reflected in the financial ratios disclosed in the annual financial statements. The financial ratios show that the City meets or betters the preferred industry benchmarks for most measures in 2018/19. Overall, the headline financial ratios provide evidence of the City's solid statutory financial position - although it should be noted that these ratios do not reflect measures such as value for money or efficiency of operations.

The current ratio of 1.52 demonstrates the City's effective day to day management of its cash liquidity ensuring that it has the financial capacity to meet its financial obligations as and when they become due. This ratio shows a consistent short term liquidity ratio trend that exceeds industry benchmarks. The own source revenue ratio of 101.0 per cent reflects the City's continuing financial autonomy.

The City's borrowings program reflects a debt service ratio of 5.02 which meets the industry benchmark level of 5.00. There were no new borrowings in 2018/19.

The outstanding rates ratio of 1.0 per cent reflects an excellent collection result during 2018/19. Maintaining this ratio at such a consistently low level ensures that the City has reliable cash inflows to support its planned expenditure programs.

The operating surplus ratio (as disclosed) is within the industry benchmark parameters for 2018/19 at 5.00 per cent. It should, however, be acknowledged that deferral of some operational expenses as noted in the discussion above regarding materials and contracts has the effect of artificially inflating this ratio.

The general declining trend in this ratio over the last five years highlights the importance of the City taking a more strategic, long term financial planning perspective to improve this financial indicator in the medium term. Financial management approach structural changes proposed to be made over the next two to three years should have a continuing positive impact on this ratio moving forward.

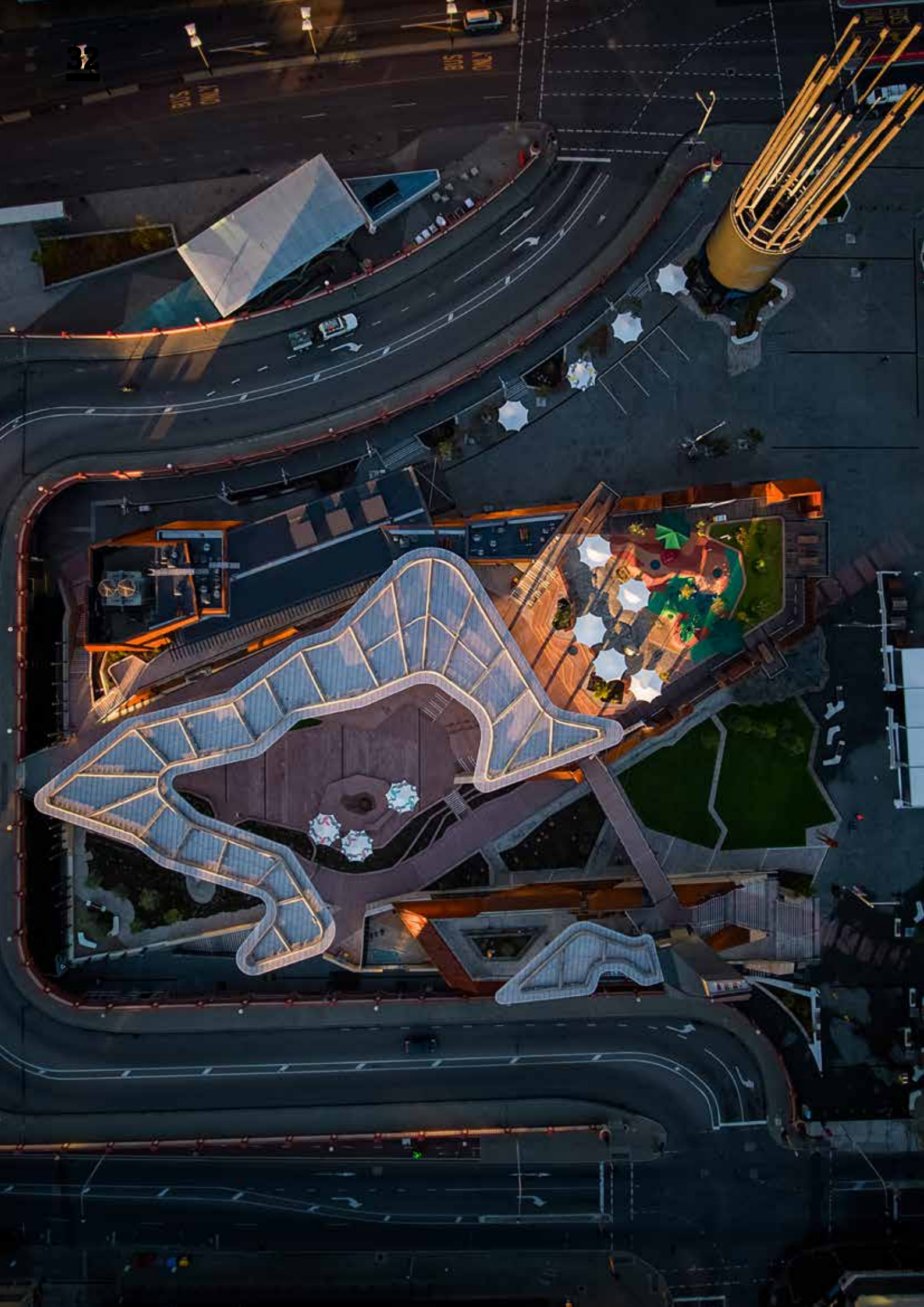
6. Key Financial Indicator 2018/19 Benchmark

Current Ratio	1.52	1.00
Rates Outstanding Ratio	1.0%	< 5%
Operating Surplus Ratio	5.0%	0% - 5.0%
Own Source Revenue Ratio	101.0%	> 40%
Debt Service Ratio	5.02	5.00
Asset Consumption Ratio	58.0%	50.0%
Asset Sustainability Ratio	55.0%	90.0%
Asset Renewal Funding Ratio	99.0%	95.0%

The asset consumption and asset renewal ratios are within the preferred industry ranges but the asset sustainability ratio is below the preferred industry benchmark. The ideal industry benchmark reflects a balanced combination of all of these three asset ratios.

This infers that the City is providing adequate funding to support the renewal of its infrastructure and property plant and equipment assets but it has faced challenges successfully delivering the proposed renewal activities. The City has recognised this and is in the process of implementing and resourcing new, more sophisticated approaches to improve its project management and project delivery outcomes in future years.

Successfully implementing these approaches should ensure that Council's stewardship of its community assets will result in appropriate and sustainable levels of funding being allocated to deliver on this important local government area of responsibility.



Financial Health Indicator (FHI)

The results from calculating each of the below ratios are then 'standardised' and used to calculate a Financial Health Indicator (FHI) score which is a composite assessment of a local government's financial health.

The FHI score is derived using a specialised model developed by the Western Australian Treasury that allows comparison of the financial health of all local governments.

A FHI score of at least 70 is required to demonstrate sound financial health for a local government. The City's FHI score as at 30 June 2019 is 84.

7. Ratios	Raw	Standardised
Current Ratio	1.52	10.00
Operating Surplus Ratio	0.06	7.86
Own Source Revenue Ratio	1.01	10.00
Debt Service Ratio	5.02	10.00
Asset Consumption Ratio	0.58	7.96
Asset Sustainability Ratio	0.55	0.00
Asset Renewal Funding Ratio	0.99	9.06

Cash Reserves

Cash backed reserves, which play an important role in ensuring the long term financial sustainability of local governments, are used to responsibly accumulate funds for projects in future years. Without these cash reserves, major community building projects and other important community infrastructure projects such as the Wellington Square Project, East End Revitalisation, Roe St Upgrade and conversion to two way traffic flows in Hay and Hill St would not be able to be delivered without significant impost on ratepayers.

At 30 June 2019, a total of \$104.34m was held in cash backed Reserves. Of this, \$60.96m is quarantined in reserves relating to parking management, waste management and specific facility reserves. The remaining \$43.38m represents prudently accumulated funds to support currently planned and future projects – and is to be specifically identified as contributing to the funding models for major capital projects in the City's Long Term Financial Plan.

Accountability for Use of Financial Resources

The audited financial statements shown on pages 45 to 110 of this annual report include disclosures that meet all statutory requirements and demonstrate the City's ongoing commitment to financial accountability to our community.

Looking Forward – A New Financial Philosophy

During the 2018/19 year, the City undertook a detailed analysis of all aspects of its financial management approach and historical financial performance - examining value for money, project delivery outcomes and financial trends. The objective of this critical assessment was to inform the development of an approach to re-position the finances of our capital city.

In the second half of the year, the City commenced planning for the transition to a more transparent, accountable and sustainable approach to managing its financial resources. This approach will include an integrated strategic financial planning model that ensures proposed services and capital projects delivered to the community are properly funded and appropriately resourced.

Key initiatives supporting the financial transformation will be the implementation of a new enterprise wide financial system, a service-based resource allocation model, new reporting models to support more informed decision making and customer-centric contemporary financial processes.

Expected outcomes from the financial transformation include targeting best value from the use of the City's financial resources, enhanced accountability for the use of those financial resources and rigorous forward financial planning activities that realistically align community aspiration with organisational capacity.

Together, these financial management initiatives should provide a structured framework for responsible, sustainable financial management that ensures effective stewardship of our financial and community assets into the future,

Disability Access and Inclusion Plan

The City of Perth's Disability Access and Inclusion Plan (DAIP) 2016-2020 was formally endorsed by Council on 9 August 2016.

Extensive consultation was undertaken with internal and external stakeholders. Their feedback, views and aspirations were incorporated and are reflected across seven outcome areas:

1. People with disability have the same opportunities as other people to access the services of the City of Perth and any events organised by the City of Perth.
2. People with disability have the same opportunities as other people to access the buildings and other facilities of the City of Perth.
3. People with disability receive information from the City of Perth in a format that enables them to access the information as readily as other people are able to access it.
4. People with disability receive the same level and quality of service from the staff of the City of Perth as other people receive.
5. People with disability have the same opportunities as other people to make complaints to the City of Perth.
6. People with disability have the same opportunities as other people to participate in any public consultation with the City of Perth.
7. People with disability have the same opportunities as other people to obtain and maintain employment with the City of Perth.

Since formal endorsement of the DAIP in 2016, the City of Perth has been working to improve access and inclusion by executing key actions as a part of the DAIP Implementation Plan.

Throughout 2018/19, the City continued to improve access, information and awareness of the needs of people with disability and their families. Some key successes include:

- Access audits conducted for Council House, Northbridge Piazza, Citiplace Childcare Centre, Town Hall and the Concert Hall carpark, as well as all adult change facilities and city parks including playground equipment, furniture, lighting, pathways and signage.
- Development of a Toilet Facilities Calculation Guideline to advise how many ambulant, unisex and accessible toilets a building should have based on its use.
- Launch of an online DAIP learning module in November 2018 for all City of Perth employees. The module assists staff to understand the importance of the DAIP and how this impacts their roles and responsibilities. It has been completed by 98 per cent of staff.
- Sponsorship agreements inclusive of DAIP considerations.
- Development of an internal accessible events checklist, as well as a checklist for external event and activity organisers within Perth city.
- Development of a new user-friendly Contractor Progress Reporting system, which enables contractors and agents contracted by the City to report on their DAIP Implementation Plan as required under the *Disability Services Act 1993*.
- The accessible features of local businesses included on the Visit Perth website.
- A review of the City of Perth's design and construction notes to ensure compliance with the current AS / NZS and BCA regulations.



The implementation of the City of Perth's DAIP is monitored through an internal DAIP Working Group made up of representatives from all business units. The group meets bi-monthly and reports back on any actions being undertaken in their area to ensure the City of Perth keeps access and inclusion at the forefront of its decision-making processes.

The City also has support of the actions within the DAIP Implementation plan through the City of Perth's Access and Inclusion Advisory Group (AIAG).

The AIAG consists of residents and regular visitors to Perth city who are passionate about universal access. The group acts as an advisory group on universal access initiatives, as well as issues affecting access and inclusion. Participation in the AIAG is voluntary and the group met six times during 2018/19 to provide feedback on actions within the DAIP Implementation Plan.

“Throughout 2018/19, the City continued to improve access, information and awareness of the needs of people with disability and their families.”

Reconciliation Action Plan

A Reconciliation Action Plan (RAP) is a framework that uses a holistic approach to create meaningful relationships, enhanced respect and promote sustainable opportunities with Aboriginal and Torres Strait Islander communities. The RAP program includes a series of frameworks, each offering a different level of engagement and support. These levels are: Reflect, Innovate, Stretch and Elevate.

As part of its commitment to leveraging strong relationships with Aboriginal and Torres Strait Islander communities, the City of Perth spent 18 months developing a Reflect RAP that included 93 actions to build cultural relationships.

Since endorsement of the RAP in April 2018, the City has embraced its responsibility to deliver these actions and take genuine steps towards reconciliation.

As it was quite ambitious, the City of Perth requested an extension from April 2019 to August 2019. Of the 93 actions, 54 actions have been completed, 32 actions have progressed (of which 23 will be transferred over to the Innovate RAP) and seven actions have not yet commenced.

Examples of initiatives implemented as part of the Reflect RAP include:

- Implementation of Nyoongar language on Wayfinding signs.
- Development of a Stolen Generation Acknowledgment Procurement Plan.
- Meaningful and respectful relationships developed through the City of Perth Aboriginal Elders Advisory Group. This group has provided advice and endorsement for key actions.
- In February 2019, emerging Aboriginal musicians were programmed at strategic locations en-route to Kings Park for Perth Festival's Boorna Waanginy.
- In April 2019, a major exhibition TIDES: Swan River Stories was displayed at Council House and developed under the National Trust's Australian Heritage Festival.
- In April 2019, the West Australian Indigenous Tourism Operators Council was once again supported by the City of Perth through a \$30,000 Key Sector Development sponsorship.
- In May 2019, an internal Close the Gap Day morning tea was held where \$550 was raised and an internal National Reconciliation Event was held in the Perth Town Hall.

Where possible, each of these actions, events and initiatives were promoted heavily, sometimes to a national audience. Some actions are waiting to be progressed and will be communicated when the time comes, such as the Stolen Generation Acknowledgment.



Commissioner Attendance

Meeting	Member	Ordinary Meetings Held	Ordinary Meetings Attended	Special Meetings Held	Special Meetings Attended
Council Meetings	Chair Cm Eric Lumsden	12	7	5	5
	Cm Andrew Hammond	12	12	5	5
	Cm Gaye McMath	12	11	5	4
Agenda Briefing Session	Chair Cm Eric Lumsden	11	6	N/A	N/A
	Cm Andrew Hammond	11	9	N/A	N/A
	Cm Gaye McMath	11	10	N/A	N/A
Audit and Risk Committee	Maurich, Robert (PM)	4	4	1	1
	Chair Cm Eric Lumsden	4	2	1	1
	Cm Andrew Hammond	4	4	1	1
	Cm Gaye McMath	4	4	1	1
CEO Performance Review	Chair Cm Eric Lumsden	N/A	N/A	N/A	N/A
	Cm Andrew Hammond	N/A	N/A	N/A	N/A
	Cm Gaye McMath	N/A	N/A	N/A	N/A

Meeting	Member	Ordinary Meetings Held	Ordinary Meetings Attended	Special Meetings Held	Special Meetings Attended
Design Advisory Committee	Mr Karotkin	12	9	1	1
	Mr Ciemitis	12	5	1	0
	Mr Mackay	12	6	1	0
	Mr Kerr	12	4	1	0
	Mr Brookfield	12	6	1	1
	State Govt Architect/Nominee	12	10	1	1
	Director Planning and Development	12	7	1	0
	Mr Pullyblank	12	2	1	0
	Mr Smith	12	6	1	1
	Mr Hobbs	12	9	1	1
	Ms Crook	12	5	1	1

Recordkeeping Statement

The City of Perth is committed to the reliable and systematic management of government records, in accordance with legislative requirements and best practice standards.

Information and records management environment

During the 2018/19 financial year, the City of Perth's records team realigned and consolidated services to raise the level of records and information management at the City of Perth.

In March 2019, an Information Governance Framework, policy and supporting roadmap were approved by the City's executive leadership team. Together with a digital workplace program, these documents will place the City of Perth in a strong position to deliver on its vision for modern information management practices.

Recordkeeping Plan

In March 2018, the City's reviewed Recordkeeping Plan was approved for a five-year period by the State Records Commission.

Recordkeeping systems

In line with modern recordkeeping principles of in place and passive recordkeeping, a systems checklist was developed to assess business systems that are currently used or being acquired by the City of Perth. As part of this, SharePoint is being strengthened in its recordkeeping capability with the intention of the platform being used as a records and document management system in 2019/20.

Training and awareness-raising

All new staff to the City of Perth are required to complete Recordkeeping Awareness Training using the City's online learning platform. New training videos on system training were launched in November 2018, enabling self-paced learning.

This report has been published in accordance with the requirements of the State Records Act 2000.



Risk Management

Risk management is an integral part of good management practice and an essential element of sound corporate governance. Identifying and managing risk enables a more robust basis for effective decision-making and facilitates continuous improvement in performance.

The City's Risk Management Framework sets out the key principles that guide how risk management is embedded at all levels; among them, customer service, development approvals, events, government

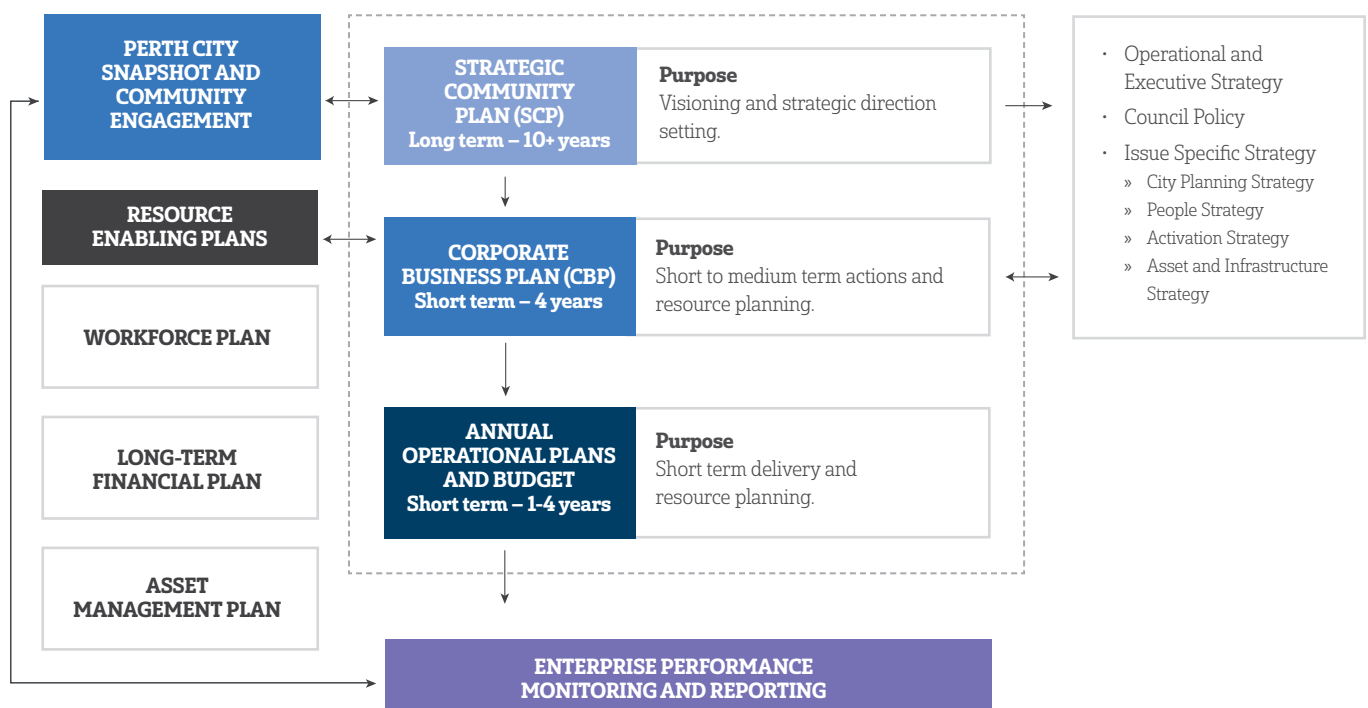
and commercial partnerships, and services to our ratepayers and visitors to Perth city.

The framework outlines how the City will ensure that risk is managed effectively and appropriately. Effective risk management allows the City to:

- Have increased confidence in achieving its priorities and business objectives.
- Constrain threats to acceptable levels.
- Make informed decisions about maximising opportunities.
- Ensure the right balance between rewards and risks in decision-making.
- Improve partnership and working arrangements.
- Maintain a robust corporate governance structure.

Effective risk management enables the City of Perth to minimise the impact of risk, thereby supporting the City's ability to deliver on its Strategic Community Plan. The City of Perth's integration of risk management into the Integrated Planning Model is shown below.

City of Perth Integrated Planning and Reporting Framework



Sponsorships

Arts Grants and Sponsorship

As We Are Art Awards and Exhibition	\$8,500
Ausdance WA	\$25,000
AWESOME Arts	\$90,000
Black Swan Prize for Portraiture	\$60,000
Black Swan State Theatre Company	\$45,000
Bohemian Ceramics	\$3,000
Badlands Bar (<i>City Limits 2019</i>)	\$10,000
Co3 Australia	\$40,000
Confluence: Festival of India in Australia	\$10,000
Hunted Interactive	\$6,000
Fremantle Chamber Orchestra	\$5,000
Giovanni Consort	\$5,500
International Arts Space	\$8,000
Mei Swan Lim	\$8,000
Paper Mountain	\$15,000
Periscope Pictures	\$31,000
WA Poets	\$3,500
Perth Symphony Orcestra	\$5,000
Peter Le Tran	\$4,200
PICA	\$49,000
Propel Youth Arts WA	\$8,500
Rachel Ogle	\$5,000
RTRFM 92.1 (<i>In the Pines 2019</i>)	\$5,000
St Georges Cathedral Foundation for the Arts	\$3,000
The Australian Short Story Festival	\$5,000
The Blue Room Theatre	\$58,000
The Red Room Company	\$8,000
Turner Galleries	\$12,715
Virtual Guest	\$45,000
WA Music Industry Association	\$40,000
West Australian Opera	\$120,000
West Australian Ballet Company	\$20,000
West Australian Symphony Orchestra	\$150,000
West Australian Youth Jazz Orchestra	\$30,000
Western Australian Youth Theatre Company	\$14,900
	\$956,815

Community Enhancement Grant

Auspire - Australia Day Council of WA	\$5,000
Bluebird Mental Health	\$8,000
Law Society of Western Australia	\$4,802
Perth Inner City Youth Services	\$10,000
The Royal Lifesaving Society WA	\$5,000
	\$32,802

Events Grants and Sponsorship

Activate Perth Inc. and the East Perth Community Safety Group	\$5,000
Buddha's Birthday and Multicultural Festival	\$25,000
Chevron City to Surf for Activ	\$18,000
Festival of Sail	\$35,000
Good Food Month and Night Noodle Market	\$80,000
HBV Run for a Reason	\$36,500
Lifeline WA International Young Butchers' Picnic	\$10,000
Targa West	\$70,000
Museum of Freedom and Tolerance WA	\$3,150
NAIDOC Week Opening Ceremony	\$15,000
Navratri: The Dance Festival	\$5,000
Open House Perth	\$50,000
Perth Chinese New Year Fair	\$65,000
Perth International Boat Show	\$5,000
Perth International Jazz Festival	\$25,000
Perth Japan Festival Matsuri	\$15,000
Perth Mother's Day Classic	\$5,000
Perth Upmarket	\$5,000
PrideFest	\$55,000
Seven West Media Christmas Pageant	\$120,000
Ride2Work Day Breakfast	\$5,000
Rowing WA	\$11,000
Swan Festival of Lights	\$20,000
Tee-ball Association of WA	\$5,000
Variety WA	\$60,000
West Australian Marathon Club	\$5,000
West Coast Fever (<i>plus \$10,000 in kind</i>)	\$140,000
Winter Lights at Brookfield Place	\$25,000
Youth Week Kickstart Festival 2019	\$10,000
	\$928,650

Business Improvement Grants

The Court Hotel	\$10,000
Salvation Coffee Perth	\$12,500
Goody Two's	\$20,000
Frisk Small Bar	\$10,000
LESSONS	\$5,000
Lot 20	\$10,000
Nevermind Smallclub	\$15,000
116 Murray Street (<i>Building Systems Upgrade</i>)	\$20,000
116 Murray Street (<i>Upper Floor Activation</i>)	\$20,000
Badlands Bar	\$15,000
	\$137,500

Major Events and Festivals

Hopman Cup	\$130,000
Fashion Council WA (Perth Fashion Festival, plus \$30,000 in kind)	\$200,000
Fringe World Festival	\$300,000
Perth Festival	\$300,000
	\$930,000

Key Sector Development

Australian Tourism Export Council (ATEC)	\$5,000
Chamber Arts and Culture WA	\$20,000
Destination Perth	\$25,000
Forum Advocating Cultural and Eco Tourism	\$9,000
Foundation for the WA Museum (FameLab Australia)	\$15,000
Healthcare Immersive Technologies Symposium	\$5,000
Innovate Australia	\$10,000
Perth Angels	\$25,000
Perth Convention Bureau	\$293,406
Perth Games Festival Showcase	\$5,000
Perth Young Professionals	\$2,000
Revelation Perth International Film Festival (Revelation Interactive)	\$35,000
Science on the Swan 2019	\$12,500
Spacecubed (Startup Weekend Perth)	\$10,000
StartupWA	\$15,000
Studio Startup – Innovation Cluster	\$25,000
TEDxPerth (plus \$5,000 in kind)	\$15,000
Unearthed Solutions	\$15,000
West Tech Fest	\$50,000
Western Australian Indigenous Tourism Operators Council (WAITOC)	\$30,000
	\$621,906

Small Business Grants

Bivouac	\$5,000
Chachi Store	\$3,000
Donnie Taco	\$5,000
Eat Drink Raw	\$3,750
Juice Station	\$2,000
Mama Tran	\$5,000
My Place Bar and Restaurant	\$5,000
Smooth Operator Coffee	\$5,000
Street Eats	\$1,900
Tenth State	\$5,000
The Hummus Club	\$5,000
	\$45,650

Precinct Development

Activate Perth	\$100,000
Historic Heart	\$300,000
	\$400,000

Business Event Sponsorship

Accelerating Australia (Perth Biodesign Pitch Night)	\$5,000
AHA(WA) Hospitality Awards for Excellence	\$5,000
AusBiotech	\$2,500
Australasian Oil and Gas Exhibition and Conference	\$50,000
Business News 40under40 Awards	\$18,500
Council for International Students WA (Annual Winter Conference)	\$4,000
Western Australian Industry and Export Awards	\$7,500
Friends of Kastellorizo	\$5,000
Linear Clinical Research	\$5,000
National Aboriginal and Torres Strait Islander Corporation	\$2,500
National Ethnic and Multicultural Broadcasters Council	\$5,000
WA African Community Awards	\$5,000
Perth USAsia Centre (In The Zone)	\$20,000
Tourism Council WA (WA Tourism Awards)	\$10,000
Tourism Council WA (WA Tourism Conference)	\$5,000
University of Western Australia (WA Bio-innovation Symposium)	\$5,000
WA State Heritage and History Conference	\$5,000
	\$160,000

Venue Support Grant (In-kind)

Alcoholics Anonymous	\$1,152
Mission Australia (Christmas Lunch in the Park)	\$4,804
Conservation Council of Western Australia	\$1,455
Flourish Yoga Festival	\$2,000
Joondalup Entertainers Theatre School	\$810
Live Life Get Active	\$196
Live Lighter Basant Festival	\$1,950
Parkrun Inc	\$1,132
Perth Firefighters	\$2,331
Philippine Independence Day Fiesta	\$2,948
The Esther Foundation	\$1,800
The Rhodesian Services Association of WA	\$259
The Shakespeare Club of Western Australia	\$576
	\$21,413

TOTAL **\$4,234,736**



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CITY OF PERTH
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

LOCAL GOVERNMENT ACT 1995
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the City of Perth for the financial year ended 30 June 2019 is based on proper accounts and records to present fairly the financial position of the City of Perth at 30th June 2019 and the result of the operations for the financial year then ended in accordance with the Local Government Act 1995 and to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the

25th

day of

November

2019



Murray Jorgensen
Chief Executive Officer

CITY OF PERTH
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE
FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	2019 Actual	2019 Budget	2018 Actual
		\$	\$	\$
Revenue				
Rates	22(a)	92,515,866	90,190,099	89,478,475
Operating grants, subsidies and contributions	2(a)	3,411,494	2,104,830	2,506,221
Fees and charges	2(a)	103,038,634	102,135,208	102,743,275
Interest earnings	2(a)	6,016,681	4,767,575	5,384,627
Other revenue		1,678,597	1,819,928	1,881,018
Total Revenue		206,661,272	201,017,640	201,993,616
Expenses				
Employee costs		(78,297,805)	(78,297,999)	(74,720,247)
Materials and contracts		(47,542,031)	(52,144,397)	(49,404,616)
Utility charges		(3,056,549)	(3,242,445)	(3,170,522)
Depreciation on non-current assets	9(f)	(35,181,475)	(36,371,570)	(34,706,879)
Interest expenses	2(b)	(989,869)	(961,020)	(1,390,400)
Insurance expenses		(990,869)	(861,507)	(839,483)
Provision for expected credit losses		(1,332,378)	(915,726)	(1,007,646)
Other expenditure	2(b)	(27,012,806)	(25,430,615)	(26,332,416)
Total Expenses		(194,403,782)	(198,225,279)	(191,572,209)
Operating Result		12,257,490	2,792,361	10,421,407
Non-operating grants, subsidies and contributions	2(a)	1,572,765	1,469,412	3,142,991
Profit on asset disposals	9(e)	119,576	405,205	177,578
Loss on asset disposals	9(e)	(7,288,847)	(2,068,220)	(1,895,486)
Fair value adjustments to financial assets at fair value through profit and loss	8(b)	20,503	-	-
Share of profit or loss of associates accounted for using the equity method	20	178,878	-	-
Reversal of prior year loss on revaluation of plant and equipment	9(b)	543,113	-	-
Revaluation of Investment Land	9(b)	(371,500)	-	407,500
Revaluation of Investment Buildings	9(b)	190,510	-	239,850
Contributed Assets - City of Subiaco	31	-	-	68,713
Contributed Assets - other	31	182,606	-	6,819,210
Disposal of development land at Tamala Park	19	298,776	580,000	567,832
Fair value adjustments to financial assets at amortised cost		9,206	-	5,004
Initial recognition of assets	9(b)	17,815	-	2,568,634
Write off agricultural assets	31	-	-	(795,271)
Write off air rights	31	-	-	(2,049,920)
Extinguishment of PCEC Car Park Provision	31	-	-	4,649,307
Net result for the period		7,730,891	3,178,758	24,327,349
Other comprehensive income / (loss)				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on Revaluation of Non Current Assets (net)	9(b)	-	-	(136,588,243)
Share of comprehensive income of associates accounted for using the equity method.	20	144,489	-	-
Total other comprehensive income / (loss) for the period		144,489	-	(136,588,243)
Total comprehensive income / (loss) for the period		7,875,380	3,178,758	(112,260,894)

This statement is to be read in conjunction with the accompanying notes.

CITY OF PERTH
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
General purpose funding		100,179,107	95,969,132	96,322,044
Law, order, public safety		91,825	97,871	138,509
Health		1,132,090	886,434	1,010,169
Education and welfare		1,875,126	1,987,870	1,885,275
Housing		1,047,838	1,086,624	934,651
Community amenities		11,628,784	12,820,109	11,397,533
Recreation and culture		2,700,982	1,736,788	1,595,916
Transport		86,056,797	84,690,064	85,858,214
Economic services		1,329,821	1,067,654	1,916,756
Other property and services		618,902	675,094	934,549
Total Revenue		206,661,272	201,017,640	201,993,616
Expenses				
Governance		(8,485,119)	(8,388,979)	(10,551,240)
General purpose funding		(1,599,244)	(2,177,904)	(2,232,050)
Law, order, public safety		(6,469,675)	(5,857,753)	(6,136,289)
Health		(1,676,325)	(1,800,788)	(1,498,872)
Education and welfare		(4,419,195)	(3,859,097)	(3,970,996)
Housing		(686,753)	(656,634)	(689,459)
Community amenities		(25,463,604)	(31,520,532)	(26,729,503)
Recreation and culture		(37,903,579)	(32,865,760)	(31,464,583)
Transport		(79,953,296)	(84,244,158)	(80,789,504)
Economic services		(17,776,394)	(16,965,145)	(18,806,651)
Other property and services		(9,970,598)	(9,888,529)	(8,703,062)
Total Expenses		(194,403,782)	(198,225,279)	(191,572,209)
Operating Result		12,257,490	2,792,361	10,421,407
Non-operating grants, subsidies and contributions	2(a)	1,572,765	1,469,412	3,142,991
Profit on disposal of assets	9(e)	119,576	405,205	177,578
Loss on disposal of assets	9(e)	(7,288,847)	(2,068,220)	(1,895,486)
Fair value adjustments to financial assets at fair value through profit and loss	8(b)	20,503	-	-
Share of profit or loss of associates and joint ventures accounted for using the equity method	20	178,878	-	-
Reversal of prior year loss on revaluation of plant and equipment	9(b)	543,113	-	-
Revaluation of Investment Land	9(b)	(371,500)	-	407,500
Revaluation of Investment Buildings	9(b)	190,510	-	239,850
Contributed Assets - City of Subiaco	31	-	-	68,713
Contributed Assets - other	31	182,606	-	6,819,210
Disposal of development land at Tamala Park	19	298,776	580,000	567,832
Fair value adjustments to financial assets at amortised cost		9,206	-	5,004
Initial recognition of assets	9(b)	17,815	-	2,568,634
Write off agricultural assets	31	-	-	(795,271)
Write off air rights	31	-	-	(2,049,920)
Extinguishment of PCEC Car Park Provision	31	-	-	4,649,307
Net result for the period		7,730,891	3,178,758	24,327,349
Other comprehensive income / (loss)				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on Revaluation of Non Current Assets (net)	9(b)	-	-	(136,588,243)
Share of comprehensive income of associates accounted for using the equity method.	20	144,489	-	-
Total other comprehensive income / (loss) for the period		144,489	-	(136,588,243)
Total comprehensive income / (loss)		7,875,380	3,178,758	(112,260,894)

This statement is to be read in conjunction with the accompanying notes.

CITY OF PERTH
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	NOTE	2019	2018 Actuals restated Note 33	As at 1 July 2017 restated Note 33
		\$	\$	\$
CURRENT ASSETS				
Cash and cash equivalents	3	46,473,723	40,227,407	22,363,561
Trade and other receivables	5	9,230,787	10,725,594	10,599,961
Other financial assets	8	108,181,271	93,323,583	106,217,138
Inventories	6	829,609	1,072,442	918,639
Other current assets	7	1,384,093	1,737,175	1,835,306
TOTAL CURRENT ASSETS		166,099,483	147,086,201	141,934,605
NON-CURRENT ASSETS				
Other financial assets at amortised cost	8	2,448,395	2,481,031	2,589,685
Financial assets at fair value through profit and loss	8	175,171	154,668	10,000
Other receivables	5	59,293	62,649	46,356
Investments accounted for using the equity method	20	9,900,521	9,579,478	9,010,274
Property, plant and equipment	9	750,154,099	758,434,806	746,829,005
Infrastructure	9	371,427,927	377,221,243	517,437,142
Investment property	9	18,730,999	20,819,649	20,172,299
TOTAL NON-CURRENT ASSETS		1,152,896,405	1,168,753,524	1,296,094,761
TOTAL ASSETS	15	1,318,995,888	1,315,839,725	1,438,029,366
CURRENT LIABILITIES				
Trade and other payables	11	23,723,424	20,967,463	20,773,182
Current portion of long term borrowings	12(a)	7,056,874	7,680,475	6,579,634
Employee related provisions	13	10,932,002	11,117,651	10,451,587
TOTAL CURRENT LIABILITIES		41,712,300	39,765,589	37,804,403
NON-CURRENT LIABILITIES				
Long term borrowings	12(a)	8,778,971	15,683,134	23,131,742
Employee related provisions	13	1,719,113	1,480,878	6,265,558
TOTAL NON-CURRENT LIABILITIES		10,498,084	17,164,012	29,397,300
TOTAL LIABILITIES		52,210,384	56,929,601	67,201,703
NET ASSETS		1,266,785,504	1,258,910,124	1,370,827,663
EQUITY				
Accumulated Surplus		692,525,125	681,287,295	664,755,768
Reserves - cash backed	4	104,338,816	100,418,439	93,205,998
Revaluation Surplus	10	469,921,563	477,204,390	612,865,897
TOTAL EQUITY		1,266,785,504	1,258,910,124	1,370,827,663

This statement is to be read in conjunction with the accompanying notes.

**CITY OF PERTH
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

	NOTE	ACCUMULATED SURPLUS	ASSET REVALUATION RESERVE	RESERVES CASH/INVESTMENT BACKED	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2017		659,485,259	612,865,897	93,205,998	1,365,557,154
Restatement of investments accounted for using the equity method	33	5,270,509	-	-	5,270,509
Balance at 1 July 2017 (Restated)		664,755,768	612,865,897	93,205,998	1,370,827,663
Other Comprehensive income		-	(136,588,243)	-	(136,588,243)
Net result		24,327,349	-	-	24,327,349
Asset Revaluation Reserve Transfers		(926,736)	926,736	-	-
Reserve Transfers	4	(7,212,441)	-	7,212,441	-
Restatement of investments accounted for using the equity method	33	198,687	-	-	198,687
Restatement of financial asset at fair value through profit and loss	33	144,668	-	-	144,668
Balance at 30 June 2018 (Restated)		681,287,295	477,204,390	100,418,439	1,258,910,124
Balance as at 1 July 2018		681,287,295	477,204,390	100,418,439	1,258,910,124
Other Comprehensive income		144,489	-	-	144,489
Net result		7,730,891	-	-	7,730,891
Asset Revaluation Reserve Transfers		7,282,827	(7,282,827)	-	-
Reserve Transfers	4	(3,920,377)	-	3,920,377	-
Balance as at 30 June 2019		692,525,125	469,921,563	104,338,816	1,266,785,504

This statement is to be read in conjunction with the accompanying notes.

**CITY OF PERTH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

	NOTE	2019 Actual	2019 Budget	2018 Actuals restated Note 33
		\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		92,524,562	89,209,455	89,193,076
Operating grants, subsidies and contributions		2,533,807	3,262,399	2,506,221
Fees and charges		104,045,826	102,068,853	101,555,282
Interest earnings		6,240,051	4,767,575	4,997,942
Other revenue		2,556,284	1,819,928	3,286,506
		207,900,530	201,128,210	201,539,027
Payments				
Employee costs		(77,223,174)	(78,378,106)	(74,967,192)
Materials and contracts		(44,695,864)	(56,252,703)	(45,923,920)
Utility charges		(3,056,549)	(3,242,445)	(3,170,522)
Interest expenses		(1,069,025)	(961,020)	(1,314,980)
Insurance expenses		(990,869)	(861,507)	(839,483)
Other expenditure		(28,236,172)	(25,862,373)	(27,338,377)
		(155,271,653)	(165,558,154)	(153,554,474)
Net cash provided by operating activities	14	52,628,877	35,570,056	47,984,553
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(25,466,524)	(36,023,306)	(38,956,127)
Payments for construction of infrastructure		(1,643,888)	(20,265,755)	(2,519,198)
Payments for financial assets at amortised cost		(304,371,683)	-	(299,607,663)
Non-operating grants, subsidies and contributions		1,572,765	1,469,412	3,142,991
Proceeds from sale of fixed assets		1,032,639	1,516,025	1,274,283
Proceeds on disposal of financial assets at amortised cost		289,942,738	-	312,968,194
Net cash used in investing activities		(38,933,953)	(53,303,624)	(23,697,520)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term borrowings		(7,448,608)	(7,448,608)	(6,423,187)
Net cash used in financing activities		(7,448,608)	(7,448,608)	(6,423,187)
Net increase (decrease) in cash and cash equivalents		6,246,316	(25,182,176)	17,863,846
Cash and cash equivalents at beginning of year		40,227,407	151,411,889	22,363,561
Cash and cash equivalents at the end of the year	14	46,473,723	126,229,713	40,227,407

This statement is to be read in conjunction with the accompanying notes.

**CITY OF PERTH
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019**

	NOTE	2019 Actual	2019 Budget	2018 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)		28,442,491	30,455,893	35,585,692
		28,442,491	30,455,893	35,585,692
Revenue from operating activities (excluding rates)				
Governance		-	-	4,860
General purpose funding		7,663,241	5,779,033	6,850,950
Law, order, public safety		101,021	109,298	140,265
Health		1,137,109	905,126	1,014,024
Education and welfare		1,875,126	1,987,870	1,885,275
Housing		1,047,838	1,086,624	934,651
Community amenities		11,655,328	12,930,242	11,405,911
Recreation and culture		2,702,648	1,771,737	1,658,261
Transport		86,111,938	84,858,699	85,922,354
Economic services		1,339,312	1,084,455	1,925,495
Other property and services		631,421	719,661	958,054
		114,264,982	111,232,745	112,700,100
Expenditure from operating activities				
Governance		(8,485,119)	(8,388,979)	(10,552,648)
General purpose funding		(1,599,244)	(2,177,904)	(2,232,050)
Law, order, public safety		(6,514,991)	(5,857,753)	(6,238,619)
Health		(1,676,325)	(1,800,788)	(1,498,872)
Education and welfare		(4,419,195)	(3,859,097)	(3,970,996)
Housing		(686,753)	(656,634)	(689,459)
Community amenities		(25,493,693)	(31,571,032)	(26,735,928)
Recreation and culture		(38,097,056)	(32,865,760)	(31,555,896)
Transport		(80,636,635)	(86,261,878)	(81,386,818)
Economic services		(24,111,664)	(16,965,145)	(19,891,145)
Other property and services		(9,609,831)	(9,308,529)	(5,539,835)
		(201,330,506)	(199,713,499)	(190,292,266)
Non-cash amounts excluded from operating activities	23(a)	44,825,666	38,034,585	30,863,861
Amount attributable to operating activities		(13,797,367)	(19,990,276)	(11,142,613)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,572,765	1,469,412	3,142,991
Proceeds from disposal of fixed assets	9(e)	1,032,639	1,516,025	1,274,283
Proceeds from disposal of financial assets		4,955,489	-	473,127
Purchase of Investments(Non Current)		-	-	(6,152)
Purchase of property, plant and equipment		(25,466,524)	(36,023,306)	(38,956,127)
Purchase and construction of infrastructure	9(b)	(1,643,888)	(20,265,755)	(2,519,198)
Amount attributable to investing activities		(19,549,519)	(53,303,624)	(36,591,076)
FINANCING ACTIVITIES				
Repayment of long term borrowings	12(a)	(7,448,608)	(7,448,608)	(6,423,187)
Distribution from Tamala Park Regional Council	20	333,333	-	333,333
Transfers to reserves (restricted assets)	4	(27,798,884)	(40,649,178)	(33,413,115)
Transfers from reserves (restricted assets)	4	23,878,507	37,997,955	26,200,674
Amount attributable to financing activities		(11,035,652)	(10,099,831)	(13,302,295)
Surplus(deficiency) before general rates		(44,382,538)	(83,393,731)	(61,035,984)
Total amount raised from general rates	22	92,515,866	90,190,099	89,478,475
Net current assets at June 30 c/fwd - surplus/(deficit)	23	48,133,328	6,796,368	28,442,491

This statement is to be read in conjunction with the accompanying notes.

**CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board, and the Local Government Act 1995 and accompanying regulations.

The Local Government(Financial Management) Regulations 1996 take precedence over Australian Accounting Standards. Regulation 16 prohibits a local government from recognising as assets Crown land that is a public thoroughfare, such as land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or any other sporting or recreational facility of State or regional significance. Consequently, some assets, including land under roads acquired on after 1 July 2008, have not been recognised in this financial report. This is not in accordance with the requirements of AASB 1051 Land Under Roads paragraph 15 and AASB 116 Property, Plant and Equipment paragraph 7.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

The financial report provides comparative information in respect of the previous period. A reclassification of items in the financial report of the previous period has been made in accordance with the classification of items in the financial report of the current period.

CRITICAL ACCOUNTING ESTIMATES

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

THE LOCAL GOVERNMENT REPORTING ENTITY

All funds through which the City controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 26 to these financial statements.

Monies are held in trust in accordance with section 6.9.1(1) of the Local Government Act 1995 where those monies are (a) required by the Act or any other written law to be credited to a trust fund and (b) are held by a local government in trust.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

2. REVENUE AND EXPENSES

(a) Revenue

Fees and Charges

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
General purpose funding	441,191	435,000	432,711
Law, order, public safety	83,994	55,871	80,330
Health	1,129,292	879,834	996,382
Education and welfare	1,570,343	1,698,326	1,524,481
Housing	523,207	683,424	562,779
Community amenities	11,278,968	12,012,670	11,037,971
Recreation and culture	1,636,079	1,297,910	691,107
Transport	85,319,400	84,240,961	85,103,485
Economic services	646,646	740,480	1,605,433
Other property and services	409,514	90,732	708,596
	103,038,634	102,135,208	102,743,275

There were no changes during the year to the amount of the fees or charges detailed in the original budget.

SIGNIFICANT ACCOUNTING POLICIES

Modified penalties, fines and costs

Revenue is recognised when the City controls a right to receive consideration for the enforcement of legislation and Council local laws.

Rendering of Services

Where a contract has been completed, all related revenue is recognised when the City controls a right to be compensated for the services provided. Where a contract has not been completed revenue is recognised only to the extent of cost incurred. Contracts generally arise as a result of requests for work to be carried out at a property owner's expense or from compulsory works carried out by the City pursuant to legislation.

Dividends

Revenue is recognised when the City's right to receive payment is established, which is when the shareholders approve the dividend.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature.

Interest income

For all financial instruments measured at amortised cost, interest income is recognised using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

2. REVENUE AND EXPENSES (Continued)

Grant Revenue

Grants, subsidies and contributions are included as operating and non-operating revenues in the Statement of Comprehensive Income:

	2019	2018
	\$	\$
Operating grants, subsidies and contributions		
General purpose funding	1,107,036	911,946
Law, order, public safety	-	20,000
Health	-	7,461
Education and welfare	-	52,846
Housing	524,631	371,873
Community amenities	-	1,000
Recreation and culture	959,011	786,213
Transport	173,693	115,202
Economic services	555,526	157,054
Other property and services	91,597	82,626
	3,411,494	2,506,221
Non-operating grants, subsidies and contributions		
General purpose funding	103,298	58,705
Law, order, public safety	-	42,639
Recreation and culture	142,847	198,972
Transport	669,395	2,185,428
Economic services	657,225	657,247
	1,572,765	3,142,991
Total grants, subsidies and contributions	4,984,259	5,649,212

SIGNIFICANT ACCOUNTING POLICIES

Grants, Donations and Other Contributions

Grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over

Grants, Donations and Other Contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 19. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current period.

	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
Interest earnings			
- Reserve funds	2,568,883	2,022,480	2,516,791
- Other funds	2,832,090	2,200,595	2,348,724
Other interest revenue (refer note 22(c))	615,708	544,500	519,112
	6,016,681	4,767,575	5,384,627

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

	2019	2018
	\$	\$
Other expenses from Ordinary Activities		
Emergency services levy	565,204	536,692
Donations and sponsorships	4,770,974	4,213,094
Parking bays licence fees	17,646,670	17,649,933
Non capitalised work in progress	2,831,369	1,682,198
Other	1,198,589	2,250,499
	<u>27,012,806</u>	<u>26,332,416</u>
Auditors remuneration		
- Audit of the annual financial report		
Statutory audit	<u>105,000</u>	<u>90,000</u>
Interest expenses (finance costs)		
Long term borrowings (refer Note 12(a))	984,954	1,390,400
Interest on late payments	4,915	-
	<u>989,869</u>	<u>1,390,400</u>

SIGNIFICANT ACCOUNTING POLICIES

Borrowing costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset

Borrowing costs (Continued)

is substantially ready for its intended use or sale.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	2019	2018 restated
CASH AND CASH EQUIVALENTS AND			
3. FINANCIAL ASSETS AT AMORTISED			
COST		\$	\$
Cash and Cash Equivalents		46,473,723	40,227,407
Financial Assets at Amortised Cost	8	108,181,271	93,323,583
		<u>154,654,994</u>	<u>133,550,990</u>
Unrestricted		52,084,952	34,016,907
Restricted		<u>102,570,042</u>	<u>99,534,083</u>
		154,654,994	133,550,990
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Refuse Disposal and Treatment	4	3,814,076	3,758,150
Concert Hall - Refurbishment and Maintenance	4	6,694,102	5,502,176
Asset Enhancement	4	32,496,838	30,621,651
Street Furniture Replacement	4	136,725	358,479
Parking Levy	4	21,972,143	21,222,806
Art Acquisition	4	419,074	399,275
Heritage Incentive	4	697,406	608,930
Parking Facilities Development	4	23,318,097	23,919,143
Employee Entitlements	4	1,989,973	1,924,579
David Jones Bridge	4	392,103	341,960
Bonus Plot Ratio Contribution	4	675,473	655,679
PCEC Car Park Fixed Plant Replacement	4	5,177,940	5,007,286
Enterprise and Initiative	4	6,003,159	5,477,133
Public Art	4	551,708	621,192
Unspent grants/contributions	21	679,621	1,596,675
		<u>105,018,437</u>	<u>102,015,115</u>
Less: Reserves covered by the non current investment - mortgage backed securities (MBS)	8(b)	<u>(2,448,395)</u>	<u>(2,481,032)</u>
		102,570,042	99,534,083

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of

Cash and cash equivalents (Continued)

cash and which are subject to an insignificant risk of changes in value.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

4. RESERVES - CASH BACKED

	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Closing Balance	2019 Budget Opening Balance	2019 Budget Transfer to	2019 Budget Closing Balance	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Closing Balance
Refuse Disposal and Treatment	3,758,150	126,807	3,884,957	5,435,212	75,187	5,510,399	3,638,248	120,102	3,758,350
Concert Hall - Refurbishment and Maintenance	5,502,176	2,537,138	8,039,314	3,752,921	3,708,890	7,461,811	6,431,852	2,681,506	9,143,357
Asset Enhancement	30,621,651	4,715,007	35,336,658	31,282,463	7,326,720	38,609,183	32,496,838	5,413,228	38,110,116
Street Furniture Replacement	358,479	49,451	407,930	158,551	448,176	606,727	420,867	57,860	464,007
Parking Levy	21,222,806	18,576,673	39,799,479	21,149,432	19,183,712	40,933,144	21,972,144	21,086,575	62,019,719
Art Acquisition	399,276	71,265	470,541	410,843	68,231	479,074	399,511	71,935	471,446
Heritage Incentive	608,930	88,536	697,466	648,687	412,996	1,060,683	628,789	20,869	1,081,552
Parking Facilities Development	23,919,143	780,158	24,700,301	23,698,517	6,179,347	30,877,864	22,353,779	2,735,697	25,593,466
Employee Entitlements	1,924,579	65,582	1,990,161	1,769,402	150,000	1,919,402	1,823,030	101,651	2,020,683
David Jones Bridge	341,960	50,176	392,136	326,652	48,544	375,196	314,684	27,294	341,960
Bonus Plot Ratio Contribution	655,679	19,858	675,537	654,754	13,117	667,871	634,650	21,064	688,915
PCEC Car Park Fixed Plant Replacement	5,007,286	171,143	5,178,429	5,239,127	204,962	5,444,089	4,649,307	357,979	5,802,066
Enterprise and Initiative	5,477,133	526,593	6,003,726	5,833,859	2,616,877	8,450,736	4,974,072	503,351	8,954,153
Public Art	621,192	20,497	641,689	619,887	212,419	832,306	406,992	214,233	1,046,539
	100,418,439	27,798,884	128,217,323	100,951,307	40,649,178	141,600,485	93,205,998	33,413,115	175,013,603

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 to this financial report in accordance with council resolutions in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of Reserve	Anticipated date of use	Purpose of the reserve
Refuse Disposal and Treatment	3 Years	To allow for the development, construction and purchase of facilities and plant for the treatment, transportation and disposal of non-industrial refuse. It may also be utilised to assist with the phasing in of significant increases in standard rubbish service charges anticipated when recycling processes are extended.
Concert Hall - Refurbishment and Maintenance	ongoing	This reserve, originally set up in 1972, provides for the future maintenance of the Perth Concert Hall, and the replacement of its existing plant furniture and carpets. The reserve also accommodates provision for the design and construction of a new WASO facility should that eventuate.
Asset Enhancement	ongoing	This reserve was established in 1998 to fund future capital expenditure for the replacement and enhancement of City assets and smooth the impact of the capital costs in any one rating year. The purpose and title of this reserve was changed from 1 July 2003 to allow for the use of these reserve funds in future financial years for the enhancement, replacement, refurbishment and purchase of new assets or project works of the City. Additional to this purpose is that project works funded from this reserve may not necessarily belong to the City, but may be carried out for the ultimate benefit of the City.
Street Furniture Replacement	3 Years	This reserve was established in 1999 from proceeds received from the sale of a street furniture contract negotiated by the City with Adshel Funds held are designated to be used for the purchase and improvement of the City's street furniture, including water features. All but \$1 million of this reserve was consolidated into the Asset Enhancement Reserve during the year ended 30 June 2007. The remaining funds in this reserve will be utilised at the discretion of the City.
Parking Levy	ongoing	This reserve was established in 2013 to set aside funds to meet the State Government's parking levy liability.
Art Acquisition	ongoing	This reserve was established in 1999 to fund future additions to the art collection of the City. The reserve is funded from the proceeds of sale of artworks and the transfer of the unexpended annual allocation for art acquisitions.
Heritage Incentive	3 Years	This reserve was established in 2000 to fund heritage incentives to benefit properties on the City's heritage register.
Parking Facilities Development	10 Years	This reserve was established to enable parking facilities to be developed within the City, and parking equipment to be purchased.
Employee Entitlements	ongoing	This reserve was established in 2013 to fund the non-current portion of employee entitlements for long service leave. During 2015, the purpose of this reserve was changed to also include the non-current portion for annual leave entitlements. This reserve will vary from year to year but it is likely to increase over time.
David Jones Bridge	5-10 Years	This reserve was established in 2003 to fund major repairs, renovations or replacement of the pedestrian bridge over the Murray Street Mall between David Jones and Forrest Chase. The allocations to this reserve are the unexpended maintenance contribution from the owner of the David Jones site, at the end of each financial year.
Bonus Plot Ratio Contribution	5 Years	This reserve was established in 2005 to hold contributions in respect of Bonus Plot Ratio entitlements, pending expenditure on relevant streetscape improvements and/or public art.
PCEC Car Park Fixed Plant Replacement	5-10 Years	This reserve was established in 2013 to provide for the future replacement of existing fixed plant not owned by the City, but which the City consumes and is obliged to replace when required at the Perth Convention Exhibition Centre car park.
Enterprise and Initiative	5-10 Years	This reserve was established in 2014. The reserve is funded from distributions from the Tamala Park Regional Council in respect of land lots developed and sold and marketed as 'Catalina Estate', Clarkson. The purpose of the reserve is to fund strategic projects to introduce and improve efficiencies and effectiveness in the City.
Public Art	3 Years	The Public Art Reserve was established in 2016 to provide sufficient financial capacity to deliver new commissions of enduring public art identified in the City's draft Public Art Strategy and any associated strategic plans developed for public art. The Reserve is funded through an annual capital budget allocation from the City. It is also proposed that the City adopts a percent for art schemes, as proposed in the draft Public Art Strategy. This source of funding is intended to augment or eventually replace the annual allocation to the Reserve. Monetary donations, gifts or bequests given to the City for public art may also be added to the reserve.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

5. TRADE AND OTHER RECEIVABLES

Current

	2019 \$	2018 \$
Rates outstanding	914,187	721,402
Sundry debtors	2,280,076	2,216,562
GST receivable	642,097	1,024,489
Accrued Interest	1,761,737	2,859,965
Modified penalties, fines and costs	8,084,413	7,886,627
	<u>13,682,510</u>	<u>14,709,045</u>
Less : Allowance for expected credit losses	(4,451,723)	(3,983,451)
	<u>9,230,787</u>	<u>10,725,594</u>

Non-current

Rates outstanding - pensioners deferred	59,293	62,649
	<u>59,293</u>	<u>62,649</u>

The amounts shown relate to rates deferred by pensioners in accordance with the Rates and Charges (Rebates and Deferment Act) 1992.

Please refer to Note 22(c) for details of the payment terms and interest charged on Rates outstanding.

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

For aging of trade receivables and expected default rates, please refer to note 24(b).

Movement in the allowance for expected credit losses in trade and other receivables

Balance 1 July	3,983,451	3,670,786
Amounts written off (uncollectable)	(1,062,089)	(881,978)
Impairment loss	1,332,378	1,007,647
Amounts recovered	197,983	186,996
Balance 30 June	<u>4,451,723</u>	<u>3,983,451</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Provision for expected credit losses of trade receivables

The City uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of type of revenue and customer.

Provision for expected credit losses of trade receivables (continued)

The provision matrix is initially based on the City's historical observed default rates. The City will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast conditions and ECLs is a significant estimate.

The amount of ECLs is sensitive to changes in circumstances and of forecasts. The City's historical credit loss experience and forward-looking information may not be representative of customer's actual default in the future. The information about the ECLs on the City's trade receivables is disclosed in Note 24(c).

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

6. INVENTORIES

Current

Stores, Raw Materials, Fuel and Sundry Stock Items
 Parking Equipment, Spare Parts, Signs and Tickets
 Work in Progress - Recoverable Works

2019	2018
\$	\$
377,331	377,220
426,237	424,603
26,041	270,619
829,609	1,072,442

The following movements in inventories occurred during the year:

Carrying amount at 1 July

Inventories expensed during the year
 Write down of inventories to net realisable value
 Additions to inventory

1,072,442	918,639
(2,034,635)	(1,662,698)
(1,411)	(17,072)
1,793,213	1,833,573
829,609	1,072,442

Carrying amount at 30 June

During 2019, \$2,034,635 (2018: \$1,662,698) was recognised as an expense for inventories carried at net realisable value. This expense was recognised to Materials and Contracts in the Statement of Comprehensive Income.

SIGNIFICANT ACCOUNTING POLICIES

General

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for on a weighted average cost.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

7. OTHER ASSETS

Other current assets

Prepayments

2019	2018
\$	\$
1,384,093	1,737,175
1,384,093	1,737,175

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

8. OTHER FINANCIAL ASSETS

	2019	2018	As at 1 July 2017
		Restated	Restated
	\$	\$	\$
(a) Current assets			
Other financial assets at amortised cost	102,250,000	88,000,000	101,500,000
Other financial assets at fair value through profit or loss	5,931,271	5,323,583	4,717,138
	<u>108,181,271</u>	<u>93,323,583</u>	<u>106,217,138</u>
Other financial assets at amortised cost			
Term Deposits	102,250,000	88,000,000	101,500,000
	<u>102,250,000</u>	<u>88,000,000</u>	<u>101,500,000</u>
Other financial assets at fair value through profit and loss			
Units held in unlisted Australian equity portfolio	5,931,271	5,323,583	4,717,138
	<u>5,931,271</u>	<u>5,323,583</u>	<u>4,717,138</u>
(b) Non-current assets			
Other financial assets at amortised cost	2,448,395	2,481,032	2,589,685
Financial assets at fair value through profit and loss	175,171	154,668	10,000
	<u>2,623,566</u>	<u>2,635,700</u>	<u>2,599,685</u>
Other financial assets at amortised cost			
Mortgage Backed Securities (MBS)	2,448,395	2,481,032	2,589,685
	<u>2,448,395</u>	<u>2,481,032</u>	<u>2,589,685</u>
Financial assets at fair value through profit and loss			
- <i>Unlisted equity investments</i>			
Investment in Local Government House Trust	175,171	154,668	10,000
	<u>175,171</u>	<u>154,668</u>	<u>10,000</u>

The City of Perth holds 10 of the 620 units in the Local Government House Trust and recognises its share of the net assets reported in the latest audited Financial Statements.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

The City classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit and loss

The City classifies the following financial assets at fair value through profit and loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the City has not elected to recognise fair value gains and losses through other comprehensive income.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 24.

Description of significant unobservable inputs to valuation of mortgage backed securities:

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy are as follows:

- a) Price stabilisation in the east coast property market
- b) Positive economic growth
- c) Low interest rates for reserve mortgages

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

9(a). FIXED ASSETS

	2019	2018
	\$	\$
Land	315,800,533	313,200,533
	315,800,533	313,200,533
Land held for Redevelopment	11,667,722	11,753,525
	11,667,722	11,753,525
Heritage Land	15,750,000	15,750,000
	15,750,000	15,750,000
Leasehold Land	65,661,380	65,661,377
Less: accumulated depreciation	(8,887,868)	(8,224,622)
	56,773,512	57,436,755
Buildings	275,422,512	269,235,740
Less: accumulated depreciation	(130,121,372)	(120,950,354)
	145,301,140	148,285,386
Leasehold Buildings	57,466,547	57,418,695
Less: accumulated depreciation	(3,545,747)	(2,653,264)
	53,920,800	54,765,431
Heritage Buildings	127,524,251	123,033,523
Less: accumulated depreciation	(67,586,193)	(63,990,791)
	59,938,058	59,042,732
Leasehold Improvements	669,758	654,500
Less: accumulated depreciation	(120,707)	(94,569)
	549,050	559,931
Plant and Mobile Equipment	41,847,768	48,244,193
Less: accumulated depreciation	(28,543,027)	(32,299,077)
	13,304,741	15,945,116
Office Furniture and Equipment	46,921,367	47,137,143
Less: accumulated depreciation	(16,546,518)	(14,484,640)
	30,374,849	32,652,503
Work in Progress	46,773,693	49,042,894
Total Property Plant and Equipment	750,154,099	758,434,806
Infrastructure	608,764,500	601,956,718
Less: accumulated depreciation	(237,336,573)	(224,735,475)
Total Infrastructure	371,427,927	377,221,243
Investment Land	8,833,500	11,805,000
	8,833,500	11,805,000
Investment Buildings	12,595,999	11,701,999
Less: accumulated depreciation	(2,698,500)	(2,687,350)
	9,897,499	9,014,649
Total Investment Properties	18,730,999	20,819,649
Total Fixed Assets	1,140,313,025	1,156,475,698

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

9. Fixed Assets (Continued)

(b) Movements in Carrying Amounts

Movement in the carrying amounts of each class of property, plant and equipment, infrastructure and investment properties between the beginning and the end of the previous financial year.

	Balance as at 1/07/2017	Additions	Transfers	Disposals	Contributed Assets	Initial Recognition	Reclassification	Revaluation	Depreciation Expense	Balance as at 30/06/2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	313,200,533	-	-	-	-	-	-	-	-	313,200,533
Air Rights	2,049,920	-	-	(2,049,920)	-	-	-	-	-	-
Land held for Redevelopment	11,909,561	1,112,426	-	(1,114,819)	-	-	-	(153,643)	-	11,753,525
Heritage Land	15,750,000	-	-	-	-	-	-	-	-	15,750,000
Leasehold Land	58,100,000	-	-	-	-	-	-	-	(663,245)	57,436,755
Buildings	153,517,822	513,683	1,001,746	-	-	-	(578,700)	-	(6,169,164)	148,285,386
Leasehold Buildings	11,152,496	-	-	-	-	-	44,545,471	(33,296)	(899,240)	54,765,431
Heritage Buildings	60,562,998	774,227	1,131,795	-	-	-	-	-	(3,426,289)	59,042,732
Leasehold Improvements	44,845,471	-	-	-	-	-	(43,966,771)	(300,000)	(18,768)	559,931
Plant and Mobile Equipment	18,136,119	3,003,217	186,187	(1,336,681)	18,600	-	-	-	(4,062,326)	15,945,116
Office Furniture and Equipment	27,997,896	402,130	1,045,188	(180,748)	1,754,226	1,661,894	130,784	2,861,374	(3,020,242)	32,652,503
Agricultural	795,271	-	-	(795,271)	-	-	-	-	-	-
Work in Progress	28,810,918	33,691,593	(13,459,617)	-	-	-	-	-	-	49,042,894
Total Property, Plant and Equipment	746,829,005	39,497,276	(10,094,701)	(5,477,439)	1,772,826	1,661,894	130,784	2,374,435	(18,259,273)	758,434,806
Infrastructure	517,437,142	2,519,198	8,412,509	(1,474,762)	5,115,097	906,747	(130,784)	(139,116,322)	(16,447,605)	377,221,243
Investment Land	11,397,500	-	-	-	-	-	-	407,500	-	11,805,000
Investment Buildings	8,774,799	-	-	-	-	-	-	239,850	-	9,014,649
Total Investment Properties	20,172,299	-	-	-	-	-	-	647,350	-	20,819,649
Total Assets	1,284,438,446	42,016,474	*(1,682,192)	(6,952,201)	6,887,923	2,568,641	-	(136,094,537)	(34,706,878)	1,156,475,698

*The Amount of (\$1,682,192) relates to capital costs incurred in previous financial years as work in progress, but on capitalisation in the current financial year were deemed operational and expensed.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

9. Fixed Assets (Continued)

(b) Movements in Carrying Amounts

Movement in the carrying amounts of each class of property, plant and equipment, infrastructure and investment properties between the beginning and the end of the current financial year.

	Balance as at 1/07/2018	Additions	Transfers	Disposals	Contributed Assets	Initial Recognition	Reclassification	Revaluation	Depreciation Expense	Balance as at 30/06/2019
Land	313,200,533	-	-	-	-	-	2,600,000	-	-	315,800,533
Air Rights	-	-	-	-	-	-	-	-	-	-
Land held for Redevelopment	11,753,525	443,647	-	(529,450)	-	-	-	-	-	11,667,722
Heritage Land	15,750,000	-	-	-	-	-	-	-	-	15,750,000
Leasehold Land	57,436,755	-	-	-	-	-	-	-	(663,246)	56,773,512
Buildings	148,285,386	46,893	1,048,782	(168,291)	-	-	2,317,421	-	(6,229,049)	145,301,142
Leasehold Buildings	54,765,431	-	47,851	-	-	-	0	-	(892,483)	53,920,800
Heritage Buildings	59,042,732	-	3,971,643	-	-	-	513,970	-	(3,590,286)	59,938,059
Leasehold Improvements	559,931	-	-	-	-	-	8,002	-	(18,883)	549,050
Plant and Mobile Equipment	15,945,116	3,195,406	1,438,954	(1,230,497)	-	-	(3,201,895)	543,113	(3,385,456)	13,304,739
Office Furniture and Equipment	32,652,503	476,728	1,987,188	(10,494)	-	-	(1,540,465)	-	(3,190,612)	30,374,849
Agricultural	-	-	-	-	-	-	-	-	-	-
Work in Progress	49,042,894	24,212,421	(26,481,622)	-	-	-	-	-	-	46,773,693
Total Property, Plant and Equipment	758,434,806	28,375,095	(17,987,204)	(1,938,732)	-	-	697,033	543,113	(17,970,016)	750,154,099
Infrastructure	377,221,243	1,643,888	14,463,495	(6,792,630)	182,607	17,816	1,909,222	-	(17,217,714)	371,427,927
Investment Land	11,805,000	-	-	-	-	-	(2,600,000)	(371,500)	-	8,833,500
Investment Buildings	9,014,649	-	692,340	-	-	-	-	190,510	-	9,897,499
Total Investment Properties	20,819,649	-	692,340	-	-	-	(2,600,000)	(180,990)	-	18,730,999
Total Assets	1,156,475,698	30,018,983	(2,831,369)	(8,731,362)	182,607	17,816	6,255	362,123	(35,187,730)	1,140,313,024

*The Amount of (\$2,831,369) relates to capital costs incurred in previous financial years as work in progress, but on capitalisation in the current financial year were deemed operational and expensed. The reclassification of a plant asset as art has resulted in the writing back of \$6,255 depreciation.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

9. FIXED ASSETS (Continued)

(c) Fair Value Measurements

The City measures the following asset and liability classes at fair value on a recurring basis:

Property Plant Equipment and Infrastructure

Financial Assets and Liability

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition or measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the year there were no changes in the valuation techniques used by the City to determine the fair value of fixed assets using either Level 2 or Level 3 inputs.

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land	2	market approach taking into consideration public sector restrictions	Independent registered valuer	30/06/2017	Applied to land held in freehold title and assessed on the basis of the estimated amount which the interest in each property being valued might reasonably be expected to realise on the date of valuation in an exchange between market participants given highest and best use or highest and best alternative use. This was determined by comparison to recent sales of land with similar characteristics. This was then adjusted to reflect condition and comparability and based on observable evidence. The valuation of some restricted or otherwise non-saleable land has been valued using the cost approach. This approach was used where, assuming the City needed to purchase the land or acquire additional land from an adjoining neighbour, the value of that land could be determined based on known zoning and town planning restrictions. This was determined by comparison to recent sales of land with similar characteristics. This was then adjusted to reflect condition and comparability and based on observable evidence. As this was based on observable evidence they have been classified as Level 2
Buildings	3	cost approach. The cost to replace the asset is calculated and then adjusted to take account of accumulated depreciation.	Independent registered valuer	30/06/2017	The valuation of building, structural improvements and site services includes those items that form part of the building services installation (e.g. heating, cooling and climate control equipment, lifts, escalators, fire alarms, sprinklers and fire fighting equipment, and general lighting). Excluded from this report are all items of plant, machinery, equipment, cranes, tools, furniture or chattels. The valuer determined a value based on inter-relationship between a range of factors. These include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as residual value and the pattern of consumption of the future economic benefit.
Plant and Mobile Equipment	3	market conditions and the availability of sales evidence	Independent registered valuers and Internal Valuation	30/06/2019	Current condition and remaining useful life of the assets.
Office Furniture and Equipment (Other)	3	carrying cost	Internal Valuation	30/06/2018	No material variance exists between the fair value and the carrying cost of this class. It is considered that the value disclosed (WDV) is fairly stated as the assets will be held until obsolete and there is no second hand market.
Office Furniture and Equipment -Concert Pianos	3	market and cost approach	Independent registered valuer	30/06/2018	What could be reasonably expected on an open market and the depreciated replacement cost approach.
Office Furniture and Equipment -Major Computer Software	3	cost approach	Internal Valuation	30/06/2018	The cost to re-establish and use the softwares cognisant that copies each of the software's structures presently exists offsite of the Main Administration Building.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

9. FIXED ASSETS (Continued)

(c) Fair Value Measurements(Continued)

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Office Furniture and Equipment -Artworks, Memorabilia and History Collection	2	market and cost approach	Independent registered valuers and Internal Valuation	30/06/2018	What could reasonably be expected on an open market and depreciated replacement cost approach.
Infrastructure - Roads, Drainage, Landscape, Lights, Footpaths and Kerbs, River Walls, Other Infrastructure	3	depreciated cost valuation technique. This method uses the asset current replacement cost less accumulated depreciation calculated on the basis of such cost to reflect potential of the asset as established then adjusted to take into account the expired service potential of the asset based on visual condition assessment where relevant. The current replacement cost was measured by referencing the lowest cost at which the asset could be obtained in the normal course of business. The total cost values have been calculated using unit cost rate based on current tender and general market rates. These unit cost rates were verified by an independent third party company that specialises in benchmarking construction costs.	Independent construction cost consultant and internal valuation	30/06/2018	Level 3 valuation inputs have been applied to all infrastructure asset classes, being construction cost and current condition and remaining useful life assessments.
Investment land	2	market approach	Independent registered valuer	30/06/2019	Value based either on the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition, or based on the continuation of its present use, regardless of whether that represents the highest and best use of the asset.
Investment buildings	3	improvements to land valued using cost approach and utilising the depreciated replacement cost	Independent registered valuer	30/06/2019	Improvements to land using construction costs and current condition, residual values and remaining useful life assessments (Level 3) inputs.

**CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

9. FIXED ASSETS (Continued)

Fair Value Measurements(Continued)

(c)	2019	2018	Fair Value Hierarchy	Date of Last Valuation
	\$	\$		
Land	343,218,255	340,704,058	2	30/06/2017
Leasehold Land	56,773,512	57,436,755	2	30/06/2017
Buildings	205,239,201	207,328,118	3	30/06/2017
Leasehold Buildings	53,920,800	54,765,431	3	30/06/2017
Leasehold Improvements	549,050	559,931	3	30/06/2017
Plant and Mobile Equipment	13,304,739	15,945,116	3	30/06/2019
Office Furniture and Equipment	30,374,849	32,652,503	3	30/06/2018
Infrastructure	371,427,927	377,221,243	3	30/06/2018
Investment Land	8,833,500	11,805,000	2	30/06/2019
Investment Buildings	9,897,499	9,014,649	3	30/06/2019
	1,093,539,331	1,107,432,804		

The revaluation of plant and mobile equipment in the year resulted in an increase in fair value of \$543,113 which is offset against previous losses and therefore taken directly to the Statement of Comprehensive Income.

(d) Investment Property

Investment Land and Properties are revalued annually by an independent valuer. The result of the valuation carried out at 30 June 2019 was a reduction in value of Investment Land of \$371,500 and an increase to the value of Investment Buildings of \$190,510. These adjustments are recorded in the Statement of Comprehensive Income.

There was no change in the valuation method used in the valuation of Investment Properties during the reporting period.

Investment property is held to generate long-term rental yields. All tenant leases are on an arms-length basis apart from two short term tenancies that are on peppercorn rentals as they are deemed to be of benefit to the community.

Amounts recognised in net result for the period.

	2019	2018
	\$	\$
Property Rental	1,692,334	2,031,842
Operating Expenses for Rental Generating Properties	316,651	821,806

Investment properties are leased out on operating leases. Rental income amounts of \$1,692,334 (30 June 2018 : \$2,031,842) are included within revenue. Direct operating expenses of \$316,651 (2018: \$821,806) were reported within other expenses, of which Nil (30 June 2018 : Nil) were incurred on vacant properties that did not generate rental income.

Lease contracts are all non-cancellable for the term of each lease. Future minimum lease rentals are as follows:

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total
	\$	\$	\$	\$
Year ended 30 June 2019	1,624,187	2,315,298	2,666,470	6,605,955
Year ended 30 June 2018	1,470,982	3,098,277	4,253,003	8,822,262

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

9. FIXED ASSETS (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

Each class of fixed assets within either property, plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the City includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Land Under Roads

In Western Australia, all land under roads is Crown Land, the responsibility for managing which, is vested in the local government.

Effective from 1 July 2008, the City elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available under Australian Accounting Standard AASB 1051 Land Under Roads and the requirement of Regulation 16(a)(i) of the Local Government (Financial Management) Regulations that prohibits local governments from recognising such land as an asset of local governments. In respect of land under roads acquired on or after 1 July 2008, as detailed above, Regulation 16(a)(i) of the Local Government (Financial Management) Regulations prohibits local governments from recognising such land as an asset.

Whilst such treatment is inconsistent with the requirements of AASB 1051, *Local Government (Financial Management) Regulation 4(2)* provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the City.

Revaluation

The fair value of fixed assets is determined at least every three years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of assets are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

Upon disposal or derecognition of a fixed asset any revaluation surplus or deficit relating to that asset is transferred to or from accumulated surplus.

Vested Land and Crown Land held in Trust

Land vested in the City as recreation or road reserves is recognised at a nominal value of one dollar for record purposes only. Crown Land held in Trust is recognised at fair value.

Capitalisation Threshold

Assets (with the exception of land) with an economic life which is determined to be longer than one year are only capitalised where the cost of acquisition/construction exceeds the capitalisation threshold established by the City. The City's current capitalisation policy is to expense any purchases considered to be of a capital nature that are less than \$5,000 and in the case of IT software, less than \$50,000.

Impairment of Assets

In accordance with Australian Accounting Standards the City's cash generating non-specialised assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

For non-cash generating specialised assets such as roads, drains, public buildings and the like, that are measured under the revaluation model, no annual assessment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

9. FIXED ASSETS (Continued)

(e) Disposals of Assets

The following assets were disposed of during the year.

	2019			2019			2019			2019			2018		
	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Actual Net Book Value	Actual Sale Proceeds	Actual Profit
Land	\$ 529,450	\$ 828,226	\$ 298,776	\$ -	\$ -	\$ -	\$ 580,000	\$ -	\$ 1,114,819	\$ 1,682,651	\$ 567,832	\$ -	\$ 1,114,819	\$ 1,682,651	\$ 567,832
Buildings	168,291	-	-	(168,291)	-	-	-	-	-	-	-	-	-	-	-
Plant and Equipment	1,230,497	1,032,639	119,576	(317,434)	1,262,000	1,516,025	405,205	(151,180)	1,336,681	1,262,010	177,578	(252,248)	1,336,681	1,262,010	177,578
Office Furniture and Equipment	10,493	-	-	(10,493)	-	-	-	-	180,748	12,273	-	(168,475)	180,748	12,273	-
Infrastructure	6,792,629	-	-	(6,792,629)	1,917,040	-	-	(1,917,040)	1,474,762	-	-	(1,474,763)	1,474,762	-	(1,474,763)
	8,731,360	1,860,865	418,352	(7,288,847)	3,179,040	1,516,025	985,205	(2,068,220)	4,107,010	2,956,934	745,410	(1,895,486)	4,107,010	2,956,934	745,410

Infrastructure disposed of in 2019 had a net book value of \$6,792,629 (2018: \$1,474,762). Of this, \$3,320,791 was the result of the demolition of walkways and bridges, known as Padbury Walkways, to allow reconstruction to commence.

(f) Depreciation

	2019	2018
	\$	\$
Leasehold Land	663,246	663,245
Buildings	6,229,049	6,169,164
Leasehold Buildings	892,483	899,240
Heritage Buildings	3,590,286	3,426,289
Leasehold Improvements	18,883	18,768
Plant and Mobile Equipment	3,385,456	4,062,326
Office Furniture and Equipment	3,184,357	3,020,242
Infrastructure	17,217,714	16,447,605
	35,181,475	34,706,879

(g) Fully Depreciated Assets in Use

The gross carrying value of assets held by the City which are currently in use yet fully depreciated are shown below.

	2019	2018
	\$	\$
Buildings	871,036	-
Furniture and equipment	1,931,981	1,124,818
Plant and equipment	8,869,139	17,078,495
Investment Buildings	2,596,000	2,596,000
Computers and IT	3,727,317	3,672,435
Infrastructure	149,738	-
	18,145,212	24,471,747

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

9. FIXED ASSETS (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

All fixed assets and leasehold interest with the exception of Freehold Land and Work in Progress are systematically depreciated over their useful lives in a manner that reflects the consumption of the service potential embodied in those assets.

Depreciation is based on a straight line basis taking cognisance of the residual value of the asset, whilst amortisation rates are set to amortise the cost of the leasehold interest over the life of the lease. Depreciation rates and residual values are reviewed each year.

Assets are depreciated from the date of acquisition, or in respect of assets being constructed from the time an asset is completed and held ready for use.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

(a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionate to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or

(b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise.

Depreciation rates

Major Depreciation and Amortisation periods used are listed below and are consistent with the prior year unless otherwise stated:

Land		Residual Value
Leasehold interest	99 years	Nil
Buildings		
Buildings (including components and leasehold interest)	10 to 100 years	Nil
		Nil
		Nil
<u>Leasehold Improvements</u>	Term of Lease	Nil
<u>Infrastructure</u>		
Roads – Pavement	80 years	Nil
– Seal	20 years	Nil
– Ancillary	20 to 50 years	Nil
Footpaths – Footpaths	15 to 50 years	Nil
– Kerbs	20 to 50 years	Nil
Street Lighting	10 to 40 years	Nil
Drainage	20 to 80 years	Nil
Reticulation	10 to 40 years	Nil
Overpasses and Underpasses	40 to 70 years	Nil
Street Furniture	5 to 50 years	Nil
Riverwall	50 to 60 years	Nil
Other	5 to 10 years	Nil
<u>Plant and Mobile Equipment</u>		
Major Plant and Equipment	4 to 10 years	10 to 40%
Sedans and Utilities	2 to 3 years	50 to 65%
Pumps and Bores	7 to 15 years	Nil
Minor Plant and Equipment	2 to 7 years	5% to Nil
Specialised Parking Equipment	7 to 15 years	Nil
<u>Office Furniture and Equipment</u>		
Furniture and Equipment	2 to 15 years	Nil
Computer Equipment and Software	3 to 5 years	Nil

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

10. REVALUATION SURPLUS

	2019			2018		
	Opening Balance	Movement on Revaluation	2019 Closing Balance	Opening Balance	Movement on Revaluation	2018 Closing Balance
	\$	\$	\$	\$	\$	\$
Revaluation Reserve - Infrastructure	(47,385,407)	8,497,593	(46,207,464)	(185,421,349)	138,035,942	(47,385,407)
Revaluation Reserve - Building	(100,565,076)	(1,080,196)	(94,325,623)	(100,844,579)	-	(100,565,076)
Revaluation Reserve - Land	(302,073,680)	(134,569)	(302,208,249)	(302,227,323)	153,643	(302,073,680)
Revaluation Reserve - Leasehold Land	(12,976,790)	-	(12,976,790)	(12,976,790)	-	(12,976,790)
Revaluation Reserve - Leasehold Buildings	(6,156,491)	-	(6,156,491)	(6,210,285)	333,296	(6,156,491)
Revaluation Reserve - Artworks	(7,124,995)	-	(7,124,995)	(5,185,571)	(1,939,424)	(7,124,995)
Revaluation Reserve - Fixtures and Fittings	(921,951)	-	(921,951)	-	(921,951)	(921,951)
	(477,204,390)	7,282,828	(469,921,563)	(612,865,897)	135,661,507	(477,204,390)

Movements on revaluation of fixed assets are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

As at 30 June 2019, \$7,319,650 (2018: Nil) was reclassified from buildings to infrastructure during the reporting period. This relates to Padbury Walkways being reclassified as Bridges (Infrastructure) not Buildings.

**CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

11. TRADE AND OTHER PAYABLES

	2019	2018
	\$	\$
Current		
Trade creditors	13,305,761	15,035,281
Accrued Expenses	3,366,309	2,868,105
Bonds	3,500,142	-
Other	3,551,212	3,064,077
	23,723,424	20,967,463

Work, building and Hire Bonds of \$3,500,142 were previously held in Trust - refer to note 26 for further information.

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the City prior to the end of the financial year that are unpaid and arise when the City becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current current liability and are normally paid within 30 days of recognition.

Taxation

The City is exempt from payment of income tax, capital gains tax and payroll tax. Payments for fringe benefits tax and goods and services tax are made in accordance with the relevant legislation.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

12 INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Institution	Rate of Interest %	Original	Principal	Principal Repayments		Principal 30 June 2019		*Interest Repayments		Term (Years)	Date of Issue	Month and Year of Maturity
			Principal	1 July 2018	Actual	Budget	Actual	Budget	Actual	Budget			
			\$	\$	\$	\$	\$	\$	\$	\$			
Recreation and culture													
Loan 165 Civic Library	WATC *	4.02	8,011,407	3,802,764	837,506	837,506	2,965,258	2,759,012	(156,228)	(154,845)	10 June 2012		June 2022
Loan 167 Civic Library	WATC *	3.63	23,788,520	11,167,148	2,475,414	2,475,414	8,691,734	8,691,735	(429,621)	(425,908)	10 July 2012		Aug 2022
Transport													
Loan 160 PCEC Car Park	WATC *	6.15	29,180,000	2,678,091	2,126,004	2,126,004	552,087	32,687	(105,886)	(95,292)	15 July 2004		July 2019
Loan 164 Elder St Car Park	WATC *	6.26	16,000,000	4,973,910	1,897,401	1,897,401	3,076,509	2,613,149	(272,274)	(264,215)	10 Sept 2010		Sept 2020
Loan 166 Goderich St Car Park	WATC *	4.02	1,074,073	509,829	112,283	112,283	397,546	369,895	(20,946)	(20,760)	10 June 2012		June 2022
			78,054,000	23,131,742	7,448,608	7,448,608	15,683,134	14,466,478	(984,954)	(961,020)			

*Western Australian Treasury Corporation.

The mode of payment is quarterly.

Loan debentures issued by the City are secured over the general funds of the City

*Interest repayments include the guarantee fee.

All loan repayments were financed by general purpose revenue.

Borrowings

	2019	2018
	\$	\$
Current - Principal	6,904,163	7,448,608
- Accrued Interest	152,711	231,867
	7,056,874	7,680,475
Non Current - Principal	8,778,971	15,683,134
	15,835,845	23,363,609

(b) Loan facilities

Loan facilities - current	6,904,163	7,448,608
Loan facilities - non-current	8,778,971	15,683,134
Total facilities in use at balance date	15,683,134	23,131,742

Unused loan facilities at balance date

NIL NIL

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

	2019	2018
	\$	\$
Purchasing Card Limit	-	60,000
Credit card limit	80,000	80,000
Credit card and Purchasing Card balance at balance date	(6,358)	(14,774)
Total amount of credit unused	73,642	125,226

The City does not have an overdraft facility and no longer uses Purchasing Cards.

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are recognised at fair value when the City becomes a party to the contractual provisions to the instrument.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit and loss.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit and loss.

Borrowing costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

Risk

Information regarding exposure to risk can be found at Note 24.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

13 PROVISIONS

Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Provision for Self - Funded Leave	Recognition of Employee Presentation	Workers - Compensation	Total
	\$	\$	\$	\$		\$
Opening balance at 1 July 2018						
Current provisions	4,792,212	5,435,598	163,543	114,254	612,044	11,117,651
Non-current provisions	379,099	1,101,779	-	-	-	1,480,878
	5,171,311	6,537,377	163,543	114,254	612,044	12,598,529
 Additional provision	5,531,333	1,352,816	226,155	17,525	-	7,127,829
Amounts used	(5,378,318)	(951,130)	(127,610)	(17,101)	(601,084)	(7,075,243)
Balance at 30 June 2019	5,324,326	6,939,063	262,088	114,678	10,960	12,651,115
 Comprises						
Current	4,904,535	5,639,741	262,088	114,678	10,960	10,932,002
Non-current	419,791	1,299,322	-	-	-	1,719,113
	5,324,326	6,939,063	262,088	114,678	10,960	12,651,115

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees. Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

Provision is made for the City's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The City's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

The City's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position. Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

Other long-term employee benefits (Continued)

The City's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the City does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Provisions

Provisions are recognised when the City has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Self-funded Leave

Employee benefits to self-funded leave are recognised as leave not taken at balance date calculated at current rates of pay.

Recognition of Employees Presentation

Provision for employee entitlement is accrued at \$500 for each employee who has completed 10 years of continuing service at the City.

A further \$50 is accrued per year after the 10 years has passed.

This entitlement will not be paid out to the employee before completing 15 years of service however the employee is entitled to receive their accrued entitlement on resignation if between 10 and 15 years.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

14. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual restated \$
Cash and cash equivalents	3	46,473,723	22,627,182	40,227,407

**Reconciliation of Net Cash Provided By
Operating Activities to Net Result**

Net result		7,730,891	3,178,758	24,327,349
Non-cash flows in Net result:				
Depreciation of non-current assets		35,181,475	36,371,570	34,706,879
Net (profit)/loss on sale of asset		7,169,271	1,663,015	1,717,907
Revaluation of Plant and Equipment		(543,113)	-	-
Revaluation Investment Land		371,500	-	(407,500)
Revaluation Investment Buildings		(190,510)	-	(239,850)
Fair Value Adjustments to financial assets		(20,503)	-	-
Share of profit or loss of associates/JV by equity method		(178,878)	-	-
Contributed Assets - City of Subiaco		-	-	(68,713)
Contributed Assets- other		(182,606)	-	(6,819,210)
Disposal of development land at Tamala Park		(298,776)	-	(567,832)
Fair value adjustments to financial assets at amortised cost		(9,206)	-	(5,004)
Initial recognition of assets		(17,815)	-	(2,568,634)
Write off agricultural assets		-	-	795,271
Write off air rights		-	-	2,049,920
Extinguishment of PCEC Car Park Provision		-	-	(4,649,307)
Changes in assets and liabilities:				
(Increase)/decrease in receivables		1,274,792	110,570	(43,794)
(Increase)/decrease in Accrued Income		-	-	-
(Increase)/decrease in inventories		242,833	48,272	(153,803)
(Increase)/decrease in Deposits and Prepayments		353,082	-	-
(Increase)/decrease in Accrued Interest and Divident Income		223,370	-	-
Increase/(decrease) in payables		3,043,249	(4,252,610)	2,523,174
Increase/(decrease) in employee provisions		52,586	(80,107)	530,691
Non-operating grants /contributions for the development of assets		(1,572,765)	(1,469,412)	(3,142,991)
Net cash from operating activities		52,628,877	35,570,056	47,984,553

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

14. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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Revaluation Investment Buildings		(190,510)	-	(239,850)
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CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

16. COMMITMENTS AND CONTINGENT LIABILITY

Commitment – Deed of Guarantee

In line with other equity holders in the Mindarie Regional Council (MRC) the City has guaranteed, proportionate to its equity share (one twelfth), the obligations of MRC to the contractor who built and is operating the Neerabup Recovery Facility. Such guarantee can be called upon in the event of a *default* event during the contractors operation of the facility. The share of the liability that could be generated by the exercise of the guarantee is estimated at an amount between \$7.21 million diminishing to \$1.5 million depending on the time of any such *default* event.

City of Perth Superannuation Plan (CPSP) Defined Benefit Members

The plan has a number of different participating employers contributing to the defined benefit of the plan. There is no segregation of the assets applicable to each employer on a day to day basis and the individual employer may not be able to accurately identify its share of the underlying financial position of the multi-employer plan with sufficient reliability for accounting purposes. The plan is therefore accounted for as a defined contribution plan.

In the event that the plan has a deficiency of assets to meet benefits due, all participating employers are liable to contribute to the plan to fund any shortfall.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

17 CAPITAL, LEASING AND INTEREST PAYABLE COMMITMENTS

(a) Capital Expenditure Commitments

	2019	2018
	\$	\$
- not later than one year	2,236,877	834,590
- later than one year but not later than two years	5,530	44,617
- later than two years but not later than five years	-	3,199
- later than five years	-	-
	2,242,407	882,406

(b) Operating Lease Commitments

	2019	2018
	\$	\$
- not later than one year	1,262,762	1,347,893
- later than one year but not later than two years	1,272,089	1,311,189
- later than two years but not later than five years	3,622,546	3,991,949
- later than five years	116,314,213	118,644,184
	122,471,610	125,295,215

A substantial amount of the lease rental commitments relates to commitments for variable outgoings in relation to the City's 99 year leasehold interest in the Loading Dock at 100 St Georges Terrace. These outgoings are subject to annual CPI increases.

(c) Interest Payable

	2019	2018
	\$	\$
- not later than one year	595,949	914,789
- later than one year but not later than two years	264,459	595,949
- later than two years but not later than five years	122,196	386,655
- later than five years	-	-
	982,604	1,897,393

This is the interest payable on loan debentures over the remaining life of the loans.

SIGNIFICANT ACCOUNTING POLICIES

Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term. Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term. The City has never paid for lease incentives under operating leases.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

18. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

	2019 Actual	2019 Budget	2018 Actual
The following fees, expenses and allowances were paid to elected members	\$	\$	\$
Annual Attendance Fees	-	-	223,312
Local Government Allowance	23,514	60,990	149,828
Reimbursement of Expenses	-	-	36,461
	<u>23,514</u>	<u>60,990</u>	<u>409,601</u>

The Council was suspended by the Minister of Local Government on 2 March 2018.

Commissioners' Remuneration

	2019 Actual	2019 Budget	2018 Actual
Commissioners' Fees	\$	\$	\$
	1,098,354	1,093,603	358,766
	<u>1,098,354</u>	<u>1,093,603</u>	<u>358,766</u>

Commissioners are paid remuneration, allowances and reimbursement of expenses in accordance with determinations made by the Minister for Local Government. The Department of Local Government, Sport and Cultural Industries is responsible for remunerating the Commissioners and the City reimburses the Department, for the remuneration and expenses incurred.

Other Key Management Personnel (KMP) Compensation Disclosure

	2019	2018
The total of remuneration paid to other KMP of the City during the year are as follows:	\$	\$
Short-term employee benefits	1,888,986	1,513,065
Post-employment benefits	160,947	163,181
Other long-term benefits	22,920	179,445
Termination benefits	<u>788,667</u>	<u>20,495</u>
	<u>2,861,520</u>	<u>1,876,186</u>

Short-term employee benefits

These amounts include all salary, fringe benefits and cash bonuses awarded to KMP.

Post-employment benefits

These amounts are the current-year's estimated cost of providing for the City's superannuation contributions made during the year.

Other long-term benefits

These amounts represent both annual leave and long service leave benefits accruing during the year.

Termination benefits

These amounts represent termination benefits paid to KMP.

**CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

18. Related Party Transactions (Continued)

Transactions with related parties

Transactions between related parties, and the City are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end.

The following transactions occurred with related parties:	2019	2018
	\$	\$
Tamala Park Regional Council		
Sale of goods and services	20,003	20,789
Purchase of goods and services	41,025	108,613
Distributions received from associates	333,333	333,333
Reimbursement received from associates	22,914	26,167
Trade and other payables	5,962	6,257
Mindarie Regional Council		
Sale of goods and services	67,846	63,760
Purchase of goods and services	2,978,124	2,619,649
Reimbursement paid to associates	-	6,153
Trade and other receivables	5,512	9,055
Trade and other payables	228,340	235,171

Related Parties

The City's main related parties are as follows:

i. Key management personnel (KMP)

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member or commissioner, are considered key management personnel. A person acting as a KMP for a period of 3 months or less is not included in the disclosure.

ii. Entities subject to significant influence by the City

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

Tamala Park Regional Council

The City along with the City of Stirling, City of Joondalup, City of Wanneroo, City of Vincent, Town of Cambridge and Town of Victoria Park is a member of the Tamala Park Regional Council. The City contributes one twelfth of any funding required for capital or operating costs and is entitled to one twelfth of revenue from the sale of the land.

The City's one twelfth interest in the Tamala Park Regional Council is accounted for in the financial statements using the equity accounting method.

Mindarie Regional Council

The City along with the City of Stirling, City of Joondalup, City of Wanneroo, City of Vincent, Town of Cambridge and Town of Victoria Park is a member of the Mindarie Regional Council.

The City's one twelfth interest in the Mindarie Regional Council is accounted for in the financial statements using the equity accounting method.

**CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

19 SUPERANNUATION

The City of Perth complies with the minimum obligations under federal law and contributes in respect of its employees to one of the following superannuation plans:

(a) W.A. Local Government Superannuation Plan (W.A. Super)

Accumulation Members

The City contributes in respect of certain of its employees to an accumulated benefit superannuation fund established in respect of all Local Governments in the State. In accordance with statutory requirements, the City contributes to the W.A. Local Government Superannuation Plan (WA Super) amounts nominated by the Council. As such, assets are accumulated in the WA Super to meet members' benefits as they accrue. The latest available audited financial report of the plan, which was not subject to any audit qualification, indicates that the assets of the plan are sufficient to meet accrued benefits.

(b) City of Perth Superannuation Plan (CPSP)

Defined Benefit Members

The City contributes in respect of certain of its employees to a defined benefit superannuation fund established for the employees of the City and known as the City of Perth Superannuation Plan (CPSP). In accordance with statutory requirements, the City contributes to the plan amounts determined by the plan actuary. As such, assets are accumulated in the plan to meet the members' benefits as they accrue. The latest available audited financial report of the plan, which was not subject to any audit qualification, indicates that the assets of the plan are sufficient to meet accrued benefits. The plan has a number of different participating employers contributing to the defined benefit section of the plan and as such is accounted for as a defined contribution plan.

The defined benefit section of the plan was closed to the admission of new members from 1 July 2009.

On 31 March 2016, plan assets relating to defined benefit members were transferred from Australian Super to Equip Super Pty Ltd.

An Actuarial investigation of the Plan as at 30 June 2016 was completed by the Heron Partnership in March 2017. It was agreed that it would be appropriate to continue the reduced employer contributions for defined benefit members to the Superannuation Guarantee (SG) Rate (currently 9.5%) from 1 July 2016 until at least the completion of the next actuarial investigation with an effective date of 30 June 2019 (*due no later than 31 December 2019*). Since the last actuarial investigation the financial position of the plan has improved. In the event that the plan has a deficiency of assets to meet benefits due, all participating employers (including the City) are liable to contribute to the plan to fund any shortfall.

Accumulation Members

The City contributes in respect of certain of its employees to an accumulated benefit superannuation fund for the employees of the City and known as the City of Perth Superannuation Plan (CPSP). In accordance with statutory requirements, the City contributes to the CPSP amounts nominated by the Council. As such, assets are accumulated in the CPSP to meet members' benefits as they accrue. The latest available audited financial report of the plan, which was not subject to any audit qualification, indicates that the assets of the plan are sufficient to meet accrued benefits.

Effective 1 July 2009, the City of Perth Superannuation Fund was subsumed into an industry fund Australian Super, operated by the trustee Australian Super Pty Ltd.

Due to changes in legislation impacting on superannuation, Australian Super has moved accumulated members into a new fund called My Super. This fund is part of Australian Super. The change was implemented for both legislative reasons and to take advantage of lower member fees.

Total Superannuation contributions paid by the City during the reporting period was \$7,576,627 (30 June 2018: \$7,338,391).

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

19. MAJOR LAND TRANSACTIONS

Tamala Park Regional Council

(a) Details

The Tamala Park Regional Council was established for the specific purpose of creating an urban development on 165 hectares of land immediately south of Neerabup Road and the Mindarie Regional Council. The project is expected to have a ten-year life cycle with more than 2,500 lots developed for housing that will be progressively sold in stages. The first stage of the development commenced in early 2011 and the first lots were released for sale in July 2012.

The City of Perth, along with six other local governments, is a member of the Tamala Park Regional Council.

The City of Perth will contribute one twelfth of any funding required for capital or operating costs and will also be entitled to one twelfth of revenue from the sale of lots of land.

As at 30 June 2019 the value of the City's equity share of its investment in the Tamala Park Regional Council was \$3,809,108 (refer note 20).

(b) Current year transactions

	2019	2018
	Actual	Actual
	\$	\$
Other income		
- Sale proceeds	828,234	1,836,294
Other expenditure		
- Purchase of land	(85,803)	(156,036)
- Development costs	(443,655)	(1,112,426)
Net profit on disposal	298,776	567,832

The above income and expenditure is reflected in other revenue and expenditure.

(c) Expected Future Cash Flows

	2020	2021	2022	2023	Total
	\$	\$	\$	\$	\$
Cash outflows					
- Development costs	(450,000)	(450,000)	(450,000)	(450,000)	(1,800,000)
	(450,000)	(450,000)	(450,000)	(450,000)	(1,800,000)
Cash inflows					
- Sale proceeds	830,000	830,000	830,000	830,000	3,320,000
	830,000	830,000	830,000	830,000	3,320,000
Net cash flows	380,000	380,000	380,000	380,000	1,520,000

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

20. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

	2019	2018
		Actual Restated
	\$	\$
Equity in Mindarie Regional Council (a)	6,091,422	5,768,683
Equity Tamala Park Regional Council (b)	3,809,099	3,810,795
	<u>9,900,521</u>	<u>9,579,478</u>

a) Mindarie Regional Council

The City of Perth, along with the City of Wanneroo, City of Joondalup, City of Stirling, City of Vincent, Town of Cambridge and Town of Victoria Park is a member of the Mindarie Regional Council. The Mindarie Regional Council's objective is to establish and operate a long term refuse disposal site on Mindarie Super Lot 118. The City of Perth has contributed one twelfth of the land and establishment costs of the refuse disposal facility. The City uses the refuse disposal facility at Mindarie to deposit all non recyclable waste collected by the City's domestic and commercial waste services. Capital contributions paid during establishment are represented in the accounts of the City of Perth as a Non-Current Asset. The City currently has a contingent liability in relation to the Mindarie Regional Council Details of this contingent liability are provided in note 16.

(i) Retained Surplus Attributable to Equity Accounted Investments

Balance at beginning of the financial year	858,592	1,223,829
Share of associates profit/(loss) from ordinary activities	178,250	100,664
Share of associates transfer (to)/from Reserves	65,491	(465,901)
Share of associates revaluation of assets	10,393	-
Balance at end of the Financial Year	<u>1,112,726</u>	<u>858,592</u>

(ii) Carrying Amount of Equity Accounted Investments

Balance at beginning of the financial year	5,768,683	5,577,718
Share of associates profit/(loss) from ordinary activities	178,250	100,664
Share of associates other comprehensive income	144,489	84,148
Movement in Capital Contributions	-	6,153
Balance at end of the Financial Year	<u>6,091,422</u>	<u>5,768,683</u>

(iii) Mindarie Regional Council Financial Position

	2019	2018
Current Assets	37,247,209	34,043,996
Non Current Assets	59,171,350	58,119,743
Total Assets	96,418,559	92,163,739
Current Liabilities	7,487,383	7,313,796
Non Current Liabilities	17,151,807	16,943,437
Total Liabilities	24,639,190	24,257,233
Net Assets	<u>71,779,369</u>	<u>67,906,506</u>
Retained Surplus	13,352,712	10,303,109
Reserves	21,953,499	22,739,391
Revaluation Surplus	32,387,432	30,778,280
Council contributions	4,085,726	4,085,726
Total Equity Mindarie Regional Council	<u>71,779,369</u>	<u>67,906,506</u>
City's Share of Equity (one twelfth)	<u>6,091,422</u>	<u>5,768,683</u>

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

20. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD (continued)

b) Tamala Park Regional Council

The City of Perth, along with the City of Wanneroo, City of Joondalup, City of Stirling, City of Vincent, Town of Cambridge and Town of Victoria Park is a member of the Tamala Park Regional Council. On the 21 February 2006 the City received a report advising the formal establishment of the Tamala Park Regional Council under Section 3.61 of the Local Government Act 1995. The Tamala Park Regional Council formally came into existence on the 3 February 2006. The Tamala Park Regional Council's activities centre around the development of part Lot 118 Mindarie. Lot 118 was initially purchased in 1981 to provide a refuse landfill site for member councils of the Mindarie Regional Council, this lot is now being developed with a purpose of creating a new urban land development and a new urban community. The investment in the Tamala Park Regional Council has been recognised at the value of its equity contributions. The City has undertaken a revaluation of its investments to fair value according to Local Government (Financial Management) Regulations.

	2019	2018
	Actual	restated
	\$	\$
(i) Retained Surplus Attributable to Equity Accounted Investments		
Balance at beginning of the financial year	150,270	136,395
Share of associates profit/(loss) from ordinary activities	628	13,875
Balance at end of the Financial Year	150,898	150,270
(ii) Carrying Amount of Equity Accounted Investments		
Balance at beginning of the financial year	3,810,795	3,432,556
Share of associates profit/(loss) from ordinary activities	628	13,875
Distribution to participants	(333,333)	(333,333)
Movement in Capital Contributions	331,009	697,697
Balance at end of the Financial Year	3,809,099	3,810,795
(iii) Tamala Park Regional Council Financial Position		
	2019	2018
Current Assets	44,320,816	44,097,856
Non Current Assets	1,723,283	1,929,727
Total Assets	46,044,099	46,027,583
Current Liabilities	326,286	290,104
Non Current Liabilities	5,719	5,150
Total Liabilities	332,005	295,254
Net Assets	45,712,094	45,732,329
Retained Surplus	1,810,759	1,803,230
Revaluation Surplus	6,353	6,353
Council contributions	43,894,982	43,922,746
Total Equity Mindarie Regional Council	45,712,094	45,732,329
City's Share of Equity (one twelfth)	3,809,099	3,810,795

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

20. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD (continued)

SIGNIFICANT ACCOUNTING POLICIES

Investments accounted for under the equity method

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint arrangements providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Joint ventures represent arrangements whereby joint operations maintain direct interests in each asset and exposure to each liability of the arrangement.

Investments accounted for under the equity method (continued)

The City's interests in the assets, liabilities, revenues and expenses of joint operations are included in the respective line items of the financial statements.

Initial recognition and subsequent measurement

Under the equity method, the investment in associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the City's share of net assets of the associate. In addition, the City's share of the profit or loss of the associate is included in the City's profit or loss.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

21. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/17	Received ⁽²⁾ 2017/18	Expended ⁽³⁾ 2017/18	Closing Balance ⁽¹⁾ 30/06/18	Received ⁽²⁾ 2018/19	Expended ⁽³⁾ 2018/19	Closing Balance 30/06/2019
General purpose funding	\$	\$	\$	\$	\$	\$	\$
Local Government Assistance	248,494	476,378	(475,508)	249,364	326,601	(249,364)	326,601
Law, order, public safety							
Office Emergency Mgt Grant - Emergency Mgt	-	20,000	(20,000)	-	-	-	-
Health							
City of South Perth - Mosquito Control	-	7,461	(6,042)	1,419	-	(1,419)	-
Community amenities							
Cathedral Square Various	-	115,355	(33,893)	81,462	100,081	(139,679)	41,864
Transport							
Main Roads	-	174,251	(130,868)	43,383	-	(43,383)	-
Main Roads Direct Grant	-	58,705	(58,705)	-	-	-	-
Roads to Recovery	-	436,687	(436,687)	-	-	-	-
Department of Transport - East Perth Walkability	-	1,231,000	(938,750)	292,250	349,593	(349,593)	-
Federal Local Road Grant	256,765	435,567	(444,487)	247,845	252,490	(292,250)	252,490
SPM & Main Roads	404,854	343,489	(686,063)	62,280	-	(62,280)	-
ACM Roads and Kerbs Grants	30,475	(30,475)	-	-	319,802	(261,136)	58,666
Other property and services							
Smart Cities	-	657,247	(49,640)	607,607	657,225	(1,264,832)	-
Attorney General Smart Cities	-	42,639	(42,639)	-	-	-	-
Department of BCA/Main Roads - Windan Bridge Riverbank	-	198,972	(198,972)	-	-	-	-
Department of Parks and Wildlife (Riverbank funding)	27,950	-	(16,885)	11,065	-	(11,065)	-
Total	968,538	4,167,276	(3,539,139)	1,596,675	2,005,792	(2,922,846)	679,621

(1) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

	2019	2018
	\$	\$
Grants /Contributions for Capital Works	58,666	943,240
Grants/Contributions for Other Purposes	620,955	580,090
	<u>679,621</u>	<u>1,523,330</u>
(2) - Grants/contributions which had been recognised as revenues in a previous reporting period and which were expended in the current reporting period in the manner specified by the contributor	*	

Grants /Contributions for Capital Works	1,016,584	389,934
Grants/Contributions for Other Purposes	<u>580,090</u>	<u>505,259</u>
	<u>1,596,674</u>	<u>895,193</u>

(3) - Grants/contributions which had been recognised as revenues in a previous reporting period and which were not fully expended in the manner specified by the contributor at the reporting date.

	-	73,345
	<u>-</u>	<u>73,345</u>

* Unspent grants and contributions as stated in Note 3:

\$ 679,621

**CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

22. RATING INFORMATION

Gross Rental Values

Landgate Valuation Services provides the City with Gross Rental Values (GRV) for the purpose of rating. For the vast majority of properties values were supplied on 1 July 2017, effective for three years from that date.

Differential General Rates

The City imposed differential general rates under Section 6.33 of the Local Government Act 1995 on all rateable land within the City according to the predominant purpose for which the land is held or used, as determined by the City. If the predominant land use forming the basis for the imposition of the differential rate changed during the 2018/19 financial year, the City was not required to amend the assessment of rates payable on that land on account of that change but has chosen to do so.

The rates were set at differential levels that provided as was practically possible a fair and equitable distribution of the rate burden to each category of land having regards to its demands on the City's services. The City has previously rationalised its rates differential categories with Hotel, Retail and Commercial ratepayer classes consolidated as the Commercial category. This followed a review of costs attributable to each class and took into account the triennial revaluation of gross rental values pertaining to each category conducted by Landgate Valuation Services in 2014. None of the differential general rates was more than twice the lowest differential general rate, as proposed in the 2018/19 Annual Budget.

The basis, objects and reasons for the imposition of each differential general rate are as follows :-

Commercial (Includes Hotel and Retail categories)

This classification includes a variety of land uses including transportation services, communication services, wholesalers, warehouses, laboratories, auto sales and services, entertainment services including restaurants sporting facilities, banking/ATM's, laundromats, bakeries, medical laboratories, commercial educational, hotels serviced apartments, boarding, lodging accommodation, retail sales and services. The general rate for this sector of 5.56344 cents in the dollar of GRV was considered reasonable, given the general nature of this classification compared to other specifically identified sectors.

Office

The majority of properties within the City are used for office accommodation. The GRV of the office sector represents the largest percentage of the total rateable values.

The rate of 4.55125 cents in the dollar of GRV is seen as a fair rate of contribution by the office sector towards a reasonable level and standard of infrastructure provided by the City for the benefit of that sector.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

22. RATING INFORMATION (Continued)

Residential

The Residential classification covers properties that are used for single and multi-dwellings. The residential rate of 5.74033 cents in the dollar of GRV was set at a low level to support the City's aim of encouraging living in the City. The City recognises that the benefits of increased residential population will flow to all other sectors within the district and believe a comparatively lower residential rate serves as an incentive to attract people to live in the City.

Vacant Land

The rate of 6.25865 cents per dollar of GRV applies to all unimproved land within the district. The higher rate is imposed to discourage holdings of undeveloped land within the City, which reduce the amenity of the area. The higher rate encourages early development.

Minimum Rate

The City imposed one general minimum rate of \$705. Recognising that the majority of properties on the minimum rate are residential properties, the minimum rate was maintained at a relatively low level to support the the City's strategy of encouraging living in the City.

Emergency Services Levy

The State Government introduced an Emergency Services Levy (ESL) which, from 1 July 2003, is collected by Local Governments on behalf of the Department of Fire and Emergency Services of Western Australia.

The City falls under the Career Fire and Rescue Services boundary, ESL Category 1. The Levy is based on the Property GRV's and appears as a separate charge on the Rate Notices. The applicable ESL Rates for the financial year were as itemised on page 47.

The interest rate imposed by the Emergency Services Legislation on ESL charges that remained unpaid after the due date was 11% pa applicable from the due date for payment.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

22. RATING INFORMATION (Continued)

Emergency Services Levy (Continued)

Residential and Vacant Land Commercial, Industrial and Other

ESL Category	ESL Rate (cents per \$GRV/Property Use)	Minimum Charges by Property Use	Maximum Charges by Property Use	Minimum Charges by Property Use	Maximum Charges by Property Use
1	0.014486	82	430	82	245,000

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Rateable Value	Rate Revenue	Interim Rates	Back Rates	Total Revenue	Budget Rate Revenue	Budget Interim Rates	Budget Back Rates	Budget Total Revenue	2018 Total Revenue
Differential general rate / general rate												
Gross rental valuations												
Residential	0.0574	13,327	300,321,112	17,238,610	409,755	34,952	17,683,316	17,233,104	-	-	17,233,104	16,534,802
Commercial	0.0556	2,006	407,947,374	22,499,995	115,094	28,257	22,643,346	22,372,936	-	(112,564)	22,260,372	22,310,878
Office	0.0455	2,226	1,063,361,520	48,343,854	1,282,211	230,575	49,856,640	48,383,400	-	-	48,383,400	48,421,524
Vacant	0.0626	83	24,925,800	1,560,019	34,782	(29,522)	1,565,279	1,534,183	-	-	1,534,183	1,417,824
Unimproved valuations												
Sub-Total		17,642	1,796,555,806	89,642,478	1,841,842	264,262	91,748,582	89,523,623	-	(112,564)	89,411,059	88,685,028
Minimum payment												
Gross rental valuations												
Residential	705	766	8,442,304	540,030	-	-	540,030	540,030	-	-	540,030	543,555
Commercial	705	535	4,810,518	377,175	-	-	377,175	378,585	-	-	378,585	386,340
Office	705	183	2,271,157	129,015	-	-	129,015	129,015	-	-	129,015	130,425
Vacant	705	2	3,125	1,410	-	-	1,410	1,410	-	-	1,410	1,410
Unimproved valuations												
Sub-Total		1,486	15,527,104	1,047,630	-	-	1,047,630	1,049,040	-	-	1,049,040	1,061,730
Discounts/concessions (refer note 22(b))												
Total amount raised from general rate		19,128	1,812,082,910	90,690,108	1,841,842	264,262	92,796,212	90,572,663	-	(112,564)	90,460,099	89,746,758
Ex-gratia rates							(287,782)				(270,000)	(275,663)
Totals							92,508,430				90,190,099	89,471,095
							7,436				-	7,380
							92,515,866				90,190,099	89,478,475

SIGNIFICANT ACCOUNTING POLICIES

Rates
Rates are recognised as revenue when the City obtains control over the assets acquired from rates.
Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

22. RATING INFORMATION (Continued)

(b) Discounts, Incentives, Concessions, & Write-offs

Heritage Rate Concession Scheme

The Concession assists owners of Heritage Places to continue the active use of those places and facilitate their ongoing maintenance to ensure long term conservation. The annual concession on general rates only will be equivalent to 10% of the general rates for the Heritage Place, to a maximum of \$20,000 per annum with the minimum concession being equal to the minimum rate payment \$705 (\$705 for 2017/18).

In accordance with the updated Heritage Rate Concession Policy 9.2 (14 February 2017):

The concession will apply until the 30 June 2022, and does not apply retrospectively to previous financial years, including applications previously approved under Policy 9.2 Heritage Rate Concession adopted by the City on 26 June 2012.

The concession will be reduced by an amount equivalent to any other rate concessions for which the owner of the property is eligible (seniors and pensioners).

Applicants must be the registered rate payer of the Heritage Place and submit a completed Application Form – Heritage Rate Concession prior to the issue of the current rate notice or no later than 60 days from the issue date of the current rate notice.

The property must be included in the City Planning Scheme Heritage Register list, be a contributory place within a Heritage Area designated under the Deemed Provisions or on the contributory place within a Heritage Area designated under the Deemed Provisions or on the Metropolitan Redevelopment Authority Heritage Inventory.

Applicants must provide a pest inspection report and a current full building insurance certificate dated no later than a year from the application date and must sign the City's Property Maintenance Agreement.

The owner must not be bound by a Heritage Agreement that commits the owner to the ongoing care and maintenance of the property and/or where a development based incentive has been granted by the City.

The owner must not have an overdue rate debt to the City on the property.

For strata units in complexes where the heritage floor space comprises less than 50% of the total development floor space, economic justification must be provided to demonstrate the strata fees are unduly high due to cost of maintaining heritage fabric.

The City undertakes external building condition inspections to monitor compliance with the Maintenance Agreement and may cancel the concession if not being suitably maintained and if supporting documents are not received.

Discount Granted	Discount %	Discount \$	2019		2018		Circumstances in which Discount is Granted
			Actual	Budget	Actual	Budget	
Heritage Rate Relief Concession Scheme	10%	\$	287,782	\$ 270,000	275,663	275,663	(see outlined above)
			287,782	270,000	275,663	275,663	

Concessions

In accordance with the provisions of the Rates and Charges (Rebates and Deferrals) Act 1992, concessions were offered to eligible persons to allow them to either defer their rates or receive a percentage of rebate on their rates. This is provided they register within the specified period and pay the balance of the rates within the year in which they are assessed.

To be eligible for a concession, a ratepayer is required to be an "eligible person" in terms of the Act and to be the registered owner of the property at 1 July of the rating year.

Eligible persons are also entitled to a concessional rate for a standard waste management charge.

Exemptions

In terms of S6.26(k) of the Local Government Act 1995, the Minister exercised his discretion in favour of the West Australian Cricket Association (WACA) in respect of rates raised for the year for their cricket ground at Nelson Crescent, East Perth. A concession of 88.4% was granted resulting in a rebate of \$148,421 in 2018/19 (2017/18 Exemption: \$167,873).

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

22. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

The City imposed an additional charge for the payment of rates and ESL by instalments as follows:

The rate of interest charged on instalment payments was 5.5% p.a. and was only applied if either the two or the four instalments option was selected.

The administration charge on both instalment options was \$48.00. An administration fee of \$48.00 was charged on all arrangements made for payment outside the normal terms.

The first instalment was due within 35 days from the date of issue of the rate notice and comprised of any arrears, waste management charge, one quarter of current rates and ESL, plus an administration charge and instalment interest. The second, third and fourth instalments comprised of one quarter of current rates and ESL, plus an administration charge and instalment interest.

Instalment Options	Date Due	Instalment Plan		Instalment Plan		Unpaid Rates Interest	
		Admin Charge	Interest Rate	Admin Charge	Interest Rate	Budget	Actual
		\$	%	\$	%	\$	\$
Option One							
Single full payment	21/08/2018	0			11.0%		
Option Two							
First instalment	21/08/2018	48	5.5%		11.0%		
Second instalment	16/10/2018	0	5.5%		11.0%		
Option Three							
First instalment	21/08/2018	48	5.5%		11.0%		
Second instalment	16/10/2018	0	5.5%		11.0%		
Third instalment	18/12/2018	0	5.5%		11.0%		
Fourth instalment	18/02/2019	0	5.5%		11.0%		
Interest on unpaid rates						260,369	144,500
Interest on instalment plan						355,339	400,000
Charges on instalment plan						323,799	325,000
						939,507	869,500
							908,592

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

23 RATE SETTING STATEMENT INFORMATION

		2018/19 2018/19 (30 June 2019 Carried Forward)	2018/19 Budget (30 June 2019 Carried Forward)	2018/19 (1 July 2018 Brought Forward)
Note		\$	\$	\$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
Less: Profit on asset disposals	9(b)	(119,576)	(405,205)	(177,578)
Less: Revaluation of fixed assets	9(b)	(733,623)	-	-
Less: Fair value adjustments to financial assets at fair value	8(b)	(20,503)	-	-
Less: Fair value adjustments to financial assets at amortised cost	31	(9,206)	-	(5,004)
Less: Share of profit of investments accounted for using the equity method	20	(178,878)	-	-
Movement in PCEC Provision		-	-	(4,649,307)
Movement in Accounts Receivable and Accrued Income	5	1,494,807	-	(27,502)
Movement in Employee Entitlement (current)	13	185,649	-	(666,064)
Movement in Accounts Payable and Accruals	11	(1,231,316)	-	(269,703)
Movement in pensioner deferred rates (non-current)		3,356	-	(16,293)
Movement in employee benefit provisions (non-current)	13	(238,235)	-	(4,784,680)
Add: Non-Capitalised WIP expensed	9(b)	2,831,369	-	1,682,198
Add: Loss on disposal of assets	9(b)	7,288,847	2,068,220	1,895,486
Add: Loss on revaluation of fixed assets	9(b)	371,500	-	3,175,429
Add: Depreciation on assets	9(b)	35,181,475	36,371,570	34,706,879
Non cash amounts excluded from operating activities		44,825,666	38,034,585	30,863,861
(b) Surplus/(deficit) after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
Less: Reserves - restricted cash excluding unspent grants	4	(104,338,816)	(103,602,530)	(100,418,439)
Add: Current Liabilities not expected to clear		16,489,990	-	10,728,273
Add: Borrowings	12	6,904,163	7,448,608	7,448,608
Add: Mortgage Backed Securities	8	2,448,395	-	2,481,032
Add: Capital Expenditure Commitments	17(a)	2,242,407	-	882,406
Total adjustments to net current assets		(76,253,861)	(96,153,922)	(78,878,121)
Net current assets used in the Rate Setting Statement				
Total current assets		166,099,483	139,263,262	147,086,201
Less: Total current liabilities		(41,712,300)	(36,312,972)	(39,765,589)
Less: Total adjustments to net current assets		(76,253,861)	(96,153,922)	(78,878,121)
Net current assets used in the Rate Setting Statement		48,133,322	6,796,368	28,442,491

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

24. FINANCIAL RISK MANAGEMENT

This note explains the City's exposure to financial risks and how these risks could affect the City's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk - interest rate	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
Credit risk	Cash and cash equivalents, trade receivables, financial assets and debt investments	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The City does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by the finance area under policies approved by the Council. The finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

(a) Interest rate risk

Cash and cash equivalents

The City's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the City to cash flow interest rate risk.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the City to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents and term deposits held disclosed as financial assets at amortised cost are reflected in the table below.

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2019					
Cash and cash equivalents	1.83%	46,473,723	18,500,000	24,287,169	159,012
Financial assets at amortised cost - term deposits	2.93%	108,181,271	102,250,000	5,931,271	-
2018					
Cash and cash equivalents	1.81%	40,227,407	-	40,046,849	180,558
Financial assets at amortised cost	2.80%	93,323,583	88,000,000	5,323,583	-

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

	2019	2018 restated
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	1,546,550	1,335,510

* Holding all other variables constant

Borrowings

Borrowings are entered into with the Western Australian Treasury Corporation and attract fixed interest rates therefore the City of Perth is not exposed to interest rate risk on loans and borrowings.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

24. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade Receivables

The City's major receivables comprise rates annual charges and user fees and charges. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The City manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of the City to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. The City is also able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment.

The City applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2018 or 1 July 2019 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined under the modified retrospective approach. No expected credit loss was forecast on 1 July 2018 or 30 June 2019 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2019					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	0.00%
Gross carrying amount	914,187	-	-	-	914,187
Loss allowance	-	-	-	-	-

01 July 2018

Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	0.00%
Gross carrying amount	721,402	-	-	-	721,402
Loss allowance	-	-	-	-	-

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for sundry receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2019					
Sundry Receivables					
Expected credit loss	4.73%	4.86%	5.42%	53.03%	42.71%
Gross carrying amount	1,536,201	399,642	284,713	8,143,933	10,364,489
Loss allowance	72,654	19,440	15,419	4,318,833	4,426,346
01 July 2018					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	54.24%	39.43%
Gross carrying amount	1,743,511	597,952	417,296	7,344,430	10,103,189
Loss allowance	-	-	-	3,983,451	3,983,451

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

24. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The City manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

The contractual undiscounted cash flows of the City's payables and borrowings are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2019					
Payables	23,723,424	-	-	23,723,424	23,723,424
Borrowings	6,904,163	9,207,090	-	16,111,253	15,835,845
	30,627,587	9,207,090	-	39,834,677	39,559,269
2018					
Payables	20,967,464	-	-	20,967,464	20,967,464
Borrowings	8,421,938	16,782,398	-	25,204,336	23,363,609
	29,389,402	16,782,398	-	46,171,800	44,331,073

**CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

25. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

During the current year, the City adopted all of the new and revised Australian Accounting Standards and Interpretations which were compiled, became mandatory and which were applicable to its operations.

Whilst many reflected consequential changes associated with the amendment of existing standards, the only new standard with material application is AASB 9 *Financial Instruments*.

AASB 9 Financial instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The City applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the City has not restated the comparative information which continues to be reported under AASB 139. The effect of adopting AASB 9 as at 1 July 2018 was not material.

(a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the City's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the City's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact on the City. The following are the changes in the classification of the City's financial assets:

- Trade receivables at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.
- Units in Local Government House Trust are measured at fair value through the profit and loss.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

25. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (continued)

(a) Classification and measurement (continued)

In summary, upon the adoption of AASB 9, the city had the following required (or elected) reclassifications as at 1 July 2018:

Class of financial instrument presented in the statement of financial position	Original measurement category under AASB 139	New measurement category under AASB 9	Carrying amount under AASB 139	Carrying amount under AASB 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	40,227,407	40,227,407
Trade Receivables	Loans and receivables	Financial assets at amortised cost	10,725,594	10,725,594
Term Deposits	Loans and receivables	Financial assets at amortised cost	96,133,200	96,133,200
Units in unlisted Australian equity portfolio	Financial assets at fair value through profit and loss	Financial assets at fair value through profit and loss	5,323,583	5,323,583
Investments (Mortgage Backed Securities)	Loans and receivables	Financial assets at amortised cost	2,481,031	2,481,031
Investments (Unlisted Equity investments)	Loans and receivables	Financial assets at fair value through profit and loss	154,668	154,668
Other receivables	Loans and receivables	Financial assets at amortised cost	62,649	62,649
Trade and other payables	Financial liability at amortised cost	Financial liability at amortised cost	20,967,463	20,967,463
Borrowings	Financial liability at amortised cost	Financial liability at amortised cost	15,835,845	15,835,845

The change in classification has not resulted in any remeasurement adjustment at 1 July 2018.

(b) Impairment

The adoption of AASB 9 has fundamentally changed the City's accounting for Impairment losses for financial assets by replacing AASB 139's Incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the City to recognise an allowance for ECLs for all financial assets not held at fair value through P/L.

**CITY OF PERTH
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FOR THE YEAR ENDED 30 JUNE 2019**

26. TRUST FUNDS

Funds held at balance date over which the City has no control and which are not included in the financial statements are as follows:

	1 July 2018	Amounts Received	Amounts Paid	Amounts transferred to Municipal Fund	30 June 2019
	\$	\$	\$	\$	\$
Footpath Deposits	3,990,378	660,749	(1,383,646)	(3,267,481)	-
Unclaimed Monies	20,292	7,106	-	(27,398)	-
Other	1,622,682	411,857	(1,479,298)	(232,662)	322,579
	5,633,352	1,079,712	(2,862,944)	(3,527,541)	322,579

A review of the City's trust account was undertaken during the reporting period. All individual account balances were examined to determine whether ownership resided with the City or with the stated parties. No amounts were brought to account as general revenue during the reporting period (30 June 2018 \$nil).

Following Western Australian local government position paper 1 relating to the Accounting for work bonds, building bonds and hire bonds issued on 1 July 2019, \$3,500,142 previously held in trust relating to bonds was transferred, together with interest earned in Trust to Municipal and held as a liability at the reporting date - refer to Note 11.

CITY OF PERTH
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27. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEAR!

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the City.

This note explains management's assessment of the new and amended pronouncements that are relevant to the City, the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*. These standards are applicable to future reporting periods and have not yet been adopted.

(a) Revenue from Contracts with Customers

The City will adopt AASB 15 *Revenue from Contracts with Customers* (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the City will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019.

The City is currently assessing the impact of adopting the new standard but believes the adoption of the new standard will not have a material impact on the financial report.

(b) Leases

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (eg. Personal computers) and short-term leases (ie. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (ie. the lease liability) and an asset representing the right to use the underlying asset during the lease term (ie. the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense of the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (eg. A change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

The City is currently assessing the impact of adopting the new standard.

(c) Income For Not-For-Profit Entities

The City will adopt AASB 1058 *Income for Not-for-Profit Entities* (issued December 2016) on 1 July 2019 which will result in changes in accounting policies. In accordance with the transition provisions AASB 1058, the City will adopt the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods shall not be restated in accordance with AASB 1058 transition requirements.

The City is currently assessing the impact of adopting the new standard but believes the adoption of the new standard will not have a material impact on the financial report.

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance give rise to a financial liability that is within the scope of AASB 9. The City has always recognised prepaid rates as a financial liability until the taxable event occurs at which point the financial liability will be extinguished and the City will recognise income for the prepaid rates that have not been refunded.

Assets that were acquired for consideration, that were significantly less than fair value principally to enable the City to further its objectives may have been measured on initial recognition under other Australian Accounting Standards at a cost that was significantly less than fair value. Such assets are not required to be remeasured at fair value.

CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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27. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS (continued)

(d) New Accounting Standards - application in future years

Pronouncement	Title	Summary	Application Date
AASB 1059	Service Concession Arrangements: Grantors	This Standard addresses the accounting for a service concession arrangement by a grantor that is a public sector entity. The Standard is based on the International Public Sector Accounting Standard IPSAS 32 Service Concession Arrangements: Grantor and is broadly consistent with AASB Interpretation 12 Service Concession Arrangements, which sets out the accounting for the operator of such arrangements, in relation to its principles for recognising service concession assets. The Standard requires a grantor to: <ul style="list-style-type: none"> - recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset. - reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service concession asset. - initially measure a service concession asset at current replacement cost in accordance with the cost approach to fair value in AASB 13 Fair Value Measurement. Subsequent to the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets, as appropriate, except as specified in this Standard. - recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator, using either (or both) the financial liability model or the grant of a right to the operator model. 	1-Jan-20
Conceptual Framework AASB 2019-1	Conceptual Framework for Financial Reporting Amendments to Australian Accounting Standards - Reference to the Conceptual Framework	The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows: <ul style="list-style-type: none"> - Chapter 1 - The objective of financial reporting - Chapter 2 - Qualitative characteristics of useful financial information - Chapter 3 - Financial Statements and the reporting entity - Chapter 4 - The elements of financial statements - Chapter 5 - Recognition and derecognition - Chapter 6 - Measurement - Chapter 7 - Presentation and disclosure - Chapter 8 - Concepts of capital and capital maintenance AASB 2019-1 has also been issued, which sets out the amendments to Australian Accounting Standards, Interpretations and other pronouncements in order to update references to the revised Conceptual Framework. The changes to the Conceptual Framework may affect the application of accounting standards in situations where no standard applies to a particular transaction or event. In addition, relief has been provided in applying AASB 3 and developing accounting policies for regulatory account balances using AASB 108, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the Framework for the Preparation and Presentation of Financial Statements (July 2004), and not the definitions in the revised Conceptual Framework.	1-Jan-20
AASB 2018-6	Amendments to Australian Accounting Standards - Definition of a Business	The Standard amends the definition of a business in AASB 3 Business Combinations. The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable or replacing missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.	1-Jan-20
AASB 2018-7	Amendments to Australian Accounting Standards - Definition of Material	This Standard amends AASB 101 Presentation of Financial Statements and AAS 108 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.	1-Jan-20

CITY OF PERTH
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FOR THE YEAR ENDED 30 JUNE 2019

28. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

b) Current and non-current classification

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the City's operating cycle. In the case of liabilities where the City does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current or non-current based on the City's intentions to release for sale.

c) Rounding off figures

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar. Amounts are presented in Australian Dollars.

d) Comparative figures

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the City applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has a material effect on the statement of financial position, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

e) Budget comparative figures

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

f) Superannuation

The City contributes to a number of Superannuation Funds on behalf of employees. The funds to which the City contributes are a defined contribution plan and accumulated benefit funds. Details of these arrangements are set out in Note 17.

g) Fair value of assets and liabilities

Fair value is the price that the City would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

h) Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The City selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the City are consistent with one or more of the following valuation approaches:

Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach

Valuation techniques that reflect the current replacement cost of the service capacity of an asset.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the City gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

i) Functional Currency

The presentation currency of the City is the Australian dollar. The functional currency is also the Australian dollar.

**CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

29. ACTIVITIES/PROGRAMS

In order to discharge its responsibilities to the community, the City has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the City's Community Vision, and for each of its broad activities/programs.

COMMUNITY VISION

The City's Corporate Business Plan identifies result areas that it must focus on to achieve its Vision. To achieve this, the City provides a broad range of services and maintains and improves its infrastructure including roads, parks and public areas. The City adopted the Integrated Planning and Reporting Framework and developed a set of operational and financial objectives in consultation with the community to establish its 'Vision 2029+ Strategic Community Plan'. A framework was established to meet these objectives and is contained in the City of Perth Corporate Business Plan and a series of strategic enabling documents for preparation and enhanced visibility of priority areas in its Corporate Business Plan.

The City's 2018/19 budget was developed in consideration with the updated Corporate Business Plan (2016-2020) and associated Long Term Financial, Corporate Asset Management and Workforce Plans.

PROGRAM NAME	OBJECTIVE	ACTIVITIES
GOVERNANCE	To provide a decision making process for the efficient allocation of limited resource.	Members of Council, civic receptions and functions, public relations, electoral and other issues relating to the task of assisting Councillors and the ratepayers which do not concern specific Council services.
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision of services.	General rate revenue, penalty for late payment, ex gratia rates, rate administration fee, rate instalment fee, back rates, general purpose grants, untied road grants, interest on deferred rates, investment returns, discounts received, interest on long term borrowings.
LAW, ORDER, PUBLIC SAFETY	To provide services to help ensure a safer and environmentally conscious community.	Fire prevention including the clearing for fire hazards, animal control, by-law control, public security, civil emergency services, park rangers, neighbourhood watch.
HEALTH	To provide an operational framework for environmental and community health.	Preventive services including, food control, health inspections, pest control, other health.
EDUCATION AND WELFARE	To provide services to disadvantaged persons, the elderly, children and youth.	Child care centres, aged and disabled, senior citizen's centres, welfare administration, donations to welfare organisations, other welfare, education services.
HOUSING	To provide and maintain elderly or affordable housing to residents.	Maintain and administer affordable housing.
COMMUNITY AMENITIES	To provide services required by the community.	Rubbish collections, recycling, refuse site operations, litter control, public litter bins, abandoned vehicles, pollution control, town planning control/studies, Citipace administration, pedestrian malls, Forrest Place, street seats, memorials, bus shelters, rest centres, public conveniences.
RECREATION AND CULTURE	To establish and efficiently manage infrastructure and resources to help the social wellbeing of the community.	Public halls, civic centre, parks, sports grounds, community recreation programs, cycle ways, library, community arts program, Concert Hall, Perth Town Hall, donations to cultural institutions, parades and festivals, Christmas decorations, event and corporate sponsorship, Skyworks, state and precinct events.
TRANSPORT	To provide safe, effective and efficient transport services to the community.	Roads, footpaths, rights of way, drainage, road verges, median strips, overpasses, underpasses, street lighting, street cleaning, street trees, traffic surveys, traffic management, depot operations, parking facilities
ECONOMIC SERVICES	To help promote the Capital City of Perth and improve its economic wellbeing.	Tourism and promotions, Perth Convention Bureau subsidies, building control, retail marketing, Christmas events and destination promotions.
OTHER PROPERTY AND SERVICES	To monitor and control Council's overheads and operating accounts.	Public works overheads, plant/vehicle operations, sundry property and other outlays that cannot be assigned to one of the preceding programs.

CITY OF PERTH
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30. FINANCIAL RATIOS

	2019	2018 restated	2017 restated
Current ratio	1.52	1.20	1.33
Asset consumption ratio	0.58	0.60	0.56
Asset renewal funding ratio	0.99	1.00	1.00
Asset sustainability ratio	0.55	0.72	0.60
Debt service cover ratio	5.02	7.33	8.66
Operating surplus ratio	0.05	0.04	0.04
Own source revenue coverage ratio	1.01	1.03	1.08

The above ratios are calculated as follows:

Current ratio	Note :	
	1	current assets minus restricted assets
	2	current liabilities minus liabilities associated with restricted assets
Asset consumption ratio	3	depreciated replacement costs of depreciable assets
		current replacement cost of depreciable assets
Asset renewal funding ratio	4	NPV of planned capital renewal over 10 years
	5	NPV of required capital expenditure over 10 years
Asset sustainability ratio	6	capital renewal and replacement expenditure
		depreciation expenses
Debt service cover ratio		annual operating surplus before interest and depreciation
		principal and interest
Operating surplus ratio	7	operating revenue minus operating expenses
	8	own source operating revenue
Own source revenue coverage ratio	9	own source operating revenue
		operating expenses

Notes:

- 1 Restricted Assets include reserve funds (current) and tied grants/contributions not utilised at year end.
- 2 Liabilities associated with Restricted Assets means the lesser value of a current liability or the cash component of Restricted Assets held to fund that liability.
- 3 Current replacement cost of Depreciated Assets means the cost of replacing assets at current prices.
- 4 Planned capital renewals means capital renewal and replacement expenditure as estimated in the long term financial plan.
- 5 Required capital expenditure means capital renewal and replacement expenditure as estimated in the asset management plan.
- 6 Capital renewal and replacement expenditure means expenditure to renew or replace existing assets.
- 7 Operating revenue means that revenue that is operating revenue for the purpose of the Australian Accounting Standards (AAS) excluding Grants and Contributions for the development and acquisition of assets and other comprehensive income.
- 8 Operating expenses means the expense that is operating expense for the purpose of the AAS including net interest expense and depreciation.
- 9 Own source operating revenue means revenue from rates and service charges, fees and user charges, reimbursements and recoveries, interest income and profit on disposal of assets.

**CITY OF PERTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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31 SIGNIFICANT ITEMS

The following items are of such a size, nature or incidence that its disclosure is relevant in explaining the City's financial performance for the reporting period.

During the reporting period fixed assets to the value of \$10,061,497 were written off and comprised the following.

Non Capitalised Work in Progress

This relates to costs incurred on capital projects in prior years, but now expensed, as the projects did not proceed to completion, were not closed out, or the cost of individual assets when established were under the capitalisation threshold of \$5,000 each. Amount expensed \$2,831,369 (30 June 2018: \$1,682,191).

Obsolete and Extinguished Assets

This relates to assets deemed obsolete or are no longer in use at the reporting date. The value of these assets written off \$7,230,128 (30 June 2018: \$1,816,603) of which \$6,792,629 (30 June 2018: \$1,474,762) relates to infrastructure assets.

Write off Agricultural Assets \$795,271

The City engaged a reputable external valuer to value its agricultural assets (3 tree plantations in Koorda and 1 in Kojonup) at 30 June 2018, as it is ten years since the first plantation was established in Kojonup and it was deemed prudent and timely. That valuation established that the plantations had no value and were in effect a contingent liability for the City due to the future financial commitments entered into for the maintenance of those plantations. Hence the assets were written off at 30 June 2018. In addition no value was attached to the carbon offsets as the City is not registered to trade in them.

Write off Air Rights \$2,049,920

An audit of the Air Rights sourcing documents from 1987, has established that while the City at the time paid Westrail \$2,049,920 for the Air Rights over the City Station Complex and the No 16 Car Park, those Air Rights had to be and were subsumed back into the land prior to the redevelopment of the City Station Complex and the No 16 Car Park. The land itself is owned by the State Government but vested in the City for the purpose of the establishment of the City Station Complex and the No 16 Car Park. Hence the Air Rights had to be extinguished from the City's asset register at 30 June 2018 as they no longer exist. The buildings relative to both these locations are assets of the City.

Extinguishment of PCEC Car Park Provision \$4,649,307

At the time of the construction of the PCEC car park, it was thought prudent then by the City to establish a provision for the replacement of assets that were not owned but which the City was obliged to replace at the end of their useful lives. This provision was extinguished during the period ending 30 June 2018 as an internal assessment made has concluded this provision is no longer required.

Elizabeth Quay and Perth City Link

Several road reserves and public open spaces at Elizabeth Quay and Perth City link were subdivided and custodianship of the land was transferred to the City. However, asset handover which is defined as the transfer of asset ownership and associated responsibilities, has not been transferred to the City. For Perth City Link, the City has brought to book some of the road reserves and public open spaces where the handover information provided is sufficient in detail in terms of the quantity and valuation of assets. This information has allowed the City to recognise these assets at fair value as nearest to the date of practical completion. Future asset handovers from the MRA to the City are expected to continue over the coming years. As it currently stands, the City has not received any asset handover from the MRA at Elizabeth Quay. All asset ownership resides with MRA regardless of titles being vested to the City.

The City is endeavouring at the reporting date to obtain the requested and required details for any outstanding asset handover where vesting has already occurred. The value of these assets when established is not expected to be material relative to the City's total asset value and inventory. The MRA have proposed beginning the asset handover process in June 2020 and finalising the handover of all public infrastructure at Elizabeth Quay by 2024.

CITY OF PERTH
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FOR THE YEAR ENDED 30 JUNE 2019

31 SIGNIFICANT ITEMS(Continued)

Contributed Assets - City of Subiaco

An Audit of the City's infrastructure assets prior to revaluation identified additional infrastructure assets not transferred to the City from the City of Subiaco on 1 July 2016, as a result of the City of Perth Act. These additional assets brought to account during the prior period were :

	2019	2019
	\$	\$
Infrastructure	-	68,713
	<u>-</u>	<u>68,713</u>

The City completed the appropriate due diligence on the assets identified. This encompassed confirming the assets existence and establishing their existing condition. All the assets outlined above were brought to account at their deemed fair value. The City's Asset Management Unit established in house the fair value of the infrastructure concerned.

The Public Art identified as "Asteroid" was not brought to book by the City as it was established that it was not owned by the City.

Contributed Assets

The following assets were transferred to the City and listed as contributed assets during the reporting period.

	Infrastructure	Total
	\$	\$
Contributor		
Public Transport Authority(PTA)	182,606	182,606
	<u>182,606</u>	<u>182,606</u>

Fair values for infrastructure and plant and equipment assets as contributed by PTA were established in house and reclassified by the City's Asset Management Unit.

Assets Reclassification

Certain of the City's Assets with a written down value of \$8,515,495 were reclassified . These reclassifications were necessary to better reflect the nature and use of the assets concerned.

Assets Reclassified	From Asset Class	To Asset Class	Amount @WDV
Gasworks	Investment Land	Land	3,085,000
QV1 Colonnade	Land	Investment Land	485,000
CAS Assets	Plant	Infrastructure	841,308
Fibre Optics	Computers	Infrastructure	808,721
CAS Assets	Furniture and Equipment	Infrastructure	254,442
Cabling	Computers	Building	671,754
Coolers, Air Con, Emergency lighting	Plant	Building	2,167,639
Radios, Network Switches	Plant	Computers	176,021
Plaque	Plant	Art	19,618
Cybersecurity	Computers	Plant	1,242
Signage	Plant	Infrastructure	4,749
			<u>8,515,495</u>

**CITY OF PERTH
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32 Events occurring after the Reporting Period

Events that occur between the end of the reporting period (ending 30 June 2019) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

The date of issue of the Auditors' Report is the applicable "authorised for issue" date relating to these General Purpose Financial Statements.

Events that occur after the Reporting Period represent one of two types:

(1) Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed as 30 June 2019.

(2) Events that provide evidence of conditions that arose after the Reporting Period

The City entered into an agreement with Public Transport Authority (PTA) for the Moore/Lord Street development (part of the Hill Street, two-way project) and established a bank guarantee on 10 July 2019 for \$1.4m which will be drawn on by PTA if the terms of the contract are not met.

The bank guarantee expires on 30 April 2024.

The City raised an invoice to PTA in July 2019 for funding of \$1.425M for this project.

There has not been any other material or significant "non-adjusting events" that should be disclosed.

CITY OF PERTH
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33 Correction of Prior Period Error

(a) Restatement of cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Under AASB 107 *Statement of Cash Flows*, investment in term deposits qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition.

In a prior period, on call funds were incorrectly classified as investments (other financial assets at amortised cost). This error was rectified by restating each of the affected line items of the financial statements for comparative periods as follows:

As at 1 July 2017

Statement of financial position	1 July 2017	Adjustment	1 July 2017 Restated
	\$	\$	\$
Cash and cash equivalents	16,126,364	6,237,197	22,363,561
Other financial assets at amortised cost (current)	112,454,335	(6,237,197)	106,217,138
Statement of cash flows	30 June 2018	Adjustment	30 June 2018 Restated
	\$	\$	\$
Cash and cash equivalents at the beginning of the year	16,126,364	6,237,197	22,363,561

As at 30 June 2018

Statement of financial position	30 June 2018	Adjustment	30 June 2018 Restated
	\$	\$	\$
Cash and cash equivalents	20,842,973	19,384,434	40,227,407
Other financial assets at amortised cost (current)	112,708,017	(19,384,434)	93,323,583
Statement of cash flows	30 June 2018	Adjustment	30 June 2018 Restated
	\$	\$	\$
Cash and cash equivalents at the end of the year	20,842,973	19,384,434	40,227,407
Payments for financial assets at amortised costs	(318,992,097)	19,384,434	(299,607,663)
Proceeds on disposal of financial asset at amortised costs	319,205,391	(6,237,197)	312,968,194

CITY OF PERTH
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33 Correction of Prior Period Error (continued)

(b) Restatement of investments accounted for using the equity method and investments at fair value through profit and loss

The City carries investments related to Mindarie Regional Council, Tamala Park Regional Council and Local Government House. The City accounts for its interests in Mindarie Regional Council and Tamala Park Regional Council using the equity method in the financial statements. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the City's share of the net assets of the associate since acquisition date. The City accounts for its investment in Local Government House at fair value through profit and loss. The City initially recognised this investment at cost. The carrying amount of the investment has been adjusted to recognise changes in the fair valuation of this investment.

In a prior period, the City carried its investment in associates at cost and did not adjust for post-acquisition changes in its share of the net assets of the associates and carried its investment in Local Government House at cost rather than fair value. These errors were rectified by restating each of the affected line items of the financial statements for comparative periods as follows:

As at 1 July 2017

Statement of financial position	1 July 2017	Adjustment	1 July 2017 Restated
	\$	\$	\$
Investments accounted for using the equity method	3,739,765	5,270,509	9,010,274
Total Assets	1,432,758,856	5,270,509	1,438,029,365
Accumulated surplus at the beginning of the financial year	659,485,259	5,270,509	664,755,768
Total Equity	1,365,557,154	5,270,509	1,370,827,663

As at 30 June 2018

Statement of financial position	30 June 2018	Adjustment	30 June 2018 Restated
	\$	\$	\$
Investments accounted for using the equity method	4,120,381	5,469,196	9,579,478
Financial assets at fair value through profit and loss	10,000	144,668	154,668
Total Assets	1,310,225,862	5,613,864	1,315,839,726
Accumulated surplus at the end of the financial year	675,673,431	5,613,864	681,287,295
Total Equity	1,253,296,260	5,613,864	1,258,910,124



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Commissioners of the City of Perth

Report on the Audit of the Annual financial report

Opinion

I have audited the annual financial report of the City of Perth which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the City of Perth:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the City for the year ended 30 June 2019 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the City in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

I draw attention to Note 1 to the annual financial report, which describes the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the City's annual financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996, does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

Responsibilities of the Chief Executive Officer and Commissioners for the Annual financial report

The Chief Executive Officer (CEO) of the City is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of a annual financial report that is free from material misstatement, whether due to fraud or error.

In preparing the annual financial report, the CEO is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of the City.

The Commissioners are responsible for overseeing the City's financial reporting process.

Auditor's Responsibility for the Audit of the Annual financial report

The objectives of my audit are to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the annual financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the annual financial report, including the disclosures, and whether the annual financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Commissioners and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- (i) In my opinion, the following material matter indicates significant adverse trends in the financial position of the City:
 - a. Asset Sustainability Ratio as reported in Note 30 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries standard for the last three financial years.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The financial ratios for 2017 in Note 30 of the annual financial report were audited by another auditor when performing their audit of the City for the year ending 30 June 2017. The auditor expressed an unmodified opinion on the annual financial report for that year.

Matters Relating to the Electronic Publication of the Audited Annual financial report

This auditor's report relates to the annual financial report of the City of Perth for the year ended 30 June 2019 included on the City's website. The City's management is responsible for the integrity of the City's website. This audit does not provide assurance on the integrity of the City's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
2 December 2019

