



**CITY OF  
PERTH**

# Long Term Financial Plan

2023/24 - 2032/33







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## Introduction

The City of Perth's Long Term Financial Plan is a high-level strategy that ensures we have the vision and planning in place to sustainably meet the needs of our community now and into the future.

It is an important strategic document that assists us align our community aspirations, strategic intent, and organisational capacity from 2023/24 until 2032/33.

This Plan projects our financial position over the coming decade using a series of realistic and conservative financial assumptions. This financial modelling provides the City with reliable and robust information to assess our ability to maintain overall financial sustainability into the long term and, most importantly, to ensure that we have in place the necessary funding arrangements to support proposed capital projects.

The purpose of the Plan is to demonstrate the City's financial approach to managing its operations in a responsible, transparent and sustainable manner for the benefit of our residents, ratepayers and stakeholders.

Any assumptions in relation to either the financial modelling parameters, projects or service proposals are prepared based on the best available information and knowledge at hand.

The 10 Year Financial Plan is consistent with all the requirements of the Department of Local Government's guidelines on the development of long-term financial management plans.



# City of Perth Long Term Financial Plan 2023/24 - 2032/33

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## 1.0 Message from the Lord Mayor & Chief Executive Officer

This 10 Year Financial Plan showcases our vision for the growth and development of our great city, while demonstrating our ability to underpin this with robust financial management.

This Plan presents a \$2.86 billion financial blueprint for the City for the 2023/24 to 2032/33 period. The City of Perth is now responsible for a multi-billion dollar business with a net worth of more than \$1.3 billion. Over the next decade, this Plan supports a \$561 million dollar capital works program and expenditure of over \$2.0 billion on its key programs and services.

The result of delivering this Plan will be a legacy of quality community infrastructure and social capital for the benefit and enjoyment of our community. We are able to achieve this as a result of a critical review of operational expenditure focused on making the City more financially sustainable into the future.

Over the coming decade, we will see this Plan support:

- The delivery of City of Perth initiatives under the Perth City Deal
- Future growth of the City in line with its Local Planning Strategy
- Contemporary infrastructure and places that complement the City's unique neighbourhood precincts.
- Continued delivery of services and programs to activate the City and deliver on the evolving needs on its local community.

This Plan is underpinned by the following financial principles:

- Financial sustainability
- Financial accountability
- Responsible stewardship
- Alignment with strategic aspirations

Our City is in the midst of a positive and exciting evolution towards excellence. This Plan is foundational to the City's future direction, representing planning that is accountable, transparent and aligned with our vision.



**Basil Zempilas**  
Lord Mayor  
City of Perth



**Michelle Reynolds**  
Chief Executive officer  
City of Perth



## 2.0 Our City

### 2.1 Aspirations

The ability to plan for our short and long-term future is essential to our success in delivering on our vision for the city. This Plan was firmly guided by our desire for a city that is liveable, sustainable and prosperous.

By developing a clear and strong linkage to these aspirational pillars and reflecting them in how we respond to our community's needs, we can focus on creating meaningful differences in our neighbourhoods and for Perth itself as one of the most liveable cities in the world. This approach reflects a triple bottom line philosophy in all we do.



#### Liveable

We have an aspiration for our city to be socially cohesive, inclusive, activated and safe. By striving to achieve this, we will ensure that residents and visitors enjoy positive experiences that reflect on Perth as one of the world's most liveable, welcoming and respected cities. Initiatives to achieve this include:

- Engaging with our community in meaningful ways to understand their priorities.
- Placing an emphasis on community priorities at a neighbourhood level.
- An increased commitment to appropriate asset renewal and new or upgraded community infrastructure as part of the City's stewardship responsibilities.

#### Sustainable

Maintaining a responsible and healthy balance between the city's natural environment, social and economic systems is a key platform of how the city does business. From local neighbourhoods to the city as a whole, we make decisions and act to nurture, build capacity and sustain our communities. Initiatives to achieve this include:

- Better matching staffing with agreed service levels and scaling back the capital program to levels more aligned to organisational delivery capacity.
- Structural reform of the City's finances that restored previously burgeoning operating expenses back to sustainable levels.
- Expenditure focus is being shifted from discretionary projects back to core service.

#### Prosperous

Our aspiration for Perth is to be a successful, flourishing city that provides opportunities, sustains its economy, and efficiently and effectively delivers services, projects and experiences to our community.

Achieving prosperity for our city and our communities is a foundation principle for our decision making. Initiatives to achieve this include:



## City of Perth Long Term Financial Plan 2023/24 - 2032/33

- An agile, service-based resource allocation model means that the City now can deliver quality, targeted services that offer a value for money proposition to our ratepayers whilst ensuring that our city is efficiently run and that service levels are responsive to our community's needs.

### 2.2 Our City - Snapshot

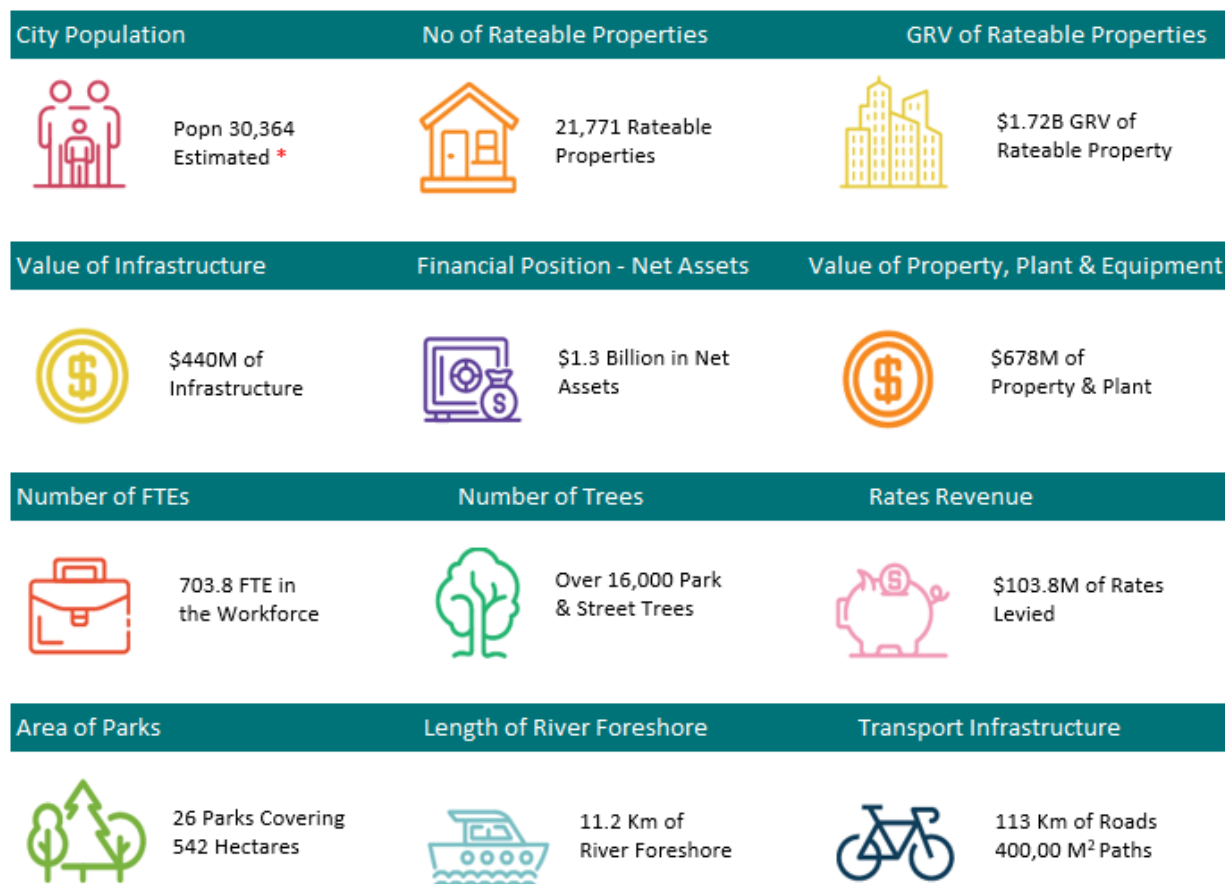
In 2023 the City is home to some 30,364 residents, has about 13,159 businesses, is the workplace of 170,188 workers and a destination for more than 200,000 visitors.

To adequately plan, the City must understand its current state and anticipated future population growth, economic fluctuations, environmental trends and social and community needs in the future.

The 10 Year Financial Plan has considered the City's anticipated population growth - particularly in the later years of the Plan. This growth will impact community needs, servicing costs, infrastructure needs and revenue from rates.

#### Figure 1 - Key Statistics

As at June 2023



Source for population & business data, : Economy ID June 23



## City of Perth Long Term Financial Plan 2023/24 - 2032/33

During the life of the Long-Term Financial Plan, an updated Strategic Community Plan, recently adopted Economic Development Strategy and Sustainability Strategy and a Local Planning Scheme will continue to shape community demand for services, projects and infrastructure provided by the City - and the resources needed to support them. The plan will continue to evolve and adapt to those changes.

### 3.0 Ten Year Financial Plan Snapshot

This 10 Year Financial Plan has been developed at a time when our State has emerged from the height of the Covid 19 pandemic, but still is in an economic recovery phase and is being impacted by supply chain and labour market impacts of Covid. These impacts and the current and anticipated economic conditions have been responsibly and conservatively considered in modelling the plan.

***Expenditure profile over the ten-year period in broad terms is:***

Expenditure Type	Amount \$M
Core Service Delivery	1,755.015
Programs - Events & Sponsorship	115.610
Discretionary Operating Projects	81.860
WACA & PCH Capital Contribution	29.000
Asset Renewal & Community Infrastructure	561.068
Financing Activities - Reserve Transfers	304.360
Financing Activities - Loan Repayments & Lease Principal Payments	7.523
Closing Balance (Surplus)	3.729
<b>Total Expenditure Allocation</b>	<b>2,858.165</b>

The Long-Term Financial Plan presents a balanced funding model incorporating a responsible mix of funding sources over the ten-year period.

***Funding sources over the ten-year period in broad terms are:***

Funding Source	Amount \$ M
Rates	1,246.785
Parking Operations	769.356
Fees & Charges	161.483
Grant Funds - Operating	22.824
Grant Funds - Capital	55.484
Interest Revenue	72.465
Rental & Hire Income	55.338
Fines & Other Revenues	98.312
Financing Activities - Cash Reserves & Borrowings	361.580
Opening Balance	14.538
<b>Total Funding</b>	<b>2,858.165</b>





## City of Perth Long Term Financial Plan 2023/24 - 2032/33

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The Long-Term Financial Plan 2023/24 - 2032/33 incorporates initiatives associated with the Perth City Deal funding arrangement. The funding model also acknowledges that other opportunities may arise through extra-ordinary grants from other levels of government or non-government sources or from City's asset rationalisations arising from the property portfolio review.

These are currently not incorporated into the model due to their uncertainty, but the financial model can readily be adapted to respond to such opportunities should they arise.

The Long-Term Plan also references our financial ratios against industry benchmarks across each of the plan's ten years to identify periods of financial challenge. Whilst a specific indicator may not be met in a specific year, the Long-Term Financial Plan presents a responsible and realistic plan to ensure that trends and average ratios across the life of the plan meet or exceed preferred industry benchmarks.

### 3.1 Our Services

The City has carefully considered the resource and funding requirements necessary to deliver ongoing services and programs, statutory and governance activities, asset network renewal expenditures and opportunities for major discretionary capital expenditure initiatives.

Over the life of the plan, the range and scope of our services may be re-evaluated, or service levels re-assessed in the light of changing circumstances to ensure that there is alignment between community expectations, financial and organisational capacity and agreed service levels.

The City provides an extensive range of external facing services to our community including:

- Strategic leadership
- Economic development
- Community capacity building
- Community support services
- Homelessness response
- Cultural development
- Events and activation
- Library services
- Customer service
- Community safety and amenity
- Public health
- City planning
- Development approvals
- Transport and urban design
- Infrastructure asset strategy and design
- Infrastructure maintenance
- Park maintenance
- Waste and cleaning
- Parking management
- Project delivery
- Advocacy



These services are supported and empowered by internal facing services including:

- Marketing and communications
- Financial management
- ICT services
- Human resource management
- Governance
- Audit and risk management
- Legal services
- Information and records management
- Property management services

### 4.0 Service Based Resource Allocation Approach

The City uses a service-based resource allocation model designed to emphasise agile and flexible assignment of employee, financial and equipment resources around services rather than organisational structure. Services prioritised through community feedback and agreed community outcomes and service levels determine the allocation of resources each year rather than a traditional incremental increase to the existing service unit budgets.

## 5.0 Long Term Financial Plan Modelling

### 5.1 Context for the Long-Term Financial Plan

This Plan is a significant informing document for the City's integrated planning framework as it provides information regarding the resourcing requirements and financial capacity of our local government to achieve its stated objectives and priorities.

This financial modelling provides the City with reliable, robust information to assess our capacity to maintain overall financial sustainability into the long term and, most importantly, to ensure that we have in place the necessary funding arrangements to support proposed capital replacement programs and new capital projects.

The City's Long Term Financial Plan is consistent with all the requirements of the Department of Local Government's guidelines on the development of long-term financial management plans.

### 5.2 Assumptions & Modelling Parameters

As with any long-term financial model, it is important to understand any qualifications and/or limitations that may relate to the outputs of the model.

The Plan is expected to influence the City's Annual Budget each year - but it is recognised that the Plan is a dynamic and evolving document that responds to changing strategic priorities, service level expectations and economic conditions.

In regularly reviewing the plan, where such changes occur and the impact is significant, the financial modelling will be adjusted to reflect these changes. This iterative approach is an essential aspect of the Integrated Planning and Reporting Framework and reflects responsible business practice.



### 5.2.1 Qualifications & Limitations

The Plan is a high-level strategic document that is used to assist in planning for the future and aligning our community aspirations, strategic intent and organisational capacity.

It is necessarily based on a number of financial assumptions relating to the:

- quantum of and anticipated movements in both revenues and expenditures
- anticipated timeframes for cash flows into and out of the organisation
- expectations of the continuation of (at least), existing funding initiatives by both commonwealth and state governments.

Included in the financial assumptions are anticipated movements in both the consumer price index, wages growth and interest rates as they relate to investment returns and borrowing costs across the ten-year horizon of the plan. Unanticipated changes in any of these parameters - or indeed in government policy directions are likely to have an impact on the financial modelling.

Indicative funding or cost estimates included in this plan may relate to broad proposals that:

- have been approved by Council and are in progress.
- have been considered by Council but have yet to be given final approval to proceed.
- have only been considered by Council at a strategic or conceptual level.
- are operational in nature and based on the continued delivery of existing services.
- are operational in nature and relate to the maintenance of City assets in accordance with management plans and maintenance plans.

Adoption of the Plan by Council does not constitute an irrevocable commitment to any specific project or service referenced in the plan, nor to its timing.

Similarly, it does not preclude the possible subsequent inclusion of further service or capital initiatives in future years if the financial modelling and strategic direction of Council indicate that it aligns with that strategic direction and could be supported without adversely impacting on the City's financial sustainability.

### 5.2.2 Significant One-Off Considerations Impacting the Plan

The City has two significant financial commitments in the first two years of the plan - a \$4.0M contribution to the re-development of the Perth Concert Hall in 2023/24 and a \$25.0M contribution to the WACA Aquatic Facility spread over the 2023/24 and 2024/25 years. These initiatives are supported by funds currently quarantined in cash backed reserves.

### 5.2.3 Excluded Reserve Fund Transactions

Cash backed reserves have been created and funded in support of anticipated future initiatives regarding event activation, parking facilities, sponsorships, neighbourhood and heritage initiatives. These will only be drawn down in the appropriate year when there is a firm costed proposal - at which time the transfer from the reserve and the offsetting expenditure item will be introduced into the plan.



### 5.2.4 Future Funding Opportunities

The City has recently undertaken a comprehensive review of its commercial property portfolio. It has also created a Commercial Services Alliance to validate and action where appropriate, the results of that review and the recommendations resulting from it - which will then be considered by Council. The potential cash flows resulting from the potential property disposals are expected to be significant and should have a noteworthy positive impact on this plan.

Once the quantum and timing of the resulting cash flows can be confidently measured and determined with certainty, the Long-Term Financial Plan will be updated to reflect those inflows. The plan is designed to be dynamically modified to reflect such changes in future iterations of the plan.

### 5.3 Long Term Financial Plan

The narrative and analysis provided in Sections 5 & 6 of this document are intended to facilitate a shared understanding of the financial schedules underpinning the 2023/24 - 2032/33 Long Term Financial Plan.

#### 5.3.1 LTFP Financial Schedules

The published version of the Long-Term Financial Plan is presented as six summarised Financial Statements:

- Statement of Financial Activity (FS1)
- Income Statement (FS2)
- Cash Flow Statement (FS3)
- Rate Setting Statement (FS4)
- Statement of Financial Position (FS5)
- Statement of Changes in Equity (FS6)

An explanation of the purpose of each of these statements is provided below. Each statement provided in the plan is accompanied by a table explaining each major line item on the statements.

#### **FS1 - 10 Year Statement of Financial Activity**

This financial statement is a high level summarised statement that aggregates the estimates of both operating and non-operating revenues and expenditures as well as incorporating loan proceeds, transfers to or from cash-backed reserves, repayments of loan principal, capital expenditure items and movements in accrual funding that are expected to occur over the 10-year period covered by the plan. It provides a single consolidated view of all aspects of the Long-Term Financial Plan.

#### **FS2 - Income Statement**

This financial statement includes estimates of all revenues and expenditures that are included in the operating (normal day to day) activities of the City. This also includes non-cash items such as depreciation and interest payments on loans. It excludes repayments of loan principal, proceeds from loan borrowings and capital expenditure items - those are all reflected in the aggregated Financial Summary FS1. It also allows for estimated (book entry) movements in the value of the City's non-current assets. Information from the Income Statement is used to calculate the Operating Surplus Ratio which is one of the statutory measures of financial sustainability.



### **FS3 - Cash Flow Statement**

This financial statement demonstrates the projected impact on the overall cash position of the City of the planned financial transactions. It is derived from the Operating Position which is then adjusted for the impact of the non-cash transactions and non-operating items.

### **FS4 - Rate Setting Statement**

This is another statutory financial statement. It includes estimates of all operating and non-operating revenues and expenditures as well as repayments of loan principal, proceeds from loan borrowings, capital expenditure items and transfers to or from cash backed reserves. It does, however, exclude all non-cash items. The purpose of the statement is to demonstrate the calculation of the amount of Rates revenue expected to be raised to fund the Budget each year.

### **FS5 - Statement of Financial Position**

This financial statement demonstrates the impact of the proposals in the Long-Term Financial Plan on the assets and liabilities of the City and, therefore, shows any improvement or decline in the City's financial position.

### **FS6 - Statement of Changes in Equity**

This financial statement demonstrates the cumulative impact on the City's Net Equity from the proposals in the Long-Term Financial Plan. It also contains a reconciliation back to the Opening Position - which is a critical component in the development of the Rate Setting Statement.

The primary Financial Schedules are supplemented by a series of Supporting Schedules (SS1 to SS6) which provide further details of the 10 Year Long Term Financial Plan.

#### **5.3.2 LTFP Supporting Schedules**

There are numerous supporting schedules which provide financial inputs for the Long-Term Financial Plan model. A number of these schedules contributing to this plan are simply supporting worksheets that are intended for internal use and are not published in this document.

Supporting Schedules (SS1 to SS6) are included in this document and provide details of major financial parameters and assumptions that have been used to produce the 10 Year Long Term Financial Plan:

- Key Performance Indicators Calculations (SS1)
- Funding Assumptions - Reserves (SS2)
- Funding Assumptions - Loan Borrowings (SS3)
- Capital Expenditure & Capital Revenues (SS4)
- Explanatory Notes for Financial Statements (SS5)
- Financial Health Indicator (FHI) Scores (SS6)

The remaining worksheets hold the calculations used to derive the model and as such are not published.

#### **5.3.3 Key Financial Indicators**

Projected Key Financial Indicators required by the Department of Local Government Advisory Standard have been calculated from the data in the Long-Term Financial Plan Financial Statements. An additional Indicator for Annual Rates % Increase has been included although not required by the Advisory Standard.








The Key Financial Indicators calculated are:

- Operating Surplus Ratio
- Own Source Revenue Ratio
- Debt Service Ratio
- Gross Debt to Operating Revenue Ratio
- Current Ratio
- Asset Consumption Ratio
- Asset Sustainability Ratio
- Asset Renewal Funding Ratio

Explanations and commentary on the Key Financial Indicators are provided at Section 6.3 of this plan. The calculations of the Key Indicators are provided in Supporting Schedule SS1. That schedule also indicates the source of the calculations by providing the line reference to the Financial Statements. Each indicator is compared to a local government industry benchmark to help inform future financial decisions.

There is no one indicator, or single financial year, that can be used to judge the financial sustainability of the City. Spikes in indicators can occur for a number of reasons. However, indicative financial ratio calculations can help Councils identify potential future financial challenges.

In the Key Performance Indicator Schedule (SS1):

	Indicates that the projected indicator exceeds the target.
	Indicates that the projected indicator is an intermediate achievement but is still under the target.
	Indicates that the projected indicator does not meet the target.

### 5.3.4 Loan Borrowings

The use of borrowings to support the funding of long life capital projects where appropriate is an important part of a balanced local government funding package. Introducing borrowings into the funding mix helps to smooth the spikes in rating from year to year - addressing the challenge of inter-generational equity. This means that those who will benefit from the use of the newly created asset in future years help to pay for the asset through paying rates to service the loan repayments each year.

With local governments able to borrow at fixed interest rates and interest rates still relatively low, the opportunity to embrace borrowings as part of the funding package cannot be overlooked in formulating the Long-Term Financial Plan. In doing so, it is important to ensure that the City's Debt Service Ratios remain within acceptable benchmarks (as this will be assessed before WA Treasury Corporation accepts our loan applications).

It is also important that the City ensures that its planned financial model meets its own debt covenants such as ensuring that its Gross Debt to Operating Revenue sits below the threshold of 40% across all ten years covered by the plan.



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New borrowings have been included in the City's 2023/24 - 2032/33 Long Term Financial Plan to support the overall funding package with the City's current loan profile showing that all existing borrowings were cleared at July 2023.

The Long-Term Financial Plan includes \$10M worth of loan borrowings over the life of the ten-year Long Term Financial Plan.

Analysis of the City's borrowings profile and commentary on financial ratios relating to the use of debt is provided at Section 6.3 of this document.

### 5.3.5 Reserve Funds

Cash backed Reserve Funds are also a vital part of the Long-Term Financial Plan funding package. Funds accumulated in cash backed reserves can be used to smooth fluctuations in rates needing to be raised during years when larger capital programs are being delivered.

The City currently has 23 Cash Reserves (6 not active and will be closed 1 July 2023) classified as:

- Asset Acquisition & Renewal Reserves
- Strategic Reserves
- Parking Related Reserves
- Waste Management Reserves
- Tactical Reserves

The 2023/24 - 2032/33 Long Term Financial Plan makes extensive, but responsible, use of previously accumulated cash reserves. Analysis and commentary on the use of Cash Reserves is provided at Section 6.2 of this document.

## 6.0 LTFP Analysis & Commentary

### 6.1 Overall Commentary

The Long-Term Financial Plan represents a financial commitment of around \$2.92 billion over the next ten years. These funds are applied to towards delivering a program of relevant services to our community whilst maintaining and renewing our infrastructure and creating new community facilities that leave a legacy for our community.

The Long-Term Financial Plan has been presented using a balanced budget philosophy. That is, whatever is proposed to be expended is fully funded by the funding options included in the plan. The financial modelling in the earlier years of the plan is necessarily more certain than the later years - but adequate flexibility has been allowed in the later years of the plan to cope with new or emerging community priorities or project opportunities.

In addition to continuing to deliver the comprehensive range of customer focused services and maintaining and renewing our community infrastructure, the City is embarking on an ambitious program to create and enhance major community infrastructure and new community facilities. These transactions have been modelled into the 10 Year Long Term Financial Plan to ensure that the new community facilities can be funded in a sustainable manner without unreasonable impost on ratepayers.



## City of Perth Long Term Financial Plan 2023/24 - 2032/33

The Long-Term Financial Plan presents the optimum financial model to meet the City's financial needs over the next ten years in a way that respects and works towards achieving the Key Financial Indicators that have been set as benchmarks for local government to aspire to.

Where an indicator may not be attained in a given year, the plan presents a responsible strategy to move the City towards the preferred industry benchmark.

The Long-Term Financial Plan is, therefore, a sustainable financial blueprint for the City's future.

**Chart 1 - 10 Year Funding Mix by Source**

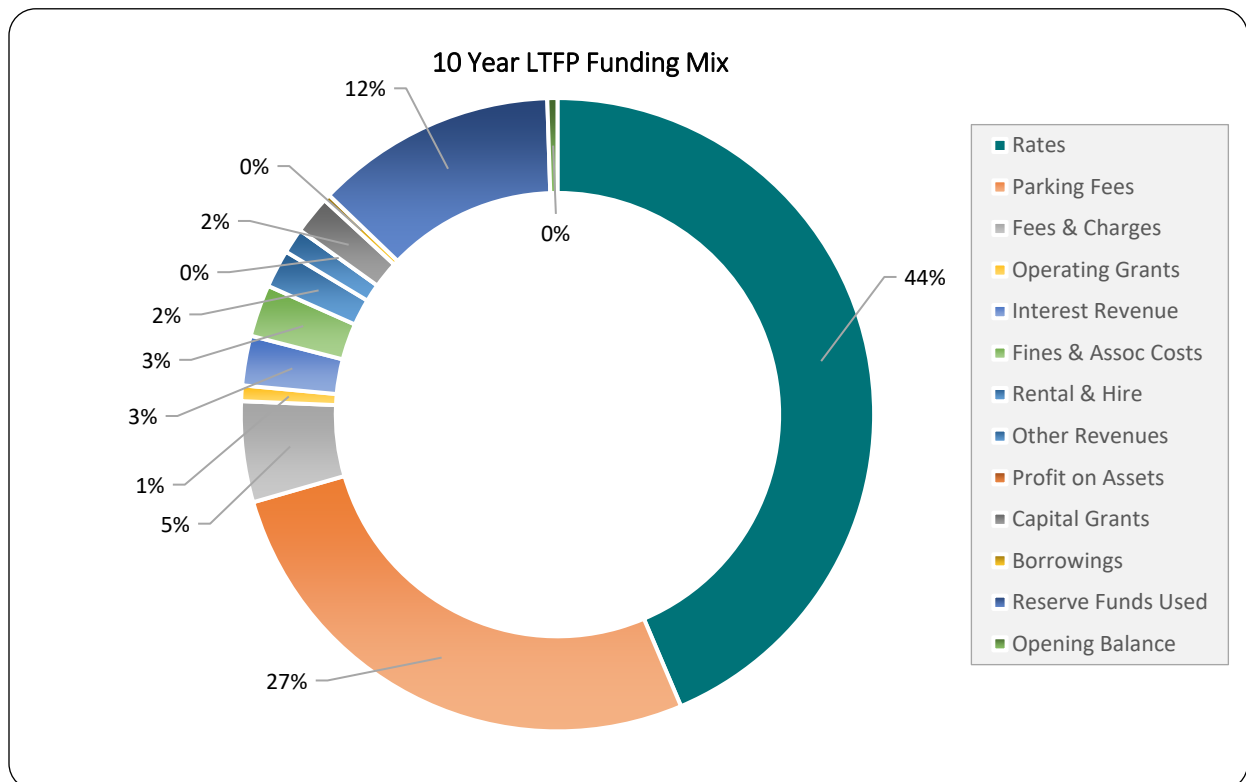


Chart 1 (above) indicates the respective contributions of the various funding sources to the total funding mix over the ten-year period covered by the plan.

The major elements of the funding model are Rates (44%), Fees & Charges (5%), Parking Revenues (27%), Property Leasing (2%) Reserves (12%), Fines (2%), Borrowings (1%), Grants (5%), Other Revenues (1%) and Opening Balance 1%.

Over the life of the plan, funds will be applied towards meeting the costs of operational service delivery (premised on the agreed range and scope of services and agreed service levels) as well as expenditure on infrastructure renewals, new community asset creation and debt servicing.

The uses of those funds are shown in Chart 2 titled 10 Year Fund Use by Type.



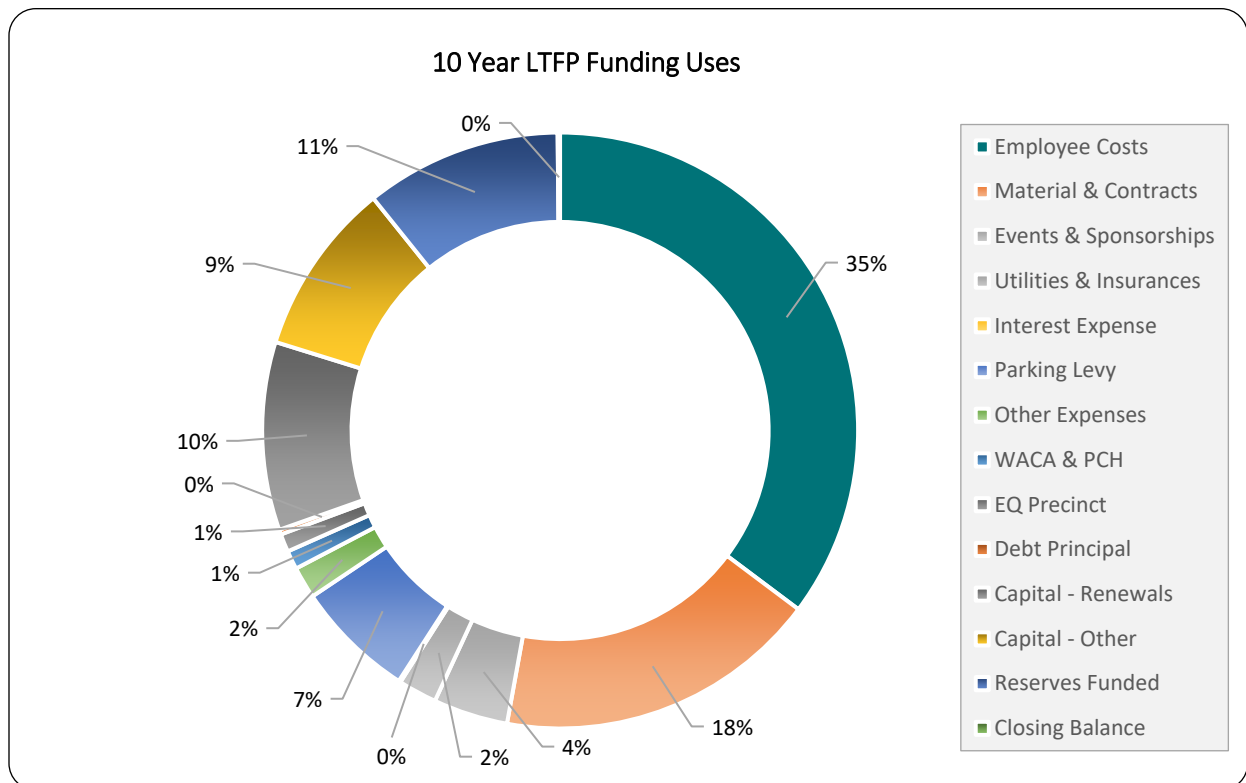
## City of Perth Long Term Financial Plan 2023/24 - 2032/33

The proposed expenditure program reflects approximately 68% of funds being applied to operational expenditure, 10% on infrastructure maintenance and renewals and 9% for new asset creation. A further 1% is used for debt servicing.

Some 11% of available funds are used for creation of Reserve Funds to support future capital expenditures and the remaining 1% relates to the WACA Aquatic Facility and Perth Concert Hall capital contributions.

Fund uses described in Chart 2 (below) as Reserves Created reflect the transfer of funds to cash backed reserves, largely relate to providing funding for the Parking Bay Levy payable each year, in advance, to the state government and funding for future capital opportunities that may be presented to future Councils.

**Chart 2 - 10 Year Funding Use by Type**



Non-cash operating expenditure items such as depreciation have been excluded from the graph above and book gains such as revaluation increases relating to infrastructure assets, land and buildings are also not included in the LTFP model.

Over the life of the plan, the City aims to draw down approximately \$47M (net) of Cash Backed Reserves and use Borrowings of \$10.0M in total to supplement the City's other funding sources.

The projected Opening Balance each year of the plan averages around 2.2% of Operating Revenues and the Closing Balance represents, on average, around 1.7% of Operating Revenues (in line with the targets in Policy CP 2.3 - Strategic Financial Planning and Budgeting).



## City of Perth Long Term Financial Plan 2023/24 - 2032/33

The ten-year Long Term Financial Plan model reflects a responsible, balanced, and sustainable financial strategy for the City. The plan will be subject to ongoing monitoring, review and updating in future years.

### 6.2 Commentary on Reserve Funds

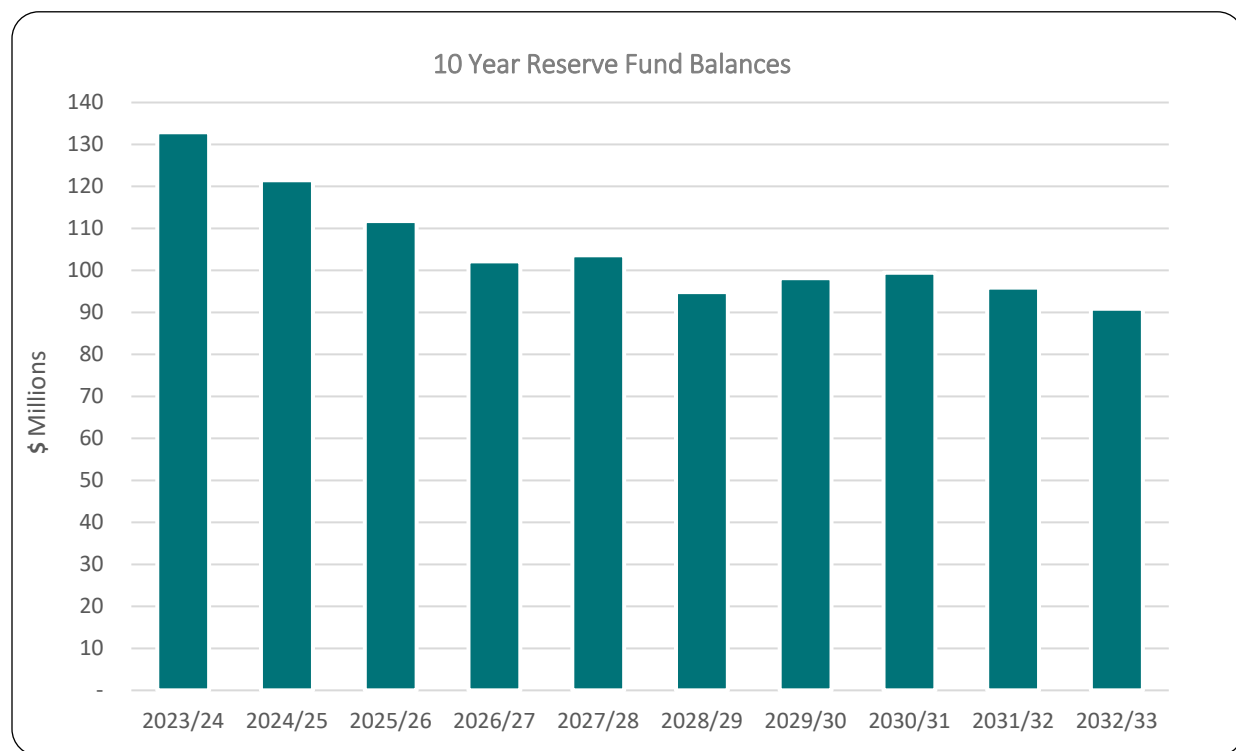
Reserve funds are strategic in nature and, informed by future cash requirements identified in the Long-Term Financial Plan, are generally accumulated to provide funding for identified future major community infrastructure projects.

Discretionary reserves may also be funded from municipal funds to provide for future replacements of items including plant and equipment, technology, or reticulation systems.

Over the life of the plan the City will draw down a net \$47M of Cash Backed Reserves (after allowing for interest earned to be reinvested in Reserves).

The composition and balances of the City's Reserve Funds is shown in Charts 3 & 4 below.

**Chart 3 - Projected Reserve Fund Balances**

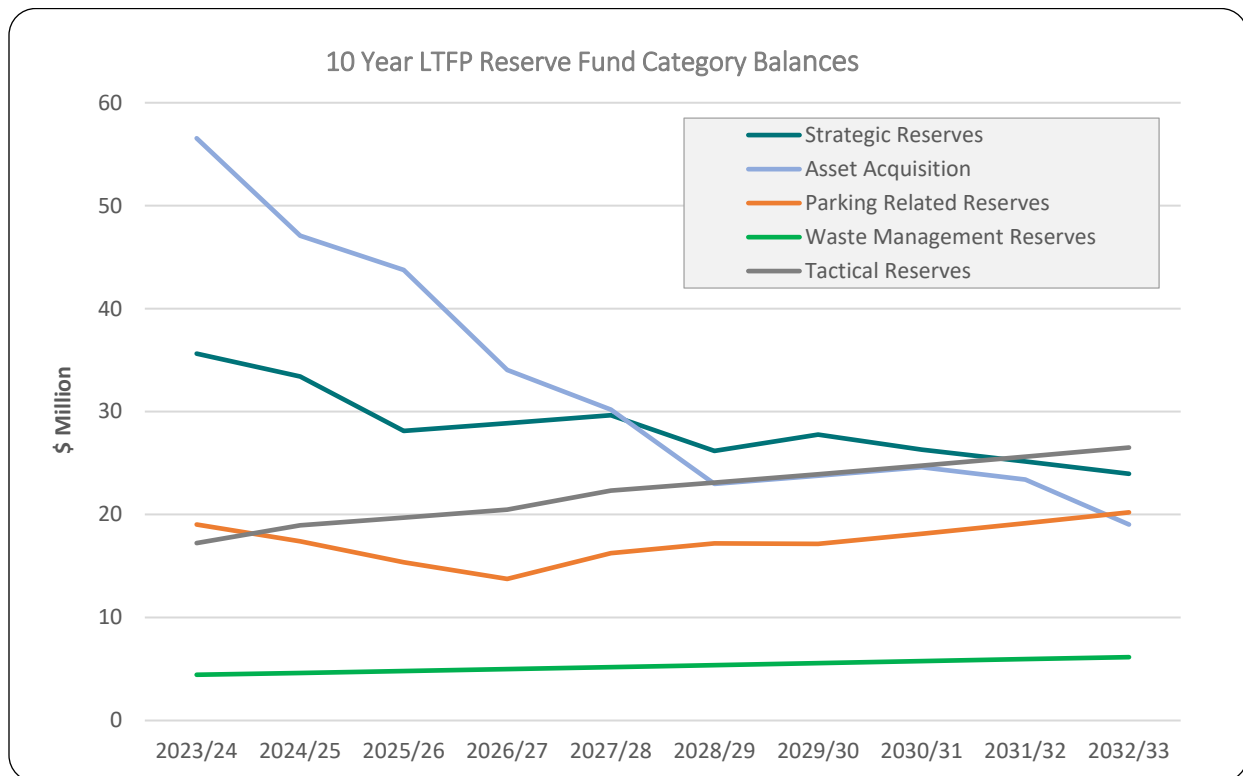


It should be noted that there are further draw-down of Reserves for initiatives such as heritage grants, sustainability grants, parking technology etc for which the timing is still uncertain. Whilst funding is available in cash backed reserves, those transactions are currently not included in the LTFP.





**Chart 4 - Projected Reserve Fund Categories 10 Year Trend**



The City currently maintains twenty four cash backed Reserves - although six of the (inactive) minor reserves will cease to operate from the 2023/24 financial year onwards.

Reserve funds play an important role in in 'smoothing' cash demands across financial years and in doing so, help to address the challenges of inter-generational equity.

Reserves maintained by the City are classified as:

- Asset Acquisition & Renewal Reserves
- Strategic Purpose Reserves
- Parking Related Reserves
- Waste Management Reserves
- Tactical Reserves
- Inactive Reserves



### Strategic Purpose Reserves

#### **Enterprise & Initiative Reserve**

This reserve was established to fund future strategic projects or initiatives that introduce or improve efficiencies and effectiveness in the City's operations.

#### **Technology Upgrade Reserve**

This reserve was established to provide funding to enhance the City's core technology systems to facilitate service-based resource allocation models and transparent reporting of financial performance. It also plays a role in supporting the renewal of technology devices.

#### **Strategic Property Reserve**

The purpose of this reserve is to support the funding of strategic land or commercial building acquisitions that may be used to generate future lease rental income streams to subsidise the City's rates and parking revenue streams, or to meet the City's operational storage needs.

#### **Sustainable & Resilient City Reserve**

This reserve is established to support initiatives that enhance the City's energy resilience, drive residential population growth, or build the night-time economy with the intention of strengthening and diversifying ongoing revenue streams.

#### **Community Infrastructure Reserve**

This reserve is established to provide funding to support community infrastructure capital initiatives arising from the Social Needs Analysis 2022.

### Asset Enhancement & Renewal Reserves

#### **Asset Enhancement Reserve**

The purpose of this reserve is to provide funds for the enhancement, replacement, refurbishment of the City's assets and the acquisition new assets or capital works. This reserve may also be applied to fund projects that may not necessarily be controlled by the City, but which may be carried out for the ultimate benefit of the City.

#### **Major Infrastructure Reserve**

This reserve is established to provide funding flexibility to allow the accelerated delivery of large multi-year infrastructure projects where delivery synergies and cost savings can be gained through aggregation of project stages. The reserve is to be used for identified projects only.

#### **Provisional Capital Program Reserve**

This reserve was established to match delivery capacity with the proposed Capital Program. As projects are completed, this reserve may be accessed to fund Capital programs expected to occur later in the year.



### **Council House Refurbishment**

This reserve was established to fund future refurbishment of Council House to optimise the use of the available floor space and encourage more effective and efficient working arrangements

### **Parking Related Reserves**

#### **Parking Levy Reserve**

This reserve was established to set aside funds to meet payment of the State Government's Parking Levy.

#### **Parking Facilities Development**

This reserve was established to enable the development of parking facilities within the City and to fund the acquisition of parking management equipment.

### **Waste Management Reserve**

#### **Refuse Disposal & Treatment Reserve**

The purpose of this reserve is to allow for the development, construction and purchase of facilities and plant for the treatment, transportation, and disposal of non-industrial refuse. It is also utilised to assist with the phasing in of significant increases in standard rubbish service charges when alternative waste stream processes are introduced.

### **Tactical Reserves**

#### **Heritage Incentive Reserve**

This reserve was established to fund heritage incentives to benefit properties on the City of Perth's heritage register.

#### **Employee Entitlements Reserve**

This reserve was established to fund the non-current portion of employee entitlements for Long Service Leave and the non-current portion for Annual Leave entitlements.

#### **Neighbourhood Initiatives Reserve**

This reserve was established to support Neighbourhood Place Plans through providing funding to support minor discretionary projects initiated by the six city neighbourhoods.

#### **Sponsorship Reserve**

This reserve is used to effectively manage the cashflow implications of sponsorships spanning multiple financial years.

#### **Major Events Activation**

This reserve is used to allow the City to leverage activations associated with third party run major national or international sporting events.



### Inactive Reserves

The City actively curates its cash-backed reserves and has identified the reserves detailed below as being inactive and no longer required by the City. Accordingly, the minimal residual balances in those reserves will be returned to the municipal fund through the budget process and the reserves formally closed.

A seventh cash backed reserve, (Perth Concert Hall Reserve) will also be closed as soon as the City's \$4.0M contribution towards the redevelopment of the concert hall is called upon.

The affected cash-backed reserves are as follows:

#### **Concert Hall Reserve**

This reserve will cease to exist after the City makes its \$4.0M capital contribution to the redevelopment of the Perth Concert Hall in 2023/24. Any residual balance will be returned to the City of Perth Municipal Fund in 2023/24.

#### **David Jones Bridge Reserve**

This reserve was established to fund major repairs, renovations or replacement of the pedestrian bridge over Murray Street Mall between David Jones and Forrest Chase. This reserve is inactive and will be extinguished in 2023/24 budget process.

#### **Art Acquisition Reserve**

This Reserve was established to fund future additions to the art collection of the City. Such acquisitions now budgeted separately when appropriate, so the reserve is redundant and will be extinguished in 2023/24 budget process.

#### **Organisational Reform Reserve**

This reserve was established to fund the anticipated costs of the City of Perth Inquiry and to provide funding towards corporate recovery, organisational development, and capacity building. As the reserve's purpose has concluded, it will be extinguished in 2023/24 budget process.

#### **Public Art Reserve**

This reserve was established to provide financial capacity to support the commission of new and enduring public art identified in the City's Public Art Strategy and to fund associated renewal costs. As public art commissions are now included in project budgets, the reserve is redundant and will be extinguished in 2023/24 budget process.

#### **Bonus Plot Ratio Reserve**

This reserve was established to hold contributions in respect of Bonus Plot Ratio entitlements pending expenditure on streetscape improvements and / or public art. This reserve is inactive and will be extinguished in 2023/24 budget process with funds transferred to the Community Infrastructure Reserve.

#### **Funding Appropriations / Use of Reserves**

The requirement for each Reserve and associated target values are reviewed and adjusted as appropriate each year during the Long-Term Financial Plan and Annual Budget cycle by the Chief Financial Officer and transfers to or from reserves recommended to Council for approval.



## City of Perth Long Term Financial Plan 2023/24 - 2032/33

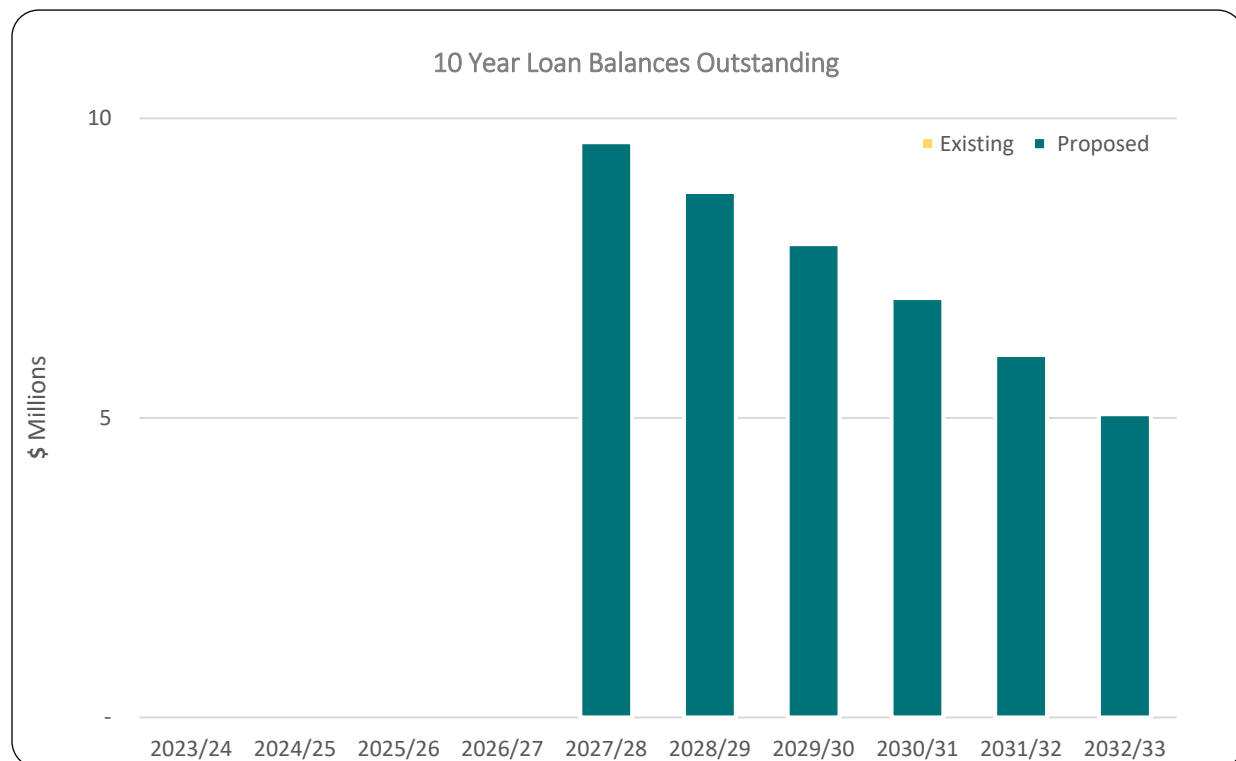
The required transfers to / from reserves will be managed in line with the objective of attaining the target values set within the Long-Term Financial Plan (LTFP). Consideration of the potential transfers to or from reserves will be undertaken in the context of current economic conditions, Council's strategic priorities and projected budget position at year end.

### 6.3 Commentary on Loan Borrowings

The Long-Term Financial Plan uses a responsible funding mix to support investment in asset renewals and new community infrastructure. Proposed borrowings of \$10M over the life of the plan are detailed in Schedule SS3 - Borrowings.

The City has the capacity to use a greater proportion of borrowings in its funding mix should Council choose to support future capital projects funded in this way.

**Chart 5 - 10 Year Projected Loan Balances Outstanding**



### Debt Service Ratio

This indicator shows how much of the City's annual surplus (before interest and depreciation) is being applied to service debt obligations. It demonstrates that the City has sufficient operating surplus to service repayments of principal and interest on borrowings. The industry benchmark for the Debt Service Ratio is 5.0 times coverage

**Table 1 - Projected Debt Service Ratio**

23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
●	●	●	●	●	●	●	●	●	●
243.7	286.2	352.1	399.3	55.3	30.8	34.2	34.8	35.7	35.7





## City of Perth Long Term Financial Plan 2023/24 - 2032/33

The ten-year average for the Debt Service Ratio is 163.6 which comfortably exceeds the industry benchmark of 5.0 times. The City better the advanced standard of 5.0 times very comfortably in all years covered by the plan, indicating that future borrowing is a legitimate funding option if required.

### Gross Debt to Operating Revenue Ratio

This indicator shows the relationship between outstanding debt and the annual operating revenue (less operating and capital grants). The preferred benchmark for the ratio is less than 20%.

**Table 2 - Projected Gross Debt to Operating Revenue Ratio**

23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
●	●	●	●	●	●	●	●	●	●
0.0%	0.0%	0.0%	0.0%	4.1%	3.7%	3.2%	2.8%	2.4%	2.0%

The ten-year average for this ratio is 1.8% which is comfortably within the upper bound of 20%. The City comfortably meets the standard of less than 20% in all ten years covered by the plan.

## 6.4 Commentary on the Financial Statements

The financial statements contained within the Long-Term Financial Plan 2023/24 - 2032/33 present a responsible and sustainable financial blueprint for the City's future. These statements indicate a steady improvement in the City's financial position over the life of the plan with the annual net funding requirement before Reserves & Borrowings reaching an almost neutral position by year ten of the plan. This shows a positively correlated relationship between revenues and expenses and a well-balanced mix of funding options. The plan also demonstrates consistent progression towards equaling or bettering industry benchmarks for all key financial indicators.

The overall Long Term Financial Plan Statement of Financial Activity (FS1) reflects a single integrated view of the Long-Term Financial Plan. It demonstrates a well-considered strategy that results in the City moving from its challenging post Covid 19 position to a sound and sustainable operating result across the ten years covered by this plan - out to 2032/33. The Closing Position remains within the City's Strategic Financial Planning and Budgeting policy targets and preferred industry benchmarks of approximately 1% to 3% of Operating Revenue over all ten years of the life of the plan. It averages a very sound \$4.0M or 1.7% of Operating Revenue over the life of the plan.

The Operating Surplus Ratio is calculated on an adjusted basis to remove the distortion of two significant contributions for the WACA Aquatic Facility (\$25.0M) and the Perth Concert Hall Redevelopment (\$4.0M). Removing the distorting impact of these abnormal costs, the ratio is only slightly negative in the first year and within the industry benchmark range subsequently. This demonstrates the successful efforts of City leadership over the last two to three years to reign in operating expenditures and bring them back with financially sustainable parameters.

The Long-Term Financial Plan is relatively defined and robust in the first half of the plan - but is necessarily less rigid in the later years, so additional funding allocations have been provided to allow for new or emerging projects that arise during the later years of the plan. These future opportunity funding allocations are included in the Long-Term Financial Plan Summary.



## City of Perth Long Term Financial Plan 2023/24 - 2032/33

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Because of this responsible financial modelling approach, the Long-Term Financial Plan sees the City move to a sustainable financial position over the ten-year life of the plan without unreasonable impost on the City's ratepayers. The Income Statement (FS2) focuses on revenues and operating expenses only and reflects a minimal operating result in the first-year, due to the previously noted abnormal expenses - but this is offset by responsibly planned use of cash reserves.

All items shown on the Income Statement reflect growth in line with agreed financial indexing parameters (refer Supporting Schedule SS5) with the exception of grants for the acquisition of assets which are modelled on realistic expectations for external contributions towards specifically identified major capital initiatives. Results reflected on this financial statement are considered to be realistically modelled and are sustainable into the future.

The Cash Flow Statement (FS3) indicates sound cash flows from operating activities over the life of the plan. Projected cash generated from operations each year provides cash flows that support the financing and investing activities in conjunction with contribution from previously accumulated cash reserves.

Over the life of the plan, net municipal cash held remains very consistent - with an average balance of around \$32.4M. Over the life of the plan, Reserve fund cash reduces by around \$47M (net) from the earlier accumulation of reserve funds (as planned) to support major capital expenditures. Should the City take the opportunity to rationalise some of its land holdings, the funds released would be quarantined back into Reserves until re-deployed in future to support future community infrastructure expenditure.

The Rate Setting Statement (FS4) demonstrates the calculation of the amount required to be raised from rates each year (after considering the contribution from all other funding sources excluding rates) - and confirms that the proposed rates increases are both appropriate and sustainable over the life of the plan.

The Long-Term Financial Plan endeavours to keep rate increases (excluding interim rates from growth and GRV revaluations) to within a self-imposed parameter of no more than CPI each year. The rate setting model used in this preparing the financial plan represents an average annual rate increase of 2.2% excluding interims and rates growth. This is the level required to ensure that the balance between the City's operational expenditures and its operational revenue generating capacity is maintained at a sustainable level - as reflected in the Operating Surplus Ratio. For nine of the ten years covered by the plan, this is achieved. One of the ten years are outside the target range, but it is considered that the slightly out of range increases reflect a business reality in those years.

The Statement of Financial Position demonstrates the cumulative impact of the financial modelling in this plan on the City's assets and liabilities. The Long-Term Financial Plan shows a generally positive trend in the Net Asset Position each year off the plan. The Current Ratio calculated from the Balance Sheet exceeds the preferred industry benchmarks in all years covered by the plan. The City acknowledges that it would be preferable to have a greater buffer between the industry benchmark and its calculated ratio in some years, but its ratios arguably reflect a tightly controlled and responsible financial model that tries to mitigate the financial imposts on the City of Perth community.

The Opening Position shown on the Long-Term Financial Plan Summary is reconciled to the Net Asset Position calculated in accordance with Department of Local Government guidelines using data from the Balance Sheet. This reconciliation is shown on the Statement of Changes in Equity.



## 6.5 Commentary on Capital Project Allocations

Proposed capital initiatives are identified across the life of the plan. These proposals will not proceed until after feasibility and Council priority is determined, consultation is undertaken, detailed design and costings are developed, and procurement processes are initiated.

It is however, considered prudent to provide indicative funding allocations in the plan to support these initiatives should Council determine that they will proceed.

Major initiatives under consideration are shown below with the indicative funding allocation for the program and the year(s) proposed for delivery.

<b>Lighting &amp; Electrical Upgrades</b> Enhancements to street lighting and public realm lighting in precincts across the city. Safety and amenity have been identified as an important community priority.								\$ 48M	
23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
<b>Major Streets &amp; Laneway Refresh Program</b> Enhancements including footpath widening, new lighting, additional trees, public art and street furniture at Hampden Road, Adelaide Terrace, James Street & Hay Street West. Pavement, lighting, murals, and street furniture in selected laneways.								\$ 8M	
23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
<b>CBD Bike Paths</b> Provision of new bike paths to improve connectivity across Perth. These projects are to be delivered by the City under the Perth City Deal CBD Transport Plan.								\$ 22M	
23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
<b>Two Way Streets Program</b> The final stage of the program to convert Hay St East & West, Murray St West and Hill St to two-way streets is important to enable the City's preferred transport strategy and remove the congestion of buses from the CBD.								\$ 50M	
23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
<b>Thomas Street Widening &amp; Upgrade</b> Widening of Thomas Street between Kings Park Rd and Hay St including new bike lanes on the eastern side.								\$ 15M	
23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33



## City of Perth Long Term Financial Plan 2023/24 - 2032/33

### Public Open Space Strategy Implementation

This program proposes to deliver equitably distributed, contemporary green spaces across the City for use as active or passive recreation or events spaces that meet the demands of our diverse community.

\$ 24M

23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
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### Core Technology System

A 3.5 year program to upgrade the city's core technology systems into a solution that will drive operational efficiencies, support informed decision making and provide contemporary reporting and insights.

\$ 12M

23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
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### Infrastructure Asset Renewal

Ongoing annual programs of renewal of roads, paths & kerbs, drainage, parks, street furniture and foreshore assets informed by contemporary asset management plans for each class of infrastructure assets.

\$145M

23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
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### Property, Plant & Equipment Renewal

Ongoing annual programs of renewal of plant and equipment, vehicles, parking technology and the CCTV network infrastructure informed by contemporary asset management plans.

\$ 63M

23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
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### Building Upgrades & Renewal

A program of upgrades and renewals to fixtures and fittings, fire management systems, accessibility, plumbing etc in City owned buildings. The program is informed by the asset management plan for the Buildings asset class.

\$ 78M

23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
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### Future Major Discretionary Project Opportunities

A pool of indicative funding is provided in the second half of the period covered by the plan for major discretionary capital projects. This gives the flexibility for future councils to introduce new projects of their own informed by the emerging priorities of their communities in those years.

\$106M

23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
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## 6.6 Commentary on Rates Yield

The indicative rates yield to support this Long-Term Financial Plan model includes projections of the baseline rates revenue - reflecting the yield achieved from the existing ratable land database as well as interim rates growth resulting from the addition of new ratable properties created through either redevelopment or new property developments.

**Table 3 - Projected Rates Yield Increase**

23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
Baseline Incremental Rates Increase (Target < 2.75%)									
●	●	●	●	●	●	●	●	●	●
2.45%	1.78%	1.90%	2.39%	2.19%	2.16%	3.12%	2.18%	2.18%	2.44%
Incremental Rates Effort from Interim Rates									
0.00%	2.09%	3.09%	1.92%	0.46%	1.98%	0.74%	0.73%	0.71%	0.00%
Total Incremental Rates Effort including Interim Rates									
2.45%	3.87%	4.99%	4.31%	2.65%	4.13%	3.87%	2.92%	2.90%	2.44%

Individual ratepayers would only be impacted by the Baseline Incremental Rates Increase from year to year. The Incremental Rates Effort from Interim Rates relates to the creation of new ratable properties such as in the EQ precinct or other known or new developments across the City.

Should a lesser rates increase be proposed, the financial model would need to be re-balanced by either establishing another discretionary revenue stream or funding source, or alternatively, reducing either the scope or level of service of some service offerings or by scaling down the capital projects program.

## 6.7 Commentary on Key Financial Indicators

There are a number of statutory financial indicators that a local government must calculate and disclose in both their financial planning and financial reporting documents. The calculation of each indicator - and the specific inclusions in both the denominator and numerator used in the calculation are strictly prescribed in the Local Government Financial Management Regulations (LGFMR). This ensures that financial indicators published by different local governments are comparable.

However, it must be appreciated that there is no single indicator that demonstrates a local government's financial sustainability, nor does it necessarily mean that it is fatal if the City falls short of the benchmark for a specific indicator in a given year. The circumstances leading to the calculation of an indicator value must be understood to ensure that it is interpreted in context.

The calculation of each of the key financial indicators and detail of the industry benchmarks is provided in Supporting Schedule SS1.

The City's key financial indicators infer a ten-year Financial Health Indicator (FHI) score of 86 versus the industry sound financial management benchmark of greater than 70.





## 6.8 Commentary on the Financial Health Indicator Score

The seven key financial ratios required to be calculated by local governments are used to calculate a Financial Health Indicator (FHI) using a methodology developed by WA Treasury Corporation. Essentially, each of the ratios is 'weighted' to develop a standardized score which allows for comparison of different local governments to assess their financial management efforts.

**Table 4 - Projected Financial Health Indicator Score (FHI)**

23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
●	●	●	●	●	●	●	●	●	●
87	84	87	86	83	84	83	84	85	85

A score of 70 or more reflects sound financial management. The City exceeds this target in all ten years covered by the plan. A ten-year profile of the FHI scores is provided in SS7 - Financial Health indicator Scores.

### Operating Surplus Ratio

This indicator is used as a measure of capacity to meet operational expenses from revenues and the extent to which surpluses are generated to fund capital projects. The preferred ratio for this indicator is a positive value in the range between 0% and 15%. Any ratio over 1% meets the basic industry benchmark.

**Table 5 - Projected Operating Surplus Ratio**

23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
●	●	●	●	●	●	●	●	●	●
1.8%	2.3%	2.2%	2.1%	1.2%	1.4%	2.8%	2.9%	3.1%	2.8%

The ten-year average for the Operating Surplus Ratio (revised to exclude abnormal items such as the WACA Aquatic Facility and Perth Concert Hall capital contributions) is 2.2% which is within the preferred industry benchmark of 2% -5%. Excluding those expenses, suggests that the proposed rates increase, and the responsible use of Reserve funds will enable the City to meet the cost of upcoming expenses in a way that supports the City's ongoing financial responsibility.

### Own Source Revenue Ratio

This ratio is used to indicate how much of the City's operating expenditure is covered by revenues directly generated by the City. That is, how financially autonomous is the City without reliance on external funding sources? Revenue used in this calculation does not include external funding such as grants and subsidies.

**Table 6 - Projected Own Source Revenue Ratio**

23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
●	●	●	●	●	●	●	●	●	●
93.6%	95.0%	97.9%	99.1%	98.2%	98.4%	100.1%	100.1%	100.3%	100.1%

The (adjusted) ten-year average for the Own Source Revenue Ratio is 98.1% which comfortably exceeds the preferred industry benchmark of 90.0%.



## Current Ratio

This indicator is a broadly used ratio in both the public and private sectors to focus on the liquidity (available working capital) of a business at a given point in time. This ratio indicates capacity to meet short term (current) financial obligations as calculated at a given point in time (generally at year end).

The preferred ratio for this indicator is a number greater than 1.00 to 1. This ratio is sometimes disclosed as a percentage value where the preferred value is greater than 100%.

**Table 7 - Projected Current Ratio**

23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
●	●	●	●	●	●	●	●	●	●
1.08	1.07	1.11	1.11	1.06	1.05	1.06	1.06	1.06	1.06

Projections for the Current Ratio range from a low of 1.05 in 2028/29 to a high of 1.11 in year 2025/26. Over the life of the plan, the average value is 1.07. The ratio exceeds the benchmark in all the ten years. The ratio is balanced over the life of the plan to avoid excessive accumulation of cash whilst ensuring adequate ongoing investment in community infrastructure and services.

## Asset Consumption Ratio

This ratio measures the condition of a local government's physical assets, by comparing their age with their replacement cost. The ratio highlights the aged condition of a local government's stock of physical assets. The benchmark standard for this ratio is between 50% and 75%.

**Table 8 - Projected Asset Consumption Ratio**

23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
●	●	●	●	●	●	●	●	●	●
98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%

The indicated ratios in the plan suggest that the City's physical depreciable assets are being maintained to a level that is consistent with industry benchmarks. The proportions of upgrade versus renewal expenditures on major capital initiatives can cause some inconsistency in individual years - but the average of 98.0% across the ten years is a healthy indicator.

## Asset Sustainability Ratio

This ratio indicates the extent to which the City's assets are being replaced as they reach the end of their economic life. The industry benchmark standard for this ratio is between 90% and 110%. This is an area for further focus as the City is generally close to; but does not exceed the industry standard.

**Table 9 - Projected Asset Sustainability Ratio**

23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
●	●	●	●	●	●	●	●	●	●
112.7%	88.9%	104.9%	97.5%	88.7%	91.7%	85.2%	87.8%	93.2%	94.4%



Projected ratios for the Asset Sustainability Ratio range between 85.2% (in 2029/30) and 112.7% over the life of the plan and average 94.4%. The industry standard is a value of 90%. The ratio should not generally exceed 110% as a value greater than that upper limit suggests that assets may be being replaced too early. This plan indicates that the City will need to closely monitor the renewal spend in the later years - although some of the future capital project opportunities should have a small renewal component that will increase the calculated ratio.

### Asset Renewal Funding Ratio

This ratio indicates the capacity of a local government to fund asset renewals as required to continue to deliver the existing service levels.

**Table 10 - Projected Asset Renewal Funding Ratio**

23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
●	●	●	●	●	●	●	●	●	●
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Projected ratios for the Asset Renewal Funding Ratio range show as 100% as the Asset Management Plan projections are setting the funding level for this plan. The basic standard for this indicator is a value of between 75% and 95%. The advanced standard for this indicator is a value of between 95% and 105%.

Based on this standard, the City is meeting the standard benchmark in all of the ten years covered by this Long-Term Financial Plan if it fully delivers on the intent of this financial model.

## 6.9 Exclusions

The Long-Term Financial Plan is built from known or anticipated financial and resourcing requirements informed by the Strategic Community Plan, Workforce Plan, Asset Management Plans and other informing strategies and financial models. As such, the plan represents realistic modelling of the likely funding opportunities and anticipated financial commitments.

However, the plan excludes possible extra-ordinary funding opportunities such as additional financial stimulus funding from the Commonwealth government via Infrastructure Australia or the proceeds of any future property transactions should the City take opportunities to rationalise its property portfolio. As the realisation of such opportunities cannot be pre-emptively assumed or modelled with confidence, they have not been included in the plan. Should such an opportunity does arise in future, the Long-Term Financial Plan model can readily incorporate such inputs and re-model the outcomes accordingly.

## 7.0 Risk Analysis

Financial sustainability is recognised as a key strategic risk for the City of Perth. The major transformation initiative commenced in 2019/20 is continuing to re-position our capital city's finances for a sustainable future. Ensuring the City's long term financial sustainability is the primary objective of this Long-Term Financial Plan. To support the attainment of that objective, a risk analysis was undertaken as part of the financial modelling to support the development of this Plan.

Risks that may impact on a successful outcome have been classified into themes and are detailed below.



<b>Risk Category:</b> LTFP Model Fundamentals	<b>Effectiveness</b> ●
<b>Risk Description:</b> 1. Model assumptions and indexation factors may not be accurate. 2. Population growth and Rates growth projections may not be realised.	<b>Risk Rating:</b> 1. Low 2. Medium
<b>Risk Mitigation Treatment:</b> 1. Modelling parameters are guided by principles of prudence and conservatism and informed by known or reasonably expected index changes, Reserve Bank, WA Treasury Corporation, state government and industry indicators. They represent the best available information at the time of modelling. The plan is subject to ongoing review and modification to respond to changing economic conditions. 2. Population growth is aligned to projections supporting the Strategic Community Plan and rates growth is based on conservatively deflated rates returns from major commercial, residential buildings known to be the subject of active or proposed development applications or future development opportunity. Whilst certainty is greater in the first half of the ten-year plan time horizon, the model is sufficiently fluid as to be able to be updated and remodelled as is appropriate.	
<b>Risk Category:</b> Funding Uncertainty & Cash Flow Management	<b>Effectiveness</b> ●
<b>Risk Description:</b> 3. Capital grant targets may not be achieved. 4. Parking revenue targets may not be fully realised. 5. Investment rates or borrowing rates may change. 6. Cash inflows may be slower than historical patterns in early years - Post Covid 19.	<b>Risk Rating:</b> 3. Low 4. Medium 5. Low 6. Medium
<b>Risk Mitigation Treatment:</b> 3. The capital grant targets are conservatively modelled and with a good strategy, a Community Infrastructure Plan (CIP), 'shovel ready projects' - and good relationships with government and other funding partners, the City should be able to secure the current targets. In the event that an external funding target was not met, the delivery program would be adjusted accordingly. All major CIP projects over a nominated threshold value, will (in future) have an individual funding plan. 4. Proactive and agile management of parking business assets and parking operations in line with the Parking Services Business Plan, should ensure that the business meets profitability expectations whilst balancing community and business imperatives. 5. Investment rates have recovered strongly from historical lows, but there is little potential downside to investment returns. With borrowing rates also at modest levels, and the City able to undertake fixed rate borrowings through WA Treasury, use of debt at this time is safe and entirely appropriate. 6. A detailed cash flow risk analysis reveals that the nature of local govt rates (secured against the property), property rental income, and most other revenues payable at time of transaction means that the revenue streams are essentially not at risk. Recent experience suggests that the timing of the cash inflows is unchanged from past years. The LTFP contains a comprehensive ten-year Cash Flow Model that indicates that, with regular monitoring and proactive management, any deferred cashflow impacts continue to be manageable.	



<b>Risk Category:</b> Changing Community Priorities or Government Direction	<b>Effectiveness</b> ●
<b>Risk Description:</b> 7. Council strategic direction changes. 8. Community priorities shift. 9. State Government policy direction changes	<b>Risk Rating:</b> 7. Medium 8. Medium 9. Medium
<b>Risk Mitigation Treatment:</b> 7. The Long Term Financial Plan is a dynamic document and can be periodically reviewed and modified to respond to changing Council strategic priorities. 8. The Long-Term Financial Plan recognises the likelihood of shifts in community priorities over the lifetime of the model. It is designed to be sufficiently fluid as to be able to be updated and remodelled as is appropriate when new or changed community priorities emerge. 9. It is also acknowledged that local government is subject to the impacts of state government policy changes and, hence, the financial model is created with an expectation of the need to review and adapt to respond to such policy changes.	
<b>Risk Category:</b> Organisational Capacity	<b>Effectiveness</b> ●
<b>Risk Description:</b> 10. Inability to successfully deliver the proposed capital program. 11. Inability to deliver the proposed breadth of services to the community	<b>Risk Rating:</b> 10. Medium 11. Low
<b>Risk Mitigation Treatment:</b> 10. The longer planning horizon of the Long-Term Financial Plan provides greater certainty to proactively develop concepts & designs, consult the community and undertake other critical precursor activities and procurement activities, thereby maximising the project delivery and construction window. It also offers the opportunity for the City to be more scalable in responding to its programs by changing the balance between in-house and external delivery approaches. 11. Through the financial parameters of the Long-Term Financial Plan persuasively influencing Service Plans and Workforce Plans, the City can adapt to changing service expectations by adjusting the scope and service levels of its service offerings. The Long-Term Financial Plan can itself also adapt to changes coming via the Community Service Plan through regular review and updating as appropriate. This will provide timely visibility of potential future financial challenges.	

Overall, it is the capacity of the Long-Term Financial Model to be reviewed and dynamically adapted to respond to changing community expectations, policy or community priorities that gives it value as an integrated planning tool.

As a bespoke creation tailored to the City of Perth's requirements, it provides an effective mechanism to respond to the potential risk issues acknowledged above.



### 8.0 Scenario Modelling

The development of this Long-Term Financial Plan was an iterative process. Having established key variables, parameters and assumptions that have remained relatively constant across the various models; discretionary funding elements such as Reserve funds and borrowings have then been differentially modelled to create the optimum financial model. Proposed discretionary expenditures such as non-asset renewal capital projects or discretionary operating projects have been included within the specific years where there is capacity to accommodate them in a financially sustainable way. Where this has not been possible, the program is scaled up or down in different iterations of the model accordingly - and then certain projects were rescheduled for a different year.

In developing this financial model, the City has remained cognisant of how its proposed financial model impacts on the local government statutory key financial indicators. By calculating draft financial ratios for each of these indicators across the ten years of the plan, we then proactively identified and responded to years where the proposed financial model indicated an adverse trend or specific financial challenge.

The Long-Term Financial Plan is also informed by three significant and potentially transformational pieces of work that will impact the City's financial sustainability into the future. Expert independent consultants have delivered a Property Portfolio Review, Parking Business Review and Rates Methodology Review that will allow the Plan to be updated to incorporate the financial impacts of the reviews.

The primary Long Term Financial Plan model reflecting the 2023/24 proposed budget as the base-year, realistically indexed and modified across the ten-year time horizon for known or anticipated factors, was then used as the basis for scenario modelling.

Sensitivity analysis was undertaken on that primary model to identify the impact of lesser revenue assumptions. This analysis resulted in an identified need to either significantly reduce discretionary operating projects, capital expenditures and / or asset renewal expenditures to produce a balanced budget model - or alternatively to consider reducing core service levels.

#### 8.1 Preferred Scenario

The Long-Term Financial Plan as presented represents what is considered the optimal model to deliver a responsible and sustainable financial blueprint for the City for the next ten years. The modelling parameters used are considered to realistically reflect current and anticipated economic conditions and the funding mix is considered the most appropriate with respect to community funding capacity, external funding opportunities and responsible use of cash reserves and borrowings. Reliance on rates as a funding source is modelled to remain as close as possible to an annual increment of no more than CPI plus 0.5% - excluding growth from interim property growth.

Accordingly, this Long-Term Financial Plan is promoted as the preferred model.

### 9.0 Future Directions

This revision of the Long-Term Financial Plan represents an important step in the City's financial transformation project and will play an essential role in re-positioning our capital city's finances for a sustainable future. It will be subject to continual refinement and will be regularly updated to reflect changing economic conditions and community priorities.



### 9.1 Continuous Improvement

The Long-Term Financial Plan is subject to a continuous improvement approach. That is, feedback regarding the challenges and successes in accessing supporting information, compiling the model, reviewing the options and preparing the final Long Term Financial Plan will help to refine the process and allow the City to deliver even greater sophistication in its plans in future.

As certain information gaps identified in previous iterations of the plan, (particularly in relation to some asset classes and the determination of renewal versus new and upgrade expenditure), are being addressed, the robustness of the Long-Term Financial Plan is increased.

The City now has a more detailed understanding of our core service delivery and the relationship between resourcing levels, service levels and service scope - resulting from the improved ability to identify the true cost of services through the new financial system and chart of accounts. This enables us to re-balance the resource requirement versus community outcome equation, thereby ensuring that the community enjoys maximum value for money from our service delivery efforts.

The Long-Term Financial Plan is to be reviewed annually by the administration to check alignment with actual performance and to identify any changed or emerging circumstances including strategic or community priorities. It will also be reviewed and updated in accordance with statutory obligations and community input and feedback to move it towards an industry best practice standard.

The financial schedules detailing the City's financial blueprint are presented in the attached document - City of Perth Long Term Financial Plan 2023/24 - 2032/33.

We commend the 2023/24 - 2032/33 Long Term Financial Plan to you.



This publication is available in alternative  
formats and language upon request.



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