

City of **Perth**

Budget

2020/21





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City of Perth Annual Budget 2020/21

Executive Summary

The 2020/21 Annual Budget is an important corporate document that allocates the financial resources necessary for the City to deliver on our community’s aspirations. It guides our approach to delivering infrastructure and services to the community in a responsible and affordable way and it demonstrates the City’s commitment to managing its operations in a sustainable manner.

The budget presents a \$305.8 Million financial blueprint for the City for the 2020/21 year.

Persuasively influenced by the Strategic Community Plan, Corporate Business Plan and Long Term Financial Plan, the 2020/21 Budget continues our focus on making the City more financially sustainable into the future and driving structural reform of the City’s finances. Operating expenses have been constrained and brought back to sustainable levels, expenditure focus has shifted from discretionary projects back to core service and there is increased commitment to appropriate asset renewal and new or upgraded community infrastructure as part of the City’s stewardship responsibilities.

The 2020/21 Budget expenditure profile in broad terms is:

Expenditure Type	Amount \$
Core Service Delivery	177.3M
Discretionary Operating Projects - Including Covid Economic Rebound Response	24.9M
Asset Renewal & Community Infrastructure	63.6M
Financing Activities & Closing Balance (Surplus)	78.5M
Total Allocation	305.8M

This budget is developed in a time when our state is emerging from Covid 19 and the anticipated financial impacts of that event have been responsibly incorporated into the budget model. To support the post Covid 19 economic rebound, an allocation of \$20.115M has been made for 2020/21.

The Covid 19 pandemic has also adversely impacted the City’s revenue streams. Reduced revenues from parking operations, provision of financial relief for property rentals, waiving of certain fees and charges, the 2020/21 rates freeze, zero percent increase to fees and significant reduction in investment revenues have created a challenging financial environment and the City’s response to that challenge is reflected in the budget funding model.

The 2020/21 Budget presents a balanced funding model incorporating a responsible mix of funding sources as indicated below:

Funding Source	Amount \$
Rates	98.3M
Parking Operations	55.8M
Fees & Charges	19.3M
Other Revenues & Grant Funds	11.9M
Financing Activities - Cash Reserves & Borrowings	120.5M
Total Funding	305.8M



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The combination of a zero percent increase in rates yield and the triennial revaluation of gross rental values (GRV) for each ratable property means that whilst the City will actually generate the same rates yield in 2020/21 as it did in 2019/20, not all ratepayers will experience a zero change in rates. For some properties, there will actually be reductions, for some, no or little change and for others, increases of differing scales. This is the peculiarity of the GRV based model which is used by all local governments to distribute the relative contributions of individual properties to the total rates yield. These new GRVs will remain in force for three years.

This budget model incorporates significant use of borrowings and previously accumulated cash reserves to lessen the reliance on rates revenue as a proportion of the total funding package in the 2020/21 year.

The budget funding model acknowledges that other opportunities may arise through extra-ordinary grants from other levels of government or non-government sources or from asset rationalisations. These have not been 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 2020/21 Budget also references our financial ratios against industry benchmarks. Whilst a specific indicator may not be met in this particular year, the City has, through its Long Term Financial Plan, a responsible and realistic plan to ensure that trends and average ratios over the longer term meet or exceed preferred industry benchmarks.

The budget reflects a balanced and sustainable response to the challenging economic climate in which it was developed. It will play an essential role in guiding the organisation as we continue to re-position our capital city's finances for a sustainable future.

Budget Snapshot - Operating Expenditure



Community Services

\$9.0M

Community Facilities.
Community Capacity Building and Support.
Services and Facilities for Seniors, Children and Visitors.
Access and Inclusion, Aboriginal Reconciliation



Community Amenity

\$ 13.1M

Community Safety.
Ranger Services.
City Surveillance.
Security Patrols.



Cultural Experience

\$ 14.2M

Place Activations and Events Management.
Covid 19 Rebound Activities.
Sponsorships, Grants & Donations.
Cultural Collections Management & Exhibitions.



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Library Services

\$ 5.8M

Library Borrowing Services, E-Resources, Print & Wi-Fi Services
Meeting Rooms and Event Spaces.
Events and Activities.



Planning & Development

\$ 16.1M

Urban Strategy and Policy.
Development Assessment & Building Approvals.
City Future and Urban Design.
Economic Development and Business Support, Covid Rebound.



Infrastructure Management

\$ 32.8M

Asset Planning and Performance Management.
Maintenance of Roads, Paths, Drainage, Street Furniture Assets
Lighting and Electrical Asset Maintenance.
Maintenance of City Owned Buildings and Facilities.



Parks Management

\$ 11.5M

Parks & Gardens Maintenance Activities.
Reticulation Systems & Water Economy.
Natural Areas Maintenance.
Street Tree Maintenance.



Waste & Cleaning

\$ 16.8M

Residential & Commercial Rubbish Collection.
Street Cleaning.
Graffiti Cleaning.
Recycling and Container Deposit Scheme.



Parking Management

\$ 66.7M

Operation of Off Street Parking Facilities.
Operation of On Street Parking Precincts.
Parking Compliance .



Corporate Support & Leadership

\$ 14.4M

Governance and Elected Members.
Strategy, Advocacy and Risk Management.
Marketing & Communications.
Finance, ICT and Human Resource Management.

Figures shown above are inclusive of internal corporate cost allocations and recoveries

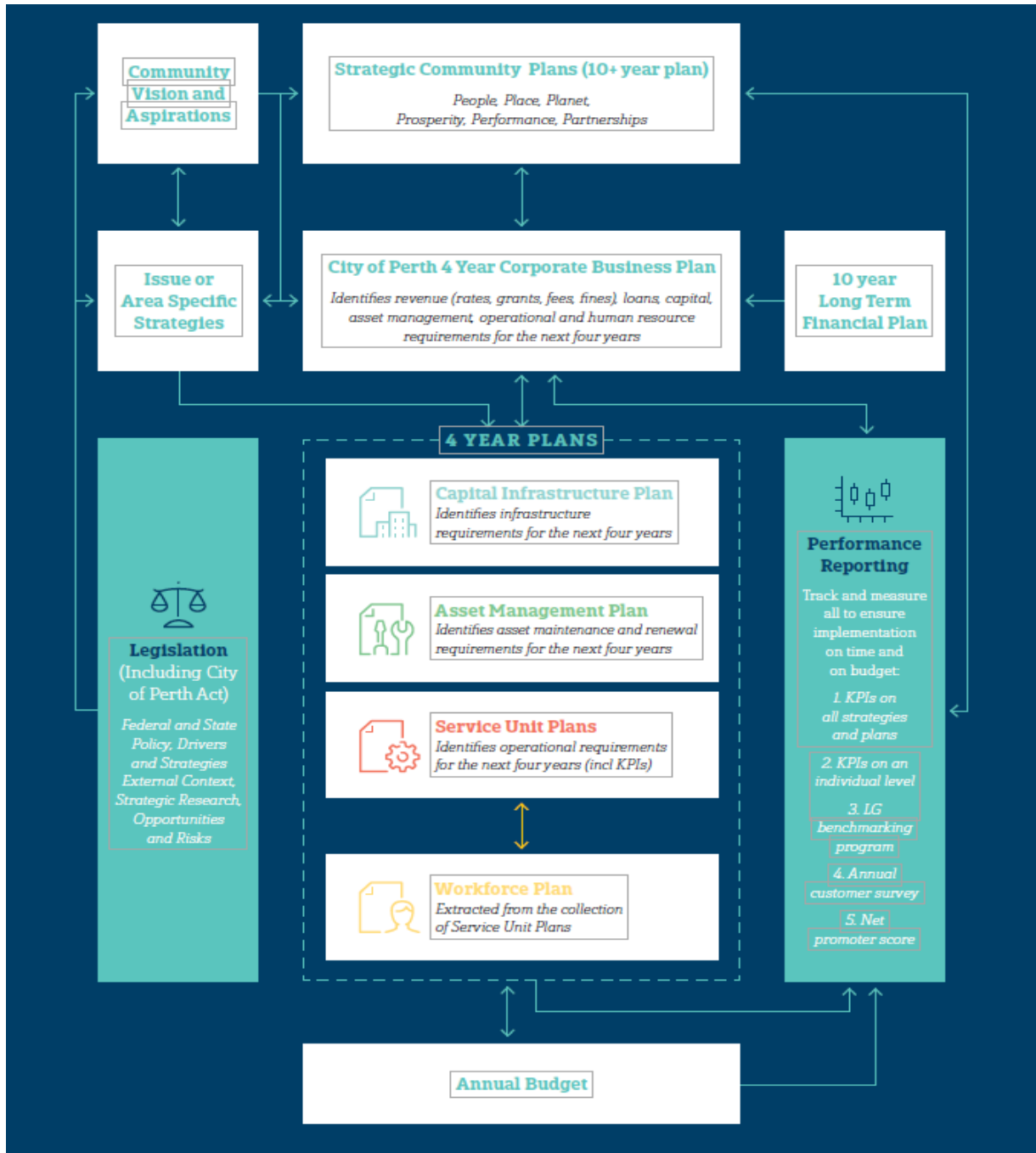


1.0 Introduction

1.1 Integrated Planning & Reporting Framework

The Annual Budget is developed within the City’s Integrated Planning Model that guides a coordinated and collaborative process to develop our strategic direction and subsequent organisational activities.

Figure 1 - City of Perth Integrated Planning & Reporting Framework





1.2 Purpose of the Annual Budget

The Annual Budget is a detailed financial document reflecting the first year of the Long Term Financial Plan - the document that assists in aligning our community aspirations, strategic intent and organisational capacity. The Budget demonstrates our approach to delivering value for money services and infrastructure to the community in a responsible and affordable way. It reflects a considered financial model that demonstrates Council's commitment to managing its operations in a financially sustainable manner whilst exercising responsible stewardship of community assets and building a legacy of quality community infrastructure and social capital for our community.

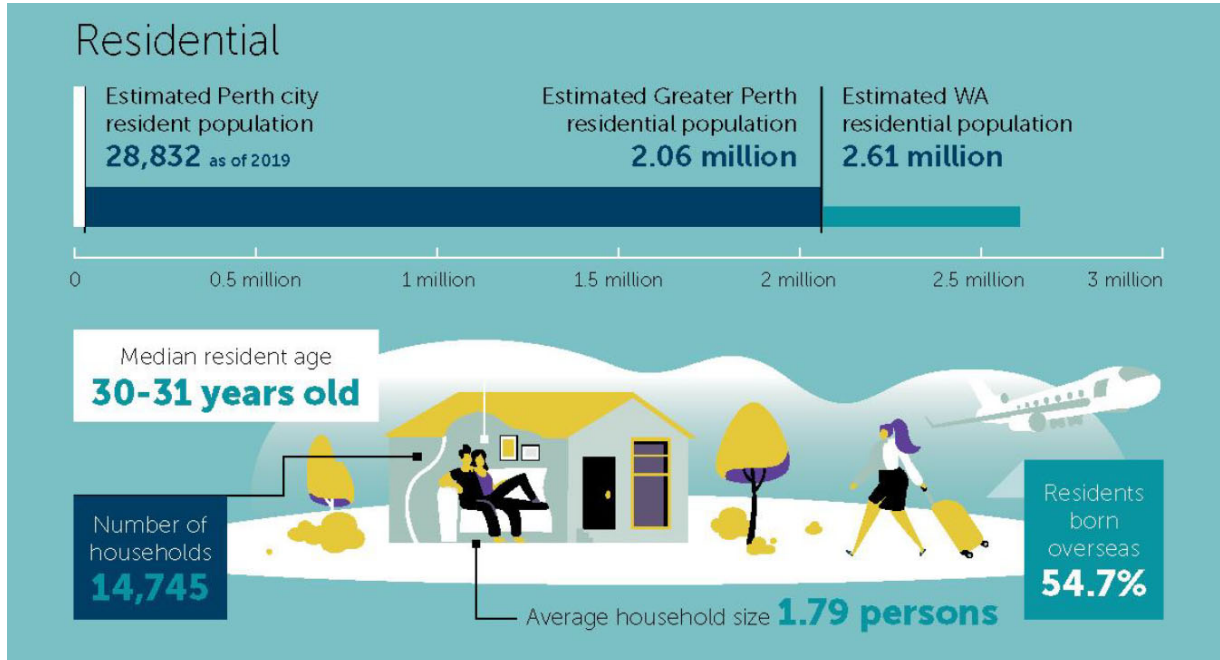
The Annual Budget is underpinned by the following principles:

- Financial sustainability
- Prudence
- Financial accountability
- Responsible stewardship
- Alignment with strategic aspirations as expressed through corporate planning documents.

2.0 City of Perth Context

2.1 Our Community

Figure 2 - Snapshot of the City's Residential Profile

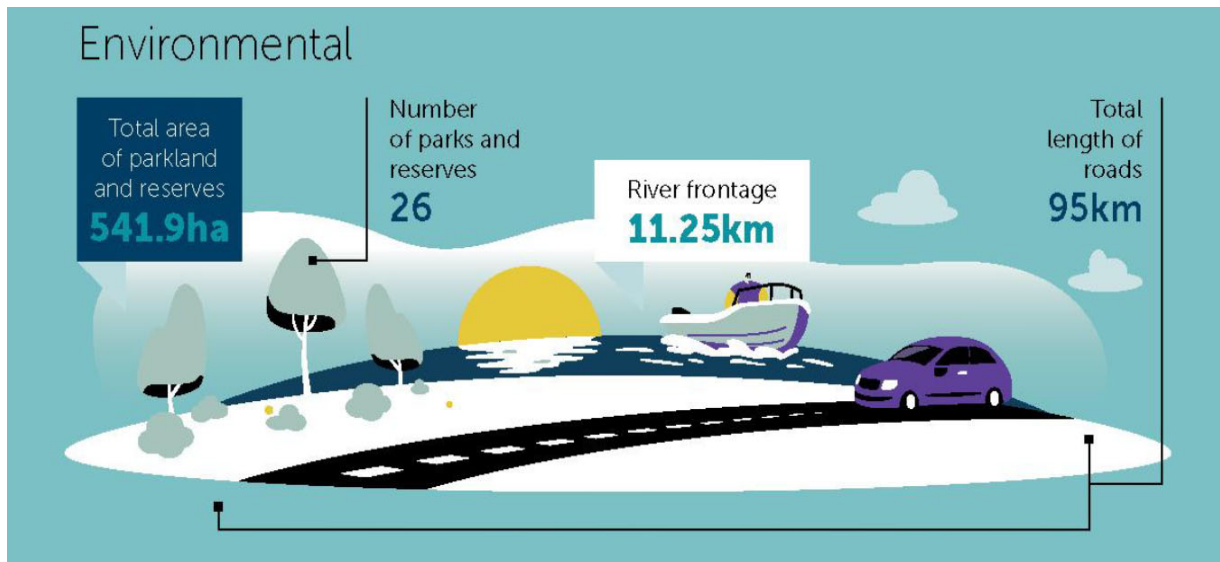


To budget effectively, the City must understand its current state and anticipated future population growth, economic fluctuations, environmental trends and social and community needs in the future.



2.2 Our Locality

Figure 3 - Snapshot of our Local Environment



3.0 Strategic Context

3.1 Strategic Community Plan

The principal guiding document for the City is the Strategic Community Plan. The plan is developed through research and an understanding of the external environment and the constraints faced by the City of Perth. It sets a vision for the city and articulates the aspirational outcomes, objectives and measures for the City of Perth to work towards over the next ten years.

The Corporate Business Plan sets out the City's services, projects and activities over four years. Critical supporting plans such as the City's Long Term Financial Plan and its Workforce and Asset Management Plans ensure that aspirations can be matched with organisational capacity. The Corporate Business Plan also guides, and is guided by, the development of issue specific strategies, which then inform Service Plans and, ultimately, the City of Perth's Annual Budget.

3.2 Strategic Aspirations

Perth is a young and constantly evolving city in comparison to other capital cities throughout the world. The feedback received from the community indicated that it wants to be a part of a city that is a great place for people to live, work, visit, study and invest. The community wants the city to be perceived as a beautiful and connected place that provides vibrant, diverse and friendly experiences.

Perth should be seen not only as a city that is bold and progressive in its way of life, but also have a sense of distinctiveness that people can confidently promote.



Our City - Vibrant, connected, progressive.

Figure 4 - Our Aspirations





3.3 Vision

Vibrant, connected, progressive. This is the community's aspiration for Perth. At the City of Perth, we are proud to use the community's aspirations as the guiding principle for the delivery of our services. By developing a clear and strong connection to the community's needs, we can focus on creating meaningful differences in our neighbourhoods and for Perth as one of the most liveable cities in the world.

3.4 Our Services

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

- Strategic leadership
- Advocacy on behalf of our community
- Strategy development
- Economic development
- Community capacity building
- Community support services
- Cultural development
- Cultural and heritage collections management
- Events and activation
- Library services
- Customer service
- Community safety
- Public health
- City planning
- Development approvals
- Transport and urban design
- Infrastructure asset strategy and design
- Infrastructure maintenance
- Project delivery
- Parks maintenance
- Waste and cleaning
- Parking management

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

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

In developing the 2020/21 Annual Budget, 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 budget, 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.

As the City's service planning becomes more sophisticated, the City will take the opportunity to re-balance the service level versus resourcing equation to ensure that we are delivering value for money outcomes and we are targeting the priority services and initiatives identified by our community.

4.0 Service Based Resource Allocation Approach

4.1 Challenging the Paradigm

In compiling this 2020/21 Budget, the City has moved from a traditional local government resourcing model to 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, agreed community outcomes and service levels will determine the allocation of resources each year rather than a traditional incremental increase to the existing service unit budgets. The new approach clearly identifies and separates core service delivery activities from discretionary operating projects to ensure that the community enjoys value for money outcomes and the City is accountable for delivery of agreed service levels and measurable outcomes.

It is acknowledged that such a shift in financial management approach is a journey and that fully embedding this practice into our operations will take time, but we firmly believe that we can exercise more effective stewardship of the city's financial resources through such an approach.

5.0 Annual Budget Modelling

5.1 Context for the Annual Budget

Preparing the Annual Budget is a statutory requirement under Section 6.2 of the Local Government Act 1995. More broadly, Division 6 of the Local Government Act 1995 provides guidance on financial management matters related to budgeting. Local Government (Financial Management) Regulations 22 - 33A prescribe the form and content of the statutory annual budget.

The Annual Budget plays an important role in operationalising the strategic financial management approach referenced in the Corporate Business Plan and Long Term Financial Plan. The Long Term Financial Plan exerts persuasive influence on the content of the City's Annual Budget.

The budget ensures that we have in place the necessary funding arrangements to support delivery of the agreed services and programs, proposed capital replacement programs and new capital projects for the upcoming year.

The City of Perth Annual Budget 2020/21 is consistent with all relevant legislative requirements.



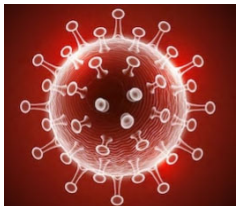
5.2 Assumptions & Modelling Parameters

The Annual Budget is a detailed operational document that guides the deployment of our available financial and people resources to deliver upon our community aspirations and strategic intent. It is necessarily based on numerous financial assumptions relating to the quantum of, and anticipated movements in both revenues and expenditures, the anticipated timeframes for cash flows into and out of the organisation and expectations of the continuation of 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 both investment returns and borrowing costs. Unanticipated changes in any of these parameters, the economic environment or in government policy directions are likely to have an impact on the financial model.

Adoption of the Annual Budget by Council does not constitute an irrevocable commitment to any particular project or service referenced in the budget, nor to its timing. Community engagement, detailed design or procurement processes may result in the modification, re-scheduling or deletion of individual initiatives. Similarly, it does not preclude the possible subsequent inclusion of further service or capital initiatives 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.

5.3 Extraordinary Factors Impacting the Annual Budget

	<p>Covid 19 Impacts</p> <p>The 2020/21 Annual Budget has been formulated in a Covid 19 environment. It is acknowledged that there are significant financial and economic impacts arising from Covid 19 on the City across the 2020/21 financial year and potentially into the next two years. These are articulated below.</p>
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Potential financial impacts on the City of the Post Covid 19 environment have been modelled under three different impact scenarios with the most likely one (informed by the March 2020 - June 2020 period) selected. Covid 19 financial impacts will continue to be monitored and the City's response amended as appropriate. These financial impacts fall into three categories:

Lost Revenues

The Annual budget has been developed on the premise that revenues from the City's parking business will be significantly adversely affected in the 2020/21 year and may progressively recover to a slightly less than pre Covid 19 level over the 2021/22 year and into 2022/23. This revenue modelling has been informed by careful analysis of the business during the affected period to date.

Rebound Expenditure to help Re-establish the Capital City's Economy

The City recognises its responsibility to our business and retail community to make significant investment in activating, promoting and marketing Perth as a destination of choice for tourism, retail, cultural experience, food and beverage and entertainment experiences post Covid 19.



The Annual Budget has been developed in recognition of the responsibility to both directly invest and to facilitate a favourable economic and planning climate that encourages other sectors to invest in rebuilding our capital city. A Covid 19 Rebound Strategy developed in conjunction with the community will guide the deployment of the \$20.115M funds allocated in 2020/21 to this critical initiative.

Windfall Government Funding Opportunities

Although not directly factored into the Annual Budget at this time, City leadership recognises the high likelihood of major funding injections from the Commonwealth government into infrastructure and construction projects that will create jobs and stimulate the economy. The City has shovel-ready identified projects ready to take advantage of such funding opportunities and the budget has been designed to be readily adapted to incorporate such opportunities.

5.4 Annual Budget

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 2020/21 Annual Budget.

5.4.1 Annual Budget Financial Schedules

The published version of the Annual Budget is presented as:

- Statement of Comprehensive Income by Program
- Statement of Comprehensive Income by Nature & Type
- Statement of Cash Flows
- Rate Setting Statement
- Notes to the Annual Budget
- Supporting Schedules - Summary Management Budget
- Fees & Charges Schedule

An explanation of the purpose of the primary statements is provided below.

Statement of Comprehensive Income

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 Rate Setting Statement.

Information from the Income Statement is used to calculate the Operating Surplus Ratio which is one of the statutory measures of financial sustainability.

Statement of Cash Flows

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.



Rate Setting Statement

This statement provides a single consolidated view of all aspects of the budget. 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

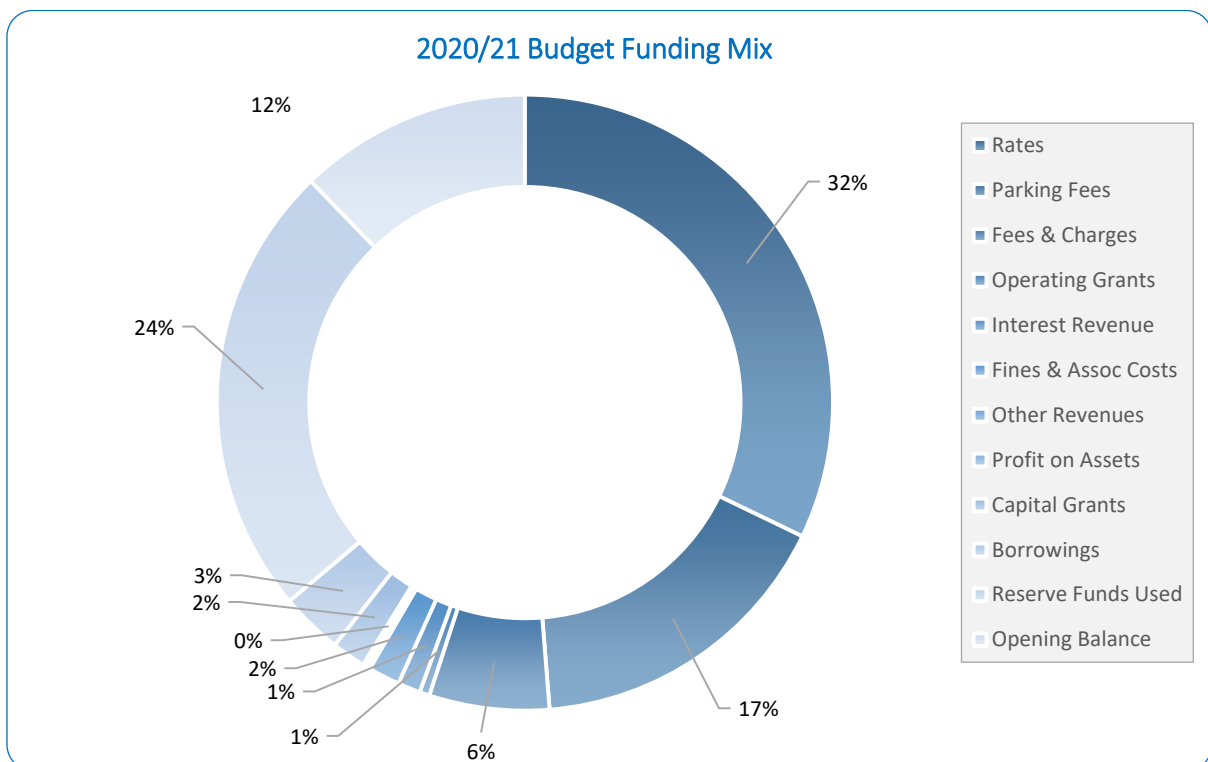
6.0 Budget Analysis & Commentary

6.1 Overall Commentary

The 2020/21 Annual Budget represents a financial commitment of \$305.3M. 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 budget 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 budget.

Chart 1 - 2020/21 Funding Mix by Source





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Chart 1 (above) indicates the respective contributions of the various different funding sources to the total funding mix over the budget year. The major elements of the funding model are Rates (32%), Fees & Charges (6%), Parking Revenues (17%), Reserves (24%), Fines (2%), Borrowings (3%), Grants (2%), Other Revenues (2%) and Opening Balance (12%).

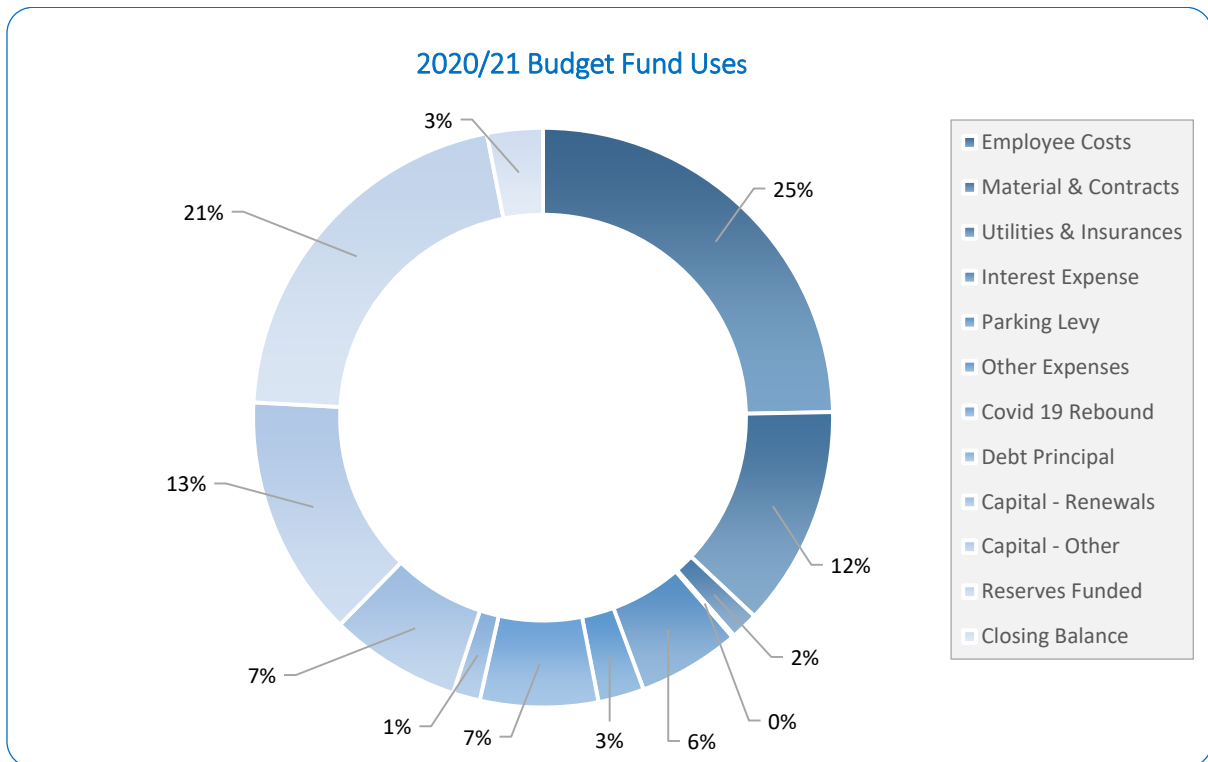
These funds will be applied towards meeting the costs of operational service delivery (premised on the agreed range and scope of services and agreed service levels) as well as expenditure on infrastructure renewals, new community asset creation and debt servicing.

The uses of those funds are shown below in Graph 2 titled 2020/21 Fund Use by Type.

The proposed expenditure program reflects approximately 55% of funds being applied to operational expenditure, 7% on infrastructure maintenance and renewals and 13% for new asset creation. A further 1% is used for debt servicing. Some 21% of available funds are used for creation of Reserve Funds and the remaining 3% is the Closing Balance.

Fund uses described in Chart 2 (below) as Reserves Created reflect the transfer of funds to cash backed reserves, largely relating to provision of funds for Covid 19 Rebound and funding for the Parking Bay Levy payable each year, in advance, to the state government.

Chart 2 - 2020/21 Fund 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 budget model.

During 2020/21, the City aims to draw down approximately \$11M of Cash Backed Reserves and will use Borrowings of \$10.0M in total to supplement the City's other funding sources. The projected Closing Balance of \$9.0M represents around 5% of the operating revenue.

This budget reflects a responsible, prudent, and sustainable financial model for the City's finances given the uncertain economic environment in which we are operating.

6.2 Rates Commentary

Landgate Valuation Services provides the City with Gross Rental Values (GRV) for all properties within the city boundaries every three years. These valuations (GRV) are one of the two critical variables used in establishing the rates charges for each individual property. The other variable is the Rate in the Dollar which is established each year by Council in the budget process. Multiplying the GRV by the Rate in the Dollar derives the rates charge for the property.

Once a local government has obtained its schedule of property valuations (GRVs) from Landgate and knows the total rates base that it has available to work with, it then applies a differential rate (Rate in the Dollar) for each property category to generate the required amount to be raised from rates. That required overall rates yield is derived from the Rate Setting Statement (Refer to the Statutory Budget).

The City of Perth uses a Differential Rating Model in setting its rates. That is, it may apply a different rate in the dollar for each different property category. This can help to distribute responsibility for contributing to the rates yield more equitably. Table 1 & 2 below show the 2020/21 data at the initial rates strike and exclude interim rates or heritage concessions.

Table 1:

Property Category	No Properties	GRV	Rate in the \$	Minimum Rate
Commercial	714	105,890,330	0.0647853	\$800.00
Hotel	1,368	108,242,150	0.0641214	\$750.00
Retail	531	132,093,196	0.0647925	\$750.00
Office	2,391	977,798,093	0.0545000	\$800.00
Residential	15,713	319,257,911	0.0645000	\$750.00
Vacant Land	78	23,695,785	0.0739961	\$800.00
Total	20,795	1,666,977,465	-	-

In formulating the 2020/21 rates model, the City was required to ensure that there was no increase in the rates yield from that raised in 2019/20 (a zero percent increase). This was required to be achieved in the same year as the triennial revaluation of GRVs for all properties meaning that not all ratepayers were levied the same rates amount as the previous year.



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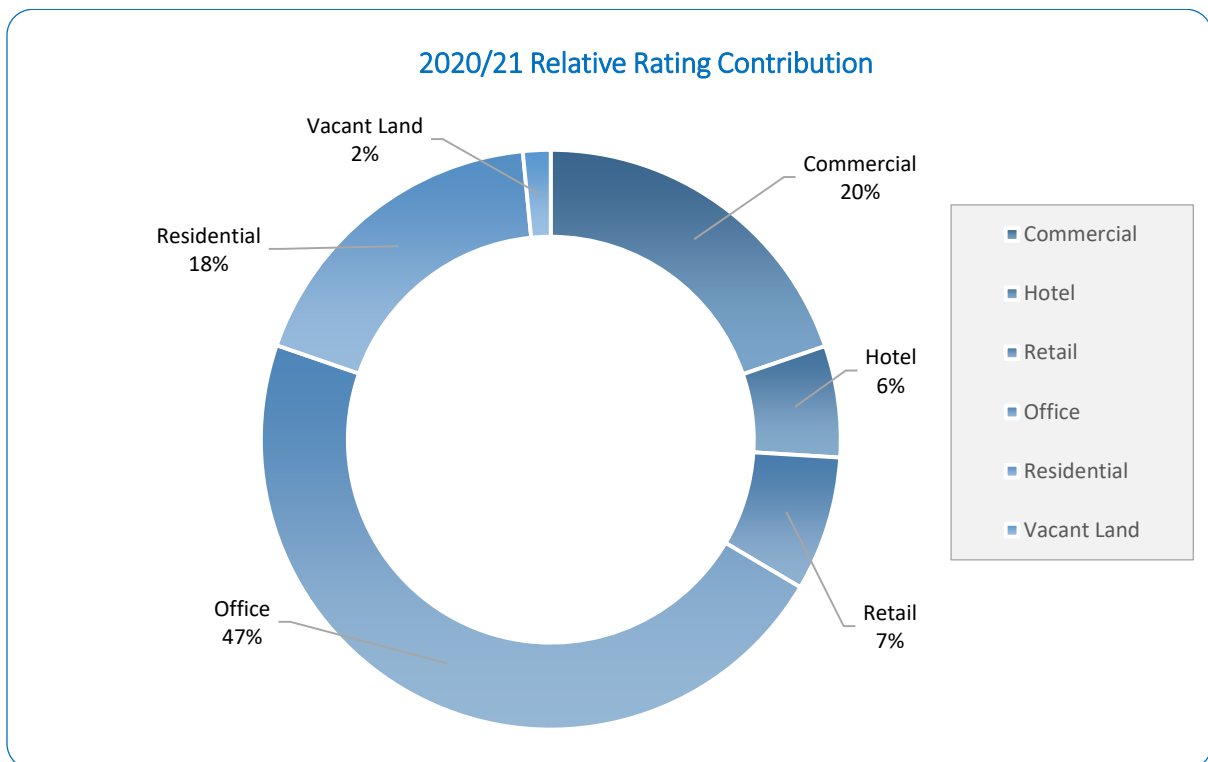
To try to model the rates in a fashion that balances the returns from each property category in a way that is equitable, is a real challenge for the City. To fully understand the respective contributions of each property category for the budget year, the City uses a measure of Relative Rating Effort (RRE) shown in the table below.

Table 2:

Property Category	% Min Rated	2020/21 GRV	2020/21 Rates	RRE %
Commercial	5.5%	105,890,330	6,877,885	6.50%
Hotel	45.0%	108,242,150	7,091,411	6.55%
Retail	3.7%	132,093,196	8,562,738	6.48%
Office	9.1%	977,798,093	53,328,163	5.45%
Residential	7.1%	319,257,911	20,716,346	6.49%
Vacant Land	5.1%	23,695,785	1,756,361	7.41%
Total	9.7%	1,666,977,465	98,332,904	5.90%

Relative rating effort, (RRE) is basically a calculation that asks, 'from the available GRV in a property category, what rates revenue was generated from it?'. That is, how hard was the rating opportunity leveraged. RRE allows comparability across differential rating categories and across local governments.

Chart 3 - 2020/21 Relative Rating Contribution by Property Category





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Table 3:

Differential Rating Property Category	Rate in \$ & Min. Rate	No. Props.	Gross Rental Value (\$)	Budgeted Rates (\$)	Budgeted Interims	Total Revenue
General Rate - GRV						
Commercial	0.0647853	675	105,682,674	6,846,686	300,000	7,146,686
Hotel	0.0641214	752	103,388,426	6,629,411	0	6,629,411
Retail	0.0647925	512	131,936,287	8,548,488	0	8,548,488
Office	0.0545000	2,174	975,313,078	53,154,563	20,000	53,174,563
Residential	0.0645000	14,591	308,125,515	19,874,095	90,000	19,964,095
Vacant Land	0.0739961	74	23,692,600	1,753,161	0	1,753,161
Sub Total		18,778	1,648,138,580	96,806,404	410,000	97,216,404
Minimum Rate						
Commercial	\$800.00	39	207,656	31,200	0	31,200
Hotel	\$750.00	616	4,853,724	462,000	0	462,000
Retail	\$750.00	19	156,909	14,250	0	14,250
Office	\$800.00	217	2,485,015	173,600	0	173,600
Residential	\$750.00	1,123	11,132,396	842,250	0	842,250
Vacant Land	\$800.00	4	3,185	3,200	0	3,200
Sub Total		2,018	18,838,885	1,526,500	0	1,526,500
Less Concessions						
Heritage						(410,000)
Net Total Rates		20,795	1,666,977,465	98,332,904		98,332,904

Table 3 above shows the full rating model identifying separately the rates generated from properties levied at the general rate as well as the rates generated from the minimum rate set for each property category. A minimum rate is set to ensure that all properties make some reasonable contribution to the costs of running the City.

Table 3 also indicates the estimated value of heritage concessions given (that reduce the rates yield) and the estimated value of interim rates that may be generated through changes in property values during the year. The similarity in these values for the 2020/21 budget year is purely coincidental.



6.3 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.

Cash backed Reserve Funds are also a vital part of the 2020/21 Annual Budget funding package. Funds accumulated in cash backed reserves in prior years are available to be used to smooth fluctuations in rates needing to be raised when larger capital programs are being delivered.

The City currently has 18 Cash Reserves classified as:

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

The 2020/21 Budget sees the City drawing down a net total of \$11M from its existing Cash Backed Reserves. The use of these Reserve funds is a strategic response to the combined challenges of responding to the challenges of Covid 19 and the City's desire to fund a larger than normal capital program to stimulate the local economy.

The major Reserve fund transfers and the reasons for them are shown in Table 4 below.

Table 4:

Reserve Name	Purpose	Amount
Transfer to Reserves		(Excludes 1.65M Interest Revenue)
Refuse Treatment Reserve	Quarantine refuse facility funding	754,000
Public Art Reserve	Allocation from Muni Fund	50,000
Parking Levy Reserve	Allocation from Muni Fund	10,000,000
Parking Levy Reserve	Change of Reserve purpose - LGA 6.11 (3)(a) *1	20,000,000
Major Infrastructure Reserve	Allocation for accelerated Capital Program	11,786,000
Covid Rebound Strategy	Allocation to fund Covid Rebound Strategy	20,115,000
Total Transfers to Reserves		62,705,000

The \$20.115M transfer of funds to the Covid Economic Rebound Reserve provides a consolidated view of the City's commitment to responding to the economic challenges presented by the Covid 19 pandemic. Where specifically defined programs / projects have already been defined, as at the date of budget preparation, those monies have been allocated to the specific budget costs at budget adoption date. The remaining funds will be held in the Covid Economic Rebound Reserve pending further engagement with the community committees and approval by Council of the breakup of the remaining notional allocations.



Reserve Name	Purpose	Amount
Transfer from Reserves		
Technology Upgrade	Stage 2 of Core Systems Consolidation	(1,275,000)
Organisational Reform	Culture program and corporate recovery	(700,000)
Concert Hall	Concert Hall property rectifications	(4,000,000)
Major Infrastructure	Contribution to accelerating major capital initiatives	(5,000,000)
Asset Enhancement	Contribution to major capital initiatives	(2,500,000)
Parking Facilities	Change of Reserve purpose - LGA 6.11 (3)(a) *1	(20,000,000)
Public Art Reserve	East End & Wellington Square project artworks	(504,800)
Provisional Capital Reserve	IT Service Desk replacement	(217,250)
Provisional Capital Reserve	Change of Reserve purpose - LGA 6.11 (3)(a)	(1,356,324)
Parking Levy Reserve	Parking levy contribution	(16,000,000)
Council House Refurb.	Contribution towards Council House refurbishment	(1,500,000)
Covid Rebound Reserve	Funding for Economic Rebound Strategy	(20,115,000)
Total Transfers from Reserves		(73,168,374)

6.4 Loan Borrowings

The use of borrowings to support the funding of long life capital projects 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 at historic lows, the opportunity to embrace borrowings as part of the funding package cannot be overlooked in formulating the Annual Budget. In doing so, it is important to ensure that the City's Debt Service Ratio and Gross Debt to Operating Revenue Ratio remain within acceptable industry benchmarks (as this will be assessed before WA Treasury Corporation accepts any loan applications). New borrowings of \$10M repayable quarterly over 10 years have been included in the City's 2020/21 Annual Budget to support the overall funding package and in particular, rebounding from the impacts of Covid 19.

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 City's budgeted Debt Service Indicator is 1.96, relative to the industry benchmark for the Debt Service Ratio of 2.0 to 5.0 times coverage. This is due to the additional funding commitment to Covid 19 economic rebound activities.



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 Gross Debt to Operating Revenue Ratio is less than 20%. The City's budgeted Gross Debt to Operating Revenue Ratio is 8.3% which is well within industry benchmarks.

6.5 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.

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 5% meets or exceeds the industry benchmark.

For 2020/21, the City's disclosed ratio is (12.2%) - but this is entirely due to its heavy investment in activation and economic activities that support the Covid 19 Rebound Strategy that is specifically targeted at revitalising our CBD. Without the Covid Economic Rebound expenditure, the 2020/21 ratio was 0%

Long Term Financial Plan modelling suggests that in the post Covid 19 era, the City's future Operating Surplus Ratio sits comfortably in a financially responsible range.

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. The 2020/21 Own Source Revenue Ratio is 80% which is short of the preferred industry benchmark of 90.0%. Long Term Financial Plan modelling suggests that in the post Covid 19 era, the City's future Own Source Ratio sits comfortably in a financially responsible range.

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 1.0 The City's projected ratio is 1.1



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%. The City's budgeted 2020/21 ratio is 75%

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 at 84%.

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. The projected 2020/21 Asset Renewal Funding Ratio range show as 100% as the Asset Management Plan projections are setting the funding level for the Long Term Financial Plan & Budget. 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%.

6.6 Capital Program

The 2020/21 Budget includes a \$63.65M allocation for capital expenditure (including asset renewals and the acquisition / creation of new assets). A broad overview of those projects is proved in Table 5 below.

Table 5:

Capital Projects	Renewal or New	Amount
Asset Renewal - Infrastructure		
Asset Renewal - Roads Network	Renewal	2,298,286
Asset Renewal - Lighting & Electrical	Renewal	3,695,526
Asset Renewal - Drainage	Renewal	1,243,765
Asset Renewal - Paths & Kerbs	Renewal	777,000
Asset Renewal - Parks & Landscape	Renewal	727,000
Asset Renewal - Other Infrastructure	Renewal	2,854,679
Asset Renewal - Non Infrastructure		
Asset Renewal - Buildings	Renewal	6,216,447
Asset Renewal - Plant & Equipment	Renewal	1,170,386
Asset Renewal - Technology	Renewal	566,000
Asset Renewal - Plant & Fleet	Renewal	2,794,500
Total Asset Renewal Projects		22,343,589



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Capital Projects	Renewal or New	Amount
Major Discretionary Capital Projects		
Wellington Square Redevelopment	New / Upgrade	12,783,335
East End Revitalisation	New / Upgrade	12,358,800
Core Systems Transformation	New / Upgrade	1,520,000
Container Deposit Scheme Facility	New / Upgrade	1,324,751
East Perth Foreshore	New / Upgrade	1,300,000
Safety & Security	New / Upgrade	395,000
Winthrop Ave - Thomas St Shared Path	New / Upgrade	1,118,000
Hostile Vehicle Incursion Measures	New / Upgrade	488,800
Civic Building Works	New / Upgrade	2,437,000
Other Discretionary Minor Capital Works	New / Upgrade	7,577,325
Total Discretionary Capital Projects		41,303,011
Total Capital Projects		
		63,646,600

In preparing this budget the City has excluded potential extra-ordinary funding opportunities such as financial stimulus funding from the Commonwealth government via Infrastructure Australia or the Council of Capital City Lord Mayors (CCCLM).

Whilst the City is proactively pursuing such funding opportunities, the realisation of such opportunities cannot be pre-emptively assumed or modelled with confidence, and so they have not been included in the 2020/21 Budget. In the event that such an opportunity does arise during the year, the budget model can easily be modified to incorporate such inputs and the related project expenditures without further impact on ratepayers.

7.0 Summary

The development of the 2020/21 Annual Budget represents another important step in the City's financial transformation journey and will play a critical role in continuing to re-position our capital city's finances for a sustainable future.

This budget has been persuasively influenced by the City's Long Term Financial Plan and Corporate Business Plan both of which are aligned to the Community Strategic Plan. Its content reflects a balanced and sustainable response to the challenging economic climate in which it was developed. It supports the delivery of a range of ongoing programs and services plus a significant capital expenditure program.



City of Perth Annual Budget 2020/21

The financial impacts of operating in a Post Covid 19 environment should not be discounted or dismissed as they are both real and very significant. Several of the City's 2020/21 key financial ratios such as the Operating Surplus Ratio, Own Source Ratio and Debt Service Ratio appear weaker than industry benchmarks for 2020/21 - and yet this is a direct consequence of the City's conscious decision to invest \$20.115M in supporting the economic rebound of our City post Covid.

The City of Perth has taken responsibility for helping our capital city revitalise and rebound by investing heavily in activities that support that economic rebound and create new jobs through an accelerated capital works program. This positive leadership initiative is reflected in the 2020/21 Annual Budget.

The statutory 2020/21 Annual Budget schedules are provided on the following pages.

I commend the 2020/21 Annual Budget to you.

Michael J Kent

Project Director Strategic Finance
(Chief Financial Officer)

Statutory Budget Schedules 2020/21





City of Perth Annual Budget 2020/21

Statement of Comprehensive Income by Nature & Type For the Year Ended 30 June 2021

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Revenue				
Rates	1 (a)	96,419,628	98,267,415	98,332,904
Operating Grants & Contributions	5 (a)	2,289,998	2,935,529	1,584,996
Fees & Charges - Parking	4	82,258,927	67,210,712	55,782,017
Fees & Charges - Other	4	19,907,554	18,417,621	19,291,671
Interest Earnings	6 (a)	5,012,305	3,329,539	3,627,896
Other Revenue	6 (b)	1,456,110	1,199,321	641,880
Sub Total		207,344,522	191,360,137	179,261,364
Expenses				
Employee Costs		83,404,020	77,720,629	75,525,890
Materials & Contracts		53,499,590	46,069,747	57,318,437
Utility Charges		3,244,992	2,976,724	3,632,338
Depreciation	7	35,541,567	38,475,642	36,189,735
Interest Expenses	6 (d)	573,408	751,710	386,349
Insurance Expenses		1,040,519	1,142,895	1,073,587
Parking Levy		17,798,036	16,672,711	17,417,303
Other Expenses	6 (g)	8,385,583	9,691,691	7,679,099
Sub Total		203,487,715	193,501,749	199,222,738
Net Result		3,856,807	(2,141,612)	(19,961,374)
Non-Operating Grants	5(b)	1,191,862	1,412,011	5,438,360
Non-Operating Contributions		0	0	0
Profit on Asset Disposals	8 (b)	576,663	106,127	614,141
(Loss) on Asset Disposals	8 (b)	(1,996,392)	(1,318,972)	(2,958,594)
Sub Total		(227,867)	199,166	3,093,907
Total Comprehensive Income		3,628,940	(1,942,446)	(16,867,467)

2020/21 Expenses Total includes \$20.115M abnormal expense for Covid Economic Rebound Strategy.

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



City of Perth Annual Budget 2020/21

Statement of Comprehensive Income by Reporting Program For the Year Ended 30 June 2021

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Revenue	1,4,5			
Governance		0	0	469,201
General Purpose Funding		102,487,081	103,136,625	102,412,800
Law, Order & Public Safety		85,674	55,819	447,750
Health		981,000	757,670	1,182,500
Education & Welfare		1,951,603	1,697,576	1,952,000
Housing		885,259	994,824	0
Community Amenities		12,683,342	11,345,409	10,413,081
Recreation & Culture		2,237,294	1,816,281	780,418
Transport		84,507,422	69,172,405	55,947,617
Economic Services		1,116,620	1,761,059	5,573,997
Other Property & Services		409,227	622,469	82,000
Sub Total		207,344,522	191,360,137	179,261,364
Expenses	6,7			
Governance		7,851,722	7,796,181	21,556,338
General Purpose Funding		1,669,591	1,649,548	1,234,324
Law, Order & Public Safety		6,635,762	7,081,708	8,659,278
Health		2,467,498	1,850,666	3,088,219
Education & Welfare		4,580,602	4,077,767	3,670,148
Housing		668,931	587,564	0
Community Amenities		28,410,176	26,151,886	24,574,863
Recreation & Culture		37,371,898	34,799,671	25,771,932
Transport		81,335,131	77,620,344	82,803,007
Economic Services		18,993,788	18,810,812	20,753,761
Other Property & Services		12,929,207	12,323,891	6,724,519
Sub Total		202,914,306	192,750,038	198,836,389
Finance Costs				
Governance		0	0	0
Law, Order & Public Safety		0	17	0
Health		0	2	0
Education & Welfare		0	40	0



City of Perth Annual Budget 2020/21

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Housing		0	0	0
Community Amenities		0	1,501	0
Recreation & Culture		431,108	494,653	182,467
Transport		142,300	255,104	131,685
Economic Services		0	0	72,197
Other Property & Services		0	394	0
Sub Total		573,407	751,711	386,349
Net Result		3,856,808	(2,141,612)	(19,961,374)
Non-Operating Grants	5 (b)	1,191,862	1,412,011	5,438,360
Non-Operating Contributions		0	0	0
Profit on Asset Disposals	8 (a)	576,663	106,127	614,141
(Loss) on Asset Disposals	8 (a)	(1,996,392)	(1,318,972)	(2,958,594)
Sub Total		(227,867)	199,166	3,093,907
Total Comprehensive Income		3,628,940	(1,942,446)	(16,867,467)

2020/21 Governance Expense includes \$6.49M unattributed expense for Covid Economic Rebound.

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



City of Perth Annual Budget 2020/21

Statement of Cash Flows For the Year Ended 30 June 2021

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Cash Flows from Operating Activities				
Receipts				
Rates		96,419,628	97,297,665	97,832,904
Operating Grants & Contributions		2,289,998	2,905,414	1,534,996
Fees & Charges		102,166,481	85,628,333	74,473,687
Interest Earnings	6 (a)	5,012,305	3,329,539	3,877,896
Other Revenue	6 (b)	1,456,106	1,841,418	591,880
Sub Total		207,344,518	191,002,369	178,311,363
Expenses				
Employee Costs		(83,404,020)	(74,323,790)	(76,075,890)
Materials & Contracts		(53,499,590)	(46,958,415)	(56,668,437)
Utility Charges		(3,244,992)	(2,976,724)	(3,817,338)
Interest Expenses	9 (a)	(573,408)	(812,874)	(386,350)
Insurance Expenses		(1,040,519)	(1,142,895)	(1,073,587)
Parking Levy		(17,798,036)	(16,672,711)	(17,417,303)
Other Expenses	6 (g)	(8,385,583)	(10,347,939)	(7,704,098)
Sub Total		(167,946,148)	(153,235,348)	(163,143,003)
Net Cash Provided by Operating Activities		39,398,370	37,767,021	15,168,360
Cash Flows from Investing Activities				
Purchase of Property, Plant & Equip	8 (a)	(34,536,050)	(13,601,887)	(20,984,482)
Construction of Infrastructure	8 (a)	(22,281,475)	(15,584,512)	(42,662,118)
Non-Operating Grants	5 (b)	1,191,862	1,412,011	5,438,360
Proceeds from Sale of Plant & Equip	8 (b)	1,675,391	1,201,253	1,354,679
Proceeds from Sale of Financial Assets		0	99,332	0
Sub Total		(53,950,268)	(26,473,803)	(56,851,561)
Net Cash Provided (Used) Investing Activities		(53,950,268)	(26,473,803)	(56,851,561)



City of Perth Annual Budget 2020/21

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Cash Flows from Financing Activities				
New Loan Proceeds		0	0	10,000,000
Repayment of Borrowings	9 (a)	(6,904,163)	(6,904,163)	(4,680,892)
Lease Principal Payments		(0)	(59,797)	(0)
Payment for Financial Asset at Amortised Cost		(0)	(241,968)	(0)
Proceeds from Contract Liabilities		0	2,214,285	0
Transfers from Reserves		50,525,111	35,338,558	73,168,374
Transfers to Reserves		(52,067,823)	(31,869,991)	(63,364,146)
Net Cash Provided (Used) in Financing Activities		(8,446,875)	(4,991,643)	14,123,336
Net Increase (Decrease) in Cash Held		(22,998,773)	6,301,575	(27,561,866)
Cash at Beginning of Year		40,244,771	53,784,744	60,086,319
Cash at End of Year	3	17,245,998	60,086,319	32,524,453
(Excludes Restricted Cash)				

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



City of Perth Annual Budget 2020/21

Rate Setting Statement For the Year Ended 30 June 2021

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Net Current Assets at Start of Year	2 (b)	34,052,456	32,830,135	36,844,436
Revenue from Operating Activities				
Governance		13,185	0	819,205
General Purpose Funding		6,067,453	4,869,210	4,079,896
Law, Order & Public Safety		93,674	59,889	517,200
Health		986,127	757,670	1,182,500
Education & Welfare		1,951,603	1,697,576	1,952,000
Housing		885,259	994,824	0
Community Amenities		12,736,829	11,378,531	10,454,745
Recreation & Culture		2,268,140	1,836,449	873,390
Transport		84,590,526	69,203,133	55,970,728
Economic Services		1,118,986	1,761,059	5,573,997
Other Property & Services		439,775	640,508	118,940
Sub Total		111,151,557	93,198,849	81,542,601
Expenses				
Governance		(7,851,722)	(7,796,181)	21,558,138
General Purpose Funding		(1,669,591)	(1,649,548)	1,234,324
Law, Order & Public Safety		(6,635,762)	(7,103,722)	8,663,278
Health		(2,467,498)	(1,850,668)	3,088,219
Education & Welfare		(4,580,602)	(4,077,807)	3,670,148
Housing		(668,931)	(587,564)	0
Community Amenities		(28,561,176)	(26,207,165)	25,278,726
Recreation & Culture		(37,803,006)	(35,868,354)	26,189,905
Transport		(83,164,006)	(78,520,004)	83,543,117
Economic Services		(18,993,788)	(18,826,829)	20,825,958
Other Property & Services		(13,088,024)	(12,332,879)	8,129,519
Sub Total		(205,484,106)	(194,820,721)	202,181,332
Sub Total - Operating Activities		(59,930,093)	(101,621,872)	(83,794,295)



City of Perth Annual Budget 2020/21

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Sub Total - Operating Activities		(59,930,093)	(101,621,872)	(83,794,295)
Add back Non-Cash Operating Items		31,502,830	37,979,715	38,534,187
Cash Operating Position		(28,427,263)	(63,642,157)	(45,260,107)
Investing Activities				
Purchase of Property, Plant & Equip	8 (a)	(34,536,050)	(13,601,887)	(20,984,481)
Construction of Infrastructure	8 (a)	(22,281,475)	(15,584,512)	(42,662,119)
Non-Operating Grants	5 (b)	1,191,862	1,412,011	5,438,360
Proceeds from Sale of Plant & Equip	8 (b)	1,675,395	1,201,253	1,354,679
Sub Total - Investing Activities		(53,950,268)	(26,573,135)	(56,853,561)
Financing Activities				
New Loan Proceeds	9 (a)	0	0	10,000,000
Repayment of Borrowings	9 (a)	(6,904,163)	(6,904,163)	(4,680,892)
Lease Principal Payments		0	(59,797)	0
Transfers to Cash Reserves	10 (b)	(52,067,823)	(31,869,991)	(64,364,146)
Transfers from Cash Reserves	10 (b)	50,525,111	35,338,558	73,168,374
Sub Total - Financing Activities		(8,446,875)	(3,495,393)	14,123,336
Budget Deficiency before General Rates		(91,174,410)	(60,880,550)	(87,990,332)
Estimated Amount to be Raised from Rates		96,419,628	98,267,414	98,332,904
Net Current Assets at End of Year		5,245,222	37,386,863	10,342,571
Surplus / (Deficit)				

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



Budget Accounting Policies

Basis of Preparation

This budget has been prepared in accordance with Australian Accounting Standards (as they apply to local governments) and interpretations of the Australian Accounting Standards Board, and the Local Government Act 1995. 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 but under the control of a local government, unless it is a golf course, showground, racecourse or recreational facility of state or regional significance, including land under roads have not been recognised in this budget. This is not in accordance with the requirements of AASB 1051 Land under Roads and AASB 116 Property, Plant & Equipment.

Accounting policies which have been adopted in the preparation of this budget have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the budget 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.

Local Government Reporting Entity

All funds through which the City of Perth controls resources to carry on its functions have been included in the financial statements forming part of this budget. In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for instance, loans and transfers between funds) have been eliminated.

All monies in the Trust Fund are excluded from the Budget

2019/20 Actual Balances

Balances shown in this budget as 2019/20 Actual are estimates forecast at the time of budget preparation and are subject to final adjustments.

Critical Accounting Estimates

The preparation of a budget in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect 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.



Rounding Off Figures

All figures shown in this statement are rounded to the nearest dollar.

Comparative Figures

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

Budget Comparative Figures

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

Change in Accounting Policies

On the 1 July 2020, the following new accounting policies are to be adopted and may impact the preparation of the budget:

AASB 1059 Service Concession Arrangements: Grantors

AASB 2018-7 Amendments to Australian Accounting Standards - Materiality

AASB 1059 is not expected to impact the annual budget.

Specific impacts of AASB 2018-7 have not been identified.

Goods & Services Tax

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.



Key Terms & Definitions

The following terms and definitions apply to the Nature & Type classifications.

Revenues

Rates

All rates levied under the Local Government Act 1995. Includes general, differential, specified area rates, minimum rates, interim rates, back rates, ex-gratia rates, less discounts and concessions offered. Exclude administration fees, interest on instalments, interest on arrears, service charges and sewerage rates.

Service Charges

Service charges imposed under Division 6 of Part 6 of the Local Government Act 1995. Regulation 54 of the Local Government (Financial Management) Regulations 1996 identifies these as television and radio broadcasting, underground electricity and neighbourhood surveillance services. Excludes rubbish removal charges. Interest and other items of a similar nature received from bank and investment accounts, interest on rate instalments, interest on rate arrears and interest on debtors.

Profit on Asset Disposal

Profit on the disposal of assets including gains on the disposal of long term investments. Losses are disclosed under the expenditure classifications.

Operating Grants, Subsidies and Contributions

Refer to all amounts received as grants, subsidies and contributions that are not non-operating grants.

Non-Operating Grants, Subsidies and Contributions

Amounts received specifically for the acquisition, construction of new or the upgrading of non-current assets paid to a local government, irrespective of whether these amounts are received as capital grants, subsidies, contributions or donations.

Fees & Charges

Revenue (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information, fines, penalties and administration fees. Local governments may wish to disclose more detail such as rubbish collection fees, rental of property, fines and penalties, other fees and charges.

Interest Earnings

Interest and other items of a similar nature received from bank and investment accounts, interest on rate instalments, interest on rate arrears and interest on debtors.



Other Revenue / Income

Other revenue, which cannot be classified under the above headings, includes discounts, and rebates. Reimbursements and recoveries are separated by note to ensure the correct calculation of ratios.

Expenses

Employee Costs

All costs associated with the employment of a person such as salaries, wages, allowances, benefits such as vehicle and housing, superannuation, employment expenses, removal expenses, relocation expenses, worker's compensation insurance, training costs, conferences, safety expenses, medical examinations, fringe benefit tax, etc.

Materials and Contracts

All expenditures on materials, supplies and contracts not classified under other headings. These include supply of goods and materials, legal expenses, consultancy, maintenance agreements, communication expenses, advertising expenses, membership, periodicals, publications, hire expenses, rental, leases, postage and freight etc. Local governments may disclose more detail such as contract services, consultancy, information technology, rental or lease expenditures.

Utilities

Expenditures made to the respective agencies for the provision of power, gas or water. Exclude s expenditures incurred for the reinstatement of roadwork on behalf of these agencies.

Insurance

All insurance other than worker's compensation and health benefit insurance included as a cost of employment.

Loss on Disposal

Loss on the disposal of fixed assets includes loss on disposal of long term investments.

Depreciation on Non-Current Assets

Depreciation and amortisation expense raised on all classes of assets.

Interest Expenses

Interest and other costs of finance paid, including costs of finance for loan debentures, overdraft accommodation and refinancing expenses.

Other Expenditure

Statutory fees, taxes, provision for bad debts, member's fees or State taxes. Donations and subsidies made to community groups. Includes the Perth Parking Management Area levy on all City of Perth on street and off street parking bays.



Reporting Programs

In order to discharge its responsibilities to the community, the City has developed a suite of operational program objectives that reflect the community's strategic vision.

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 rate payers 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 & Welfare	
To provide services to disadvantaged persons, elderly, children and youth.	Childcare centres, aged and disabled, senior citizens' 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, Citiplace administration, pedestrian malls, Forrest Place, street seats, memorials, bus shelters, rest centres and public conveniences.



Objective

Activities

Recreation & 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 and operation of the on-street and off-street commercial 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 & services

To monitor and control council's overheads operating accounts.

Public works overheads, plant/vehicle operations, sundry property and other outlays that has not assigned to one of the preceding programs.



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Note 1 - Rates & Service Charges

a) Rating Information

Differential Rating Property Category	Rate in \$ & Min. Rate	No. Props.	Gross Rental Value (\$)	Budgeted Rates (\$)	Budgeted Interims	Total Revenue
General Rate - GRV						
Commercial	0.0647853	675	105,682,674	6,846,686	300,000	7,146,686
Hotel	0.0641214	752	103,388,426	6,629,411	0	6,629,411
Retail	0.0647925	512	131,936,287	8,548,488	0	8,548,488
Office	0.0545000	2,174	975,313,078	53,154,563	20,000	53,174,563
Residential	0.0645000	14,591	308,125,515	19,874,095	90,000	19,964,095
Vacant Land	0.0739961	74	23,692,600	1,753,161	0	1,753,161
Sub Total		18,778	1,648,138,580	96,806,404	410,000	97,216,404
Minimum Rate						
Commercial	\$800.00	39	207,656	31,200	0	31,200
Hotel	\$750.00	616	4,853,724	462,000	0	462,000
Retail	\$750.00	19	156,909	14,250	0	14,250
Office	\$800.00	217	2,485,015	173,600	0	173,600
Residential	\$750.00	1,123	11,132,396	842,250	0	842,250
Vacant Land	\$800.00	4	3,185	3,200	0	3,200
Sub Total		2,018	18,838,885	1,526,500	0	1,526,500
Less Concessions						
Heritage						(410,000)
Net Total Rates		20,795	1,666,977,465	98,332,904		98,332,904

All land (other than exempt land) in the City of Perth is rated according to its Gross Rental Value (GRV). The general rates detailed for the 2020/21 financial year have been determined by Council on the basis of raising the revenue required to meet the deficiency between the total estimated expenditure proposed in the budget and the estimated revenue to be received from all sources other than rates. It also considers the zero percent increase in rating yield for 2020/21 over the level adopted in the previous year.

The minimum rates have been determined by Council on the basis that all ratepayers must make a reasonable contribution to the cost of the local government services and facilities.



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b) Rating - Interest Charges & Instalments

The following instalment options are available for payment of rates and charges.

Instalment Option	Due Date	Admin Charge	Instalment Interest Rate	Overdue Interest Rate
One Payment	28 September 2020	-	5.50%	5.50%
Two Instalments	28 September 2020	\$35.00	5.50%	5.50%
	27 November 2020	-	5.50%	5.50%
Four Instalments	28 September 2020	\$35.00	5.50%	5.50%
	27 November 2020	-	5.50%	5.50%
	05 February 2021	-	5.50%	5.50%
	09 April 2021	-	5.50%	5.50%
Detail		2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Instalment Plan Admin Fee Revenue		325,000	356,880	290,000
Instalment Plan Interest Revenue		420,000	393,137	480,000
Penalty Interest Earned		175,900	299,369	247,896
Sub Total		920,900	1,049,986	1,017,896

c) Differential Rates

Landgate Valuation Services provides the City with Gross Rental Values (GRV) on a triennial basis. The current triennial valuation applies from 1 July 2020. The City of Perth imposes differential rates under the provisions of 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. The objects and reasons for the imposition of each differential general rate are:

Commercial

The Commercial classification relates to land where the predominant purpose for which the land is held or used is commercial in nature. The category includes wholesalers, warehouses, industrial, entertainment and sporting facilities. All these property assets have a common factor in being commercial operations with the object of attracting visitors and tourists to the City to contribute to city vitality. The City has set a rate for this sector at 6.4785316 cents per dollar of GRV.

Hotel

The Hotel classification relates to land where the predominant purpose for which the land is held or used is hotels, short-stay serviced apartments, hostels, board and lodging accommodation. The objective of the proposed rate in the dollar of 6.41214 cents, is to ensure that the proportion of total rates revenue derived from Hotel properties represents an equitable contribution towards service provision and for the ongoing maintenance of the City's assets.



Retail

The Retail category includes retail sales and services. All these property assets have a common factor in being retail operations with the object of attracting visitors and tourists to the City to contribute to city vitality. The City has set a rate for this sector at 6.4792500 cents per dollar of GRV.

Office

The Office category relates to land where the predominant purpose for which the land is held or used is as office accommodation. The purpose of this differential rate is to ensure that all ratepayers in this category make an equitable contribution to the City's revenue.

This category has historically had a lower rate in the dollar than other categories, acknowledging the challenge of responsibly balancing the prevailing business climate, occupancy levels and sustaining a thriving CBD. For 2020/21, the proposed rate in the dollar is 5.4500000 cents.

Residential

The Residential category relates to land where the predominant purpose for which the land is held or used is residential. The purpose of this differential rate is to ensure that all ratepayers in this category make an equitable contribution to the City's revenue.

The objective of the proposed rate in the dollar of 6.4500000 cents, is to ensure that the proportion of total rates revenue derived from Residential properties represents an equitable contribution towards service provision and for the ongoing maintenance of the City's assets primarily used by residential ratepayers.

Vacant Land

The Vacant Land category relates to the limited stock of vacant land in the City. The proposed rate in the dollar for 2020/21 is 7.3996100 cents in the dollar.

d) Differential Minimum Rate Payment

For the 2020/21 year, the City is proposing a two-tiered approach to minimum rates. The minimum rate recognises that every rateable property in the City receives some level of benefit from the services and assets that the City provides.

A proposed minimum rate of \$800 will apply to the Commercial, Office and Vacant Land categories whilst a discounted minimum of \$750 is proposed for the Retail, Hotel & Residential property categories. The City has only 10% of all properties levied at the minimum rate. The number of minimums is required by legislation to be less than 50% of all properties.

e) Specified Area Rate

The City will not raise specified area rates for the year ended 30th June 2021.

f) Service Charges

The City will not raise service charges for the year ended 30th June 2021.



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g) Rates Waivers, Discounts & Concessions

Owners of Heritage listed properties under the City Planning Scheme are eligible to apply for heritage rate relief concession subject to the criteria detailed in Council Policy 9.2 Heritage Rate Concessions

A 10% concession of Rates will be applied to qualifying heritage properties for a period of up to three consecutive years (up to a maximum of \$20,000 per annum), with the minimum concession being equal to the minimum rate for that property category. The rate concession applies to general rates only and does not impact rubbish service charges or the Emergency Services Levy.

Detail	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Heritage Rate Relief Concession	274,050	291,052	410,000
	274,050	291,052	410,000

Note 2 - Net Current Assets

a) Composition of Estimated Net Current Assets

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Current Assets				
Cash - Unrestricted	3	17,250,891	60,086,319	32,524,453
Cash - Restricted	3	111,016,948	100,870,250	92,066,022
Receivables		13,551,253	9,605,309	10,605,309
Inventory		920,355	803,909	903,910
Other Current Assets		0	1,127,689	1,152,689
Sub Total		142,739,447	172,493,476	137,252,383
Current Liabilities				
Trade & Other Payables		(18,532,986)	(22,531,837)	(22,778,035)
Long Term Borrowings		(8,778,971)	(4,233,038)	(4,751,628)
Provisions		(11,392,512)	(12,246,953)	(12,065,755)
Sub Total		(38,704,469)	(39,011,828)	(39,595,418)
Unadjusted Net Current Assets		104,034,976	133,481,648	97,656,965



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Note 2 - Net Current Assets (continued)

b) Items excluded from calculation of the Budget Deficiency

When calculating the budget deficiency for the purpose of Section 6.2 (2)(c) of the Local Government Act 1995 the following amounts have been excluded as provided by Local Government (Financial Management) Regulation 32 which will not fund the budgeted expenditure.

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Net Current Assets - Unadjusted	2	104,034,976	133,481,648	97,656,965
Less:				
Cash - Restricted Reserves	3	(111,016,948)	(100,870,250)	(92,066,022)
Add:				
Current Portion of Borrowings		8,778,971	4,233,038	4,751,628
Employee Benefit Provisions		3,448,217	281,198	0
Lease Liabilities		0	261,229	0
Adjusted Net Current Assets		5,245,218	37,386,863	10,342,571

Operating Activities excluded from Budget Deficiency

The following non-cash revenue or expenditure has been excluded from operating activities within the Rate Setting Statement.

Less:

Profit on Asset Disposals	8 (b)	(226,663)	(106,127)	(614,141)
Movement in Liabilities associated with Restricted Cash		(5,808,466)	(1,708,775)	0
Add:				0
Loss on Asset Disposal	8 (b)	1,996,392	1,318,972	2,958,594
Depreciation on Assets	7	35,541,567	38,475,642	36,189,735
Contributed Assets		0	0	0
Net Amounts Excluded		31,502,830	37,979,715	38,534,188



Note 2 - Net Current Assets (continued)

c) Significant Accounting Policies

Current & Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the City's operational 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 even if not expected to be realised in the next 12 months except for land held for sale where it is held as non-current based on the City's intentions to release for sale.

Trade & 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 of Perth 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 liability and are normally paid within 30 days of recognition.

Provisions

Provisions are recognised when the City has a 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.

Inventories

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

Trade & 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. Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.



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Note 3 - Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Estimated cash at the end of the reporting period is as follows:

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Cash				
Cash at Bank & On Hand		2,250,891	18,164,780	7,524,453
Term Deposits		15,000,000	41,921,539	25,000,000
		17,250,891	60,086,319	32,524,453
Unrestricted Cash & Cash Equivalent		17,250,891	60,086,319	32,524,453
Restricted Cash & Cash Equivalents		111,016,948	100,870,250	92,066,022
		128,267,839	160,956,569	124,590,475

The following restrictions have been imposed by regulation or externally imposed requirements:

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Asset Enhancement Reserve		29,547,547	24,910,850	22,822,334
Major Infrastructure Reserve		5,900,000	5,917,556	12,936,805
Provisional Capital Program Reserve		0	1,573,574	0
Council House Refurb Reserve		1,500,000	1,508,928	9,092
Concert Hall Reserve		6,925,469	6,708,438	2,758,167
David Jones Bridge Reserve		361,699	397,652	404,953
Art Acquisition Reserve		416,794	349,787	356,209
Public Art Reserve		815,062	559,518	106,641
Enterprise & Initiative Reserve		8,611,235	6,462,579	6,581,238
Organisational Reform Reserve		5,000,000	5,034,966	4,414,560
Technology Upgrade Reserve		4,000,000	2,621,647	1,371,373
Parking Levy Reserve		18,197,125	8,403,351	22,814,697
Parking Facilities Reserve		22,713,540	28,661,278	8,820,307
Refuse Treatment Reserve		3,448,217	4,349,664	5,197,372
Heritage Incentive Reserve		637,238	707,291	720,278
Bonus Plot Ratio Reserve		682,904	685,034	697,612
Employee Entitlements Reserve		2,260,118	2,018,137	2,054,385
Covid 19 Economic Rebound Reserve		0	0	0
Unspent Grants		0	0	0
Sub Total		111,016,948	100,870,250	92,066,022



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Reconciliation of Net Cash from Operations to Net Result

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Net Result		3,628,941	(1,942,446)	(16,867,467)
Adjust for:				
Depreciation		35,541,567	38,475,642	36,189,735
(Profit) / Loss on Disposal of Asset		1,769,728	1,212,845	2,344,453
Loss on Revaluation of Assets		0	0	0
(Increase) / Decrease in Receivables		0	(101,364)	(1,025,000)
(Increase) / Decrease in Inventories		0	25,700	(100,000)
Increase / (Decrease) in Payables		0	(1,759,541)	(35,001)
Increase / (Decrease) in Employee Provisions		0	3,268,196	100,000
Non-Operating Grant / Contributions		(1,191,862)	(1,412,011)	(5,438,360)
Net Cash from Operations		35,748,374	37,767,021	15,168,360

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown as short term borrowings in current liabilities in Note 2 - Net Current Assets.

Note 4 - Fees & Charges Revenue

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Governance		0	0	182,000
General Purpose Funding		441,200	477,436	410,000
Law, Order & Public Safety		71,203	52,189	395,000
Health		975,000	753,850	1,180,000
Education & Welfare		1,657,603	1,376,601	1,644,000
Housing		562,776	529,045	0
Community Amenities		12,359,918	11,238,272	10,328,081
Recreation & Culture		1,341,550	1,008,470	363,387
Transport		83,966,507	68,805,427	55,783,017
Economic Services		588,496	980,782	4,788,203
Other Property & Services		202,228	406,261	0
Total		102,166,481	85,628,333	75,073,688



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Note 5 - Grants , Subsidies & Contributions

a) Operating Grants

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Governance		0	0	272,172
General Purpose Funding		527,948	991,261	0
Law, Order & Public Safety		10,000	0	24,750
Health		0	0	0
Education & Welfare		0	0	0
Housing		322,483	465,618	0
Community Amenities		0	4,980	0
Recreation & Culture		782,785	724,983	392,031
Transport		95,158	85,228	103,000
Economic Services		419,624	578,745	711,043
Other Property & Services		132,000	84,714	82,000
Total		2,289,998	2,935,529	1,584,996

b) Non-Operating Grants & Contributions

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Governance		0	0	0
General Purpose Funding		103,000	110,141	0
Law, Order & Public Safety		0	0	0
Health		0	0	0
Education & Welfare		0	0	0
Housing		0	0	0
Community Amenities		0	0	0
Recreation & Culture		0	491,096	4,378,494
Transport		1,088,862	810,774	1,059,866
Economic Services		0	0	0
Other Property & Services		0	0	0
Total		1,191,862	1,412,011	5,438,360



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c) Unspent Grants & Contributions

Detail	Liability 1 July 2020	Increase in Liability	Decrease in Liability	Liability 30 June 2021
Governance	0	0	(0)	0
General Purpose Funding	0	0	(0)	0
Law, Order & Public Safety	0	0	(0)	0
Health	0	0	(0)	0
Education & Welfare	0	0	(0)	0
Housing	0	0	(0)	0
Community Amenities	189,042	0	(189,042)	0
Recreation & Culture	0	0	(0)	0
Transport	2,010,243	0	(2,010,243)	0
Economic Services	15,000	0	(15,000)	0
Other Property & Services	0	0	(0)	0
Total	2,214,285	0	(2,214,285)	0

Note 6 - Other Operating Items

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
a) Interest Earnings				
Investments - Reserve Funds		3,095,515	1,335,875	1,659,146
Investments - Other Funds		1,320,890	1,309,372	1,250,854
Other Interest Revenue		595,900	693,106	717,896
Sub Total		5,012,305	3,338,353	3,627,896
b) Other Revenue				
Reimbursements & Recoveries		1,406,110	1,184,677	626,880
Discount Received		50,000	14,644	15,000
Tamala Park Regional Council		350,000	0	350,004
Sub Total		1,806,110	1,199,321	991,884
c) Auditors Remuneration				
Audit Services		140,000	130,000	140,000
Other Services		4,460	23,856	13,800
Sub Total		144,460	153,856	153,800



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Note 6 - Other Operating Items (continued)

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
d) Interest Expenses (Finance Cost)				
Borrowings (refer Note 9)		573,408	596,959	386,349
Lease Liabilities		0	112,300	0
Other Finance Expense		0	42,452	0
Sub Total		0	751,711	0
e) Elected Members Remuneration				
Mayoral / Commissioner Allowances		1,076,300	965,409	203,085
Meeting Fees (2019/20 combined above)		0	0	300,940
Technology Allowance		2,900	2,996	9,000
Other Expenses		12,000	29,954	120,850
Election Expense		0	0	100,000
Sub Total		1,091,200	998,359	733,875
f) Debt Write Offs				
Rates		0	0	0
Fees & Charges		0	17,166	0
Property Debts		0	94,705	262,373
Parking		655,791	689,630	480,827
Sub Total		655,791	801,501	743,200
g) Other Expenditure				
Parking Bay Licence Fees		17,798,036	16,672,711	17,417,303
Donations & Sponsorships		5,813,077	4,373,215	4,421,700
Fire & Emergency Services Levy		589,849	573,725	577,296
Statutory Fees & Charges		197,040	193,645	204,996
Contributions		339,000	766,131	804,195
Elected Members Expenses		1,091,200	998,359	733,875
All Other		355,417	2,786,616	937,036
Sub Total		26,183,619	26,364,402	25,096,401



Note 7 - Asset Depreciation

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
By Reporting Program				
Governance		0	0	2,295,688
General Purpose Funding		0	0	0
Law, Order & Public Safety		391,050	722,598	659,910
Health		19,116	20,392	0
Education & Welfare		326,022	328,853	238,641
Housing		385,908	364,362	0
Community Amenities		2,069,077	2,484,364	1,242,570
Recreation & Culture		8,583,428	8,902,906	2,257,138
Transport		21,148,856	20,852,045	21,347,999
Economic Services		0	0	2,821,413
Other Property & Services		2,618,110	4,800,122	5,326,376
Total		35,541,567	38,475,642	36,189,735
By Asset Class				
Buildings - Non Specialised		10,350,761	11,133,013	11,620,812
Furniture & Equipment		994,478	890,335	732,048
Plant & Equipment		1,459,928	1,276,719	953,010
Technology		1,613,297	3,737,339	2,458,928
Mobile Plant & Minor Equipment		1,605,778	2,019,170	1,268,395
Leasehold Cost Amortisation		1,616,396	1,563,295	1,511,095
Infrastructure - Roads		7,366,660	6,797,769	6,731,717
Infrastructure - Paths & Kerbs		5,167,248	4,991,388	4,959,256
Infrastructure - Drainage		1,186,250	1,157,638	1,189,030
Infrastructure - Parks		911,048	960,745	945,546
Infrastructure - Other		1,215,022	1,222,655	1,218,729
Infrastructure - Bridges		321,908	233,426	209,064
Infrastructure - Lighting		1,357,020	2,120,051	2,020,989
Infrastructure - River Wall		375,775	372,099	371,116
Total		35,541,567	38,475,642	36,189,735



Note 7 - Asset Depreciation (continued)

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

Major depreciation periods used for each class of depreciable asset are:

Buildings - Non Specialised	30 - 50 years
Furniture & Equipment	4 - 10 years
Plant & Equipment	5 - 15 years
Fixed Plant	5 - 15 years
Technology	3 - 5 years
Mobile Plant & Minor Equipment	4 - 10 years
Leasehold Cost Amortisation	99 years
Infrastructure - Roads	20 - 80 years
Infrastructure - Paths	15 - 50 years
Infrastructure - Drainage	20 - 80 years
Infrastructure - Parks & Landscape	10 - 40 years
Infrastructure - Other	5 - 50 years
Infrastructure - Bridges	40 - 70 years
Infrastructure - Lighting	10 - 40 years
Infrastructure - River Wall	5 - 60 years

Amortisation

The depreciable amount of all intangible assets with a finite useful life, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held for use.

The assets residual value of intangible assets is considered to be zero and useful live and amortisation method are reviewed at the end of each financial year.

Amortisation is included within Depreciation on non-current assets in the Statement of Comprehensive Income.



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Note 8 - Fixed Assets

a) Acquisition of Assets

The following assets are planned to be acquired during the financial year.

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Property, Plant & Equipment				
Land		0	0	0
Buildings		16,522,757	5,266,426	10,478,447
Mobile Plant and Equipment		0	0	1,328,500
Plant & Equipment		11,903,972	2,228,197	3,121,865
Technology		4,646,193	4,932,573	3,921,597
Furniture & Equipment		1,128,128	770,617	2,017,700
Artworks		335,000	404,074	116,372
Total		34,536,050	13,601,887	20,984,481
Infrastructure				
Infrastructure - Roads		2,881,002	1,980,593	16,331,928
Infrastructure - Paths & Kerbs		5,075,142	2,349,632	2,027,350
Infrastructure - Drainage		1,090,728	795,363	1,249,737
Infrastructure - Parks & Landscape		4,222,401	5,130,481	802,800
Infrastructure - Other		2,235,429	1,304,413	14,838,087
Infrastructure - Bridges		386,000	466,948	340,000
Infrastructure - Lighting		6,390,773	3,557,082	5,772,218
Infrastructure - Street Furniture		0	0	0
Infrastructure - River Wall		0	0	1,300,000
Total		22,281,475	15,584,512	42,662,119
Total Assets Acquired / Constructed		56,817,525	29,186,399	63,646,600

Recognition of Assets

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with Financial Management Regulation 17A (5). These assets are expensed immediately. Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.



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Note 8 - Fixed Assets

b) Disposal of Assets - 2020/21 Budget

The following assets are planned to be disposed of during the 2020/21 financial year.

Detail	Note	Budget Sale Proceeds	Budget Book Value	Budget Profit (Loss)
Property, Plant & Equipment				
Land		350,004	0	350,004
Buildings		0	180,000	(180,000)
Mobile Plant and Equipment		1,004,675	740,538	264,137
Fixed Plant & Equipment		0	0	0
Technology		0	0	0
Furniture & Equipment		0	55,800	(55,800)
Sub Total		1,354,679	976,338	378,341
By Asset Class				
Infrastructure - Roads		0	676,393	(676,393)
Infrastructure - Paths & Kerbs		0	1,627,470	(1,627,470)
Infrastructure - Drainage		0	0	0
Infrastructure - Parks		0	200,000	(200,000)
Infrastructure - Other		0	158,425	(158,425)
Infrastructure - Bridges		0	35,506	(35,506)
Infrastructure - Lighting		0	25,000	(25,000)
Infrastructure - Street Furniture		0	0	0
Infrastructure - River Wall		0	0	0
Sub Total		0	2,722,794	(2,722,794)
Total		1,354,679	3,699,132	(2,344,453)

Gains & Losses on Disposal of Assets

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss in the period which they arise.



Note 8 - Fixed Assets

c) Disposal of Assets - 2019/20 Comparative

The following assets were disposed of during the 2019/20 financial year.

Detail	Note	Actual Sale Proceeds	Actual Book Value	Actual Profit (Loss)
Property, Plant & Equipment				
Land		0	0	0
Buildings		0	13,809	(13,809)
Mobile Plant and Equipment		1,201,253	1,221,813	(20,560)
Fixed Plant & Equipment		0	0	0
Technology		0	1,183	(1,183)
Furniture & Equipment		0	1,640	(1,640)
Total		1,201,253	1,238,445	(37,192)
By Asset Class				
Infrastructure - Roads		0	271,245	(271,245)
Infrastructure - Paths		0	200,932	(200,932)
Infrastructure - Drainage		0	16,498	(16,948)
Infrastructure - Parks		0	339,993	(339,993)
Infrastructure - Other		0	8,440	(8,440)
Infrastructure - Bridges		0	0	0
Infrastructure - Lighting		0	338,544	(338,544)
Infrastructure - Street Furniture		0	0	0
Infrastructure - River Wall		0	0	0
Total		0	1,175,652	(1,175,652)

Gains & Losses on Disposal of Assets

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss in the period which they arise.



Note 9 (a) - Borrowings 2020/21 Year

Loan Details	Balance 1 July 20	New Borrowings	Principal Repay	Interest Repay	Balance 30 June 21
Existing Loans					
Loan 164 - Elder St Car Park 2.26% Matures 30 Jul 2020 Transport Program	532,861	0	(532,861)	(9,279)	0
Loan 165 - Library Building 4.00% Matures 30 June 2022 Recreation & Culture Program	1,870,152	0	(916,378)	(72,197)	953,774
Loan 166 - Gooderich St Carpark 4.00% Matures 30 June 2022 Transport Program	250,726	0	(122,857)	(9,679)	127,869
Loan 167 - Cathedral Square 3.60% Matures 31 July 2022 Recreation & Culture Program	6,125,233	0	(2,660,942)	(182,467)	3,464,291
New Loans					
Loan 168 - East End Revitalisation 2.28% Matures 01 Oct 2030 Transport Program	0	10,000,000	(447,855)	(112,727)	9,552,145
Total	8,778,972	10,000,000	(4,680,893)	(386,349)	14,098,079



Note 9 - Borrowings 2019/20 Year Comparatives

Loan Details	Balance 1 July 19	New Borrowings	Principal Repay	Interest Repay	Balance 30 June 20
Existing Loans					
Loan 164 - Elder St Car Park 2.26% Matures 30 Jul 2020 Transport Program	3,076,508	0	(2,543,647)	(134,195)	532,861
Loan 165 - Library Building 4.00% Matures 30 June 2022 Recreation & Culture Program	2,965,259	0	(1,095,107)	(116,391)	1,870,152
Loan 166 - Gooderich St Carpark 4.00% Matures 30 June 2022 Transport Program	397,546	0	(146,819)	(15,604)	250,726
Loan 167 - Cathedral Square 3.60% Matures 31 July 2022 Recreation & Culture Program	8,691,736	0	(2,566,502)	(322,281)	6,125,233
Loan 160 - PCEC 1.60% Matures 30 June 2020 Transport Program	552,086	0	(552,086)	(8,488)	0
Total	15,683,135	0	(6,904,163)	(596,959)	8,778,972

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.



Note 9 - Borrowings 2020/21 Year

b) New Borrowings

The City intends to borrow a total of \$10M during the 2020/21 year. The loan will be a fixed interest loan from WA Treasury Corporation (WATC) repayable quarterly over ten years.

c) Unspent Borrowings

The City had no unspent borrowing funds as at 30th June 2019 nor is it expected to have unspent borrowing funds as at 30th June 2020.

d) Credit Facilities

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Undrawn Borrowing / Credit Facilities				
Bank Overdraft Limit		0	0	0
Bank Overdraft at Balance Date		0	0	0
Credit Card Limit		80,000	80,000	80,000
Credit Card at Balance Date		(6,000)	(3,864)	(3,000)
Total Unused Credit		74,000	74,000	77,000
Loan Facilities				
Loan Facilities in use at Balance Date		8,778,972	8,778,972	14,098,079
Total Loan Facilities Used		8,778,972	8,778,972	14,098,079

Note 10 - Cash Backed Reserves

a) Purpose of Reserves

In accordance with Council resolutions, the purpose for which cash backed reserves are set aside are:

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 more transparent reporting of financial performance.

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.



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.

Concert Hall Reserve

This reserve provides for the future maintenance of the Perth Concert Hall and the replacement of existing plant, furniture and carpets. The reserve also accommodates provision for the design and construction of a new WASO facility.

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.

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.

Parking Facilities Development

This reserve was established to enable parking facilities within the City and parking equipment to be developed and purchased.

Art Acquisition Reserve

This Reserve was established to fund future additions to the art collection of the City. It is generally funded from the proceeds of sale of artworks and the transfer of the unexpended annual allocation for art acquisitions.

Heritage Incentive Reserve

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

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.



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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.

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. Allocations to this reserve are made from unexpended maintenance contribution from the owner of the David Jones site.

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. The reserve may be funded by allocations from the municipal fund, percent for art contributions, monetary contributions, gifts or bequests.

Provisional Capital Program Reserve

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

Parking Levy Reserve

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

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.

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.

Covid 19 Economic Rebound Reserve

This reserve was established to quarantine funding for the initiatives associated with the City's Covid 19 Economic Rebound Strategy.

b) Funding & Use of Reserve Funds

Reserves are funded by periodic strategic allocations as determined by Council generally through the budget process unless otherwise stated. Cash reserves are deployed strategically in accordance with the funding model contained in the City's ten-year Long Term Financial Plan 2020/21 - 2029/30.



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Note 10 - Cash Backed Reserves

c) Cash Backed Reserves Movements

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Asset Enhancement Reserve				
Balance at 1 July		33,834,374	32,496,838	24,910,850
Transfer to Reserve		9,843,419	570,672	411,484
Transfer from Reserve		(14,130,246)	(8,156,660)	(2,500,000)
Balance at 30 June		29,547,547	24,910,850	22,822,334
Major Infrastructure Reserve				
Balance at 1 July		0	0	5,917,556
Transfer to Reserve		5,900,000	5,917,556	12,019,249
Transfer from Reserve		(0)	(0)	(5,000,000)
Balance at 30 June		5,900,000	5,917,556	12,936,805
Provisional Capital Reserve				
Balance at 1 July		0	0	1,573,574
Transfer to Reserve		4,933,819	2,657,905	0
Transfer from Reserve		(4,933,819)	(1,084,331)	(1,573,574)
Balance at 30 June		0	1,573,574	0
Council House Refurb Reserve				
Balance at 1 July		0	0	1,508,928
Transfer to Reserve		1,500,000	1,508,928	1,500,164
Transfer from Reserve		(0)	(0)	(1,500,000)
Balance at 30 June		1,500,000	1,508,928	1,509,092
Concert Hall Reserve				
Balance at 1 July		6,954,877	6,694,102	6,708,438
Transfer to Reserve		70,592	94,336	49,729
Transfer from Reserve		(100,000)	(80,000)	(4,000,000)
Balance at 30 June		6,925,469	6,708,438	2,758,167



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Note 10 - Cash Backed Reserves (continued)

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
David Jones Bridge Reserve				
Balance at 1 July		356,085	392,102	397,652
Transfer to Reserve		45,614	5,550	7,301
Transfer from Reserve		(40,000)	(0)	(0)
Balance at 30 June		361,699	397,652	404,953
Art Acquisition Reserve				
Balance at 1 July		412,606	419,074	349,787
Transfer to Reserve		64,188	5,512	6,422
Transfer from Reserve		(60,000)	(74,799)	(0)
Balance at 30 June		416,794	349,787	356,209
Public Art Reserve				
Balance at 1 July		821,524	551,708	559,518
Transfer to Reserve		8,338	7,810	51,923
Transfer from Reserve		(14,800)	(0)	(50,000)
Balance at 30 June		815,062	559,518	561,441
Enterprise & Initiative Reserve				
Balance at 1 July		8,178,226	6,003,160	6,462,579
Transfer to Reserve		433,009	1,770,536	118,659
Transfer from Reserve		(0)	(1,311,117)	(0)
Balance at 30 June		8,611,235	6,462,579	6,581,238
Organisational Reform Reserve				
Balance at 1 July		0	0	5,034,966
Transfer to Reserve		5,000,000	5,034,966	79,594
Transfer from Reserve		0	(0)	(700,000)
Balance at 30 June		5,000,000	5,034,966	4,414,560
Technology Upgrade Reserve				
Balance at 1 July		0	0	2,621,647
Transfer to Reserve		4,000,000	4,028,777	24,726
Transfer from Reserve		0	(1,407,130)	(1,275,000)
Balance at 30 June		4,000,000	2,621,647	1,371,373



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Note 10 - Cash Backed Reserves (continued)

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Parking Levy Reserve				
Balance at 1 July		21,972,144	21,972,143	8,403,351
Transfer to Reserve		14,023,017	4,085,006	30,411,346
Transfer from Reserve		(17,798,036)	(17,653,798)	(16,000,000)
Balance at 30 June		18,197,125	8,403,351	22,814,697
Parking Facilities Reserve				
Balance at 1 July		24,133,560	23,318,097	28,661,278
Transfer to Reserve		5,584,684	5,579,017	159,029
Transfer from Reserve		(7,004,704)	(235,836)	(20,000,000)
Balance at 30 June		22,713,540	28,661,278	8,820,307
Refuse Treatment Reserve				
Balance at 1 July		3,790,736	3,814,075	4,349,664
Transfer to Reserve		38,476	555,183	847,708
Transfer from Reserve		(380,995)	(19,594)	(0)
Balance at 30 June		3,448,217	4,349,664	5,197,372
Heritage Incentive Reserve				
Balance at 1 July		630,835	697,406	707,291
Transfer to Reserve		406,403	9,885	12,987
Transfer from Reserve		(400,000)	(0)	(0)
Balance at 30 June		637,238	707,291	720,278
Bonus Plot Ratio Reserve				
Balance at 1 July		676,042	675,474	685,034
Transfer to Reserve		6,862	9,560	12,578
Transfer from Reserve		(0)	(0)	(0)
Balance at 30 June		682,904	685,034	697,612
Employee Entitlements Reserve				
Balance at 1 July		2,107,613	1,989,973	2,018,137
Transfer to Reserve		152,505	28,164	36,248
Transfer from Reserve		0	(0)	(0)
Balance at 30 June		2,260,118	2,018,137	2,054,385



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Note 10 - Cash Backed Reserves (continued)

Detail	Note	2019/20 Budget	2019/20 Actual (Est)	2020/21 Budget
Covid Economic Rebound Reserve				
Balance at 1 July		0	0	0
Transfer to Reserve		0	0	20,115,000
Transfer from Reserve		(0)	(0)	(20,115,000)
Balance at 30 June		0	0	0
Street Furniture Reserve				
Balance at 1 July		0	136,725	0
Transfer to Reserve		0	628	0
Transfer from Reserve		(0)	(137,353)	(0)
Balance at 30 June		0	0	0
PCEC Fixed Plant Reserve				
Balance at 1 July		5,286,075	5,177,940	0
Transfer to Reserve		53,654	0	0
Transfer from Reserve		(5,339,729)	(5,177,940)	(0)
Balance at 30 June		0	0	0
Summary - All Reserves				
Balance at 1 July		109,474,236	104,338,817	100,870,250
Transfer to Reserve		52,067,823	31,869,991	64,364,146
Transfer from Reserve		(50,525,111)	(35,338,558)	(73,168,374)
Balance at 30 June		111,016,948	100,870,250	92,066,022

d) Change of Purpose of Cash Backed Reserves

During the 2020/21 year, the City intends to strategically redeploy some existing cash backed Reserves. This process is occurring in accordance with the provisions of Section 6.11 (3)(a) of the Local Government Act 1995 and is addressed through this annual budget process.

An amount of \$20.0M is being transferred from the Parking Facilities Reserve to the Parking Levy Reserve (purpose of Reserves stated at Note 10 (a)) to meet an immediate budget funding need. A further amount of \$1.5M from the Provisional Capital Projects Reserve is being released back to the Municipal fund as the projects the funds related to are no longer priority capital initiatives or are funded from alternative sources.