



**CITY OF
PERTH**

Long Term Financial Plan

2024/25 - 2033/34





Contents

About this Document	2
1.0 Introduction	3
2.0 Our City	4
2.1 Aspirations	4
2.2 Our City - Snapshot	5
3.0 Ten Year Financial Plan Snapshot	6
3.1 Our Services	7
4.0 Service Based Resource Allocation Approach.....	8
5.0 Long Term Financial Plan Modelling	8
5.1 Context for the Long-Term Financial Plan	8
5.2 Assumptions & Modelling Parameters	8
5.2.1 Qualifications & Limitations.....	9
5.2.2 Significant One-Off Considerations Impacting the Plan.....	10
5.2.3 Excluded Reserve Fund Transactions.....	10
5.3 Long Term Financial Plan	10
5.3.1 LTFP Financial Schedules.....	10
5.3.2 LTFP Supporting Schedules	11
5.3.3 Key Financial Indicators	11
5.3.4 Loan Borrowings	12
5.3.5 Reserve Funds	13
6.0 LTFP Analysis & Commentary	13
6.1 Overall Commentary	13
6.2 Commentary on Reserve Funds.....	16
6.3 Commentary on Loan Borrowings	21
6.4 Commentary on the Financial Statements	22
6.5 Commentary on Discretionary Project Allocations.....	24
6.6 Commentary on Rates Yield.....	26
6.7 Commentary on Key Financial Indicators	26
6.8 Commentary on the Financial Health Indicator Score.....	27
6.9 Exclusions	29
7.0 Risk Analysis.....	29
8.0 Scenario Modelling	32
8.1 Preferred Scenario	33
9.0 Future Directions	33
9.1 Continuous Improvement.....	33



About this Document

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

It is an important strategic document that assists us align our community aspirations, strategic intent, and organisational capacity from 2024/25 until 2033/34.

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

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

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

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



1.0 Introduction

The City of Perth's Long-Term Financial Plan is a high-level strategy that ensures we have the vision and planning in place to sustainably meet the needs of our community now and into the future. It aligns our community aspirations, strategic intent, and organisational capacity from 2024/25 until 2033/34.

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

This Plan presents a \$3.03 billion financial blueprint for the City for the 2024/25 to 2033/34 period.

The City of Perth is now responsible for a multi-billion dollar business with a net worth of around \$1.5 billion. Over the next decade, this Plan supports a \$567 million dollar capital works program and expenditure of around \$2.5 billion on its key programs and services.

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

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

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

This Plan is underpinned by the following financial principles:

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

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



2.0 Our City

2.1 Aspirations

The City's ability to properly plan for our short and long-term financial future is essential to our success in delivering our vision.



This Long-Term Financial Plan was firmly guided by our desire for a City that is *liveable, sustainable and prosperous*.

By developing a clear and strong linkage to these aspirational pillars and reflecting them in how we respond to our community's needs, we can focus on creating meaningful differences in our neighbourhoods and for Perth itself as one of the most liveable cities in the world. This approach reflects our foundational aspiration of being a well governed city.

Liveable

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

Sustainable

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

Prosperous

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



Well Governed

Our aspiration is for the City to be a high performing organisation. This includes the use of an agile, service-based resource allocation model delivering quality, targeted services that offer a value for money proposition to our residents, ratepayers, businesses, and visitors. The City will collaborate effectively with our key partners to ensure that our City is efficiently run and that service levels are responsive to our community’s needs.

2.2 Our City - Snapshot

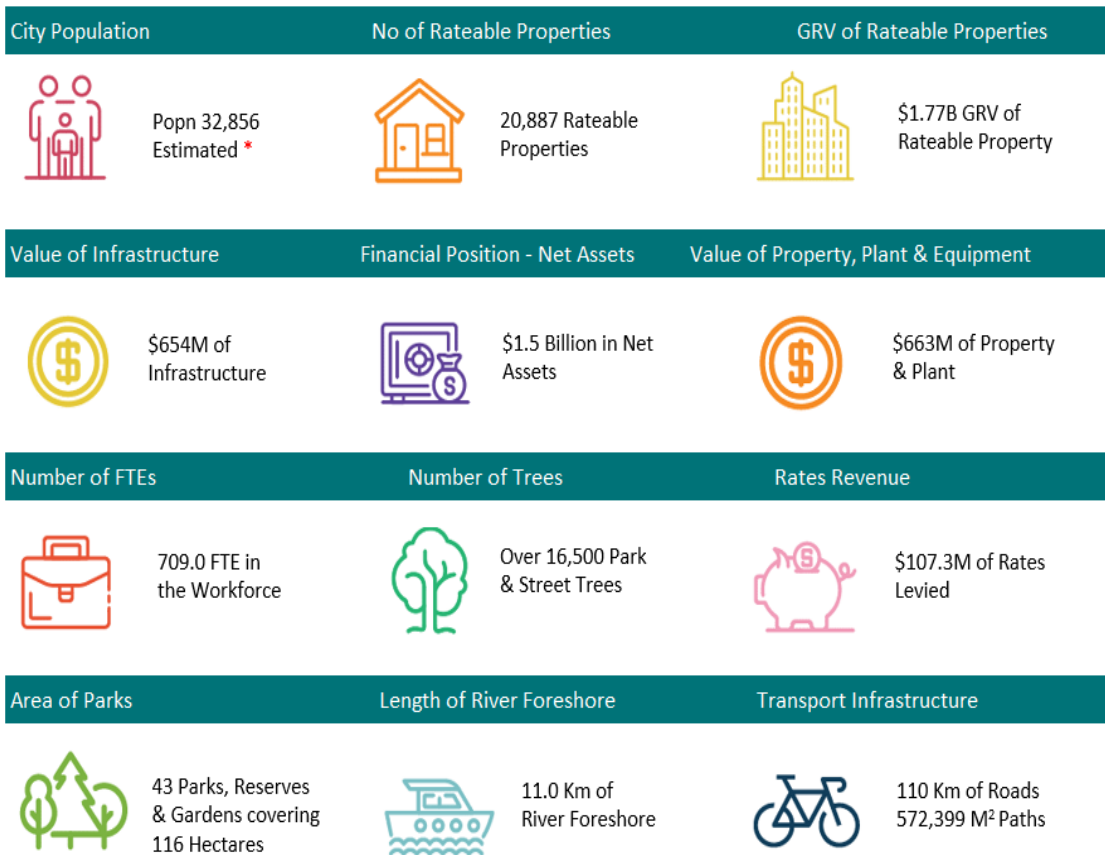
In 2024 the City is home to some 32,856 residents, has about 12,777 businesses, is the workplace of 228,975 workers and a destination for more than 200,000 visitors.

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

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

Figure 1 - Key Statistics

As at June 2024



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



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

3.0 Ten Year Financial Plan Snapshot

This 10 Year Financial Plan has been developed at a time when our State is in a very challenging economic environment with persistent inflation outside the desired target range, and a tight labour market. It is being impacted by supply chain issues and the impacts of other global events including conflicts in the Ukraine and Middle East. These impacts and anticipated future economic conditions have been carefully considered and responsibly and conservatively considered in modelling the plan.

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

Expenditure Type	Amount \$M
Core Service Delivery	1,674.14
Programs - Events & Sponsorship	119.80
Discretionary Operating Projects	91.86
Parking Levy	195.54
WACA & PCH Capital Contribution	27.75
Asset Renewal & Community Infrastructure	566.51
Financing Activities - Reserve Transfers	342.51
Financing Costs - Loan Repayments & Lease Principal Payments, Interest	11.45
Closing Balance (Surplus)	5.68
Total Expenditure Allocation	3,035.24

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

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

Funding Source	Amount \$ M
Rates	1,305.23
Parking Operations	821.47
Fees & Charges	159.39
Grant Funds – Operating	34.28
Grant Funds – Capital	36.39
Interest Revenue	110.85
Rental & Hire Income	59.74
Fines	80.80
Other Revenues	37.24
Financing Activities - Cash Reserves & Borrowings	378.84
Opening Balance	11.00
Total Funding	3,035.24



The Long-Term Financial Plan 2024/25 - 2033/34 incorporates initiatives associated with the Perth City Deal funding arrangement. The funding model also acknowledges that other opportunities may arise through extra-ordinary grants from other levels of government or non-government sources or from City's asset rationalisations arising from the property portfolio review.

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

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

3.1 Our Services

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

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

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

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



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

- Financial management
- ICT services
- Human resource management
- Governance
- Audit and risk management
- Corporate planning and performance reporting
- Information and records management
- Property management services

4.0 Service Based Resource Allocation Approach

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

5.0 Long Term Financial Plan Modelling

5.1 Context for the Long-Term Financial Plan

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

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

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

5.2 Assumptions & Modelling Parameters

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

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

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

It is for this reason that the plan is regularly reviewed and updated to reflect current economic conditions to ensure that the future financial impacts of funding decisions is fully understood.



5.2.1 Qualifications & Limitations

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

It is necessarily based on financial assumptions relating to the:

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

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

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

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

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

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

There are also several future iconic project ideas that are currently still at pre-project definition status and are not, yet, included in the plan. These include master plans for Forest Place, the CBD Core between the cultural precinct and EQ, a multi-function sport and recreation centre and a riverfront masterplan.

Similarly, there are several property expenditure and property disposal proposals that are in their feasibility / investigation phases that may require or release funding that are currently not included in the plan. The cash flows resulting from the potential property disposals are expected to be significant and should have a noteworthy positive impact on this plan.

Once the quantum and timing of the resulting cash flows can be confidently measured and determined with certainty, the Long-Term Financial Plan will be updated to reflect those cashflows.

The plan is designed to be dynamically modified to reflect such changes in future iterations of the plan.



5.2.2 Significant One-Off Considerations Impacting the Plan

The City has two significant financial commitments in the first two years of the plan - a \$4.0M contribution to the re-development of the Perth Concert Hall in 2024/25 and a \$25.0M contribution to the WACA Aquatic Facility spread over the 2024/25 and 2025/26 years. These initiatives are supported by funds currently quarantined in cash backed reserves.

5.2.3 Excluded Reserve Fund Transactions

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

5.3 Long Term Financial Plan

The narrative and analysis provided in Sections 5 & 6 of this document are intended to facilitate a shared understanding of the financial schedules underpinning the 2024/25 - 2033/34 Long Term Financial Plan.

5.3.1 LTFP Financial Schedules

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

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

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

FS1 - 10 Year Statement of Financial Activity

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

FS2 - Income Statement

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



FS3 - Cash Flow Statement

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

FS4 - Rate Setting Statement

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

FS5 - Statement of Financial Position

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

FS6 - Statement of Changes in Equity

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

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

5.3.2 LTFP Supporting Schedules

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

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

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

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

5.3.3 Key Financial Indicators

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



The Key Financial Indicators calculated are:

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

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

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

In the Key Performance Indicator Schedule (SS1):

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

5.3.4 Loan Borrowings

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

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

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



New borrowings have been included in the City's 2024/25 - 2033/34 Long Term Financial Plan to support the overall funding package with the City's current loan profile showing that all existing borrowings were cleared in July 2023.

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

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

5.3.5 Reserve Funds

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

The City currently has 18 active Cash Reserves after six inactive reserves were closed as part of the 2023/24 budget process. These reserves are classified as:

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

The 2024/25 - 2033/34 Long Term Financial Plan makes extensive, but responsible, use of previously accumulated cash reserves. Analysis and commentary on the use of Cash Reserves is provided at Section 6.2 of this document.

6.0 LTFP Analysis & Commentary

6.1 Overall Commentary

The Long-Term Financial Plan represents a financial commitment of around \$3.03 billion over the next ten years. These funds are applied towards delivering a program of relevant services to our community whilst maintaining and renewing our infrastructure and creating new community facilities that leave a legacy for our community.

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

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



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

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

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

Chart 1 - 10 Year Funding Mix by Source

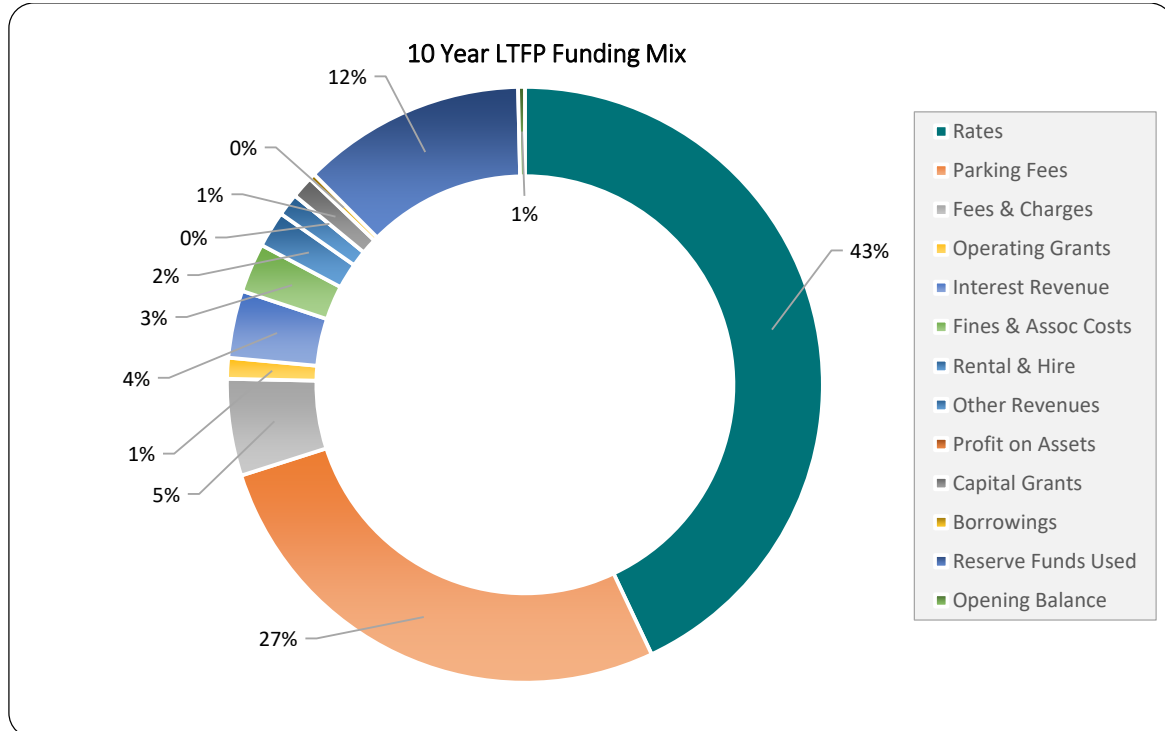


Chart 1 (above) indicates the respective contributions of the various funding sources to the total funding mix over the ten-year period covered by the plan.

The major elements of the funding model are Rates (43%), Fees & Charges (5%), Parking Revenues (27%), Interest Revenue (5%), Property Leasing (1%) Reserves (12%), Fines (3%), Grants (3%), Other Revenues (1%) and Opening Balance.

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

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

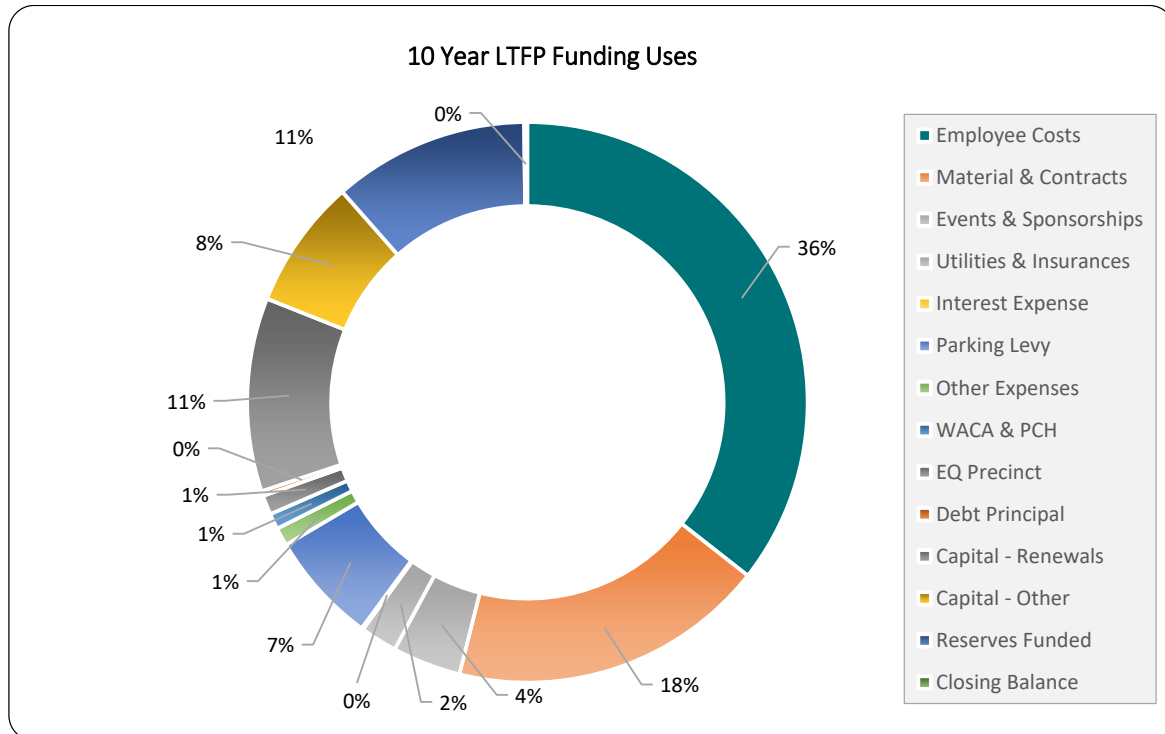
The proposed expenditure program reflects approximately 68% of funds being applied to operational expenditure, 11% on infrastructure maintenance and renewals and 8% for new asset creation. A further 1% is used for debt servicing.



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

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

Chart 2 - 10 Year Funding Use by Type



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

Over the life of the plan, the City aims to draw down Cash Backed Reserves to support certain major initiatives across the years, but astute stewardship of the reserves should see the interest on those invested funds sustaining the reserves by being close to matching the amounts drawn down.

The plan also uses borrowings of \$10.0M in total to supplement the City's other funding sources.

The projected Opening Balance each year of the plan averages around 2.1% of Operating Revenues and the Closing Balance represents, on average, around 2.1% of Operating Revenues (in line with the targets in Policy CP 2.3 - Strategic Financial Planning and Budgeting).

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



6.2 Commentary on Reserve Funds

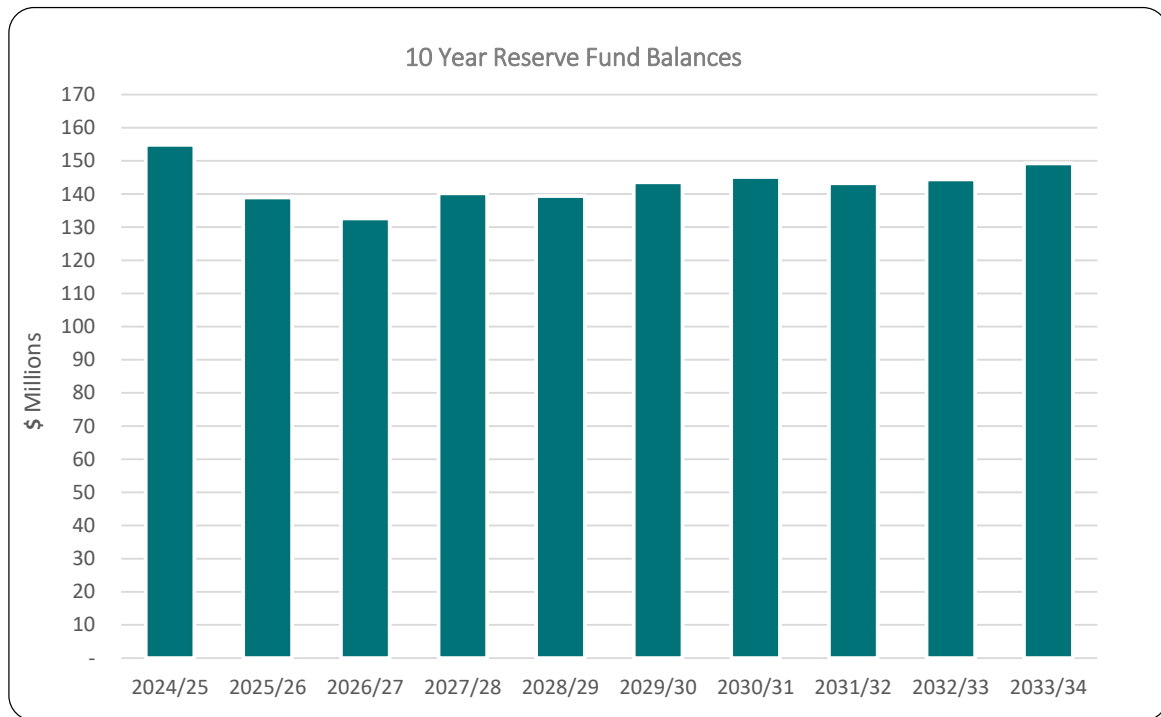
Reserve funds are strategic in nature and, informed by future cash requirements identified in the Long-Term Financial Plan, are generally accumulated to provide funding for identified future major community infrastructure projects.

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

Over the life of the plan the City's draw-down of Cash Backed Reserves will be to the maximum extent possible sustained by reinvesting interest earned back into Reserves in proportion to the average balance of each Reserve.

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

Chart 3 - Projected Reserve Fund Balances



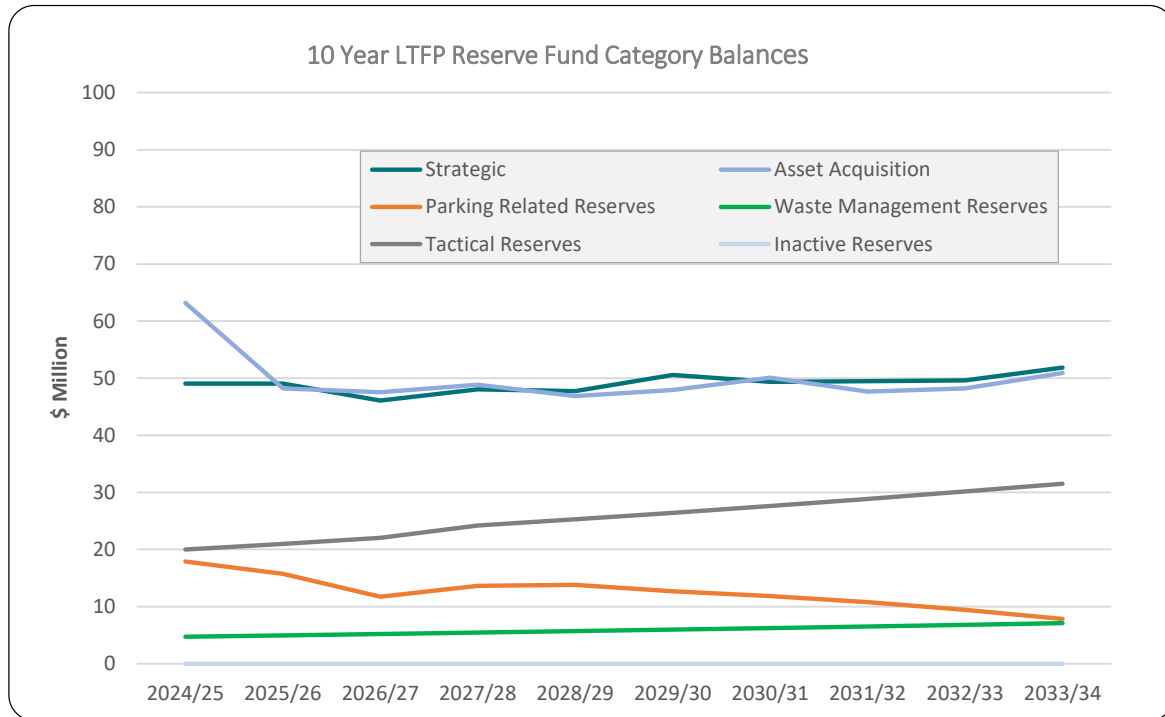
There is also an intention in future to further draw-down of Reserves for initiatives such as

- Heritage grants
- Parking technology replacement
- Sustainability initiatives
- Asset replacement at Elizabeth Quay
- Technology upgrades
- Bi-centennial Project
- City building renewals

The timing of these projects is still uncertain. Whilst funding is available in cash backed reserves, those transactions are currently not included in the LTFP until they can be definitively time-lined.



Chart 4 - Projected Reserve Fund Categories 10 Year Trend



The City currently maintains eighteen cash backed Reserves. Six inactive minor reserves were closed in 2023/24 and one further reserve, the Perth Concert Hall Reserve will close when the \$4.0M capital contribution to the PCH redevelopment is paid.

The strategic accumulation and use of cash-backed Reserves is an important financial management approach to deliver a sustainable and responsible financial model.

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

Interest revenues earned on Reserve funds are invested back into each reserve in proportion to its balance relative to the total Reserve fund balance.

Reserves maintained by the City are classified as:

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



Strategic Purpose Reserves

Enterprise & Initiative Reserve

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

Technology Upgrade Reserve

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

Strategic Property Reserve

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

Sustainable & Resilient City Reserve

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

Community Infrastructure Reserve

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

Asset Enhancement & Renewal Reserves

Asset Enhancement Reserve

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

Major Infrastructure Reserve

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

Provisional Capital Program Reserve

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

Council House Refurbishment Reserve

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



Bi-Centennial Project Reserve

This reserve was established to accumulate funding to support delivery of an iconic project to celebrate the Western Australian Bi-Centennial celebration.

Elizabeth Quay Asset Renewal Reserve

It is proposed that this reserve will be created and used from the date of the handover of public realm assets at Elizabeth Quay. This reserve will be established to accumulate funding to support future renewal of public realm infrastructure assets in the Elizabeth Quay precinct.

Parking Related Reserves

Parking Levy Reserve

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

Parking Facilities Development Reserve

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

Waste Management Reserve

Refuse Disposal & Treatment Reserve

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

Tactical Reserves

Heritage Incentive Reserve

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

Employee Entitlements Reserve

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

Neighbourhood Initiatives Reserve

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

Sponsorship Reserve

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

Major Events Activation Reserve

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



Inactive Reserves

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

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

The affected cash-backed reserves are as follows:

Concert Hall Reserve

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

David Jones Bridge Reserve

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

Art Acquisition Reserve

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

Organisational Reform Reserve

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

Public Art Reserve

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

Bonus Plot Ratio Reserve

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

Funding Appropriations / Use of Reserves

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



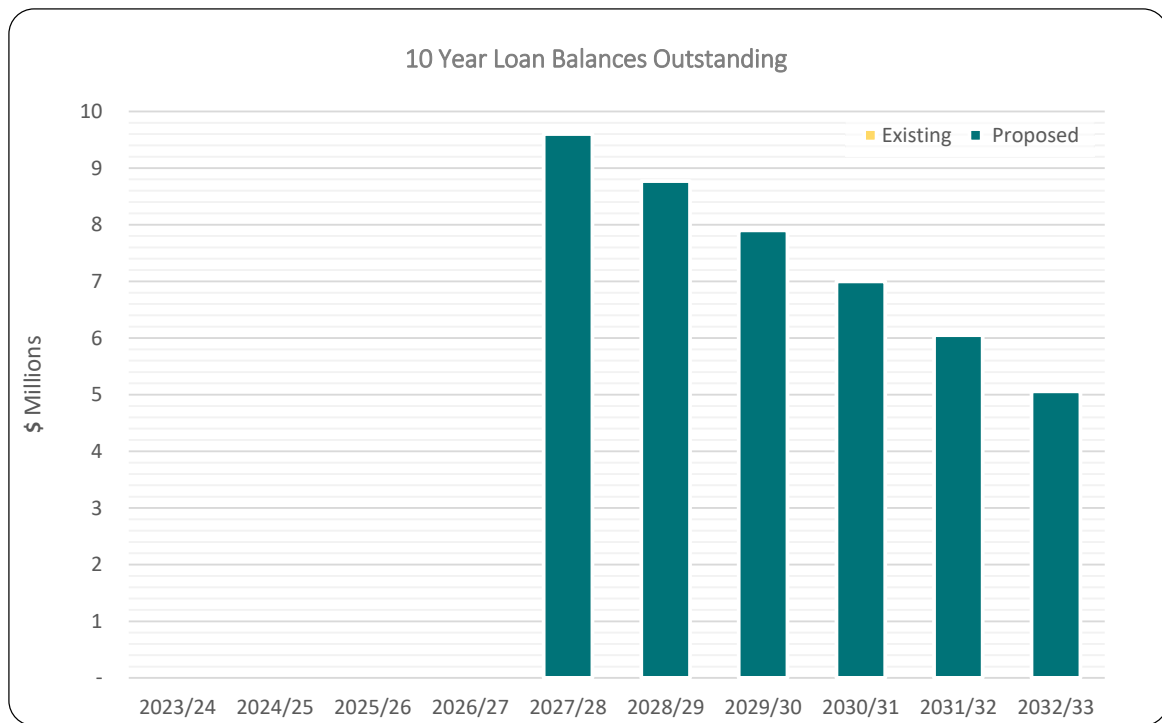
The required transfers to / from reserves are managed in line with the objective of attaining the target values set within the Long-Term Financial Plan (LTFP). Consideration of the potential transfers to or from reserves will be undertaken in the context of current economic conditions, Council’s strategic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

6.3 Commentary on Loan Borrowings

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

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

Chart 5 - 10 Year Projected Loan Balances Outstanding



Debt Service Ratio

This indicator shows how much of the City’s annual surplus (before interest and depreciation) is being applied to service debt obligations. It demonstrates that the City has sufficient operating surplus to service repayments of principal and interest on borrowings. The industry benchmark for the Debt Service Ratio is 5.0 times coverage for the basic standard and 20.0 times coverage for advanced.

Table 1 - Projected Debt Service Ratio

24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
●	●	●	●	●	●	●	●	●	●
335.8	386.7	428.5	62.9	34.5	37.2	37.3	37.7	38.1	37.9



The ten-year average for the Debt Service Ratio is 143.6 which comfortably exceeds the industry benchmark of 5.0 times. The City betters the advanced standard of 20.0 times very comfortably in all years covered by the plan, indicating that future borrowing is a legitimate funding option if required.

Gross Debt to Operating Revenue Ratio

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

Table 2 - Projected Gross Debt to Operating Revenue Ratio

24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
●	●	●	●	●	●	●	●	●	●
0.0%	0.0%	0.0%	4.0%	3.5%	3.1%	2.7%	2.3%	1.8%	1.4%

The ten-year average for this ratio is 1.9% which is comfortably within the upper bound of 20%. The City comfortably meets the standard of less than 20% in all ten years covered by the plan.

6.4 Commentary on the Financial Statements

The financial statements contained within the Long-Term Financial Plan 2024/25 - 2033/34 present a responsible and sustainable financial blueprint for the City’s future. These statements indicate a steady improvement in the City’s financial position over the life of the plan with the annual net funding requirement before Reserves & Borrowings reaching a positive contribution by year ten of the plan. This shows a positively correlated relationship between revenues and expenses and a well-balanced mix of funding options. The plan also demonstrates consistent progression towards equaling or bettering industry benchmarks for all key financial indicators.

The overall Long-Term Financial Plan Statement of Financial Activity (FS1) reflects a single integrated view of the Long-Term Financial Plan. It demonstrates a well-considered strategy that results in the City moving from its challenging post Covid 19 position to a sound and sustainable operating result across the ten years covered by this plan - out to 2033/34. The Closing Position remains within the City’s Strategic Financial Planning and Budgeting policy targets and preferred industry benchmarks of approximately 1% to 3% of Operating Revenue over all ten years of the life of the plan. It averages a very sound \$5.4M or 2.1% of Operating Revenue over the life of the plan.

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

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

Because of this responsible financial modelling approach, the Long-Term Financial Plan sees the City move to a sustainable financial position over the ten-year life of the plan without unreasonable impost on the City’s ratepayers.



The Income Statement (FS2) focuses on revenues and operating expenses only and reflects a minimal negative operating result in the 2024/25 year, due to the previously noted abnormal expenses - but this is offset by responsibly planned use of cash reserves.

All items shown on the Income Statement reflect growth in line with agreed financial indexing parameters, with the exception of grants for the acquisition of assets which are modelled on realistic expectations for external contributions towards specifically identified major capital initiatives. The results reflected in this financial statement are considered realistically modelled and are sustainable into the future.

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

Over the life of the plan, net municipal cash held remains very consistent - with an average balance of around \$34.0M. Over the life of the plan, Reserve cash reduces by around \$5.6M (net) over the ten years of the plan, following the drawdown of the \$29M City Deal capital contributions from the earlier accumulation of reserve funds (as planned). Should the City take the opportunity to rationalise some of its land holdings, the funds released would be quarantined back into Reserves until re-deployed in future to support future community infrastructure expenditure.

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

The Long-Term Financial Plan endeavours to keep rate increases (excluding interim rates from growth and GRV revaluations) to within a self-imposed parameter of no more than CPI each year. The rate setting model used in this preparing the financial plan represents an average annual rate increase of 2.6% excluding interims and rates growth. This is the level required to ensure that the balance between the City's operational expenditure, and its operational revenue generating capacity is maintained at a sustainable level - as reflected in the Operating Surplus Ratio. For eight of the ten years covered by the plan, this is achieved. Two of the ten years are minimally outside the target range, but it is considered that the slightly out of range increases reflect a business reality in those years.

The Statement of Financial Position (FS5) demonstrates the cumulative impact of the financial modelling in this plan on the City's assets and liabilities. The Long-Term Financial Plan shows a modest positive trend in the Net Asset Position each year off the plan. The Current Ratio calculated from the Balance Sheet exceeds the preferred industry benchmarks in all years covered by the plan. The City acknowledges that it would be preferable to have a greater buffer between the industry benchmark and its calculated ratio in some years, but its ratios arguably reflect a tightly controlled and responsible financial model that tries to mitigate the financial imposts on the City of Perth community.

The Opening Position shown on the Long-Term Financial Plan Summary is reconciled to the Net Asset Position calculated in accordance with Department of Local Government guidelines using data from the Balance Sheet. This reconciliation is shown in the Statement of Changes in Equity (FS6).



6.5 Commentary on Discretionary Project Allocations

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

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

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

Lighting & Electrical Upgrades Enhancements to street lighting and public realm lighting in precincts across the city. Safety and amenity have been identified as an important community priority.								<div style="border: 1px solid teal; border-radius: 15px; padding: 10px; display: inline-block;">\$ 50M</div>	
24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34

Major Streets & Laneway Refresh Program Enhancements including footpath widening, new lighting, additional trees, public art and street furniture at Hampden Road, Adelaide Terrace, James Street & Hay Street West. Pavement, lighting, murals, and street furniture in selected laneways.								<div style="border: 1px solid teal; border-radius: 15px; padding: 10px; display: inline-block;">\$ 7M</div>	
24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34

Urban Forest Initiative The Urban Forest program is an ongoing commitment to optimise tree canopy cover and enhance the liveability, landscape character, biodiversity, and climate resilience of our City by greening our urban environment.								<div style="border: 1px solid teal; border-radius: 15px; padding: 10px; display: inline-block;">\$ 6M</div>	
24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34

Two Way Streets Program The final stage of the program to convert Hay St East & West, Murray St West and Hill St to two-way streets is important to enable the City's preferred transport strategy and remove the congestion of buses from the CBD.								<div style="border: 1px solid teal; border-radius: 15px; padding: 10px; display: inline-block;">\$ 49M</div>	
24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34

Thomas Street Widening & Upgrade Widening of Thomas Street between Kings Park Rd and Hay St including new bike lanes on the eastern side.								<div style="border: 1px solid teal; border-radius: 15px; padding: 10px; display: inline-block;">\$ 14M</div>	
24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34



<p>Public Space Strategy Implementation</p> <p>This program proposes to deliver equitably distributed, contemporary green spaces across the City for use as active or passive recreation or events spaces that meet the demands of our diverse community.</p>								<div style="border: 1px solid black; border-radius: 15px; padding: 10px; display: inline-block;">\$ 27M</div>	
24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
<p>Claisebrook Cove Public Realm Refresh</p> <p>A comprehensive program of works to refresh the public realm assets in the Claisebrook Cove precinct. This includes construction of the Tea Tree Lagoon, Greenway Stream, upgrade to the cove and landscaping, new jetty at the Royal and river wall reconstruction.</p>								<div style="border: 1px solid black; border-radius: 15px; padding: 10px; display: inline-block;">\$ 25M</div>	
24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
<p>Infrastructure Asset Renewal</p> <p>Ongoing annual programs of renewal of roads, paths & kerbs, drainage, parks, street furniture and foreshore assets informed by contemporary asset management plans for each class of infrastructure assets.</p>								<div style="border: 1px solid black; border-radius: 15px; padding: 10px; display: inline-block;">\$160M</div>	
24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
<p>Property, Plant & Equipment Renewal</p> <p>Ongoing annual programs of renewal of plant and equipment, vehicles, parking technology and the CCTV network infrastructure informed by contemporary asset management plans.</p>								<div style="border: 1px solid black; border-radius: 15px; padding: 10px; display: inline-block;">\$ 71M</div>	
24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
<p>Building Upgrades & Renewal</p> <p>A program of upgrades and renewals to fixtures and fittings, fire management systems, accessibility, plumbing etc in City owned buildings. The program is informed by the asset management plan for the Buildings asset class.</p>								<div style="border: 1px solid black; border-radius: 15px; padding: 10px; display: inline-block;">\$ 108M</div>	
24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
<p>Future Discretionary Project Opportunities</p> <p>A pool of indicative funding is provided in the second half of the period covered by the plan for major discretionary capital projects. This gives the flexibility for future councils to introduce new projects of their own informed by the emerging priorities of their communities in those years.</p>								<div style="border: 1px solid black; border-radius: 15px; padding: 10px; display: inline-block;">\$ 77M</div>	
24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34



6.6 Commentary on Rates Yield

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

Table 3 - Projected Rates Yield Increase

24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Baseline Incremental Rates Increase (Target < 2.75%)									
●	●	●	●	●	●	●	●	●	●
2.95%	2.35%	2.86%	2.42%	2.39%	2.89%	2.42%	2.42%	2.68%	2.44%
Incremental Rates Effort from Interim Rates									
0.00%	3.50%	1.65%	0.93%	1.95%	0.74%	0.72%	0.70%	0.00%	0.00%
Total Incremental Rates Effort including Interim Rates									
2.95%	5.85%	4.51%	3.35%	4.34%	3.63%	3.14%	3.12%	2.68%	2.44%

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

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

6.7 Commentary on Key Financial Indicators

There is a suite 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 a local government falls short of the benchmark for a specific indicator in any given year. The circumstances leading to the calculation of an indicator value must be understood to ensure that it is interpreted in context.

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

The City’s key financial indicators infer a ten-year Financial Health Indicator (FHI) score of 87 versus the industry sound financial management benchmark of greater than 70.



6.8 Commentary on the Financial Health Indicator Score

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

Table 4 - Projected Financial Health Indicator Score (FHI)

24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
●	●	●	●	●	●	●	●	●	●
88	87	86	86	85	87	86	87	87	85

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

Operating Surplus Ratio

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

Table 5 - Projected Operating Surplus Ratio

24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
●	●	●	●	●	●	●	●	●	●
1.4%	2.3%	2.3%	2.6%	2.6%	3.7%	3.5%	3.4%	3.2%	2.8%

The ten-year average for the Operating Surplus Ratio (revised to exclude abnormal items such as the WACA Aquatic Facility and Perth Concert Hall capital contributions) is 2.8% which is within the preferred industry benchmark of 2% - 5%. Excluding those expenses, suggests that the proposed rates increase, and the responsible use of Reserve funds will enable the City to meet the cost of upcoming expenses in a way that supports the City’s ongoing financial responsibility.

Own Source Revenue Ratio

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

Table 6 - Projected Own Source Revenue Ratio

24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
●	●	●	●	●	●	●	●	●	●
97.6%	98.1%	99.1%	99.3%	99.4%	100.6%	100.4%	100.3%	100.3%	99.9%

The (adjusted) ten-year average for the Own Source Revenue Ratio is 99.5% which comfortably exceeds the preferred industry benchmark of 90.0%.



Current Ratio

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

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

Table 7 - Projected Current Ratio

24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
●	●	●	●	●	●	●	●	●	●
1.16	1.12	1.13	1.12	1.11	1.13	1.13	1.14	1.15	1.13

Projections for the Current Ratio range from a low of 1.11 to a high of 1.16 in year 2024/25. Over the life of the plan, the average value is 1.13. The ratio exceeds the benchmark in all the ten years. The ratio is balanced over the life of the plan to avoid excessive accumulation of cash whilst ensuring adequate ongoing investment in community infrastructure and services.

Asset Consumption Ratio

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

Table 8 - Projected Asset Consumption Ratio

24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
●	●	●	●	●	●	●	●	●	●
98.6%	98.5%	98.5%	98.5%	98.5%	98.5%	98.5%	98.5%	98.5%	98.5%

The indicated ratios in the plan suggest that the City’s physical depreciable assets are being maintained to a level that is consistent with industry benchmarks. The proportions of upgrade versus renewal expenditures on major capital initiatives can cause some inconsistency in individual years - but the average of 98.5% across the ten years is a healthy indicator.

Asset Sustainability Ratio

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

Table 9 - Projected Asset Sustainability Ratio

24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
●	●	●	●	●	●	●	●	●	●
119.7%	104.4%	93.1%	99.9%	90.7%	94.6%	92.1%	102.6%	94.7%	89.2%

Projected ratios for the Asset Sustainability Ratio range between 89.2 (in 2033/34) and 119.7% over the life of the plan and average 98.1%. The industry standard is a value of 90%.



The ratio should not generally exceed 110% as a value greater than that upper limit suggests that assets may be being replaced too early. This plan indicates that the City will need to closely monitor the renewal spend in the later years - although some of the future capital project opportunities should have a small renewal component that will increase the calculated ratio.

Asset Renewal Funding Ratio

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

Table 10 - Projected Asset Renewal Funding Ratio

24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
●	●	●	●	●	●	●	●	●	●
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

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

6.9 Exclusions

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

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

7.0 Risk Analysis

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

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



<p>Risk Category: LTFP Model Fundamentals</p>	<p>Effectiveness ●</p>
<p>Risk Description:</p> <ol style="list-style-type: none"> 1. Model assumptions and indexation factors may not be accurate. 2. Population growth projections may not be realised. 3. Rates growth projections may not be realised. 	<p>Risk Rating:</p> <ol style="list-style-type: none"> 1. Low 2. Medium 3. Low
<p>Risk Mitigation Treatment:</p> <ol style="list-style-type: none"> 1. Modelling parameters are guided by principles of prudence and conservatism and informed by known or reasonably expected index changes, Reserve Bank, WA Treasury Corporation, state government and industry indicators. They represent the best available information at the time of modelling. The plan is subject to ongoing review and modification to respond to changing economic conditions. 2. Population growth is aligned to projections supporting the Strategic Community Plan and are supported by incentives to encourage residential property investment in the City. Whilst certainty is greater in the first half of the ten-year plan time horizon, the model is sufficiently fluid as to be able to be updated and remodelled as is appropriate. 3. Rates growth is based on conservatively deflated rates returns from major commercial, residential, office and hotel buildings known to be the subject of active or proposed development applications. Rates projections are regularly reviewed and anticipated completion times are closely monitored, and future revenue projections are adjusted accordingly. 	
<p>Risk Category: Funding Uncertainty & Cash Flow Management</p>	<p>Effectiveness ●</p>
<p>Risk Description:</p> <ol style="list-style-type: none"> 4. Capital grant targets may not be achieved. 5. Investment rates or borrowing rates may change. 6. Cash inflows may be slower than historical patterns in early years. 	<p>Risk Rating:</p> <ol style="list-style-type: none"> 4. Low 5. Medium 6. Low
<p>Risk Mitigation Treatment:</p> <ol style="list-style-type: none"> 4. The capital grant targets are conservatively modelled and with a good strategy, a Community Infrastructure Plan (CIP), 'shovel ready projects' - and good relationships with government and other funding partners, the City should be able to secure the current targets. Should an external funding target not be met, the delivery program would be adjusted accordingly. All major CIP projects over a nominated threshold value, will (in future) have an individual funding plan. 5. Investment rates have recovered strongly from historical lows, and there is little potential downside to investment returns. With borrowing rates also at modest levels, and the City able to undertake fixed rate borrowings through WA Treasury, use of debt is safe and entirely appropriate. 6. A detailed cash flow risk analysis reveals that the nature of local govt rates (secured against the property), property rental income, and most other revenues payable at time of transaction means that the revenue streams are essentially not at risk. Recent experience suggests that the timing of the cash inflows is unchanged from past years. The LTFP contains a comprehensive ten-year Cash Flow Model that indicates that, with regular monitoring and proactive management, any deferred cashflow impacts continue to be manageable. 	



<p>Risk Category: Changing Community Priorities or Government Direction</p>	<p>Effectiveness ●</p>
<p>Risk Description: 7. Council strategic direction changes. 8. Community priorities shift. 9. State Government policy direction changes</p>	<p>Risk Rating: 7. Medium 8. Medium 9. Medium</p>
<p>Risk Mitigation Treatment: 7. The Long Term Financial Plan is a dynamic document and can be periodically reviewed and modified to respond to changing Council strategic priorities. 8. The Long-Term Financial Plan recognises the likelihood of shifts in community priorities over the lifetime of the model. It is designed to be sufficiently fluid as to be able to be updated and remodelled as is appropriate when new or changed community priorities emerge. 9. It is also acknowledged that local government is subject to the impacts of state government policy changes and, hence, the financial model is created with an expectation of the need to review and adapt to respond to such policy changes.</p>	
<p>Risk Category: Organisational Capacity</p>	<p>Effectiveness ●</p>
<p>Risk Description: 10. Inability to successfully deliver the proposed capital program. 11. Inability to deliver the proposed breadth of services to the community 12. Inability to access contractors or get competitive bids when required for out-sourced projects and services</p>	<p>Risk Rating: 10. Medium 11. Low 12. Medium</p>
<p>Risk Mitigation Treatment: 10. The longer planning horizon of the Long-Term Financial Plan provides greater certainty to proactively develop concepts & designs, consult the community and undertake other critical precursor activities and procurement activities, thereby maximising the project delivery and construction window. It also offers the opportunity for the City to be more scalable in responding to its programs by changing the balance between in-house and external delivery approaches. 11. Through the financial parameters of the Long-Term Financial Plan persuasively influencing Service Plans and Workforce Plans, the City can adapt to changing service expectations by adjusting the scope and service levels of its service offerings. The Long-Term Financial Plan can itself also adapt to changes coming via the Community Service Plan through regular review and updating as appropriate. This will provide timely visibility of potential future financial challenges. 12. The City takes a strategic procurement approach focussing on building and maintaining quality relationships with suppliers, effective communication protocols and effective management of consolidated contracts rather than ad-hoc purchasing. There is an emphasis placed on developing well considered and documented project specifications to reduce vendor reluctance and uncertainty.</p>	



<p>Risk Category: Uncertainty of future Parking revenue streams</p>	<p>Effectiveness ●</p>
<p>Risk Description: 13. Uncertain tenure of certain car parks on crown land. 14. Parking revenue targets may not be fully realised. 15. Not maintaining price stability of parking prices 16. Parking costs grow faster than revenues potentially reducing capacity to continue producing surpluses.</p>	<p>Risk Rating: 13. High 14. Low 15. Medium 16. Low</p>
<p>Risk Mitigation Treatment: 13. Maintain open dialogue with state agencies on car parks not located on freehold land and proactively engage to negotiate outcomes that continue to offer the City reasonable continuity of parking revenues. Conservatively model growth expectations on these sites. 14. Proactive and agile management of parking business assets and parking operations in line with the Parking Services Business Plan, should ensure that the business meets profitability expectations whilst balancing community and business imperatives. 15. Responsible periodic review of pricing structures and understanding patron behaviours combined with data driven decisions, dynamic pricing and responsible use of incentives / levers. 16. Enhancing parking technology and shifting patron behaviour to digital payment options offers opportunities to reduce operational costs for coin handling, printed stationary, manual reconciliations etc. Continue to lobby for reductions / no increases in the Perth Parking Levy.</p>	

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

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

8.0 Scenario Modelling

The development of this Long-Term Financial Plan was an iterative process. Having established key variables, parameters and assumptions that have remained relatively constant across the various models; discretionary funding elements such as Reserve funds and borrowings have then been differentially modelled to create the optimum financial model.

Proposed discretionary expenditures such as non-asset renewal capital projects or discretionary operating projects have been included within the specific years where there is capacity to accommodate them in a financially sustainable way. Where this has not been possible, the program is scaled up or down in different iterations of the model accordingly - and then certain projects were rescheduled for a different year.

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



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

Feasibility studies are currently underway to test some of the findings of the property portfolio review and a more commercial focus is being applied to opportunities to diversify the City's revenue streams to supplement reliance on rates and parking revenues.

The primary Long Term Financial Plan model reflecting the 2024/25 proposed budget as the base-year, realistically indexed and modified across the ten-year time horizon for known or anticipated factors, was then used as the basis for scenario modelling.

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

8.1 Preferred Scenario

The Long-Term Financial Plan as presented represents what is considered the optimal model to deliver a responsible and sustainable financial blueprint for the City for the next ten years. The modelling parameters used are considered to realistically reflect current and anticipated economic conditions and the funding mix is considered the most appropriate with respect to community funding capacity, external funding opportunities and responsible use of cash reserves and borrowings.

Reliance on rates as a funding source is modelled to remain as close as possible to an annual increment of no more than CPI plus 0.5% - excluding growth from interim property growth.

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

9.0 Future Directions

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

9.1 Continuous Improvement

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

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



The City now has a more detailed understanding of our core service delivery and the relationship between resourcing levels, service levels and service scope - resulting from the improved ability to identify the true cost of services through the well-established service-based resource allocation model, financial system and chart of accounts.

This enables us to re-balance the resource requirement versus community outcome equation, thereby ensuring that the community enjoys maximum value for money from our service delivery efforts.

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

This narrative document is designed to be read in conjunction with the financial schedules detailing the City's financial blueprint which are presented in the attached document - City of Perth Long Term Financial Plan 2024/25 - 2033/34.

We commend the 2024/25 - 2033/34 Long Term Financial Plan to you.




**CITY OF
PERTH**

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

 27 St Georges Terrace, Perth WA 6000

 GPO Box C120, Perth WA 6839

 08 9461 3333

 info.city@cityofperth.wa.gov.au

perth.wa.gov.au

