

City of Cockburn

# Long Term Financial Plan 2020-2021 to 2029-2030



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### **Appendices**

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### **1. Executive Summary**

- The Long Term Financial Plan (LTFP) covers 2020-21 to 2029-30 with a high level of accuracy for the first four years and estimates for the following six years. The LTFP will be reviewed every two years.



- The LTFP is considered an informing document to the Strategic Community Plan and Corporate Business Plan.
- The underlying strategy of the LTFP is financial sustainability so as to ensure community assets and services can be maintained and provided by the council at a reasonable cost over the life of the LTFP. The Council remains financially sustainable during the life of the LTFP.
- There are eleven objectives which form part of the strategy including changes to account for impacts of COVID-19.
- A number of financial risks have been identified including a reliance on external funds for the completion of the capital program including grants (cash and land), developer contributions and loans. Approval times for capital projects appear to be a risk causing lengthy delays and possible cost increases.
- There are eleven assumptions forming the basis of the LTFP including maintaining rate increases at 1.5% to 2% whilst costs are to be kept at 1.5% to 2%.
- Population statistics demonstrate the City continues to grow at 2.0% per annum and remains a “growth” council. This is a positive impact on the City but requires additional funds to finance this growth.
- The economic outlook for WA remains positive as Iron ore/resources investment picks up, GST issues have been favourably resolved and the Government maintains tight fiscal discipline.
- The LTFP has operating income of \$1.749B and will spend \$1.694B in operating expenditure. The City will outlay \$699m on new capital projects and loan repayments. There is an alignment with Strategies, Asset Management and Revitalisation Plans within the LTFP.
- Cockburn currently employs 508 full time equivalent staff. Over the life of the Workforce Plan the City plans to employ an additional 43 staff to ensure it meets its service delivery targets. Employment will be staged over a longer timeframe due to lower income available for new staff.
- COVID-19 will impact the LTFP with a zero percent rates, fees and charges increase in 2020-21 in addition to elimination of interest income arising from rates for 2020-21 and a small loss of rental income.

## **2. Introduction**

The City of Cockburn’s Long Term Financial Plan (LTFP) details what is proposed over the next fourteen years as a means of ensuring the City’s financial sustainability. The LTFP is aligned to other core planning documents including the Strategic Community Plan (SCP) and the Corporate Business Plan (CBP).

Information contained in other strategic plans including the Asset Management Plan

(AMP) and Workforce Plan (WP) have informed the LTFP which in turn will be the basis for preparation of the City’s Annual Budgets. In addition the City has 41 strategies which have been adopted by Council and include funding requirements which have been (where known) included in the LTFP.

The LTFP covers the period 2020-21 to 2029-30. There is a high level of accuracy and detail in the first four years of the LTFP but this is underpinned by a number of assumptions. The remaining six years of the LTFP are shown as an overview with reasonable estimates only. The City undertakes a minor review of its SCP and CBP every two years and a full review is planned every four years. This LTFP will be reviewed in conjunction with SCP and CBP review. As Annual Budgets are developed from the LTFP there may be some annual variations between both which will be explained in the Annual Budget and the annual review of the CBP.

Table 1 - snapshot of the City of Cockburn at 2020/21

Key Statistics	
Area (sq km)	148
Population (est)	120,147
Number of Electors*	71,844
Number of properties	50,869
Total Rates Levied	\$107.7M
Total Revenue	\$152M
Number of Employees (FTE)	508

\*As at last LG election 2019

The LTFP is a 10-year rolling plan that informs the CBP in the activation of SCP priorities. From these planning processes, annual budgets that are aligned with strategic objectives can be developed.

### 3. Strategy underpinning the LTFP

The strategy underpinning the LTFP is financial sustainability that is there are no large increases in rates and charges in the maintenance of the assets and delivery of services under the control of the City. Local Governments manage a large range and inventory of assets. The infrastructure assets are the essential foundation for community service delivery, so it’s critically important that assets and cash are allocated using long term financial planning. Managing \$1.65B of long-lived assets, such as road, parks and buildings, as local governments do, demands long term financial planning. Numerous reports into local government sustainability have demonstrated that short term financial planning will not be sufficient to meet the aspirations of the community.

The City of Cockburn’s financial objectives are:

1. Maintain the existing range and level of service provision whilst developing the capacity to grow and add new services;

2. Implement COVID-19 financial measures including zero % rate, fee and charges increase for 2020-21.
3. Maintain a strong cash position, ensuring Council remains financially sustainable in the short, medium and long term;
4. Achieve operating surpluses and balanced budgets;
5. Maintain debt/borrowing levels within prudent guidelines;
6. Continue to pursue grant funding for strategic capital projects from the State and Commonwealth Governments;
7. Provide for rate increases that enable appropriate capital works (asset renewal, growth/expansion & upgrade) and asset maintenance;
8. Ensure value for money is a key objective in all council expenditure;
9. Use of cash reserves to achieve inter-generational equity, smooth out year on year rate increase and reduce reliance on debt;
10. Improving trends in the key financial ratios; and
11. Maximise revenue from fees and charges through full cost recovery or market pricing where appropriate.

#### **4 Financial risk assessments in the LTFP**

The Asset Management Plans identify assets that are critical to the City's operations and outline risk management strategies for these. The major risks associated with long term financial planning relate to:

- delays in approvals for major projects;
- the viability of a project if it relies on land acquisition which may be affected by land price movements; and
- funding of projects.

A number of new building projects are included in the LTFP. The projects will require external approvals and are being funded through a mix of municipal funds, developer contributions, grants from either the State or Commonwealth government or debt funding. The risk associated with these is therefore low.

The City has an extensive road (new and renewal) program which includes substantial external funding. If that funding is reduced or is not made available to the City, then the timing of the works will be reviewed. There will be native vegetation clearing required for a number of road projects planned. Given the lead time required, the risk of delays in obtaining clearing permits from the Department of Environment (Federal level) is a medium risk. This relates to the risk of obtaining the clearing permits but also the conditions attached to the permit in the form of clearing offsets.

Interest rates on borrowings and on investments have fallen significantly and are predicted to be relatively constant over the life of the LTFP. The lower investment rate has impacted the City's revenues and future project costs. Low borrowing rates may assist in funding shovel ready capital projects.

The City's risk framework is explained in more detail in Council policy, Enterprise Risk Management. Financial risks are dealt with in detail through this policy, with risk management strategy articulated in the City's Risk Register. Details of these can be found on the City's website at

## **5. Assumptions underpinning the LTFP**

This section highlights the broader parameters used in modelling the LTFP. The assumptions are as follows:

1. Rates in 2020-21, being the first year of this LTFP are based on a zero % increase in line the Premier's request and COVID-19 response. For 2021-22, a 1.5% increase and for the balance of the LTFP at 2% Growth of properties is estimated at 1.5% per annum over the life of the LTFP.
2. Fee and Charges in 2020-21, being the first year of this LTFP are based on a zero % increase in line the Premier's request and COVID-19 response. Non-statutory fee revenue has been estimated to increase by 2% (or to recover costs occurred in the provision of the service). The City looks to recover the full cost of providing a range of services including Waste Collection and Co-Safe services. Fees for the receipt of commercial waste vary as a result of competition and the movement in the value of the Landfill Levy (the State Government tax on the disposal of waste into the HWRP).
3. Statutory fees are set by legislation and are frequently not indexed on an annual basis. An estimated increase of 1.5% to 2.0% per annum has been allowed in the model except for 2020-21.
4. Grants and subsidies have been budgeted with a conservative economic outlook at 1.5% to 2% per annum.
5. Based on projected average cash balances held during the year and using current Term Deposit interest rates. Interest rates of 1.5% have been factored into the LTFP.
6. Salary costs are forecast to increase by 2.0% as a result of low inflation data 2020-21 and 2021-22. Beyond 2022 1.5% has been factored in. The provision of new staff is also in the forecast of 0.25% per annum.
7. General utility costs - an estimate of 2.5% has been allowed for in 2020-21 and based on estimates sourced from State Government. Electricity costs have been frozen for 2020-21 (COVID-19 impact).
8. Materials and Contracts have been forecast to increase by 2.0% to 2.5% over the life of the LTFP.
9. Insurance costs have been increased by 2.5% per annum in the LTFP as a result of more built and contributed assets, higher payroll costs and higher public liability claims impacting on premiums paid by the City.
10. Other expenditure which is primarily costs associated with the State Government's Landfill Levy will not rise in 2020-21. Cost increases

beyond that date have been contained to 2% per annum. Fuel for the fleet has been kept to 3% pa. This cost is mitigated by the plan to transition the fleet to EV cars and trucks over the next 5 to 7 years.

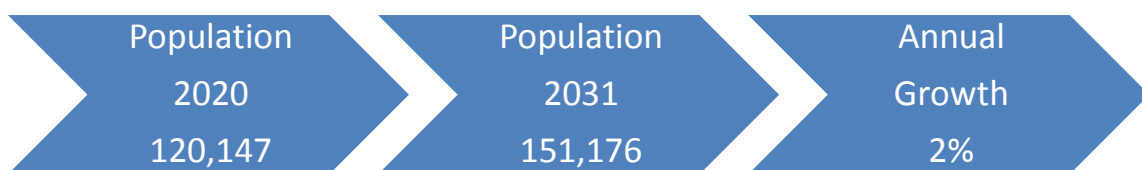
11. Depreciation has been estimated to increase by 3% per annum due to the City's strong asset building program in addition to the contributed assets received by the City from land developers. These assets include roads, paths, drains, parks and buildings.

A sensitivity analysis has been prepared to coincide with the above assumptions to indicate the impact in the movement of the above assumptions on the bottom line of the LTFP and the provision of services and capital programs.

## 6. Demographic analysis of the Local Government municipality

The last 10 years has seen Cockburn's population grow from approximately 91,628 residents to 120,147 in 2020. This growth is largely attributed to the delivery of significant residential development across Cockburn's greenfield sites in addition to infill development in Cockburn's oldest suburbs.

The City of Cockburn's own forecasts at the time of writing this document has the 2020 estimated residential population is expected to increase to 151,176 by 2031, at an average annual growth rate of 2%.



<b>Overview - Forecast population, households and dwellings</b>						
<b>City of Cockburn</b>	<b>Forecast year</b>					
<b>Summary</b>	<b>2016</b>	<b>2021</b>	<b>2026</b>	<b>2031</b>	<b>2036</b>	<b>2041</b>
Population	108,770	123,203	137,709	151,176	161,479	169,689
Change in population (5yrs)		14,433	14,507	13,467	10,303	8,210
Households	40,393	45,850	51,442	56,752	61,010	64,605
Average household size	3	3	3	3	3	3
Population in non-private dwellings	1,104	1,204	1,503	1,652	1,801	1,801
Dwellings	43,076	49,081	54,699	59,954	64,229	67,848
Dwelling occupancy rate	94	93	94	95	95	95

*Population and household forecasts, 2016 to 2041, prepared by .id the population experts, September 2019*

The City's population growth will continue to be strongly accounted for by new urban development in greenfield areas, and continued infill within the City's revitalisation areas. However, projections indicate that this will be the final decade of high rates of population growth resulting from greenfield residential development. After 2031 the

majority of growth will be attributed to infill development within established residential areas.

The message is for continued steady growth over the coming ten years, however it is apparent that after the next ten years the City will see the growth rate of new residents and new dwellings reduce. It is also interesting to note the similar reduction in household sizes, representative of increases in single and couple only households as the City enters its consolidation phase and traditional family suburbs even within greenfield areas as they continue to mature. We can see this in the following graph:

Forecast population, households and average household size

City of Cockburn



Population and household forecasts, 2016 to 2041, prepared by .id the population experts, September 2019.



Graph 1 – Forecast population and households

Between 2016 and 2031, the age structure forecasts for the City of Cockburn indicate a 37.1% increase in population under working age, a 63.4% increase in population of retirement age, and a 35.6% increase in population of working age.

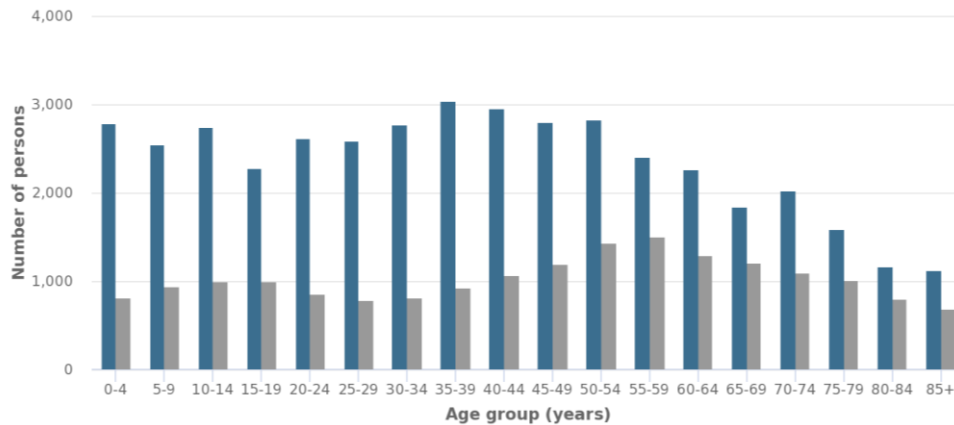
In 2016, the dominant household type in the City of Cockburn was Couple families with dependents, which accounted for 36.5% of all households, and this is predicted to continue to remain the dominant household type until 2031. After 2031 the proportion of one and two person households will represent an increased proportion, which will also see an aging population towards 2041, as shown in the graph below:



## Forecast change in age structure - 5 year age groups

City of Cockburn - Total persons

■ 2016 to 2031 ■ 2031 to 2041



Population and household forecasts, 2016 to 2041, prepared by .id the population experts, September 2019.

.id the population experts

Graph 2 – Forecast change in age structure

### 7.1 Economic Growth and Development Issues

Given Cockburn’s location within the South-west growth corridor, planning over the last 25 years has largely been growth orientated with large tracts of greenfield sites developed for residential development and the infrastructure required to support this growth.

Active planning of key developments has also seen the delivery of new jobs and services including the industrial precincts of Bibra Lake Estate, including Cockburn Commercial Park and Phoenix Business Park, the Australian Marine Complex and Jandakot City.

The coastline also continues to attract and support the needs of a strong shipbuilding and marine resource (oil and gas) industry and business cluster at the Australian Marine Centre (AMC), and provides a unique location for Cockburn’s key Strategic sectors. Along with the AMC, the Western Trade Coast (WTC) incorporates the Kwinana Industrial Area, Latitude 32 and Rockingham Industry Zone creating a hub for fabrication and manufacturing that supplies goods for the resources and agricultural sectors and contributes 33 per cent of all value added in WA’s manufacturing sector.

The previously stated future slow in residential growth will see a shift in strategic focus for the City, moving away from its major land and infrastructure delivery role, to having to provide a greater focus on supporting Cockburn’s key strategic industries and local businesses which have arisen as a result of these developments. This will include identifying an approach to support the regions key strategic sectors and to enable more Cockburn residents to work closer to home rather than commuting to distant employment centres.

The top industries in Cockburn ranked by number of employed persons in 2018/19 include:

- Manufacturing – 9,662 (17.6%)
- Construction – 8,471 (15.4%)
- Retail trade – 6,245 (11.4%)
- Health care and social assistance – 3,916 (7.1%)
- Education and training – 3,661 (6.7%)

While the last decade has seen rapid growth occur throughout Cockburn and the proportionate rate of jobs growth from 2011-2016 shows Cockburn as one of the highest growth rates across all local governments in WA (Source: National economics), from 2016/17 this position somewhat slowed recognising WA's economic growth rate was very low. An early sign in 2020 indicated State growth was improving; however the economy was significantly impacted by COVID-19. Early 2020 headline estimates in suggest the following for Cockburn:

- Gross Regional Product is forecast to fall by -11.9% in the June Quarter 2020. This fall was higher than the state average.
- Local Jobs are forecast to fall by -7.9% in the June Quarter 2020. This equates to a fall of 4,331 local jobs.
- If JobKeeper recipients impacts are included then the employment fall is estimated at -11.6% (6,358 jobs)
- The impact on employed residents (-8.8%) was higher than the local job impact.

The following economic indicators illustrate pre COVID-19 conditions:

- Gross regional Product (GRP) - \$7.72 billion (NEIR 2019)
- Local jobs – 54, 895 (NEIR 2019)
- Local businesses – 8,517 (ABS 2019)
- Employed residents – 61,379

COVID19 will obviously have a substantial negative impact on economic activity in 2020 for most Councils however as a result of Cockburn's diverse industries and minimal reliance on significantly affected industries such as tourism and consumer demand services the City anticipates and is hopeful of a relatively strong come back.

The LTFP incorporates the 2020-2021 budget which is showing a reduction in its net operating surplus, primarily the result of freezing rates, fees and charges. This result still demonstrates the City has adequate funding necessary to complete asset renewals, upgrades and extensions as they become due. The reduction in the operating surplus does not allow the full level of transfers to reserves funded from operating income (i.e. capital reserves for waste collection, waste disposal, Naval Base Shacks, CCTV construction and investment interest on cash reserves). This is

primarily due to COVID-19 impacting on Rates and Fees and Charges income resulting in the Premier of Western Australia asking Councils to freeze Rates, Fees and Charges. The impact of this commitment from Council on the 2020-2021 budget is \$4m summarised as follows:

- Zero rates increase (vs 2.0% in LTFP) \$2.15m
- COVID-19 Rates Concession \$1.73m
- Rates instalment & Penalty interest waived \$0.77m
- Rates instalment admin fees \$0.23m
- Freeze on Council set Fees & Charges
- Commercial waste service charges no longer mandatory

The financial impact of the COVID-19 concession has been built into the financial projections of the LTFP as are the other impacts noted above. It is anticipated that the COVID-19 Pandemic will not impact directly on other years directly as per the above but only in a residual manner, that is future increases will not make up for lost revenue from the 2020-2021 financial year.

## **7.2 Analysis of any City plans that affect future economic growth analysis of the impacts of population and demographic changes on economic growth**

Analysis of strategic employment and competitive advantage in the City shows that it is an important sub-region of Perth for five key strategic industries. These are:

- Other transport equipment manufacturing;
- Airport and associated industries using airport land;
- Tertiary education and training;
- Basic ferrous metal manufacturing; and
- Ship Building & defence support industries, engineering and Oil & gas industries.

These industries have a significant orientation to the domestic and international export market, whereby efficiencies in cost of production become a crucial measure of competitiveness. This is particularly evident in the local supply chain links which depend on movement between industrial clusters within the Kwinana Industrial Area, Australian Marine Complex, Cockburn Central, Bibra Lake and Jandakot Airport. This demands important consideration on how infrastructure (particularly road) can be improved to lift the efficiency of business. The LTFP recognises this and provides significant funding to advance such infrastructure priorities.

## **7.3 Identifying new industrial or business subdivisions or developments that will affect economic growth in the City of Cockburn**

The City is a growth area, in that it has substantial growth over the next twenty years in land development including rates revenue (both residential and industrial/commercial) to sustain and drive the delivery of the City's adopted strategies. It is estimated that the City will increase its residential property base by 13,000 new dwellings, increasing from the current 49,675 properties to more than 65,000 properties by 2031. Industrial and commercial development will depend on the State of the economy with the primary industrial precincts infilling rapidly with

more land being already required for the Australian Marine Complex. This will be facilitated through development of Latitude 32. Jandakot City is moving ahead with two to three new industrial sites annually, and stands as a strategic industrial location for the whole of Western Australia.

#### **7.4 State economic factors**

- The next four years will see stability return to State Government finances reflecting:
- Reform to the distribution model of GST, providing a base 75% of GST funds returned to each state;
- Resurgence in iron prices and resultant royalties enabling WA to retain much of the royalty income of which 85% was previously lost to the distributive GST equalisation formula; and
- Tight fiscal management by the WA Government.

All of which means the state should be running an operating surplus over the four years of the State Budget outlook and an overall cash surplus in 2023/24 depending on the outcome of the State coming out of COVID-19 restrictions.

#### **7.5 State or Federal government policies that will impact the future**

For Cockburn, the biggest impact from the State Government is the continuing cost shifting and substantial increases in fees and charges.

### **8. Service delivery and service levels**

It is proposed that existing service levels will be maintained for all operational areas. However, a key objective in the Corporate Business Plan that directly impacts future service delivery is to try to improve existing service levels whilst continuing to achieve annual operating surpluses each year to fund the provision of infrastructure. Service levels will be reviewed from time to time, to ensure impact of rapid growth across the municipality is monitored and assessed. Consideration is being given to service reviews.

### **9. Major planned initiatives**

The City has adopted a Community, Sporting and Recreational Facilities Plan. (See page 15 for website address). This plan running from 2018-19 to 2032-33 lists a range of community, sporting and recreational facilities to be constructed currently costing at approximately \$216m.

The City is also planning a number of other initiatives:

- Port Coogee Marina expansion;
- New Council and Administration Centre (NCAC);
- Change of Streetlights to energy saving LED's and smart lighting technology;
- Capping of waste cells at Henderson Waste and Recovery Park (Cell 6 completed in 2019/20);
- Transition of City waste collection truck fleet to an EV/Hydrogen fleet;
- Transition of HWRP to Materials Recovery Facility; and
- Leasing and re-development of Coogee Beach Caravan Park.

- The City has submitted requests to the Commonwealth with the South West Group (SWG) for a range of COVID-19 fiscal stimulus projects totalling \$98.3m seeking a contribution of \$48.2m to expedite these shovel ready projects. A list is included in Appendix 9.

## **10. Revenue projections**

### Rates and service charges

The 2020-21 Municipal Budget has been based on a zero % rate increase. For 2021-22 the rate increase is 1.5% with the remaining years of the LTFP, base rate increases have been aligned at 2.0% per annum rather than the Consumer Price Index (CPI). The CPI index is based upon a range of goods and services that bear little relationship to the cost components that comprise the delivery of the City services. This will be reviewed each year.

There remains significant growth forecast within City of Cockburn in relation to the industrial and residential components across the municipality. A summary of commercial/industrial property growth would include Cockburn Coast, Cockburn Central (West and North), Jandakot City and Latitude 32. Residential growth is arising from two sources, continued expansion in Calleya (as it expands east to Warton Road) and Cockburn Coast (including apartments in Port Coogee). The second source is the revitalisation suburbs of Hamilton Hill, Spearwood, Coolbellup and Coogee. As such, the forecast model has allowed for an increase of a further 1.5% per annum from growth of property values and numbers.

The LTFP assumes the continuation of the Port Coogee Specified Area Rate (SAR) for Public Open Space maintenance (frozen for 2020-21). A further Specified Area Rate was introduced in 2016/17 to provide for the maintenance of the Port Coogee Water Ways. A third SAR has also been implemented for the Cockburn Coast precinct. All funds derived from these specified area rates are quarantined to a reserve and do not form part of the City's municipal fund. Funds are only expended to meet the aims of the SAR.

### User charges and fees

Fees and charges include services where the City has the discretion to levy its fee amount or where fees are statutory in nature and prescribed by the State Government and in a few cases, the Commonwealth Government.

The LTFP is based on fees increasing by 1.5% to 2% per annum except for 2020-21, where fees and charges have been frozen as a response to COVID-19. Fees from the Cockburn ARC have been designed to ensure the facility breaks even after depreciation.

### Grants (Commonwealth and State Governments)

The City currently receives approximately \$13.0M in operating grants, including the untied grant from the Grants Commission. The LTFP has allowed a cautious increase of 1.5% per annum for these grants which seldom increase at an equivalent rate to the cost of providing the subsidised services.

The City relies on grant income for delivering a range of services to the diverse community of the City. Cockburn has a large senior's population, from a wide socio-



economic spectrum which places significant demands on the City in the delivery of services.

#### Interest revenue

Interest on investments will average around \$3M per annum and comprises of interest earned from cash invested with financial institutions and interest charged to ratepayers for rates in arrears. Interest received is allocated between the municipal fund (available for general expenditure) and interest allocated to reserve funds and not available for general expenditure. Low interest rates are forecast for the next two years.

#### Net gain on disposal of assets

Each year the City will dispose of plant including motor vehicles and trucks as part of its renewal program. The surplus made on these trade-ins is reflected in this category of income. The end outcome will see the funds transferred into the Plant Replacement Reserve to ensure the City always has sufficient monies to fund its plant requirements and to fund the transition to an EV fleet.

### **11. Expenditure projections**

#### Workforce costs

Salaries are the largest component of the City's operating budget, representing 39.4% of operating expenses or 39.2% of total operating revenue. The City enters into an Enterprise Agreement (EA) every three years which determines the level of salary increase to be given to staff. Enterprise Agreement 2019 will expire in August 2022. Future increases in the LTFP should be around 1.5% per annum depending on the state of the economy.

In addition to the base wage increase assumptions, the City has to provide funding for annual increments in employee banding and the provision for increased staffing levels to cover expanded service requirements as provided for in the Workforce Plan. The Workforce Plan indicates forty three new staff is being proposed to be recruited over the first four years of the LTFP.

One of the service commitments listed for Listening and Leading Outcome is "to attract, engage, develop, support and retain our employees to provide exceptional services to the community." To do need to achieve our corporate purpose and strategic objectives. The purpose of the Workforce Plan is to outline ways to meet this commitment.

The City has a specific purpose to support the achievement of its objectives under the Strategic Community Plan. The strategies drive the volume and diversity of services offered by the City and these combined with growth determine the Staffing Forecast.

As for superannuation, staff are entitled to 10.5% of their ordinary times earnings with a matching contribution of up to 4%. Current legislation sees SG Superannuation increase to 12% in July 2025. The next increase is July 2021 of 0.5%.

#### Materials and contracts

The broad assumption in materials and contracts is for an increase of 2% to 2.5%. The City has significant ongoing contracts for delivery of services such as waste management, Co-Safe and a range of maintenance contracts for parks, gardens, toilets and road materials. The City also engages contractors for building maintenance and general services. All these contracts are priced in the tender at or near CPI levels as far as possible.

Material costs include items for maintenance of roads such as asphalt which are more governed by market forces based on availability. Also included are materials for consumable items for a range of services across the City. The City aims to drive these costs down at every opportunity.

### Utilities

The City purchases power and water from State Government utilities and telecom and gas services from private sector providers totalling \$5.7m. Power is the single largest cost at \$4.62m of which comprises the provision of Western Power owned street lighting infrastructure which costs \$2.7m per annum. A plan to replace all existing streetlights with smart enabled LED lights could achieve a 50% reduction in this cost. This has been included in the capital expenditure plan.

Power costs are expected to rise by at least 2% to 2.5% annually, although the State Government has frozen power and water charges for 2020-21. The City has an active solar photo voltaic program on all City-owned buildings to mitigate the cost of power. Gas is acquired from Alinta for Cockburn ARC and cooking purposes (seniors centre). Cockburn ARC uses geothermal power for the heating of the water in the pools at Cockburn ARC removing the need for gas for this activity. Gas will still be used during maintenance of the geothermal facility and when geothermal (supplied water) temperatures are not hot enough. The City is pursuing a solar PV solution for electricity consumption which will significantly reduce consumption of electricity from the grid and lower cash operating costs.

### Insurance

Insurance expense of \$1.7m per annum and rising annually by 4% for the next two years then increasing by 2.5% Insurance is acquired from a co-operative arrangement called Local Government Insurance Services. The City purchases a range of insurance including public liability, workers compensation, property, fleet, fidelity and professional indemnity. Increases are due to growth of assets, staff and general risks.

### Depreciation and Amortisation

Depreciation and amortisation estimates have been based on the projected capital spending contained within this LTFP document. Depreciation has been further increased by the indexing of the replacement cost of the City's fixed assets in order to recognise the impact of rising replacement costs in accordance with Accounting Standard requirements. Depreciation estimates may be influenced by future recognition and disposal of assets and how the City expends its capital works program.

### Interest expense

The most significant borrowing has been for Cockburn ARC at Cockburn Central. The City borrowed \$25m in 2016/17 and this will be repaid over ten years using the revenue derived from the developer contribution scheme. Interest will be incurred for other loans to complete the capital expenditure program associated with the DCA 13 – Community Infrastructure and for the New Council and Administration Centre. Both projects will not impact on future rate increases.

### Other and extraordinary expenses

As noted above, Other Expenses encompasses a range of sundry expenditure items. For Cockburn, the largest three items is the State Government Landfill Levy, currently at \$70 per tonne of waste deposited at Henderson Waste and Recovery Park. The next significant item is fuel for the City's fleet at \$0.8m. This expenditure category also includes the grants and donations budget of \$1.45m.

## **12. Asset management**

The City of Cockburn currently manages over \$1.65 billion of infrastructure assets delivering services to the City's residential and business communities. The continuous improvement of the City's asset management framework and planning process reflects Cockburn's growing maturity and emphasises the City's drive to deliver a sustainable future by managing assets and providing services in the most cost effect manner.

The Asset Management Plans (AMPs) act as informing strategies that assist the City in its yearly budgeting process and further strengthens the City's management of long term asset renewal planning and funding requirements.

### Asset Renewal – Capital expenditure (Non-Discretionary)

The City via the asset management planning process has revised the existing seven Asset Management Plans (AMPs) for roads, footpaths, buildings, parks & environment, drainage, Cockburn ARC and Plant and Fleet.

*Table 3 – Asset Management Plan Statistics*

<b>Asset Management Plan</b>	<b>Value of assets (replacement cost)</b>
Footpath Infrastructure Asset Management Plan - 627.08 Km of footpath	\$87.7m
Drainage Asset Management Plan - 18,449 drainage pits, 455Km of pipes and 15.5Km of fences	\$266.7m
Building Asset Management Plan - 132, civic, community and recreation building	\$316.5m
Parks & Environment Asset Management Plan - playgrounds, irrigation, fencing plus other park assets. 1,570.8Ha of parks (including active and passive), bushland and streetscapes. The parks have no valued attached to them which is in accordance with Council.	\$100.8m
Fleet and Plant Asset Management Plant - 463 pieces of light fleet, major fleet and minor plant	\$24.0m

Roads Asset Management Plan – 6.5m square meters of roads, 0.12m square meters of car parks and 1,448Km of kerbs	\$632.9m
Landfill assets at HWRP	\$39.8m
Marina and Coastal engineering assets	\$50.6m

All asset management plans can be located at [www.cockburn.wa.gov.au/AMP](http://www.cockburn.wa.gov.au/AMP)

### Capital expenditure (Discretionary)

The City, as a growth municipality has an extensive program of new assets and asset upgrades across all classes of assets being community, civic and road infrastructure assets. The table below demonstrates major community infrastructure projects to be constructed.

*Table 4 – Key Projects 2020-21 – 2029-30 (all figure are \$M)*

Project	Year	Cost	Project	Year	Cost
Frankland Reserve Hammond Park	20/21	\$8.9m	Muster Sports Reserves and Facilities	29/30	\$3.0m
Beale Park Spearwood	21/22	\$9.4m	Coogee Golf Complex	27/29	\$8.2m
Cockburn Coast Oval	20/21	\$1.5m	Treeby east Reserve and Clubrooms	27/28	\$3.5m
Wally Hagan Recreation Centre Stage 1	21/22	\$15m	Muster Sports Reserves and Facilities	29/30	\$3.0m
Beeliar Club Room Facilities Beeliar	22/23	1.2m	Aboriginal Cultural Centre	21/22	\$6.5m
Wally Hagan Recreation Centre Stage 2	22/23	\$15m	Treeby Community Centre	20/21	\$4.3m
Anning Park Tennis Jandakot	23/24	\$3.3m	Cockburn Coast Community Facilities	24/25	\$6.6m
Davilak Reserve Hamilton Hill	24/24	\$7.0m	Hamilton Hill Community Centre	25/26	\$3.2m
-Dixon Park Redevelopment	23/24	\$5.8m	Life Long Learning Centre	25/26	\$21m
Small Ball Sports – Location TBD	23/24	\$1.0m	Southwell community Centre	27/28	\$1.4m
Cockburn Coast Oval Clubrooms & Land	25/26	\$12.2m	Cockburn Youth Centre Upgrades	28/29	\$1.0m
CCW Playing Fields	25/26	\$4.0m	New Council and Admin Centre	23/24	\$40m
Santich Park Upgrade	21/22	\$1.6m	DTS Road Projects	20-30	\$158m
HWRP – community facilities	21/30	\$20.6m	Port Coogee Marina Expansion	21/22	\$5.8m
Smart enabled LED streetlights	21/22	\$9.0m			

Full Community, Sport and Recreation Facilities Plan, click here:

[https://www.cockburn.wa.gov.au/getattachment/e45e7563-7a6c-47e0-8e96-013ab307d872/ECM\\_8265920\\_v1\\_Community,-Sport-and-Recreation-Facilities-Plan-2018-2033-pdf.aspx](https://www.cockburn.wa.gov.au/getattachment/e45e7563-7a6c-47e0-8e96-013ab307d872/ECM_8265920_v1_Community,-Sport-and-Recreation-Facilities-Plan-2018-2033-pdf.aspx)

Summarised Community, Sport and Recreation Plan, click here:

[https://www.cockburn.wa.gov.au/getattachment/b184a575-a79f-44af-8ba3-c2f6cd4008e2/ECM\\_8257553\\_v2\\_Community,-Sport-and-Recreation-Facilities-Plan-\(2018-2033\)-Summary-Brochure-pdf.aspx](https://www.cockburn.wa.gov.au/getattachment/b184a575-a79f-44af-8ba3-c2f6cd4008e2/ECM_8257553_v2_Community,-Sport-and-Recreation-Facilities-Plan-(2018-2033)-Summary-Brochure-pdf.aspx)

Funding for the above assets will be derived from the municipal fund (including reserves), grants (state and commonwealth including gifts of land), developer contributions and loan funds. As part of the DCA 13 Scheme the City is required to construct a number of community assets within a ten year time frame, even though the contributions to collected may take up to twenty years to recover from land development. The shortfall will need to be borrowed from WA Treasury Corporation (WATC). The interest on these borrowings has been included in the developer contribution scheme.

### 13. Workforce planning

The Workforce Plan is reviewed every four years to align with the SCP major review. The Workforce Plan staffing forecast costs are included in the Long Term Financial Plan (LTFP) with the proposed increases reviewed each financial year as part of the annual budget process taking into account an overall cap of \$0.5m.

The City requires a business case for new infrastructure but these do not always identify a human resources component. New infrastructure often demands an increased level of staffing due to its size or complexity. The new Cockburn ARC recreation centre was an example of this.

Each year a forecast of future staffing needs is considered. This lists proposed employee positions for the next ten years with information from this costed within the Long Term Financial Plan. Proposed positions for the first two years are formally agreed by the Senior Management Team (SMT) and endorsed by the Executive. These positions are then included in the following years budget preparation and before each one is advertised, a vacancy form is completed for final approval by line management. This allows the City some flexibility in case of changes to need or economic circumstances, both internal and external.

### 14. Performance measures

A number of statutory KPIs focusing on financial and asset management performance will be regulated and have been mandated by the Local Government (Financial Management) Regulations. Appendix 6 outlines the statutory KPIs which specify the performance targets that local governments are required to report on. As noted from the table below the City meets the majority of the KPI apart from Asset Sustainability.

*Table 5 – City of Cockburn Statutory KPI's 2015-16 to 2018-19*

<b>Ratio</b>	<b>Target</b>	<b>15/16</b>	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>
Current	>1.0	1.211	1.432	1.479	0.97
Operating Surplus	>0.0	0.049	0.078	0.008	0.01
Own Source Rev	>0.4	1.003	0.971	0.957	0.94
Debt Service	>2.0	20.63	9.533	10.37	8.72
Asset Sustainability	>0.9	1.399	1.442	0.737	0.46
Asset Consumption	>0.5	0.714	0.689	0.691	0.69
Asset Renewal	>0.75	0.741	0.729	0.707	0.75



<b>Ratio</b>	<b>Target</b>	<b>15/16</b>	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>
Financial Health Indicator	>70	89	93	81	73

*\*This includes the write off of landscaping infrastructure assets required by accounting standards. Without this non-cash write-off the FHI would have been 88*

When compared with our neighbours in the South West Group of Councils and the Outer Metro Growth Councils, the City is on par or exceeds our reference group. Again the biggest weakness is the asset sustainability ratio. This will be addressed as the City focuses on meeting the Asset Management Plans. The Asset sustainability is low when compared with the DLGC target as Council has committed significant resources to building new assets. This ratio will improve in the near future as Council focuses on AMP's/revitalisation strategies and asset replacement programs. The ratios are designed for developed councils and do not factor in growth councils which are still constructing new assets.

*Table 6 - Comparison of Financial Health Indicators 2015-16 to 2018-19*

	<b>2018/19</b>	<b>2017/18</b>	<b>2016/17</b>	<b>2015/16</b>
<b>Cockburn</b> SWG-Growth	73	81	93	89
<b>Kwinana</b> SWG-Growth	60	61	62	60
<b>Rockingham</b> SWG-Growth	93	67	67	67
<b>Fremantle</b> SWG	55	44	87	42
<b>Melville</b> SWG	92	98	98	98
<b>Swan</b> Growth	90	91	99	96
<b>Armadale</b> Growth	67	70	85	71
<b>Wanneroo</b> Growth	90	71	69	70
<b>Canning</b>	78	79	62	54

The above measure of the Financial Health Indicator (as published on the [www.mycouncil.wa.gov.au](http://www.mycouncil.wa.gov.au) website demonstrates the financial sustainability of the City when compared with other councils in Perth.

## **15. Targets and Reporting**

The LTFP is the basis of all future annual budgets, although minor changes will occur each financial year depending on a range of issues facing the Council. For instance, the state of the economy, the growth impact on housing and commercial

development, the availability of grant funds, the approval process for capital expenditure projects. Each issue will be explained as part of the report to the annual budget submitted to Council each June.

The CBP and accompanying Annual Budget layout the City's SCP objectives, priorities, service delivery, program of works and performance measures. As noted above, the LTFP is the basis of the budget. Each subsequent annual budget is then amended to reflect the current economic environment. Whereas the LTFP is the macro view, the annual budget is the micro view of Council's operations.

The City's Annual Report contains a comprehensive summary of the financial outcomes and organisation's performance in achieving the SCP objectives.

All reports on financial matters are taken to the Council for their review and consideration. This is especially the case of comprehensive monthly financial reports whereas the Annual Financial Statements and the report on cash and non-cash investments is presented to the October Audit and Strategic Finance Committee.

## **16. Appendices**

9. Forecast income and expenditure Nature and Type statement
10. Statement of cashflows
11. Rate setting statement
12. Statement of financial position
13. Equity statement
14. Definition for Statutory KP's
15. Definition of Terms
16. COVID-19 Fiscal Stimulus – Shovel Ready Projects

## 1. Forecast income and expenditure Nature and Type statement

Forecast Income & Expenditure Statement by Nature & Type	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
<b>OPERATING REVENUE</b>										
Rates	107.8	111.0	114.3	118.3	122.5	126.8	131.2	135.8	140.5	145.5
Specified Area Rates	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7
Fees and Charges	28.0	28.6	31.4	32.0	32.7	33.3	34.0	34.7	35.4	36.1
Service Charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Grants and Subsidies	11.8	11.9	12.0	12.2	12.3	12.4	12.5	12.7	12.8	12.9
Contributions, Donations and Reimbursements	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Interest Earnings	2.9	2.9	3.0	3.0	3.0	3.0	3.1	3.1	3.1	3.2
Total Operating Revenue	152.0	156.0	162.3	167.1	172.0	177.1	182.4	187.9	193.5	199.3
<b>OPERATING EXPENDITURE</b>										
Employee Cost	61.2	63.3	65.1	67.3	69.6	72.2	74.9	77.7	80.5	83.4
Materials and Contracts	36.8	37.5	38.2	39.0	39.8	40.6	41.4	42.2	43.0	43.9
Utilities	5.7	4.6	4.7	4.8	4.9	5.1	5.2	5.3	5.4	5.6
Interest Expenses	1.7	1.8	1.8	1.9	1.9	2.0	2.0	2.1	2.1	2.2
Insurances	0.7	1.3	1.3	1.9	1.7	1.5	1.3	1.2	1.1	0.9
Other Expenses	9.6	9.8	8.3	8.5	8.6	8.8	9.0	9.2	9.3	9.5
Depreciation on Non-Current Assets	34.5	35.5	36.6	37.7	38.8	40.0	41.2	42.4	43.7	45.0
Amortisation on Landfill Infrastructure	1.2	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.3	1.4
Total Operating Expenditure	151.3	154.9	157.3	162.3	166.6	171.3	176.2	181.3	186.5	191.9
Operating Surplus/(Deficit)	0.7	1.1	5.0	4.8	5.4	5.8	6.2	6.5	6.9	7.4
Total Non-Operating Activities	19.7	42.2	36.9	50.6	15.0	46.2	15.5	38.9	16.0	15.0
<b>NET RESULT</b>	20.4	43.3	41.8	55.4	20.5	52.0	21.7	45.4	23.0	22.4
Changes on revaluation of non-current assets	5.0		5.0		5.0		5.0		5.0	
Total Other Comprehensive Income	5.0	0.0	5.0	0.0	5.0	0.0	5.0	0.0	5.0	0.0
<b>TOTAL COMPREHENSIVE INCOME</b>	25.4	43.3	46.8	55.4	25.5	52.0	26.7	45.4	28.0	22.4

## 2. Statement of cashflows

Statement of Cash Flows	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
Total Payments	115.7	118.2	119.5	123.4	126.5	130.1	133.7	137.6	141.5	145.5
Total Receipts	152.0	156.0	162.3	167.1	172.0	177.1	182.4	187.9	193.5	199.3
<b>NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	36.3	37.8	42.7	43.7	45.5	47.0	48.7	50.3	52.0	53.8
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES</b>	-36.2	-53.5	-42.4	-50.2	-49.1	-57.8	-37.6	-40.2	-39.9	-45.9
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
Net receipts/(refund) of bonds	5.3	9.0	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loan Principal Repayment	-3.9	-3.8	-4.7	-5.7	-5.7	-5.7	-3.2	-3.2	-3.2	-3.2
<b>NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES</b>	1.4	5.3	10.4	-5.7	-5.7	-5.7	-3.2	-3.2	-3.2	-3.2
Net Increase/(Decrease) In Cash during year	1.5	-10.5	10.7	-12.1	-9.2	-16.4	7.9	6.9	8.9	4.8
Cash & Cash Equivalents at Beginning of Reporting Period	145.9	147.5	137.0	147.7	135.6	126.4	110.0	117.9	124.9	133.8
<b>CASH &amp; CASH EQUIVALENTS AT END OF REPORTING PERIOD</b>	147.5	137.0	147.7	135.6	126.4	110.0	117.9	124.9	133.8	138.6

### 3. Rate Setting Statement

Rate Setting Statement	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30
<b>Operating Revenue</b>										
Specified Area Rates	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7
Fees & Charges	28.0	28.6	31.4	32.0	32.7	33.3	34.0	34.7	35.4	36.1
Service Charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Grants & Subsidies	11.8	11.9	12.0	12.2	12.3	12.4	12.5	12.7	12.8	12.9
Contributions, Donations, Reimbursements	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Interest Earnings	2.9	2.9	3.0	3.0	3.0	3.0	3.1	3.1	3.1	3.2
Total Operating Revenue	44.2	45.0	47.9	48.7	49.5	50.4	51.2	52.1	52.9	53.8
<b>Operating Expenditure</b>										
Employee Costs	61.2	63.3	65.1	67.3	69.6	72.2	74.9	77.7	80.5	83.4
Materials and Contracts	36.8	37.5	38.2	39.0	39.8	40.6	41.4	42.2	43.0	43.9
Utilities	5.7	4.6	4.7	4.8	4.9	5.1	5.2	5.3	5.4	5.6
Interest Expenses	0.7	1.3	1.3	1.9	1.7	1.5	1.3	1.2	1.1	0.9
Insurances	1.7	1.8	1.8	1.9	1.9	2.0	2.0	2.1	2.1	2.2
Other Expenses	9.6	9.8	8.3	8.5	8.6	8.8	9.0	9.2	9.3	9.5
Depreciation on Non-Current Assets	34.5	35.5	36.6	37.7	38.8	40.0	41.2	42.4	43.7	45.0
Amortisation on Non-Current Assets	1.2	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.3	1.4
Total Operating Expenditure	151.3	154.9	157.3	162.3	166.6	171.3	176.2	181.3	186.5	191.9
<b>Change in Net Assets Resulting from Operations before Rates</b>	-107.1	-109.9	-109.4	-113.5	-117.0	-121.0	-125.0	-129.2	-133.6	-138.1
<b>Adjustments for Cash Budget Requirements:</b>										
Depreciation on Non-Current Assets	34.5	35.5	36.6	37.7	38.8	40.0	41.2	42.4	43.7	45.0
Amortisation on Non-Current Assets	1.2	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.3	1.4
	35.6	36.7	37.8	38.9	40.1	41.3	42.5	43.7	45.0	46.4
<b>Capital Expenditure and Revenue</b>										
Purchase of Land	0.0	0.0	0.0	27.6	0.0	27.3	0.0	0.0	0.0	0.0



Purchase of Buildings	23.1	54.4	26.9	17.4	22.9	21.1	13.7	15.0	10.5	15.4
Purchase of Plant and Machinery	5.4	4.8	3.9	5.2	5.2	5.2	5.2	5.2	5.2	5.2
Purchase of Furniture and Equipment	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Purchase of Computer Equipment	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8
Construction of Roads Infrastructure	20.1	35.3	39.3	40.5	25.9	40.3	24.1	48.7	30.1	30.1
Proceeds on Sale of Assets	-3.7	-9.8	-1.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9
Contributions/Grants for the development of Assets	-5.6	-27.2	-21.9	-35.6	0.0	-31.2	-0.5	-23.9	-1.0	0.0
Net Movement in Gifted Assets	-11.7	4.3	-7.3	6.5	2.7	14.1	-2.3	20.9	-7.7	-13.9
Developer Contribution Plans - Cash	-4.1	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0
New Loans	-5.3	-9.0	-15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of Loans	3.9	3.8	4.7	5.7	5.7	5.7	3.2	3.2	3.2	3.2
Transfers from Reserves (Restricted Assets)	-31.4	-21.7	-19.1	-13.8	-21.1	-18.8	-16.1	-10.7	-4.6	-15.7
Transfers to Reserves (Restricted Assets)	29.1	19.0	16.6	19.1	16.7	16.7	16.9	16.9	17.1	17.3
	20.8	49.9	22.3	67.7	53.0	75.5	39.2	70.5	47.9	36.7
NET	-92.3	-123.1	-93.9	-142.3	-130.0	-155.2	-121.8	-156.0	-136.5	-128.4
Amount required from Rates	-107.8	-111.0	-114.4	-118.4	-122.5	-126.8	-131.2	-135.8	-140.6	-145.5

#### 4. Statement of financial position

Statement of Financial Position	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30
<b>CURRENT ASSETS</b>										
Cash and Cash Equivalents	147.5	137.0	147.7	135.6	126.4	110.0	117.9	124.9	133.8	138.6
Total Current Assets	156.0	145.6	156.5	144.6	135.5	119.3	127.4	134.6	143.7	148.6
Property, Plant and Equipment	375.3	423.8	443.5	482.2	498.3	539.4	545.4	552.3	554.1	560.4
Infrastructure	790.6	814.7	839.8	858.9	872.7	898.1	904.9	929.0	928.6	938.8
Rehabilitation Assets	17.4	16.2	20.1	18.8	22.6	21.3	25.0	23.7	27.4	26.0
Total Non-Current Assets	1,185.6	1,257.0	1,305.7	1,362.3	1,396.0	1,461.3	1,477.8	1,507.5	1,512.7	1,527.7
<b>TOTAL ASSETS</b>	1,341.6	1,402.7	1,462.2	1,506.9	1,531.5	1,580.6	1,605.3	1,642.1	1,656.3	1,676.4
<b>CURRENT LIABILITIES</b>										
Borrowings	3.9	3.8	4.7	5.7	5.7	5.7	3.2	3.2	3.2	3.2
Provisions	6.9	7.1	7.3	7.5	7.7	8.0	8.2	8.5	8.7	9.0
Total Current Liabilities	21.5	21.6	22.7	23.9	24.1	24.4	22.1	22.3	22.6	22.9
Borrowings	12.5	8.9	20.1	14.4	9.6	4.9	6.5	4.3	2.0	-0.2
Provisions	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5
Total Non-Current Liabilities	33.0	29.4	40.6	34.9	30.1	25.4	27.0	24.8	22.5	20.3
<b>TOTAL LIABILITIES</b>	54.5	51.0	62.4	57.9	53.4	48.8	48.2	46.2	44.2	42.2
<b>NET ASSETS</b>	1,287.1	1,341.2	1,388.6	1,437.0	1,465.0	1,517.2	1,540.7	1,577.4	1,591.3	1,610.6
<b>TOTAL EQUITY</b>	1,287.1	1,351.7	1,399.8	1,449.0	1,478.1	1,531.8	1,557.0	1,595.9	1,612.1	1,634.1

## 5. Equity Statement

<b>Equity Statement</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Retained Surplus	631.4	674.7	716.5	771.9	792.4	844.4	866.1	911.6	934.6	957.0
Reserves	127.4	148.7	149.9	143.7	147.4	149.0	147.5	140.9	129.2	128.8
Revaluation Surplus	528.3	528.3	533.3	533.3	538.3	538.3	543.3	543.3	548.3	548.3
<b>Total Equity</b>	<b>1,287.1</b>	<b>1,351.7</b>	<b>1,399.8</b>	<b>1,449.0</b>	<b>1,478.1</b>	<b>1,531.8</b>	<b>1,557.0</b>	<b>1,595.9</b>	<b>1,612.1</b>	<b>1,634.1</b>

## 6. Definition for Statutory KP's

	<b>Ratio</b>	<b>What it measures</b>	<b>Target standards basic level</b>
1	Current Ratio	A measure of a local government's liquidity and its ability to meet its short term financial obligations from unrestricted current assets	Ratio is equal to an expression of 1:1 or greater (e.g. 100% or 1.0).
2	Operating Surplus Ratio	An indicator of the extent to which revenue raised not only covers operational expenses, but also provides for capital funding	Ratio is between 0% and 15%.
3	Own Source Revenue Coverage Ratio	An indicator of a local government's ability to cover its costs through its own revenue efforts.	Ratio is between 40% and 60% (or 0.4 and 0.6).
4	Debt Service Cover Ratio	An indicator of a local government's ability to generate sufficient cash to cover its debt payments.	Ratio is greater than or equal to 2.
5	Asset Sustainability Ratio	An indicator of the extent to which assets managed by a local government are being renewed or replaced as they reach the end of their useful lives	Ratio data can be calculated and ratio is 90% or greater.
6	Asset Consumption Ratio	This ratio highlights the aged condition of a local government's physical assets	Ratio data can be identified and ratio is 50% or greater
7	Asset Renewal Funding Ratio	Indicates whether the local government has the financial capacity to fund asset renewal at existing revenue and service levels	Ratio data can be identified and the ratio is between 75% and 95%.

## 17. Definitions of terms

Term	Definition
Annual Budget	A statutory requirement outlining the financial estimates to deliver the Corporate Business Plan.
Asset Management Plans	Plans that guide the acquisition, use and disposal of assets to maximise service delivery while managing risks and costs over the life of the asset.
Corporate Business Plan	A local government's internal business planning tool that translates council priorities into operations within the resources available. The Corporate Business Plan details the services, operations and projects a local government will deliver over a defined period.
Equity statement	Equity is the net worth of a local government measured as the difference between the total assets and total liabilities as reported in the statement of financial position. The equity statement details equity by its various classes (retained surpluses, cash-backed reserves and revaluation reserves) and reconciles the opening and closing balances of each class of the local government's equity over the reporting period. It also provides a summary of changes in composition of the local government's equity and the causes of those changes.
Financial capital	Refers to the funding capacity of the local government as disclosed in the statement of financial position. This is usually the net difference between current assets and current liabilities.
Forecast income statement	A statement that includes revenue and expenditure projections over the 10 year life of the plan.
Infrastructure	Infrastructure assets are physical assets intended to serve the community over a long time frame and maintained indefinitely by the continuing replacement and refurbishment of its components so that service level standards are met. This includes the major asset classes such as roads, drains, bridges, footpaths, sewerage assets and public buildings.
Inter-generational equity	Achieving a fair and ethical balance of costs and benefits between present and future generations. In the local government context this refers to the expenditure on long-lived assets and infrastructure and the revenue strategies required to pay for them.
Integrated Planning and Reporting	A framework for establishing community priorities and linking these to different areas of a local government's functions.

Rate setting statement	A statement that details budgeted expenditure and revenue and shows how much rate revenue is required to cover the budget deficit. It can be in a format that includes rates as an income type based on assumptions used in developing the Long Term Financial Plan to show the extent to which planned services and assets can be funded.
Scenario modelling	Preparation of forecasts or estimates in the Long Term Financial Plan on optimistic, conservative and worst-case scenarios to understand the impact of variations in factors or assumptions.
Sensitivity analysis	Determines those factors or assumptions that if varied have greater impacts on the Long Term Financial Plan.
Statement of cash flows	A statement that shows how changes in a local government's expenses and income affect cash and cash equivalents; and breaks the analysis down to operating, investing and financing activities.
Statement of financial position	A statement that reports the value of a local government's current and non-current assets, current and non-current liabilities and equity as at a particular date, usually the end of a financial reporting period.
Strategic Community Plan	The strategy and planning document that reflects the longer term (10+ years) community vision, aspirations and objectives.
Workforce Planning	A continuous process (not a one-off activity) of shaping the workforce to ensure that it is capable of delivering organisational objectives now and in the future.

Objective	Measure	Target
1. Maintain the existing range and level of service provision whilst developing the capacity to grow and add new services	<ol style="list-style-type: none"> <li>1. Meets the targets set by the Annual Business Plan</li> <li>2. Customer Satisfaction surveys of <b>customers</b> of multiple service units</li> <li>3. Community Perceptions survey asks more 'generally' .. about</li> </ol>	

Objective	Measure	Target
	<p>maintenance of parks, roads, satisfaction with events, youth services, family services, libraries, waste</p>	
<p>2. Maintain a strong cash position, ensuring Council remains financially sustainable in the short, medium and long term</p>	<ol style="list-style-type: none"> <li>1. Meet the Current Ratio as provided by the DLGC – a measure of the Councils liquidity to meet its short term financial obligations.</li> <li>2. Meet targets contained in Reserves Forecasts</li> </ol>	<ol style="list-style-type: none"> <li>1. Current Ratio is equal to 1.0 or greater</li> <li>2. Forecasts in the LTFP are satisfied annually</li> </ol>
<p>3. Achieve operating surpluses</p>	<ol style="list-style-type: none"> <li>1. Having a surplus of funds after deducting all operating expenditure from operating revenue</li> <li>2. An indicator to which revenue raised covers operating and capital expenditures</li> </ol>	<ol style="list-style-type: none"> <li>1. Funding all income based reserve transfers.</li> <li>2. Ratio is between 0% and 15%</li> <li>3. Meets the revenue and expenditure targets outlined in the Annual Business Plan</li> </ol>
<p>4. Maintain debt/borrowing levels within prudent guidelines</p>	<ol style="list-style-type: none"> <li>1. An indicator of Council's ability to generate sufficient cash to cover its debt payments.</li> </ol>	<ol style="list-style-type: none"> <li>1. Ratio is greater than or equal to 2.</li> <li>2. In line or better than the average of other metro growth councils</li> </ol>
<p>5. Continue to pursue grant funding for strategic capital projects from the State and Commonwealth</p>	<ol style="list-style-type: none"> <li>1. Source and apply for capital grants to fund Council's Capital program as outlined in LTFP.</li> </ol>	

Objective	Measure	Target
Governments		
6. Provide for rate increases that enable appropriate capital works (asset renewal, growth/expansion & upgrade) and asset maintenance	1. Indicates Council has the financial capacity to fund asset renewal at existing revenue and service levels.	<ol style="list-style-type: none"> <li>1. Rate increases within the LTFFP's forecast</li> <li>2. Asset renewal ratio should be between 0.75 to 0.95</li> </ol>
7. Ensure value for money is a key objective in all council expenditure	1. All cash expenditure for operating and capital expenditure (apart from payroll and statutory charges) is subject to competitive market testing.	1. What is the target
8. Provide a remuneration structure that will ensure Council attracts and retains high quality staff to provide services	1. Feedback from exit interview data and annual salary comparisons (with other Councils)	<ol style="list-style-type: none"> <li>1. Exit interview data. Prevalence of salary and wage levels being an issue in the employee survey</li> <li>2. Number of job offer rejections due to salary</li> <li>3. Council is at the desired quartile when compared with basket of (sampled) councils</li> </ol>
9. Use of cash reserves to achieve inter-generational equity, smooth out year on year rate increase and reduce reliance	1. What is the measure for this objective	1. What is the target for this measure



Objective	Measure	Target
on debt		
10.Planning for the optimal funding of asset renewals and maintenance as determined within asset management plans	1. A measure to the extent to which assets managed by Council are being renewed or replaced as they reach the end of the useful life.	1. Ratio to be 0.9 or greater.
11.Improving trends in the key financial ratios	1. The seven statutory KPI's plus the Financial Health Indicator	1All measures remain or improve year on year 2. Comparison with other metro growth Councils.
12.Maximise revenue from fees and charges through full cost recovery or market pricing where appropriate	1. Own source revenue coverage ratio – ability to cover its costs through its own revenue efforts.	1. Ratio is between 40% and 60%

### 18.COVID-19 FISCAL STIMULUS – SHOVEL READY PROJECTS

Project Name	Total Cost	Funding Request
Malabar Park BMX Redevelopment	\$3.4m	\$2.0m
Frankland Park Development	\$9.6m	\$3.0m
Cockburn ARC Expansion	\$5.0m	\$2.5m
Goodchild Reserve Clubroom Upgrade	\$0.8m	\$0.8m
Dixon Park Sporting Precinct Development	\$36m	\$17.0m
Davilak Reserve Redevelopment	\$7.4m	\$4.0m
Cockburn Coast Oval Development	\$4.4m	\$2.0m
Jandakot Road Widening - Solomon Rd to Berrigan Dr	\$11m	\$3.5m

Project Name	Total Cost	Funding Request
Rockingham Road Revitalisation	\$4.0m	\$2.0m
Hammond Rd Widening - Branch Circus to Bertram Rd	\$10.5m	\$5.2m
Rowley Road/Lyon Road Intersection	\$1.4m	\$1.4m
Rockingham Road/Phoenix Road Intersection	\$1.6m	\$1.6m
North Lake Road/Discovery Drive Intersection	\$2.0m	\$2.0m
North Lake Road/Farrington Road Intersection	\$1.2m	\$1.2m
Total	\$98.3m	\$48.2m

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