

Annual Report Financial Highlights

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Annual Financial Report 2021/22

- 2021/22 Annual Report **available on the web** – annual report and financial statements in one document
 - limited number of printed copies for cost saving and sustainability purposes.
- Office of the Auditor General provided the City with an **unqualified** audit opinion.
- Overall operating result was a **\$816k** deficit which is far better than the budgeted **\$4.16m** deficit and the **\$2.16m** deficit from the previous year.
- **Operating deficit** but Council has implemented further strategies (in 2022/23 budget) to return the budget to surplus (within 3 years) in order to fund long term asset renewal and replacement. Year on year improvements since 2019/20.
- Better than expected operating result due to:
 - Increased operating revenue
 - Tight budget management
 - Reduced employee expenses
- Overall Financial Health Indicator (FHI) score of **74** compared to benchmark of **70**.

Annual Financials Improved Operating Deficit

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

STATEMENT OF COMPREHENSIVE INCOME BY NATURE AND TYPE

	Note	2021/22 Budget	2021/22 Actual	2020/21 Actual
REVENUE		\$	\$	\$
Rates revenue	23(a)	38,868,198	38,897,724	38,303,122
Fees and charges		17,077,287	18,647,938	17,407,404
Operating grants subsidies and contributions		1,591,734	2,927,636	1,632,007
Service Charges	30(a)(b)	13,595,570	13,133,286	-
Interest revenue	2(a)	684,491	679,908	856,835
Other revenue	2(a)	426,080	994,244	1,041,726
TOTAL REVENUE		72,243,360	75,280,736	59,241,094
EXPENSES				
Employee costs		(24,938,585)	(24,433,684)	(24,833,722)
Materials and contracts		(35,700,563)	(35,047,583)	(21,630,850)
Utility charges		(1,822,325)	(1,842,822)	(1,846,106)
Depreciation and amortisation	10(b)	(11,583,842)	(11,614,891)	(11,387,037)
Interest expenses	2(b)	(334,218)	(347,572)	(327,045)
Insurance expenses		(998,161)	(891,622)	(648,749)
Other expenditure	2(b)	(1,021,193)	(1,919,059)	(728,043)
TOTAL EXPENSES		(76,398,887)	(76,097,233)	(61,401,552)
TOTAL		(4,155,526)	(816,497)	(2,160,458)
Non-operating grants, subsidies and contributions		4,822,394	3,491,088	2,387,143
Profit/(Loss) on asset disposal	10(a)	165,902	(115,013)	(743,991)
Fair value adjustment to financial assets at fair value through profit or loss	5	-	9,992	6,464
Share of net profit of associates accounted for using the equity method	22	-	2,083	1,247
		4,988,296	3,388,150	1,650,863
NET RESULT		832,770	2,571,653	(509,595)

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 June 2020

STATEMENT OF COMPREHENSIVE INCOME BY NATURE AND TYPE

	Note	2019/20 Budget	2019/20 Actual	2018/19 Actual
REVENUE		\$	\$	\$
Rates revenue	24(a)	37,676,981	38,275,107	37,493,066
Fees and charges	2(a)	16,979,860	16,046,776	16,687,684
Operating grants subsidies and contributions	2(a)	1,647,921	2,494,834	1,979,844
Interest revenue	2(a)	1,510,993	1,522,400	2,022,209
Other revenue	2(a)	730,606	910,702	917,151
TOTAL REVENUE		58,546,361	59,249,819	59,099,954
EXPENSES				
Employee costs		(22,770,531)	(24,813,393)	(24,983,457)
Materials and contracts		(23,684,690)	(22,408,195)	(19,841,420)
Utility charges		(1,448,190)	(1,909,767)	(2,360,959)
Depreciation and amortisation	10(b)	(12,353,210)	(11,020,731)	(11,998,472)
Interest expenses	2(b)	(381,523)	(352,701)	(463,100)
Insurance expenses		(935,000)	(990,221)	(880,405)
Other expenditure	2(b)	(733,508)	(923,498)	(1,567,549)
TOTAL EXPENSES		(62,306,652)	(62,418,505)	(62,095,363)
TOTAL		(3,760,291)	(3,168,686)	(2,995,409)
Non-operating grants, subsidies and contributions	2(a)	4,236,998	2,331,567	2,439,613
Profit/(Loss) on asset disposal	10(a)	29,694	(11,529)	35,012
Fair value adjustment to financial assets at fair value through profit or loss	5	-	2,882	20,503
Share of nett profit/(loss) of associates accounted for using the equity method	23	-	(43,374)	24,974
		4,266,692	2,279,546	2,520,102
NET RESULT		506,401	(889,140)	(475,307)

Operating Revenue

- Overall revenue was up by **\$2.91** million year on year (excluding UGP service charges)
- Rates revenue up from **\$38.30** million to **\$38.89** million representing an increase of 1.6% year on year (representative of the modest 1% rates increase Council approved and minor growth)
- Fees and charges received up by **\$1.24** million or 7.13% year on year – predominantly golf, planning and building fees and hire of facilities.
- Operating grants and subsidies up by **\$1.29** million due to receiving Federal Assistance Grant for 2022/23 in advance.
- Net positive contribution of **Collier Park Golf Course** inclusive of Mini Golf was **\$356k (\$4.67m revenue minus \$4.31 m expenditure)**.
- Mini Golf contributed **\$259k** in revenue representing a **13%** gross return on the investment of **\$1.98m** or a **9.2%** return after depreciation is taken into account.
- Interest revenue down by about 21% due to lower interest rates for most of the FY.

Operating Expenditure

- Total operating expenditure was **\$302k** below budget at **\$76.09m** compared to a budget of **\$76.39m**
- Employee costs were **\$24.43m**, down by **\$505k** on budget and by **\$400k** on the previous year.
- Employee costs for last three years have been stable, with 2019/20 being **\$24.81m** and 2020/21 being **\$24.83m** (testimony to City efforts to tightly manage its budget).
- Excluding UGP, **materials and contracts** shows an overall increase year on year of **\$205k** (Any expenditure on UGP is recouped via the service charge on residents).
- Utility charges remained constant with the City continuing to meet a significant proportion of its needs through solar power.
- Insurance expenses increased by approximately **\$243k** or 37% year on year however the City's insurer provided a significant discount prior year due to COVID.

City Balance Sheet (Statement of Financial Position)

Assets (year on year increases)

- Total current assets increased by **\$5.93m**
- Total non current assets increased by **\$3.78m**
- The City's total assets has increased to **\$800m**
- The City's cash backed reserves increased by **\$3.05m** to a total of **\$43.34m**

Current Liabilities

- Current liabilities down by **\$5.86m** (year on year)
- City is required to recognise funds returnable to Collier Park Village residents of **\$25.17m** as a Current Liability even though only a limited number of residents will exit the village in the next 12 months.
- This liability is backed by **\$19.23m** cash reserve and asset (**the Village**) worth **\$24m**

Other Liabilities

- Non current liabilities increased **\$13.01m** (all these are **funded** and represents **NO risk**)
- Total equity increased by just over **\$2.57m**
- The City has a **very low level** of debt

The City's Borrowings

The City continues to have **low levels of debt** – debt service coverage ratio is **11.47** compared to DLGSC benchmark of **2.00**

City's additional borrowing capacity is approximately **\$30m (conservatively calculated)**

Only loans outstanding are with WA Treasury Corp (WATC):

Collier Park Golf Course (upgrade Island 9 Hole Course)	\$1.72m
Manning Community Facility (balance of construction)	\$3.82m
Collier and Manning UGP (funded by service charge)	\$10.55m (by EOFY 26 zero)
South Perth Bowling Club (self supporting loan)	\$325k
Total Outstanding Borrowings	\$16.41m

All borrowings are fully disclosed in the audited Annual Financial Statements.

The City's Borrowings

ANNUAL FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

16. INFORMATION ON BORROWINGS

16(a). Borrowings

	2021/22 Actual	2020/21 Actual
	\$	\$
Current	3,162,535	615,148
Non-Current	13,251,730	5,868,657
Total Borrowings	16,414,265	6,483,805

The City's Borrowings Detail

16(b). Repayments on Borrowings

	Institution	Interest Rate	Budget Principal 1st July 2021	2021/22 New Loan	2021/22 Budget Principal Repayments	2021/22 Budget Interest Charges	Budget Principal Outstanding 30 June 2022	Actual Balance 1st July 2021	2021/22 New Loan	2021/22 Actual Principal Repayments	2021/22 Actual Interest Charges	Actual Total Repayments 30 June 2022	Balance 30 June 2022	Current	Non Current	Actual Balance 1st July 2020	2020/21 Actual Principal Repayments	2020/21 Actual Interest Charges	Balance 30 June 2021
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Purpose																			
Recreation and Culture																			
227 - Collier Park Golf Course	WATC*	4.97%	2,079,401	-	355,488	109,513	1,723,913	2,079,401	-	355,488	109,513	465,001	1,723,913	373,564	1,350,349	2,417,689	338,287	112,522	2,079,402
Total Golf Course Loans			2,079,401	-	355,488	109,513	1,723,913	2,079,401	-	355,488	109,513	465,001	1,723,913	373,564	1,350,349	2,417,689	338,287	112,522	2,079,402
225 A - Municipal Works	WATC*	5.48%	-	-	-	-	-	-	-	-	-	-	-	-	-	252,663	252,663	7,563	-
225 B - Municipal Works	WATC*	4.02%	-	-	-	-	-	-	-	-	-	-	-	-	-	129,834	129,834	2,844	-
231 - Municipal Works	WATC*	3.21%	4,032,737	-	212,763	140,626	3,819,974	4,032,737	-	212,763	153,869	366,632	3,819,974	219,694	3,600,280	4,238,786	206,050	133,051	4,032,736
Economic Services																			
Collier UGP	WATC*	2.98%	-	5,216,602	-	26,083	5,216,602	-	5,216,602	-	33,466	-	5,329,007	1,273,568	4,055,440	-	-	-	-
Manning UGP	WATC*	2.98%	-	5,329,007	-	26,645	5,329,007	-	5,329,007	-	32,760	-	5,216,602	1,246,704	3,969,898	-	-	-	-
Total City Loans			4,032,737	10,545,609	212,763	193,354	14,365,583	4,032,737	10,545,609	212,763	220,095	366,632	14,365,583	2,739,965	11,625,618	4,621,283	588,547	143,458	4,032,736
Self Supporting Loans **																			
Recreation and Culture																			
228 - South Perth Bowling Club	WATC*	4.65%	43,113	-	5,820	2,191	37,294	43,114	-	5,820	2,174	7,994	37,294	6,095	31,199	48,670	5,557	2,167	43,113
229 - South Perth Bowling Club	WATC*	4.42%	265,879	-	34,589	25,575	231,290	265,879	-	34,589	12,863	47,452	231,290	36,143	195,146	298,980	33,101	12,671	265,879
230 - South Perth Bowling Club	WATC*	4.22%	62,675	-	6,489	3,586	56,186	62,675	-	6,489	2,927	9,415	56,186	6,768	49,418	68,896	6,221	2,788	62,675
Total Self Supporting Loans	WATC*		371,667	-	46,897	31,352	324,770	371,667	-	46,897	17,964	64,861	324,770	49,006	275,763	416,546	44,879	17,626	371,667
Total Loans			6,483,805	10,545,609	615,148	334,219	16,414,266	6,483,805	10,545,609	615,148	347,572	896,494	16,414,266	3,162,535	13,251,730	7,455,519	971,713	273,607	6,483,806

* Western Australia Treasury Corporation

** Self supporting loans are financed by payments from third parties. These are shown in Note 5 as other financial assets at amortised cost. All other loan repayments were financed by general purpose revenue.

Summary

- The City of South Perth has continued to improve its financial position for the Financial Year ended June 2022
- The City's Financial Health Indicator (FHI) at 74 is above the Benchmark set by the Department of Local Government
- Council and Administration have worked together implement strategies to further improve the City's financial position and return to an operating surplus - which allows for investment in the City's assets
- Salaries and Wages cost have remained stable over the last three years
- Efforts to reduce expenditure growth have been successful
- The City continues to have low levels of debt (debt service ratio of 11.47)