10-Year Financial Outlook

2024-2034

City of Port Phillip ASSIST
03 9209 6777 portphillip.vic.gov.au/contact-us

1. Contents

2. Overview and Context

2.1 Background

Financial sustainability is a key objective of the City of Port Phillip (Council), as a sound financial base to continue to deliver valued services to the community. The 10-Year Financial Outlook (the Outlook) supports Council to achieve financial sustainability. The Outlook also provides the context within which the Council can formulate the Council Plan, Long Term Financial Plan, and Budget and enable the Council to plan for the financial impacts of growth.

The Outlook demonstrates the long-term financial implications of Council's revenue and expenditure projections and is prepared and revised annually to reflect the changing environment within which Council operates. This includes consideration of the information gathered internally as well as the significant external factors that impact on Council at any point in time. The financial resources outlined in the Outlook are used to deliver council services and strategic initiatives as outlined in the Council Plan 2024-2034.

2.2 Key Outcomes of the Outlook

Council recognises the rising community concern regarding the affordability of Council services, with rates and other essential services forming an increasing share of average household expenditure. The community's expectation for better value in Council service delivery has been reflected in Council's decision making. The Victorian Government has also responded to the affordability concerns of the community by capping rate increases from 2016/17, which set the maximum rates increase in line or below the forecast Consumer Price Index (CPI).

Last year, council endorsed a 2.8 per cent rates increase, which was 0.7 per cent lower than the Victorian Government rates cap. This has been achieved through a continued strong focus on prudent financial management, careful prioritisation and commitment to productivity and efficiency. This reduction in general rates increase was funded from the favourable 2022/23 budgetary items including parking income, investment income and council reserves that will be provided in 2023/24 in recognition of the of the cost-of-living pressures that our community are facing.

The updated Outlook includes a rates cap challenge of $100 million (base case) before efficiency savings, which is an increase of $17 million on current 10-Year Financial Plan. This is mainly due to the cumulative impact of rising inflation and tender outcomes causing Councils expense base to grow faster compared to growth in rates. Council is continuing to put in place initiatives to ensure that its services are delivered in the most efficient and effective manner possible. These initiatives include an ongoing drive for efficiency savings. Embedded in the Outlook are efficiency saving targets between $1.9 million to $2.4 million, at 1% of recurrent operating expenditure (less depreciation) over the 2024-2034 period.

However, it is unlikely the rates cap challenge will be fully addressed with the above strategic levers. Service prioritisation and delivery will need to be considered as an additional lever. In developing Budget 2024/25 Officers will complete detailed review to identify either additional efficiency savings, service reduction options and a review of the project portfolio. This will be essential to mitigate the risk of inflation continuing to trend above the rates cap for 2024/25 while also providing options to either increase general rates and waste charges by less than the rates cap for 2024/25. Alternatively, this may create additional capacity in the budget for any service level changes or improvements identified during the budget process. This is an essential process required to achieve prudent financial management while also prioritising the delivery to Council existing projects and services.

2.2.1 Outlook Scenarios:

Officers have prepared three Outlook scenarios which included key projects and strategies that Council are yet to endorse but have significant impacts on our financial position:

- Scenario one is the base case updated with updated assumptions a 3.4 per cent rates increase (aligned to CPI projections), mandatory changes and council decisions.
- Scenario two adds onto scenario one with a lower rates increase in year one of 3.0 per cent (2024/25).
- Scenario three adds onto scenario one with a zero per cent rates increase in year one (2024/25)

The following table provides an overview of the three scenarios and the impact that they have on the accumulated rates capping challenge. Noting that the accumulated rates capping challenging is before the inclusions of efficiency saving which are embedded in the assumptions of the Outlook.

Rates capping challenge	2024/25	2025/26	2026/27	2027/28	2033/34
Base Case - Rates cap links to CPI (Deloitte Access Economics)					
Projected rate increase	3.40%	2.90%	2.60%	2.60%	2.70%
Accumulated rates capping challenge	($3.0m)	($6.1m)	($11.7m)	($19.1m)	($100m)
Scenario two – Base Case with a 3.0% rates increase in year one (2024/25)					
Projected rate increase	3.00%	2.90%	2.60%	2.60%	2.70%
Accumulated rates capping challenge	($3.5m)	($7.2m)	($13.4m)	($21.4m)	($110m)
Scenario three – Base Case with 0% rates increase in year one (2024/25)					
Projected rate increase	0.00%	2.90%	2.60%	2.60%	2.70%
Accumulated rates capping challenge	($7.5m)	($15.3m)	($38.7m)	($53.4m)	($161.0m)

Other aspects of the Outlook, such as expenditure and other revenue are based on Council's business as usual planning (refer to section 6 Financial Statement for more details).

Several other priorities will be considered for development during the budget process for 2024/25. They are not included in the financial outlook (or modelled as scenarios) as they require further development. Some of these key items include the outcome of the proposed funded aged care service changes, further Fishermans Bend Urban Renewal Area uplift, St Kilda Triangle works beyond feasibility studies and establishment of an emergency fund for unforeseen community requests.

2.2.3 Financial Strategy

Rates capping continues to be a major challenge to Council (and the whole sector) and has required fundamental changes to the way Council operates. Council's approach to meeting this challenge is outlined below. Over the next 10 years, we will face many challenges that require strong financial leadership and creative solutions to overcome them. Our Financial Plan 2023-33 adopted in June 2023 included a cumulative $83 million funding gap due to rate capping. This gap has increased by $17 million to $100 million.

Our financial strategy is to closely monitor the affordability of services and recognise ongoing community concerns about the financial impost of rates and the cost of other essential services. As such, we are not planning to apply for a rate increase above the rates cap over the life of the Outlook. We plan to balance the budget and close the rates cap gap by adjusting the following strategic levers:

1. **Delivering efficiency and cost savings**
   The community's expectations for better value service delivery are of primary concern to Council. Council's recent history of productivity (doing more with the same resources) and efficiency (doing more or same with less resources) has achieved cumulative savings of over $91 million since the introduction of rates capping in 2016/17.

   Embedded in the Outlook are efficiency saving targets between $1.8 million to $2.1 million, 1% operating expenditure (less depreciation) over the 2024-2034 period. A $1.8 million target has been set for the Budget 2024/25.

   Key initiatives to deliver these savings include a service review program to better define service requirements and target support, a commitment to better practice procurement and asset management, the sale of surplus properties, and investment in business process and system improvement.

   We are continuing to invest in transforming our outdated technology to ensure our services remain relevant, convenient and responsive to our ratepayers as we move into the digital age whilst maintaining our face-to-face service delivery. We expect to see a more efficient organisation which addresses the issues associated with ageing legacy systems (limited integration, system inflexibility to cater for fast-changing business needs, data quality and duplication issues).

2. **Appropriate use of borrowings and reserves**
   We will have a prudent and fiscally responsible approach towards the use of new debt for strategic property acquisitions, funding community capital works or operating projects that will provide inter-generational community benefit and work that deliver revenue streams to repay debt. Borrowing will not be used to fund ongoing operations.

   Borrowing will be reviewed annually as part of the budget process and as needed for large significant projects. We can borrow up to $90 million and remain achieve a low-risk indebtedness indicator. We use reserves where appropriate to invest in one-off new or improved assets where this is considered more efficient than the use of debt.

   We maintain general reserves at levels sufficient to ensure operational liquidity. Reserves may be built up over time to part-fund large capital projects where this is considered more efficient than the use of debt. General reserves are an internal source of borrowing for projects that will benefit future generations or projects that pay for themselves over the long-term, such as the Energy Efficient Street Lighting Upgrade on Major Roads. Five per cent of Fishermans Bend derived rates are ring-fenced in the Municipal Growth Fund to be invested in Fishermans Bend. We will continue to use open space contributions for investment in parks and foreshore open space assets.

   Progressive build-up of the St Kilda Marina and Foreshore Reserve, funded from significantly increased rental returns following the successful leasing process, to ensure funds are available to maintain the foreshore precinct over the long term. This reserve will be used as internal borrowing in the short term to fund the works required at the St Kilda Marina precinct. This arrangement has been setup for the Palais Theatre Reserve.

3. **Careful management and prioritisation of expenditure**
   We undertake a rigorous and robust budget setting process each year, including a line-by-line review of operating budgets and proposed projects to ensure alignment with strategic priorities and best value. Performance is monitored closely throughout the year with forecasts updated monthly and quarterly financial reviews for Council endorsement.

   In addition to the disciplined budget setting and expenditure monitoring, the strategy in the Outlook provides a base average of $5.6 million per annum for operating projects. Our focus on improved asset management sees investment prioritised on assets most in need of intervention rather than those in relatively good condition. This translates to an increase in spending on buildings, drainage and technology over the Outlook period, partially offset by reducing road and footpath renewal budgets.

   We will consider service delivery options, including fundamental changes to the way services are targeted and delivered and consideration of service level reductions in areas of lower strategic priority.

4. **Setting fair and appropriate user charges**
   The annual budget process includes a thorough review of user charges to ensure they remain affordable, fair, and appropriate. We believe that those who directly benefit from and/or cause expenditure should make an appropriate contribution to the service balanced by the capacity of people to pay.

   The Outlook links user fee increases to CPI plus 0.25% over 2024-2034 period. The application and impact of this policy setting will be viewed annually to ensure affordability and fairness.

This Outlook has seen the funding gap increased by $17 million to $100 million. Officers believe the increased challenge is unlikely to be addressed by the above strategic levers. Other options will need to be considered including:

Service prioritisation and delivery - Difficult decisions on service prioritisation and delivery could be an option to maintain financial sustainability. A change of this nature will require a conversation with our community. This is considered annually as part of the budget process.

2.3 Financial Outcomes

Council decision making continues to have reference to principles of sound financial management to ensure Council's finances remain prudent and sustainable. This Outlook outlines the Council principles by which financial resources are managed to support financial sustainability.

This Outlook assesses Council financial performance using key financial indicators. Refer to Section 7 for the performance over the 10-year outlook.

Cash surplus/deficit – This is a measure of the cash inflows from all sources of revenue and the cash outflows for all expenditure (capital and operating expenditure both included). The Outlook presents a balanced budget over the 10-year planning horizon. However, it is important to note that Council will have to make significant financial savings to meet the rate capping challenge.

Borrowings – No further investment has been incorporated in this Outlook for Fishermans Bend beyond the investments in existing asset portfolio due to the uncertainty associated with the future investment profile. It is most likely that investment for growth in the municipality will require the prudent use of Council borrowing. Council has the capacity to borrow up to $90 million and achieve a low-risk rating in accordance with VAGO's financial sustainability risk assessment. The Outlook assumes no borrowings.

Working Capital – This is a measure of current assets to current liabilities in determining the Council's ability to pay existing liabilities that falls within the next 12 months. The outlook is expected to remain above 100%, however when depend highly on the delivery of Council's capital program.

Renewal Gap – This measures the spending on existing assets through renewal and upgrade compared to depreciation. A ratio of 100% or higher indicates spending on existing assets is faster than the rate of asset deterioration. The Outlook presents a significant investment portfolio over the 10-year planning horizon on existing assets. This recognises the underspend in past financial years, where they have been below 100% and the need for upgrades driven by safety (BCA) and accessibility (DDA) legislation.

2.4 Climate Change and Renewing Community Assets

Council owns and controls a wide variety of assets ranging from land and buildings to roads, drains, footpaths and open space improvements. The total value of Council's fixed assets is $3.5 billion and is largely the product of investment by prior generations in the municipality. Consistent with the trend across the local government sector, Council is facing escalating costs to maintain and renew its ageing asset base.

Much of the City is only one to three metres above sea level and therefore vulnerable to the impacts of climate change. It is expected that flooding of coastal properties and public amenities, storm damage to infrastructure and beach erosion are examples of climate change impacts. In responding to climate change, upgrading and renewing our assets will need to be designed and built to suit. This means additional costs.

Most recently Council has endorsed the Act and Adapt Strategy 2023-28 on 1 November 2023. The strategy established a pathway to transition Port Phillip into a greener, cooler, more liveable city with lower carbon emissions, a water sensitive city that is adapting and resilient to climate change and with a sustained reduction in waste. Delivering the objectives of this strategy will be form part of the budget development process for 2024/25.

This Outlook considers the increasing renewals expenditure due to an expanding asset base, as well as cost escalation for delivering renewals and the impacts of climate change. A major focus of Council is to continue to improve its asset planning and management capability. The risk of insufficient asset renewal investment is that assets deteriorate much faster than necessary, costing Council more in the long run and potentially compromising service levels.

2.5 Impacts of State, Commonwealth and International Government Legislation and Policy

The transfer of responsibilities and costs from other levels of Government to councils has been well documented and continues to be a significant issue for the City of Port Phillip. Types of 'cost shifting' and additional taxes that currently impact Council are:

- Significant increases in Workcover insurance premium rates increasing the costs of council operations.
- Transfer of the Cladding Risk Mitigation Framework to Local Governments (Minister's Guideline 15)
- Legislation imposed on Council to perform Swimming Pool audits.
- Amendments to the Road Management Act 2004 shifts the responsibility of bridges to be maintained and renewed by Councils. The Outlook has an $4.6 million capital expenditure on Broadway Bridge renewal. Other bridges are to be renewed based on Asset Management Plan.
- Electrical Line Clearance Regulations 2020 requirements (tree pruning and other engineered solutions to stop occurrence of fire from electrical line) resulting in additional $4.5 million of expenditure added in previous budgets.
- The indirect impact of Government policies that formally or informally transfer service responsibility to Council, for example Council currently allocates resources to supporting social housing ($500,000) p.a., a public policy area that in many respects should be the responsibility of State and Commonwealth Governments
- The introduction of the congestion levy, which is being partly funded by a contribution of rates revenue to mitigate the significant negative impact on visitation and trade in the areas where the levy applies (in addition to an increase in parking fees).
- Additional capital expenditure budget will be required to ensure Council buildings are compliant in accordance with the Disability Discrimination Act and Building Code Compliance.
- Heightened awareness of acts of terrorism in public places require stricter Emergency Management resourcing. Greater proactive capital investments such as bollards and CCTV may be required to keep our community safe.
- The Environment Protection Amendment Act 2018 includes the introduction of new compulsory duties to report contamination to the Victorian Environment Protection Authority and manage site contamination. Council officers are working to develop a Site Contamination risk Assessment Matrix and determine its financial impact.

2.6 Rapid Evolution of Technology

The world is becoming more connected. People, businesses and governments are increasingly moving online to connect, deliver and access services, obtain information and perform activities like shopping and working. Technology is also changing the way our residents work, particularly so with the last impacts of the COVID pandemic which has led to greater workplace flexibility into hybrid office and work from home approaches.

We can expect increasing demand for council services to be delivered online, and engagement through social media and other digital means. We will need to respond to this demand and think about how we operate and support people to connect with Council, particularly those who have limited online access and/or digital literacy. The digital shift will reshape how we deliver services and engage our community in decision making.

Technological advances also present opportunities for Council to consider new methods of service delivery, such as electronic parking management, that have the potential to offer efficiencies and improved community outcomes. New technologies will enable our workforce to be more mobile and deliver services that support community health and wellbeing where, when and how they want them.

Investment in the technology requires upfront investment with payback from ongoing efficiencies and savings. Rapid change not managed properly can lead many issues that impact on services to customers, staff morale and process inefficiencies. Over the life of the Outlook, we will continue to invest in technology to transform into the digital space and offer a greater and better customer experience.

2.7 Infrastructure and Asset Management

Council's infrastructure and asset management strategy is supported by the following principles:

- Council is committed to spending what is required to renew and enhance its asset base to ensure its ongoing fitness for use. The capital budget considers expected asset deterioration, increased asset utilisation (capacity requirements) and technology development.
- Renewal of existing assets is generally funded from the depreciation expense that is provided each year. This needs to be applied to the different asset subsets (drainage, roads, buildings and land improvements) to ensure consistency across the entire network of assets that Council manages.
- Maintenance of capital expenditure at levels that will replenish existing assets is a higher priority than debt reduction and investment in new assets, as asset funding shortfalls will transfer the liability to future generations.
- Asset acquisitions and capital works projects are funded from rate revenue, reserves, sales of existing assets, government grants or external borrowings.
- Council's investment and asset management strategies, purchasing arrangements and other financial tools should encourage environmental responsibility.

Key infrastructure renewals planned within the 10-year Outlook include:

- Childcare Centre Improvement program including Council investment of $18 million in addition to $12.6 million from the Victorian Government.
- South Melbourne Market 'Next' Project will address how we can best secure the long-term success of South Melbourne Market for Council, continue to attract the best traders, enhance the local community asset, and create a financially sustainable, 'must visit' unique experience for regional, interstate and international visitors.
- Elwood Foreshore Facilities Development Stages including masterplan development to ensure that the foreshore remains a high-quality public and natural place.
- South Melbourne Town Hall Renewal and Upgrade involving major restoration and renewal works to bring the 140-year-old building back into operation.

3. Financial Sustainability

Despite being in a relatively strong financial position, rates capping introduced in the 2016/17 financial year presents a significant threat to Council's financial sustainability. This Outlook outlines the extent of that challenge.

As outlined above, to maintain financial sustainability in the face of this challenge, Council is fundamentally reviewing its approach to service delivery. In doing so, Council will continue to consider the principles of sound financial management prescribed in the *Local Government Act 1989* in the process of meeting the rates capping challenge, being to:

- prudently manage financial risks related to debt, assets and liabilities
- provide reasonable stability in the level of the rates burden
- consider the financial impacts of Council decisions on future generations
- provide full, accurate and timely disclosure of financial information.

To support financial sustainability, Council has its own financial principles which aim to ensure continued operating viability, sustainable funding of assets and the ability to absorb the impact of unexpected budget shocks. These are outlined in the table below.

Financial principles	Measures	
1. City of Port Phillip will have fair, affordable and stable revenue and financing mechanisms	1	Funding is prioritised towards achieving Council strategies and priorities and in accordance with key policies
	2	The distribution of costs and revenues be fair and reasonable with a level of consistency in treatment
	3	The capacity of people to pay will be considered in determining the appropriate mix of funding mechanisms
	4	Where benefits from an investment are to be enjoyed across future generations, those future generations should contribute to the cost
	5	Those who directly benefit from, or cause expenditure will contribute towards its funding
	6	Funding mechanisms will be transparent, practical to implement and not involve unreasonable transaction costs
	7	Growth in universal services will be funded through growth in the rates and broader revenue base associated with growth
	8	Rate revenue will remain at a stable percentage of total underlying revenue (target between 60% and 65% of total

Financial principles		Measures
		underlying revenue) and other revenue will be strengthened over the medium term to reduce reliance on rate revenue.
2. City of Port Phillip will have an ongoing sustainable and balanced budget and ideally a small cash surplus.	9	Expenditure on operating activities will be in line with or lower than income from operating activities, producing a surplus. Any surplus achieved will be used to repay debt or carried over to subsequent years.
	10	Net cash outflow from operational activities, capital activities and financing activities will be in line with or lower than cash inflow from operational activities, producing a cash surplus. A positive cash surplus balance any budgeted year is targeted.
	11	Net cash flow from operations is to generate sufficient cash to fund capital works over the long term. Internal financing ratio to be greater than 100%.
3. The City of Port Phillip asset base will be maintained, enhanced and expanded.	12	The total pool of assets will increase in value each year – excluding the effect of any revaluation adjustments and sale of assets of lower strategic value.
	13	Capital Expenditure compared to depreciation is to be greater or equal to 150% over a medium to long term planning horizon.
	14	Assets will be managed in accordance with community need, optimum utilisation and long-term efficiency.
	15	Capital expenditure on existing assets (asset renewals and upgrades) will be higher than depreciation over a medium to long term planning horizon.
4. Capital will be managed in the most efficient manner possible.	16	General reserves will be maintained at levels sufficient to ensure operational liquidity. Working Capital Liquidity Ratio (current assets compared to current liabilities) is to be at least 100%.
	17	Council will consider new loans for strategic property acquisitions, funding community capital works projects that will provide inter-generational community benefit and work that deliver revenue streams to repay debt.
	18	Prudent use of debt shall be subject to and achieving the following metrics. • Indebtedness ratio (non-current liabilities compared to Own Source revenue) is to maintain below 40%.

Financial principles		Measures
		• Loans & Borrowings compared to rates is to maintain below 70% • Loans & Borrowing repayments compared to rates is to maintain below 20%.
	19	Reserves may be built up over time to enable Council to part fund periodic large capital expenditure items where this is considered more efficient than the use of debt.
5. City of Port Phillip will proactively develop and lead an efficient and effective organisational culture.	20	To deliver better value to our growing community, Council will support the development of policy and practice in the workplace to increase organisational innovation, effectiveness and efficiency.
	21	The organisation will target delivery of productivity and efficiency savings of greater than 1% of operating expenditure less depreciation per annum.

In addition to the principles of sound financial management outlined above, Council is guided by several key strategies that guide its financial decision making. The principles behind these strategies are outlined below. We also use the Victorian Audit General Office (VAGO) financial indicators to measure our financial sustainability risk. Our strategy is to ensure we achieve an overall low risk rating. The Outlook shows we expect to be financially sustainable with an overall low risk rating. Refer to Section 8 for the performance over the 10-year outlook.

3.1 Revenue and Rating Strategy

1. Rating Strategy 2022-25

Council's main revenue source is assessment rates on properties in the municipality. The City of Port Phillip Rating Strategy 2022-25 was significantly updated in 2022. Council's rating strategy is supported by the following principles:

- Local government rates are levied in accordance with a ratepayer's capacity to pay as measured by the Capital Improved Value (CIV) of property owned within the municipality.
  - Rates levied are therefore directly proportional to the CIV of individual properties.
  - Other measures such as concessions, deferral of rate payments and other discounts to fees and charges will be applied by Council to address equity and access issues.
- Differential rating has been adopted for three different types of properties (residential, commercial and industrial) with a higher rate set for commercial and industrial properties compared to residential properties.
- Waste charges to recover the cost of waste services that are direct or provide private benefits (such as kerbside collections; communal food organics and garden organics and glass recycling; hard and green waste collection; and Resource Recovery Centre operations).
- Special rates are levied against retail tenants in various shopping precincts and this rate income is then distributed to centralised trader associations to spend on the improvement of the shopping strip for the benefit of all traders.
- Rate concessions for recreational land in accordance with the Cultural and Recreational Lands Act 1963, provision is made for a Council to grant a rating concession to any 'recreational lands' that meet the test of being rateable land under this Act.
- Council is committed to providing targeted support for the financially disadvantaged in the community through the thoughtful use of:
  - Deferred rates payments
  - Interest and rates waivers for extreme financial hardship circumstances
  - Pensioner rebates for rates (including a supplementary City of Port Phillip sponsored rate rebate). The City of Port Phillip is one of few councils that provide a pensioner rate rebate in addition to the State Government pensioner rate rebate.
  - A compassionate approach to debt management

2. Non-Rate Revenue

Our non-rate revenue strategy is supported by the following principles:

- Universal services are funded from the broadest forms of income - rates and parking revenue.
- User fees are reviewed annually part of the annual budget process to ensure affordability and equity. A general increase of CPI plus 0.25 per cent is proposed in line with our financial strategy.
- Fees for subsidised services provided by Council in a market, such as childcare and aged care, will be based on a clearly articulated policy position. To achieve equitable outcomes, these services will be funded through a mix of user charges, government grants and rates.
- Specific individual regulatory services such as, but not limited to, animal licences, parking permits and planning permits will be funded, where possible, through user charges (some may be set by statute) and otherwise through rates.

- Council will pursue grants where possible. Being an inner metropolitan council and with a relatively sound financial position, we are unlikely to see a significant boost to grants revenue. Advocacy is a key focus in seeking to access grants where relevant.
- Developer contributions (cash or land) are currently set at eight per cent of site value for Fishermans Bend Urban Renewal Area and five per cent for the rest of the municipality. We will review and consider a new Development Contribution Plan where appropriate. This is an important source of funding for investments in parks and foreshore open space assets.
- In accordance with our Property Policy, rent will be charged at market value for commercial properties. Peppercorn (minimum) rent may be charged to community groups that use Council properties to deliver:
  - a) community services aligned with Council's goals and priorities;
  - b) significant community benefit to the City;
  - c) have no capacity to generate income.
- We will invest the community's funds in accordance with the Act and our Investment Policy. Our investments with authorised deposit institutions will balance the objectives of capital preservation, maintenance of liquidity, investment return targets and corporate social responsibility. We aim to achieve average yield at the 90 day bank bill swap rate plus 50 basis points.

3.2 Use of Borrowings

Council's borrowings strategy is supported by the following principles:

- Borrowings will not be used to fund ongoing operations.
- A prudent and fiscally responsible approach will be applied in considering any proposals for new debt to deliver Council objectives.
- Where debt is increased, the servicing costs ideally need to be funded from future revenue streams or cost savings that can be expected from the investment of the funds raised.
- Borrowings are also appropriate for the purpose of funding large non-recurrent capital works projects that can be expected to provide benefits to future generations.
- Debt will be managed as part of an efficient capital management policy and repaid when it is prudent to do so.

4. Financial Resource Planning Assumptions and Risks

4.1 Financial Assumptions

The Outlook is updated annually following a review of internal financial results and changes in the external environment. Following this, scenario analysis is performed to test key assumptions and to prepare a ten-year forecast that best represents Council's expected financial performance given those assumptions.

The financial information used for 2024/25 (the base year) is based on Council's September 2023 forecast. The revenue and expenditure associated with growth has been separated from all other Council activities for the purposes of this Outlook. The assumptions associated with growth are included in the 'Planning for growth' section below.

A detailed explanation of planning assumptions is provided below.

Assumption	Rationale				
Consumer Price Index (CPI)	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2033/34**
	3.40%	2.90%	2.60%	2.60%	2.50%
	Based on the September 2023 forecast from the Deloitte Access Economic Business Outlook for the Victorian Consumer Price Index.				
Growth in the rate base	1.3% per annum based on latest population growth data from Profile ID and Fisherman's Bend Taskforce discounted by 50% until 2025/26 to respond to the economic impact of COVD-19				
Waste Charge	Recover the cost of Council direct waste services.				
Parking revenue	Parking fees is linked to CPI plus 0.25% (3.65%) per annum and fines by 2.0% per annum due to uncertainty.				
User fees and charges	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2033/34**
	Increased by CPI plus 0.25%.				
Open space contributions	Based on long term average of $4.0 million per annum. Development Contributions Plan for Fisherman's Bend assumed to commence in 2024/25 which means Council will not receive Open Space Contributions, therefore contributions reducing.				
Government grants	Recurrent Operating Grants are expected to continue indexed with CPI. Some specific capital grants are in the next four years and outyears are provisional based on historical trends.				

<table>
<tr><th>Assumption</th><th colspan="5">Rationale</th></tr>
<tr><td rowspan="3">Interest received</td><td>2024/25</td><td>2025/26</td><td>2026/27</td><td>2027/28</td><td>2033/34</td></tr>
<tr><td>3.80%</td><td>3.57%</td><td>3.45%</td><td>3.41%</td><td>2.99%</td></tr>
<tr><td colspan="5">Based on the September 2023 Deloitte Access Economic Business Outlook forecast for the 90-day bank bill rate plus 50 basis points.</td></tr>
<tr><td>Employee costs</td><td colspan="5">As per City of Port Phillip Enterprise Agreement until 30 June 2025. The Outlook assumes future annual increases linking to the annual rates cap.</td></tr>
<tr><td>Contract services, utilities, professional fees, materials and other expenditure</td><td colspan="5">• Increased by CPI or contractual arrangements.
• Provision for greater than CPI growth in high-risk contracts such as waste, utilities and insurance.
• An additional CPI provision of $0.5 million has been include as projected CPI forecasts have been lower than actual CPI in previous years.</td></tr>
<tr><td>Service growth</td><td colspan="5">The cost-of-service growth is equivalent to the increase in rates revenue attributable to increase in the rates base (that is, it is assumed that the benefit of new assessments is wholly offset by the cost to service them).</td></tr>
<tr><td>Depreciation</td><td colspan="5">Depreciation has been increased as a product of new assets being created consistent with the planned capital program.</td></tr>
<tr><td>Operating projects</td><td colspan="5">Total operating projects to be capped to $5.6 million from 2025/26 and adjusted for annual CPI.</td></tr>
<tr><td>Capital projects</td><td colspan="5">Capital projects consistent with the detail planned over the Strategic Resource Plan. Annual capital project budgets will target renewal gap ratio greater than 100% and capital replacement ratio greater than 150%.</td></tr>
<tr><td>Borrowings</td><td colspan="5">Council review borrowing as part of developing the Council Plan and Budget. The prudent use of borrowing is to be consistent with Council principles for the purposes of smoothing out major financial shocks, inter-generational significant capital projects and for growth related capital projects.</td></tr>
<tr><td>Reserves</td><td colspan="5">The use of reserves remains consistent with past practice. This includes the following assumptions:
• open space receipts and out-goings are equivalent (each year)
• sustainable transport reserve receipts and out-goings are equivalent (each year)
• proceeds from sale of non-strategic properties are quarantined in reserves for future strategic property acquisitions.
• Where appropriate, unspent capital budgets will be quarantined to the asset renewal reserve to fund future capital investments.
• Five percent of Fishermans Bend rates to be set aside in the Municipal Growth Reserve for new/growth infrastructure (to be reviewed subject to the Fishermans Bend funding and financing plan.</td></tr>
</table>

4.2 Financial Risks

Council's most significant financial risk is the impact of rates capping. The approach to managing this risk is outlined above. In addition to rates capping, several other financial risks exist, including:

Key Financial Risk	Probability	Consequence	Risk Rating	Mitigation	Residual Risk
Fishermans Bend funding gap	Almost certain	Extreme	Catastrophic	Officers actively involved in the funding plan. Council will only be the development authority at an individual project basis where the project funding risk to Council is considered immaterial. Reserve increase by $7.5m to $15m	High
Site contamination on Council land (owned and managed)	Almost certain	Major	High	Council endorsed Site Contamination Management Policy. Proactive assessment of land over which Council has management or control will inform planning of works and assist in the prevention of major financial impacts.	Medium
Rates cap lower than Consumer Price Index (CPI)	Possible	Major	High	A 0.1 per cent lower than the CPI = $130,000 per annum. A 1 per cent reduction in the first year (2022/23) will reduce rates income by $15 million over the life of the 10-Year Financial Plan. Our financial strategy will be reviewed, and financial levers adjusted to ensure financially sustainable.	Medium

Key Financial Risk	Probability	Consequence	Risk Rating	Mitigation	Residual Risk
State Government planning reforms and lower property development than projected	Almost certain	Major	High	Our financial strategy will be reviewed as part of budget development, and financial levers adjusted to ensure we are financially sustainable. Planning fees and charges and service delivery to be reviewed as part of budget development.	Medium
Resource Centre upgrade or relocation	Likely	Major	High	Officers are continuing to developed options which will be considered as part of future yeas budget process.	Medium
Aged care reforms	Almost certain	Major	Medium	The Australian Government has undertaken aged care reform. After reviewing our current services, we found it's not possible for Council to meet the new requirements for in-home services. A proposed new model of community-based service delivery has been developed and is current out of community consultation with a report and recommendation to be presented to Council is February	Medium
Legal liabilities with associated financial risk	Possible	Major	Medium	Council is managing a number of contractual disputes for defective construction works and debtor recovery. Each claim is being managed carefully for both reputation and financial risk.	Medium

Key Financial Risk	Probability	Consequence	Risk Rating	Mitigation	Residual Risk
Construction costs due to high levels of construction works	Likely	Moderate	Medium	The Australian and Victorian Governments are heavily investing in local infrastructure in the short-to-medium terms likely to impact on construction costs. Officers are factoring the additional costs in developing budgets.	Medium
Future unfunded defined benefits superannuation call occurring	Unlikely	Moderate	Medium	Superannuation Board monitors the Vested Benefits Index on a quarterly basis to avoid material shortfall calls. Some cash reserves can be drawn down in the short-term and replenished over the long-term.	Medium
Enterprise Agreement Renewal	Possible	Major	Medium	Risk that future Enterprise Agreements are above rate cap.	Medium
Joint Venture (Albert Park Tennis/Hockey Club) Financial Performance and Asset Renewal	Likely	Moderate	Medium	Joint venture has made continual losses which erode original investment in the joint venture. Officers working closely with Wesley to determine updated renewal costs to maintain assets under the agreement. Noting there is likely to be a funding shortfall.	Medium
Build to Rent – Lower rates income and no payment of Open Space Contribution	Likely	Moderate	Medium	Officers will continue to further develop impacts of growth in build to rent developments and the impact that this has on open space contributions.	Medium
Windfall gains tax (re-zoning)	Possible	Moderate	Low	Fishermans Bend rezoned prior to introduction of Windfall Gains Tax (depot sites). Council only	Low

Key Financial Risk	Probability	Consequence	Risk Rating	Mitigation	Residual Risk
				impacted where Council-owned land across municipality is rezoned. Not many parcels have potential to be rezoned.	
Waste sector disruptions and changes to Environment Protection Authority (EPA) landfill levies	Possible	Major	High	Council introduced a separate waste charge as part of the 2022 rating strategy review informed by the Don't Waste it! Waste Management Strategy. Council will continue to monitor our waste cost to ensure the waste charge remains affordability.	Low
Workcover Scheme wind up and residual liabilities	Likely	Moderate	Medium	Officers are in contact with Municipal Association of Victoria (MAV) on the status of the Workcover Scheme. Council has some reserve that can be used to cover short-term calls.	Low
Building Act changes and Municipal Building Surveyor (MBS) transfer of responsibility	Possible	Moderate	Medium	Officers alongside M9 are advocating against this. Noting recent transfer of responsibility of combustible cladding audit requirements back to local government.	Low
Kindergarten reforms	Almost certain	Moderate	Low	Officers will continue to monitor, evaluate and report to Council on the performance of both Council managed and community managed centres and the impacts of these reforms including the planned responses. Noting the ongoing impact of these sector specific staff shortages on delivery of long day care programs	Low

5. Planning for Growth

The municipality has forecast population growth over the outlook period of 1.3% per annum or approximately 20,000 residents. Council is continuing to invest in planning for growth across the municipality, to ensure that service outcomes meet the expectations of current and future generations. Fishermans Bend is expected to provide over 65% of the outlook period forecast growth in the municipality or 14,000 residents. By 2055, Fishermans Bend will have delivered over 60,000 more residents than currently reside in the precinct within our municipality.

The Victorian Government is currently in the process of preparing for developer contributions to fund part of the infrastructure needs for Fishermans Bend. In addition to developer contributions, State Government and Council will be required to contribute to deliver the residual infrastructure needs of the precinct. Council's contribution to residual infrastructure will be constrained by the rates revenue expected to be generated in Fishermans Bend. Large infrastructure such as trams, trains, schools and regional or precinct scale projects should be fully funded by State Government with potential contributions from the Federal Government, cognisant that other levels of government are expected to generate taxation receipts (PAYG, GST, land tax, stamp duties) at least 11 times (conservative estimates) the amount of Council rates.

The full impact of residual funding and financing required from Council in Fishermans Bend has not been included due to the significant uncertainty around the responsibility, quantum and timing of capital investments and any future operational and servicing expenditure if and when infrastructure is delivered to Council to manage.

The establishment of a sustainable model for the governance and funding of Fishermans Bend is a therefore a priority. There is particular concern that Council must have a role in decision making for Fishermans Bend to influence outcomes and to ensure that projects are financially sustainable and do not become a financial burden on our current ratepayers and into the future. These aspects are likely to be addressed throughout 2024-2025.

In this Outlook, Council has allocated five percent of Fishermans Bend rates to the Municipal Growth reserve to fund growth related Fishermans Bend infrastructure requirements. This is subject to review as part of Council's assessment of the Fishermans Bend funding & financing planning being undertaken by the Fishermans Bend Taskforce. Council will continue to update its financial planning for Fishermans Bend as new information becomes available.

The proposed development in the Fishermans Bend will create unprecedented financial challenges for Council as it copes with making significant investment ahead of future revenue streams. While work is underway to finalise the Fishermans Bend funding and financing plan, uncertainty remains regarding the timing and extent of Fishermans Bend infrastructure funding that Council will provide.

Council continues to be involved in the delivery of projects within Fishermans, with the most recent project being the upgrade of existing Elder Smith Reserve to include netball courts and associated landscaping works & facilities.

6. Non-Financial Resources

6.1 Organisational Strategy

To strengthen the delivery of the Council Plan, we have developed a Delivering on Our Commitments organisational strategy. All activities are viewed through the community's eyes, ensuring delivery of the best possible services, projects and outcomes for our community.

6.2 Council Staff

The Council's employees are a key resource. Council has a diverse workforce of committed individuals with an extensive range of skills and experience. Council aspires to be an employer of choice and to operate collectively as one organisation focused on the achievement of the Council Plan initiatives. To enable this, Council is committed to professional development, mentoring, open communication and maintaining a safe and respectful working environment.

In response the financial challenges that Council is facing, a significant investment has been made in building the capability of Council staff. This includes improving the ability of Council staff to:

- manage and prioritise projects with the support of new processes and systems.
- focus on identify and realise efficiency savings.
- achieve better service and financial outcomes through continuous process improvement initiatives.
- perform detailed service reviews with an objective of improving the overall value of Council's services.
- make more informed asset management decisions.
- leverage technology to improve customer service.
- undertake long-term planning and performance measurement.

7. Financial Statement

The Financial Statement includes a projection of Council revenue and expenditure, cash surplus/deficit and borrowings.

	Forecast	Budget	Projections								
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Income / Revenue											
Rates and charges	145,962	151,853	156,750	161,525	167,264	173,955	180,640	187,133	193,891	201,303	209,360
Statutory fees and fines:											
• Parking fines	19,965	20,314	20,720	21,134	21,557	21,988	22,428	22,877	23,335	23,802	24,278
• Other statutory fees and fines	4,391	4,440	4,494	4,561	4,630	4,755	4,874	4,981	5,091	5,213	5,343
User fees:											
• Parking fees	21,030	21,495	21,668	22,131	22,606	23,116	23,594	24,013	24,441	24,928	25,451
• Other user fees	22,328	22,839	23,566	24,224	24,911	25,643	26,345	26,987	27,644	28,373	29,149
Grants - operating	8,552	12,292	12,640	12,853	13,159	13,506	13,836	14,134	14,438	14,777	15,139
Grants - capital	4,165	4,844	3,703	4,727	5,254	5,691	4,372	2,500	5,150	4,900	2,400
Contributions - monetary	4,870	5,700	5,700	5,700	4,700	4,100	4,100	4,100	4,100	4,100	4,100
Other income	30,150	29,290	29,264	29,223	29,309	30,029	30,506	31,323	32,149	33,082	34,097
Total Income / Revenue	**261,414**	**273,068**	**278,505**	**286,078**	**293,390**	**302,783**	**310,695**	**318,048**	**330,239**	**340,478**	**349,316**
Expenses											
Employee costs	106,266	110,311	114,816	118,325	122,212	126,345	130,484	134,284	138,215	142,539	147,163
Materials and services	93,018	94,619	96,331	96,194	96,422	98,697	100,083	102,500	104,979	107,812	110,806
Bad and doubtful debts - allowance for impairment losses	4,669	4,507	4,387	4,501	4,618	4,742	4,860	4,967	5,076	5,198	5,328
Depreciation	22,882	24,514	26,342	27,447	28,600	29,831	31,060	32,250	33,488	34,841	36,285
Amortisation - right of use assets	2,000	2,205	2,218	2,231	2,244	2,257	3,622	3,635	3,648	3,661	3,674
Borrowing costs	-	-	-	-	-	-	-	-	-	-	-
Finance Costs - leases	490	848	730	620	512	382	1,314	1,198	1,076	933	785
Other expenses	20,451	19,197	18,674	19,159	19,656	20,185	20,689	21,143	21,607	22,125	22,678
Net (gain)/loss on disposal of property, infrastructure, plant and equipment	5,205	4,710	3,412	5,084	5,234	5,393	5,546	5,686	5,829	5,988	6,157
Total Expenses	**254,981**	**260,913**	**266,910**	**273,560**	**279,498**	**287,833**	**297,658**	**305,663**	**313,918**	**323,098**	**332,876**
Operating Surplus/(Deficit) for the year	**6,433**	**12,155**	**11,595**	**12,517**	**13,892**	**14,951**	**13,037**	**12,385**	**16,321**	**17,380**	**16,440**

Income Statement Converted to Cash

	Forecast	Budget	Projections								
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Operating Surplus/ (Deficit) for the year	**6,433**	**12,155**	**11,595**	**12,517**	**13,892**	**14,951**	**13,037**	**12,385**	**16,321**	**17,380**	**16,440**
Adjustments for non-cash operating items:											
• Add back depreciation & amortisation	24,882	26,719	28,560	29,678	30,844	32,088	34,682	35,885	37,136	38,502	39,959
• Add back written-down value of asset disposals	6,175	7,092	8,412	5,534	5,684	5,843	5,996	6,136	6,279	6,438	6,607
• Add back balance sheet work in progress reallocated to operating	1,200	1,200	1,235	1,267	1,300	1,335	1,368	1,398	1,429	1,463	1,500
Adjustments for investing items:											
• Less capital expenditure	(56,669)	(60,495)	(77,997)	(64,995)	(54,569)	(45,430)	(46,765)	(48,281)	(50,256)	(52,256)	(54,341)
Adjustments for financing items:											
• Less Lease Repayments	(2,158)	(2,256)	(2,347)	(2,433)	(2,521)	(2,614)	(2,704)	(2,789)	(2,875)	(2,969)	(3,069)
Adjustments for reserve movements:											
• Statutory Reserve Drawdown/ (Replenish)	4,791	6,091	15,349	(923)	(2,169)	(1,831)	(1,306)	(1,356)	(1,419)	(1,454)	(1,494)
• Discretionary Reserve Drawdown/ (Replenish)	7,032	9,920	15,202	19,358	7,534	(4,336)	(4,297)	(3,364)	(6,607)	(7,102)	(5,602)
Cash Surplus/(Deficit) for the Year	**(8,315)**	**426**	**9**	**3**	**(5)**	**5**	**10**	**14**	**8**	**2**	**0**
Opening Balance - Cash Surplus	8,386	71	497	506	509	504	510	519	533	541	542
Closing Cash Surplus Balance	**71**	**497**	**506**	**509**	**504**	**510**	**519**	**533**	**541**	**542**	**543**

8. Key Financial Indicators

8.1 VAGO Financial Sustainability Risk Indicators

The Victorian Audit General Office (VAGO) audits Council's finances and assesses against several financial indicators to arrive at an overall assessment of financial sustainability. City of Port Phillip is to achieve a low risk overall assessment score from VAGO.

Indicator Targets		Forecast	Projections									
		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Net Result %	Greater than 0%	2.5%	4.5%	4.2%	4.4%	4.7%	4.9%	4.2%	3.9%	4.9%	5.1%	4.7%
Adjusted underlying result	Greater than 5%	(1.0%)	0.6%	0.8%	0.8%	1.4%	1.8%	1.5%	1.9%	2.2%	2.5%	2.9%
Working Capital	Working Capital Ratio >100%	299%	322%	269%	217%	205%	217%	223%	234%	249%	265%	277%
Internal Financing	Net cashflow from operations to net capital expenditure >100%	94%	83%	66%	80%	100%	126%	122%	119%	125%	125%	122%
Indebtedness	Indebtedness ratio <40%	1.0%	4.2%	4.1%	3.4%	2.8%	2.0%	7.2%	6.5%	5.5%	4.6%	3.7%
Capital Replacement	Capital to depreciation >150%	248%	247%	296%	237%	191%	152%	151%	150%	150%	150%	150%
Infrastructure Renewal Gap	Renewal & upgrade to depreciation >100%	186%	174%	157%	166%	155%	123%	122%	121%	122%	121%	121%
Overall Financial Sustainable Risk Rating		Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low

8.2 Local Government Financial Performance Indicators

The Local Government Performance Reporting Framework requires Council to report on the following financial performance indicators:

Indicator	Target Range	Forecast 2023/24	Projections 2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Efficiency												
Expenditure per property assessment	$2,000 to $5,000	3,328	3,370	3,422	3,442	3,471	3,528	3,602	3,652	3,702	3,762	3,826
Average rate per property assessment	$700 to $2,000	1,745	1,727	1,824	1,865	1,906	1,951	1,992	2,028	2,065	2,107	2,152
Liquidity												
Current assets compared to current liabilities	100% to 400%	299%	322%	269%	217%	205%	217%	223%	234%	249%	265%	277%
Unrestricted cash compared to current liabilities	10% to 300%	107.1%	133.0%	121.2%	82.3%	70.0%	83.0%	89.7%	97.1%	109.6%	123.1%	133.0%
Obligations												
Asset renewal compared to depreciation	40% to 130%	78.7%	77.5%	83.3%	87.7%	80.1%	64.0%	63.2%	62.9%	63.0%	63.0%	62.9%
Loans and Borrowings compared to rates	0% to 70%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans and Borrowings repayments compared to rates	0% to 20%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-current liabilities compared to own source revenue	2% to 70%	1.0%	4.2%	4.1%	3.4%	2.8%	2.0%	7.2%	6.5%	5.5%	4.6%	3.7%
Operating Position												
Adjusted underlying surplus (or deficit)	-20% to 20%	(1.0%)	0.6%	0.8%	0.8%	1.4%	1.8%	1.5%	1.9%	2.2%	2.5%	2.9%
Stability												
Rates compared to adjusted underlying revenue	30% to 80%	57.8%	57.8%	58.2%	58.6%	59.0%	59.4%	59.8%	60.1%	60.4%	60.7%	61.1%
Rates compared to property values	0.15% to 0.75%	0.19%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%

9. Glossary

Adjusted Underlying Surplus (Deficit)

The adjusted underlying surplus (or deficit) means adjusted underlying revenue less the total expenditure. It is a measure of financial sustainability of the Council which excludes the masking of the net surplus (or deficit) by capital-related revenue.

Balanced Budget

Cash inflow at the minimum equals cash outflow (including capital expenditure).

Capital Expenditure

Capital expenditure is relatively large (material) expenditure that produces economic benefits expected to last for more than 12 months. A pre-determined 'threshold' may be used which indicates the level of expenditure deemed to be material in accordance with Council's policy. Capital expenditure includes renewal, expansion and upgrade. Where capital projects involve a combination of renewal, expansion and upgrade expenditures, the total project cost needs to be allocated accordingly.

Capital Improved Value

Capital Improved Value is the current valuation methodology for Council’s rating purposes (from 1 July 2022). Capital Improved Value or ‘CIV’ is the market value of the land, plus buildings and other improvements. The CIV is the approximate amount you could expect to sell your property for on the open market. We use this value to calculate your rates.

Cash Surplus

Is the net cash flow of the organisation for the financial year after accounting for net operational cash flows, net cash flows from investing activities, net cash flows from financing activities and net cash flows from reserves.

Cumulative Cash Surplus Balance

The carried forward balance of cash surplus Council holds.

Depreciation

The systematic allocation of the value of an asset over its expected useful life. City of Port Phillip uses the straight-line depreciation method.

Developer Contribution

Cash payments or assets made by developers towards the supply of infrastructure to support land developments in accordance with the requirements of the Development Contribution Plan.

Development Contribution Plan
A mechanism used to levy new developments for contributions to planned infrastructure needed by the future community.

Indebtedness ratio
The ratio comparison of non-current liabilities to own-sourced revenue. The higher the percentage, the less able to cover non-liabilities from the revenues the entity generates itself.

Infrastructure Contribution Plan
A mechanism used to levy new developments for contributions to planned infrastructure needed by the future community.

Infrastructure Renewal Gap Ratio
Comparison of spending on existing assets through renewal and upgrade with depreciation. A ratio 100% or higher indicates spending on existing assets is faster than the rate of asset deterioration.

Internal financing ratio
Is Council's ability to generate cash from operations to finance capital expenditure. The higher the percentage, the greater the ability for Council to finance capital works from own funds.

Net Annual Value
Net Annual Value was the previous (prior to 1 July 2022) valuation methodology for Council's rating purposes. The NAV treats commercial and industrial properties differently to residential.

- Commercial or industrial properties: it is the current value of a property's net annual rent (gross annual rental less all outgoings including land tax, building insurance and maintenance costs, except Council rates).
- Residential Dwellings: 5 per cent of the Capital Improved Value (land, building and other improvements) and is not a reflection of rental achievable for the property.

Own-Sourced Revenue
Is total income/revenue excluding all grants and contributions.

Rates Income/ Revenue
Is revenue from general rates, municipal charges service rates and services charges.

Rate Cap
The maximum annual rate of increase that councils can apply to their rate revenue as gazetted by the Minister of Local Government.

Renewal expenditure
Capital expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability.

Special Rates
A rate or charge declared by Council for a specific purpose and is cost neutral to Council.

Underlying Revenue
Is total income/revenue excluding:

- Non-recurrent capital grants used to fund capital expenditure
- Non-monetary asset contributions
- Contributions to fund capital expenditure from sources other than those referred to above.

Upgrade expenditure
Capital expenditure on an existing asset to provide higher level of service or increase the life of the asset beyond its original life.

Victorian Audit General Office (VAGO)
An independent office of the Victorian Parliament that examines the management of resources within the public sector by conducting and reporting on financial and performance audits.

Working Capital Ratio
Is the ratio comparison of current assets to current liabilities to measure the ability of the organisation to pay existing liabilities in the next 12 months. A ratio greater than one means there are more cash and liquid assets than short-term liabilities.

City of Port Phillip ASSIST
03 9209 6777 portphillip.vic.gov.au/contact-us