



City of Port Phillip

2008-2009 COUNCIL PLAN

**Year 4 of the
2005 - 2009 Council Plan**

May 2008

Including the 2008/2009 – 2011/2012 Strategic Resource Plan

Contents

1	Mayors and CEO's Introduction	<ul style="list-style-type: none"> • Introductions from: Mayor - Councillor Janet Cribbes and Chief Executive Officer - David Spokes 	Page 3
2	Introduction	<ul style="list-style-type: none"> • Vision and Mission • 4 Pillars – importance of sustainability • The Planning Framework 	Page 4
3	Community Plan	<ul style="list-style-type: none"> • What is the Community Plan? • Community Plan Vision • Community Plan overview – Community Plan priorities 	Page 6
4	Council plan & Annual focus	<ul style="list-style-type: none"> • Our four year strategic objectives, strategies and indicators 	Page 8
5	Key Strategic Activities	<ul style="list-style-type: none"> • Council's Key Strategic Activities for 08/09 with performance measures and targets. 	Page 14
6	Business Plan	<ul style="list-style-type: none"> • Internal business plan, 5 Key Result Areas and their 08/09 Strategies 	Page 15
7	Our Strategic Resource Plan	<ul style="list-style-type: none"> • Summary of how the Council will allocate our financial and non-financial resources to achieve objectives 	Page 17

At the 2007 Port Phillip Community Summit the community adopted the four principles of working together, neighbourhood development, community leadership and monitoring progress. I am happy to report that those principles are reflected in the 2008/09 Council Plan.

Over the next twelve months, council is keen to progress the development and redevelopment of some key community facilities. We will also continue to have a strong focus on the environment, and we will take every opportunity to encourage community participation and involvement in adopting positive environmental behaviours.

Council works hard to create the conditions which support community and allows people to connect. We will continue to promote connection, inclusion and engagement and encourage our community to contribute and participate.

Delivering council's core services to a high standard also remains a high priority and we will continue our leadership on social justice issues such as reconciliation, access to affordable housing, aged care and childcare.

Council will improve Residential Aged Care Options, redeveloping the Betty Day centre and further progressing Community Hubs.

Council is committed to working effectively with all neighbours and all stakeholders to get the best outcomes for our city and ensure our top issues are factored into all levels of decision making.

As Mayor, it is a privilege to be able serve the community and to deliver council's core services and working in partnership with the municipality deal with the big issues that face our community. I would like to acknowledge the contributions made by groups and individuals within the community for their passion and enthusiasm and I look forward to a year of positive growth and sustainability – and of course a happy and supported community.

Councillor Janet Cribbes
Mayor

I am pleased to present the 2008/09 Council Plan. This document outlines the actions we will take over the next twelve months in order to achieve the strategic objectives the council has set for the City of Port Phillip.

We will measure our progress throughout the year against strategic indicators and targets to ensure we are working efficiently and achieving our objectives. The Council Plan ensures we are delivering our commitment to being a well-managed, leading and financially responsible organisation.

The plan also details actions we will take for planning, coordinating and promoting access to services and facilities for all members of the community.

In 2008/09 council will continue to look after our special places including the foreshore, town halls and entertainment precincts. We will also see benefits for council and the community with the continued implementation of St Kilda's Edge projects, the Port Melbourne waterfront revitalisation and the South Melbourne Central Precinct.

Council is focussed on providing services where and when they are needed. We are laying the foundations today for an even better future and we will continue to work with our community, our businesses and visitors to ensure we are able to meet their many and diverse needs.

Fundamental to the City of Port Phillip continuously improving is a clear focus on people, internal process, customers, finance and stakeholders.

Internally, we will be focussing on positioning Port Phillip as an employer of choice to attract and retain highly skilled people. We will continue to reward and recognise excellent performance and motivate staff by providing relevant and challenging learning opportunities in a supportive environment. We will also design programs to encourage and develop leadership across all levels of the organisation.

There are a significant number of projects planned for the next year, as outlined further in this document, which will require the ongoing commitment of councillors, senior management, all staff, and most importantly, the community. You only need to look at the 2007-2017 Community Plan to see how much we are capable of achieving by working together, and I am confident that 2008/09 will be no exception.

David Spokes
CEO

Introduction

Our vision:

**“To be the best place in the best city for all”
place”**

Our mission:

“To make the community a better

We will do this by working together with our community and focussing on being the best provider of service we can possibly be.

At the City of Port Phillip, **service** and **sustainability** underpin everything we do. They are the foundations of our philosophy, they help to inform our day-to-day actions and are the core principles that guide how we think and behave as an organisation.

Council is in the business of delivering quality services and infrastructure to the Port Phillip community. We are committed to delivering service that is timely, friendly and responds to queries and requests efficiently. Our mission is to ensure that we know our community well and are able to respond appropriately to their needs.

We are here to serve our community - That is why we exist.

Four Pillars of Sustainability

Sustainability - means supporting the goals of social equity, economic viability, environmental responsibility and cultural vitality for all in our community. We must ensure that what we do today builds the **best** natural and social future **for all** those who will live, work and play here.

Social equity - To build a just, resilient, healthy and inclusive city with equitable access to responsive and relevant services and resources.

Economic viability - To promote effective stewardship of the council's assets and promote positive economic development within Port Phillip that also supports the council's social, cultural and environmental goals.

Environmental responsibility - To foster a liveable and attractive urban environment that uses fewer finite resources

Cultural vitality - To foster conditions that allow communities within Port Phillip to express, experience and enjoy diversity of values, beliefs and aspirations

The Planning Framework

Community Plan 2007 – 2017

The Community Plan is one of the key drivers of the Council Plan. More details on this plan are on page 6.

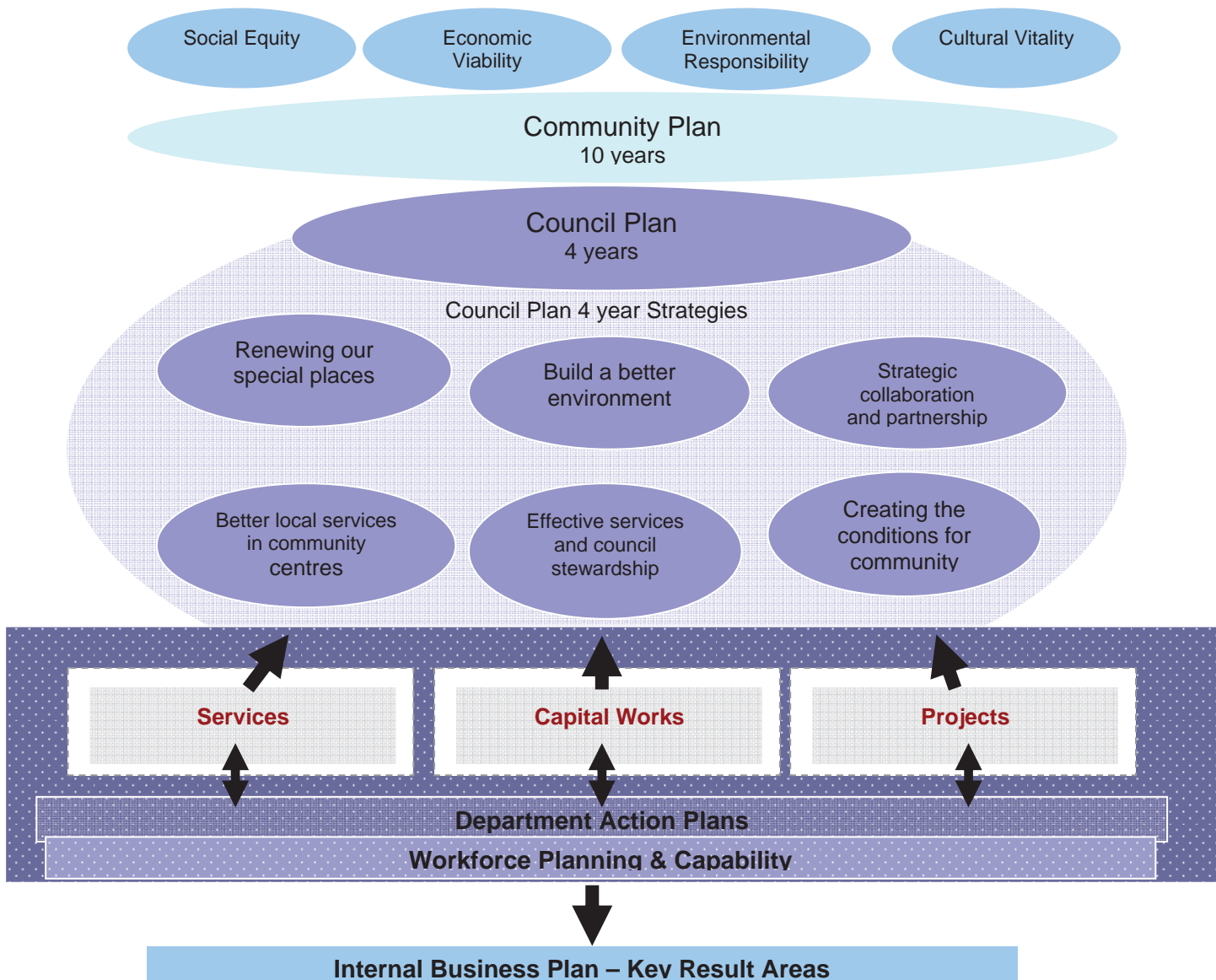
Council Plan 2005 – 2009: The final year

The Council Plan 2005 – 2009 consists of Council's four year strategic objectives, the strategies developed to achieve those objectives and the indicators we will use to measure our progress. Council reviews the strategies annually. This review informs the development of annual initiatives. Pages 8 – 13 of this Council Plan outline the strategies and initiatives for 2008-09 – the final year of this current Council Plan.

The Council Plan also includes the Strategic Resource Plan, which explains how we will allocate financial and non - financial resources to achieve our Objectives.

Internal Business Plan

The organisation's internal business plan is structured around five key result areas (KRA's): our **stakeholders**, our **finances**, our **customers**, our **internal processes** and our **people**. These guide our work and enable us to deliver on the Council Plan.



What is the Community Plan?

The Port Phillip 2007-2017 Community Plan was developed from the Community Summit in 2007 and is an agreed framework of values and priorities to shape action for both council and the community. The Community Plan significantly guides and informs what the council does and how it allocates its resources in the Council Plan.

Community Plan Vision Statement

Vision Statement 2007 – 2017

The goals of social equity, economic viability, environmental responsibility and cultural vitality remain central to our desire to foster a sustainable and harmonious future. We acknowledge there is a shared responsibility to ensure that everyone, regardless of age or cultural or socio-economic background, can access services that meet their needs and can participate in community life. We want our Council to demonstrate leadership in community participation, strategic planning, advocacy to other levels of government, and accountability to the community.

Community Plan Strategic Priorities

The Community Plan sets out priorities for action across five broad topics which are briefly summarised below. The Community Plan is available at http://www.portphillip.vic.gov.au/community_plan.html

1. Parking – managing competing needs

Parking continues to be one of the most disliked aspects of living in the City of Port Phillip and managing the competing needs of residents, businesses and visitors is seen as a major challenge. The top priorities to improve this situation were nominated to be improving public transport, improvements for walking and bike riding, and making all new developments self-sufficient in their provision of parking spaces.

2. Building our community – connecting people

The Community Plan identifies a desire to celebrate and acknowledge the smaller communities that contribute to the City's overall complex character. These include neighbourhoods defined by a sense of place, and communities formed by common bonds, be they cultural, sporting, age or lifestyle. Web based 'virtual' communities were also noted as providing ways of connecting. An emphasis is also placed on the importance of investing in infrastructure for those with greater needs for social support.

3. Urban planning and development

The Community Plan expresses strong support for mandatory state government controls to strengthen sustainable design and urban planning frameworks to reduce greenhouse gas emissions and water consumption. Interest in seeing a balance between the need to accommodate increasing residential density and visitor numbers with the need for quality urban design, sustainable development, and community amenity is expressed in the desire for more active community participation in the development and review of local planning schemes.

4. Entertainment and residential amenity– managing the price of popularity

The Community Plan endorses strategies to improve management of events and entertainment venues to minimise negative impacts on residents and the environment. A preference for safer and smaller-scale cultural, sporting and social events is emphasised.

5. Public open spaces – looking after streets and parks

Maintaining and caring for parks and gardens and open spaces, including sustainable use of water is a priority. Litter and dumping of hard rubbish and the impact of large scale events are seen as requiring more attention. Creating new areas of open space through property development levies is also identified as a priority in addressing open space issues.

Progress to Date

The Community Plan was launched in November 2007 as a framework of 4-parts to respond to the aspirations expressed in both the Vision Statement and in the community priorities for action. Good progress has been made in implementing the first year of the 4 action plans - a full progress report is available at www.portphillip.vic.gov.au/community_plan. Examples of key achievements to date for 2007-2008 across the 4 action plans are shown below:

- Public transport community advocacy group start-up
- Council participation in regional Metropolitan Transport Forum
- Advocacy for Park Street (South Melbourne) tram extension
- Additional bike racks and signage giving directions for pedestrians installed
- Health and Safety Community Plan completed
- Sustainable Public Lighting Action Plan completed
- 'Port Phillip Gives' website raising funds for local community service organisations
- Street parties assisted and supported
- Audit of compliance with footpath trading laws undertaken.
- Restructure of Port Phillip Housing Trust completed and support given to community housing programs
- First phase of establishing a community interactive information web service completed.
- Civic Awards event to celebrate and acknowledge community volunteers
- First phase of Community Leadership program established with a series of community forums on public policy issues, and hosting leadership development events for students
- First phase of Neighbourhood Development program established with matching grants program (Small Poppy Grants) commenced
- Community Plan E-newsletter introduced to provide updates on progress of implementing the Community Plan.
- Sustainable Environment Strategy completed including Council commitment to Zero net greenhouse gas emissions and a 70% reduction in potable water use from council operations by 2020 and new programs developed (Challenge to Change and Climate Change 1000)
- Drought Management Strategy completed
- Stormwater Management Plan review underway
- Improved response time for clean ups after major events implemented.
- Collaboration with police and others to address impact of late night entertainment precincts
- Development of a 'Creative City Plan' is underway.

Strategic Objective 1 **Renewing our special places**

Look after our special places such as the foreshore, town halls and commercial strips

4 year Strategies

- **Communicate the value of "Special Places"**
- **Maintain the confidence of stakeholders over the long term**
- **Set clear direction for priority places and secure long term funding and resource commitments**
- **Leverage economic return and public benefit for the council and the community on St Kilda's Edge, Port Melbourne waterfront revitalisation and the South Melbourne Central Precinct**
- **Focus the local community on the value of local shopping strips and precincts**
- **Promote and protect Port Phillip's cultural heritage**
- **Support and encourage inviting and accessible spaces and places**

4 year Indicators

Significant progress on key major projects

Community satisfaction with local roads and footpaths and town planning policy approvals

2008/09 Initiatives

	INITIATIVE	DESCRIPTION
1	Continue the implementation of St Kilda Edge projects, including the Triangle site	Further progress the St Kilda's Edge program of integrated public and cultural improvements on the St Kilda foreshore, focusing on the Fitzroy Street, foreshore connections, Luna Park Interchange and St Kilda Harbour renewal projects and conclude the upgrade of the foreshore promenade project
2	Revitalise the Port Melbourne waterfront	Continue planning and improvements into the revitalisation of this area which includes Waterfront Place, Princes Pier, Boardwalk between the Piers, Beach Street, Bay Street and Beach Street connections.
3	Revision Emerald Hill	Prepare a conceptual design for the creation of a new public plaza space at the forecourt to the South Melbourne Town Hall and other improvements. Confirm the focus and future uses of council buildings in the context of the South Melbourne Central Structure Plan.
4	Develop a plan for the future of the Botanical Gardens	Develop a Future Directions Implementation Plan that will include general maintenance and updates. The priority for planning is to ensure the gardens are preserved and remain 'botanical'.
5	Ensure amendments to the Port Phillip Planning Scheme reflect community expectations	Make sure development controls, guidelines and policies are sustainable and respect the unique cultural heritage of the city.
6	Undertake Activity Centre Structure Plans For Key Areas: St Kilda, Carlisle Street And Bay Street	Provide a framework for the future development of these Activity Centres taking into account changing needs of the local community.
7	Conduct a footpath trading review	Review and update footpath trading guidelines in accordance with current government legislation and community expectations.
8	Undertake integrated planning for the St Kilda Activity Centre	Deliver a structure plan for the St Kilda Activity Centre which includes development and delivery of the Fitzroy Street master plan. Research and analyse key economic drivers to influence business mix in the precinct
9	Influence the Webb Dock buffer zones	Influence the content and timing of the Port of Melbourne Corporation Webb Dock work plan.
10	Renew and reinvigorate the Esplanade Market	Continue to collaborate with the Esplanade Market committee in planning for a successful future for the market.
11	Promote respectful behaviour within our late night entertainment precincts	Keep working with key stakeholders to address anti-social behaviour within entertainment precincts. This includes strong advocacy, the implementation of the Inner City Entertainment Precincts Taskforce's recommendations and other associated initiatives.

Strategic Objective 2 **Strategic collaboration and partnership**

Work effectively with all neighbours and all stakeholders to get the best outcomes for our city and ensure our top issues are factored into all levels of decision making

4 year Strategies

- **Promote the benefits of regional collaboration**
- **Explore new opportunities for regional collaboration**
- **Analyse the implications of regional collaboration projects prior to commitment**
- **Resource and support our commitments over the long term**
- **Define outcomes, specify tasks backed up by evidence and persistently promote agenda**
- **Consistently apply a stakeholder management model to our lobbying efforts**
- **Focus our stakeholder and media management on organisational priorities**

4 year Indicators

Number of initiatives delivered by regional collaboration and agreements

Community satisfaction with council's advocacy and community representation on key local issues

Progress on initiatives for the previous year

2008/09 Initiatives

	INITIATIVE	DESCRIPTION
12	Establish an affordable housing overlay - mechanisms for inclusionary zoning	Establish regional target, a "model" planning and delivery mechanism for affordable housing.
13	Commence a Social Inclusion Project in the St Kilda activity centre and surrounds	Develop a program that addresses the social inclusion needs of the more marginalised members of our community
14	Enhance visitor information	Establish a regular visitor research program, on-line visitor information and produce a CoPP Visitor Map to be distributed throughout the community to provide information for both locals and visitors, encouraging active participation and respectful visitation.
15	Prepare an economic development strategy for Fisherman's Bend	Explore the demands and opportunities for the future economic development of the Fisherman's Bend commercial and industrial precinct. This work will guide future strategic planning policy development in partnership with the City of Melbourne.
16	Renourish Middle Park Beach with the Department of Sustainability and Environment (DSE)	Renourish the beach and provide a solution for its long-term preservation. Undertaken by the Department of Sustainability & Environment with assistance from CoPP.
17	Secure the future of life saving	Investigate options for the future of life saving in Port Phillip

Strategic Objective 3 **Build a better environment**

Use financial principles to guide financial planning and improve the city's environmental performance and sustainable transport choices

4 year Strategies

- **Promote and support community environmental targets**
- **Encourage community participation and involvement to adopt positive environmental behaviours**
- **Set and monitor organisational environmental targets**
- **Ensure the councils effort is clearly defined and coordinated**
- **Manage all assets to meet current and emerging environmental standards and conditions and community needs**
- **Facilitate sustainable transport modes through improving the conditions for walking, cycling and public transport**

4 year Indicators

City of Port Phillip water consumption per annum

Proportion of available places in the SLAH program that are taken up

Annual residential waste generation per capita (SCPI)

Annual residential recycling rate per capita (SCPI)

Percentage of primary aged school children as a percentage of all primary schools in the walking bus scheme that walk to school

Net increase of number of street trees

Community rating of the council's addressing of environmental issues at local level

Community safety rating for pedestrians and cyclists

Community rating on the ease of travelling around the area

Community satisfaction with the appearance of public areas, traffic management and parking facilities and waste management

2008/09 Initiatives

	INITIATIVE	DESCRIPTION
18	Climate Change Response – Deliver multiple projects to respond to climate change	Deliver a range of projects to address climate change: Climate Challenge 1000, Challenge 2 Change, Community Environment E-Hub, Environmental Events, Sustainable Living at Home, Climate Change Adaptation - Assessment & Action Plan, Sustainable Public Lighting Action Plan, Water conservation & Water Sensitive Urban Design Program, flood modelling and drainage analysis, Council Building Efficiency Program, Environmental Retrofits – Buildings – Implementation Plan, Water Management Implementation Plan.
19	Explore and concept design water saving initiatives for South Melbourne Market	Explore options which will ultimately reduce water use at one of Council's important social and cultural sites.
20	Develop and implement sustainable transport strategies	Undertake a long-term project which includes the Public Transport Strategy (advocacy for the Park Street tram link), Parking Plan and the implementation of the Walking and Cycling Strategies.
21	Develop a parking management communications plan	Develop a communications plan to gain an understanding of community expectations and concerns about parking. This will inform the development of key messages.
22	Analyse public transport needs	Undertake research to understand public transport needs in all neighbourhoods.
23	Better manage parks and open spaces	Respond to community expectations by focusing on strategies such as asset regeneration, open space protection and customised maintenance. [sounds a bit vague]
24	Provide additional street cleaning and litter bin collections	Provide additional evening street cleaning services and litter bin collections in the St Kilda entertainment precinct

Strategic Objective 4 **Create the conditions for community**

Promote connection, inclusion and engagement Encourage people to contribute and participate

4 year Strategies

- **Respond to community initiatives, practically and quickly**
- **Create the conditions which support community and allow people to connect**
- **Strengthen connection between leaders in our community**
- **Coordinate our effort and monitor the impact**
- **Continue leadership on social justice issues such as reconciliation, access to affordable housing and aged care**
- **Engage the community including newcomers in effective dialogue and active citizenship**
- **Support Port Phillip's development as a creative city, where the arts, contemporary culture, creativity and innovation are explored, encouraged and valued**

4 year Indicators

Percentage who feel encouraged to participate in decisions that affect them and their neighbourhood

Community Grants Scheme participation

Culturally linguistic and diverse residents participating in the Community Meals Program

Percentage of relevant Municipal Early Years Plan actions achieved

Number of additional childcare places available within the municipality

Progress on the residential care sector

Number of community housing units in the community housing program

2008/09 Initiatives

	INITIATIVE	DESCRIPTION
25	Implement the Civic Recognition & Support Strategy	Further promote "active citizenship" through a number of programs that promote, acknowledge and support volunteerism and our local community organisations.
26	Continue the Neighbourhood Development Project	Continuation of the Small Poppy Grants program and other neighbourhood development initiatives.
27	Continue the Community Leadership Initiative	Support and increase the number of people who voluntarily lead in the community.
28	Continue to implement the Local Drug Strategy	Work with members of the community to address local drug issues and reduce drug-related harm (including alcohol related harm).
29	Deliver Indigenous reconciliation programs	Employ two Indigenous cadets to support service delivery commitments and develop opportunities for employment and leadership.
30	Contribute to an 'age-friendly environment'	Extend the Linking Neighbours & Senior's Register project to other neighbourhoods to enhance the wellbeing and safety of older people and people with disability. Conduct two information forums on health, financial and legal issues.
31	Improve residential aged care and support in the home options	Undertake actions at federal and state government levels and support collaborative initiatives of the local residential care network to increase residential care places, community care packages and additional community respite care options for older residents and people with disability.
32	Support our young people and their families	Work with key youth sector agencies to provide additional support to young people at risk, via a series of new initiatives and programs in the community.
33	Continue to implement a centralised child care waiting list	Further develop and introduce new software to create a better centralised child care wait list program
34	Enhance the arts and heritage	Create opportunities for increasing community engagement with the arts at our major arts venues including Gasworks, Linden and the Urban Studies Centre.
35	Improve event management in public places	Improve event management in public places to improve accessibility, sustainability and reduce impact on the community.

Strategic Objective 5 **Better local services in community centres**

Provide popular, local community centres where people can access services and participate in community life

4 year Strategies

- **Consolidate services and activities in community centres in key locations**
- **Direct energy into the successful implementation of the South Melbourne Town Hall Precinct**
- **Achieve a successful outcome for the South Melbourne Hub and then replicate for other sites**
- **Communicate the benefits of the successful hub implementation**
- **Ensure proceeds from any sale of redundant community buildings are reinvested in community infrastructure**
- **Continue to foster life-long learning opportunities and activities for all ages and stages**

4 year Indicators

Volunteer vacancies that appeared in the volunteer register on council's website

Community rating on range of options for leisure, recreation and entertainment as adequate or better

Number of new additional groups and activities introduced into community centres

Utilisation of community centres and community facilities

2008/09 Initiatives

	INITIATIVE	DESCRIPTION
36	Redevelop the Betty Day Community Hub	Implement major improvements and expansions to this key community hub in St Kilda (one of six hubs across the city).
37	Redevelop the South Melbourne Town Hall Community Hub	Develop this new community hub by creating large and smaller meeting spaces, community group office spaces and co-locating ASSIST, cashier, maternal and child health and a range of community welfare services.
38	Develop Integrated Family & Children Services Centres	Develop integrated centres within the St Kilda Town Hall and the Albert Park College precincts. Support the Redevelopment of Albert Park College.
39	Enhance Library Customer Service	Explore the use of technology (Radio Frequency Identification) to provide customers with secure, speedy and seamless access to library materials.

Strategic Objective 6 **Effective service and council stewardship**

*Provide services where and when they are needed
Lay the foundations today for an even better council in the future*

4 year Strategies

- **Plan, coordinate and promote access to services and facilities that all members of the community require**
- **Plan coordinate and promote access to services for people with fewer choices**
- **Maintain the council's social service/ justice commitment, while delivering financial responsibility**
- **Direct social expenditure to current and emerging community needs**
- **Leverage private use of public assets where this delivers demonstrated community benefits**
- **Report to the community on progress across all areas and activities of the council**

4 year Indicators

The Community consider value for money rates as adequate or better

Community satisfaction with general overall performance of the council as adequate or better

Percentage of community rating satisfaction for the council's engagement in decision making on key local issues as adequate or better

Customer requests closed each quarter within within the allocated period under the Customer Request Management System guidelines

2008/09 Initiatives

	INITIATIVE	DESCRIPTION
40	Improve The Quality Of Reporting To The Community	Review and improve the information we provide to the community on the organisation's performance and how it's communicated.
41	Develop A Service Promise to the community	Publish a document that makes a promise about the key services we deliver and how we will endeavour to meet the community's needs. Measure our success in delivering on that promise and publish those results.
42	Improve On-Line Service Delivery	Improve community access to Council information and services by allowing users to access information and perform transactions directly on the Internet via ePathway
43	Implement The Corporate Property Strategy	Implement a more coordinated and strategic approach to the management of Council-owned or controlled property.
44	Tender Bulk Waste Transport Services	Tender the transport of bulk waste from the City's transfer station in Port Melbourne to a landfill site.
45	Respond To Changing Legislative Requirements In Local Laws	Review local laws and service response to meet changing community needs. Adopt a Domestic Animal Management Plan to promote responsible pet ownership.
46	Continue To Improve Governance In The Organisation	Improve legal advice, training and processes in areas such as information privacy, freedom of information, human rights and contract management.

Key Strategic Activities

The Key Strategic Activities (KSA) to be undertaken during the 08/09 financial year are listed below. KSAs are a legislative obligation and are to be included as part of the Annual Budget. Performance measures and targets are required for each KSA and the results are reviewed and approved by the Auditor General. The KSAs and their associated results, along with the Auditor General's approval, are then reported in the relevant Annual Report and titled the Performance Statement.

Key Strategic Activity	Performance Measure	Target
1. Improve Service to the Community	1.1 Level of community satisfaction <i>Percentage of respondents in monthly satisfaction surveys that rate the Council's overall performance as 'good' or 'excellent'</i>	70%
	1.2 Reporting on Service Promise <i>Public release of performance results for published service promises</i>	By June 2009
2. Governance and Risk Management	2.1 Completed Risk Management Plan Actions <i>Percentage of actions with a residual risk rating of Red or Amber in department risk management plans completed by scheduled completion date</i>	100%
	2.2 Conduct of Council Election – voters' roll complaints <i>Number of complaints where a person has been left off the voters' roll as a percentage of registered voters</i>	Less than 0.1%
3. Financial management and accountability	3.1 Net operating result <i>Net operating result (total income less total expenditure) as a percentage of the total expenditure original budget.</i>	+/- 0.75%
	3.2 Capital Works expenditure – variance from original budget <i>Percentage variance of capital works expenditure from the original budget</i>	Less than -10%
4. Deliver on the Community Plan Priorities	4.1 Community satisfaction – Appearance of Public Areas	65%
	4.2 Community satisfaction – Traffic Management and Parking Facilities	55%
	4.3 Community satisfaction – Health and Human Services	70%
	4.4 Community satisfaction – Recreational Facilities <i>Ratings from annual Local Government Victoria community satisfaction survey</i>	75%
5. Deliver the City of Port Phillip Climate Change Response	5.1 Council's carbon emissions <i>Year-on-year change in greenhouse gas emissions in CO₂ equivalent from electricity use at Council's largest electricity usage buildings and Council's vehicle fleet.</i>	4% reduction
	5.2 Completed milestones of key climate change projects <i>Percentage of milestones for projects in the City's Climate Change Response package that are completed as per project plans set at the start of the financial year.</i>	90%

Draft Business Plan

Our business plan is structured around five key result areas (KRA's), Stakeholders, Finance, Customers, Internal Process and People. These KRA's define **where** the organisation needs to direct its internal focus in order to have the skills and resources to achieve the overall four year Council Plan, and our Annual Focus.

Similar to the Council Plan, projects have been developed to address the Strategies listed below which can be found at our website www.portphillip.vic.gov.au

KRA Strategies for 08/09

	KRA Direction statement	08/09 Strategy
Stakeholder KRA	Maintain transparent, fair and just relationships with stakeholders. Recognise that stakeholders have different interests and influence and relationships will be managed accordingly	<ol style="list-style-type: none"> 1. Apply a consistent approach to Stakeholder management using the agreed framework. 2. Help staff to identify and manage stakeholders through training and support. 3. Use stakeholder data and analysis when conducting evaluations and making decisions 4. Influence Stakeholders by building excellent relationships to advance key Council priorities.
Finance KRA	Control our financial environment and contain costs and grow revenue	<ol style="list-style-type: none"> 1. Help staff to understand the values that guide the City of Port Phillip's approach and attitude to managing finances. 2. Demonstrate financial accountability by using approved systems and processes. 3. Provide regular and transparent feedback on the City of Port Phillip's financial performance. 4. Help staff to get better at managing their finances. 5. Help staff to better understand the impact they have on the environment through their use of electricity, water and gas.
Customer KRA	Not all customer's requests are equal, multiple access channels to customers and relationships with our customers are paramount	<ol style="list-style-type: none"> 1. Help staff to identify customer relationships and deliver great service to external and internal customers. 2. Help staff to collect and use customer feedback to improve what they do. 3. Make it easier for customers to access Council information and services. 4. Regularly measure whether we're delivering on our service promises.
Internal Process KRA	Internal processes enable business strategy, are continually reviewed, analysed and evaluated and drive best practice in all functions which support clear decision making at every level	<ol style="list-style-type: none"> 1. Help staff to document and review their most important processes so they can improve their reliability, efficiency and effectiveness 2. Monitor and report on how well the most important processes are being documented and improved
People KRA	Recruit, develop, reward and retain responsible, leading edge thinkers and doers who are team players and embed a consistent enabling management style	<ol style="list-style-type: none"> 1. Apply the 8 web principles and behaviours consistently across the organisation 2. Encourage a culture of working together to achieve our goals 3. Develop management skills and competencies 4. Encourage and develop leadership across all levels of the organisation 5. Be an employer of choice. 6. Encourage effective communication with one another



City of Port Phillip

STRATEGIC RESOURCE PLAN

2008/2009 - 2011/2012

TABLE OF CONTENTS

1. OUR COUNCIL - BUILT ON FOUR PILLARS	19
2. OUR PLAN- VALUE FOR MONEY SERVICE AND SUSTAINABILITY	19
2.1 SRP Link to Council Plan	19
2.2 Framework of Financial Principles	20
2.2.1. Purpose.....	20
2.2.2. Overarching principles	20
2.2.3. Rating and funding principles.....	21
2.2.4. Infrastructure and Asset Management principles	21
2.2.5. Debt management principles	22
2.2.6. Pricing Principles.....	22
2.3 Pyramid of Financial Sustainability	23
2.4 Goals and Strategies for CoPP's 2007/08 SRP	24
2.4.1 Goals and Strategies Relationship.....	25
3. OUR PROCESS- CYCLE OF INTEGRATED PLANNING	26
3.1 Reliability from Modelling	27
3.2 Performance Monitoring.....	29
4. OPERATIONAL SUSTAINABILITY.....	30
4.1 Standard Statement A1: Income Statement	31
4.2 Income.....	33
4.2.1. Rates.....	33
4.2.2. Grants	34
4.2.3. Fees and Charges.....	35
4.2.4. Interest on Investments.....	36
4.2.5. Proceeds from Sale of Assets.....	36
4.2.6. Contributions.....	36
4.2.7. Borrowings	36
4.3 Expenditure	37
4.3.1. Employee Costs.....	37
4.3.2. Materials and Other Costs	37
4.3.3. Contracts.....	37
5. FINANCIAL, STRENGTH AND ASSET GROWTH	38
5.1 Standard Statement A2: Balance Sheet Statement.....	38
5.2 Asset Management	39
5.3 Debt.....	40
5.3.1. Council's Debt Performance	40
6. REMAINING LIQUID	41
6.1 Capital Outlay and Rates Inflow	41
6.1.1. Capital Outlay.....	41
6.1.2. Rates Inflow	42
6.2 Reserves	43
6.2.1. General Reserve Movements	43
6.3 Debt.....	44
6.4 Investment.....	44
6.4.1. Working Capital Ratio	44
6.5 Standard Statement A3- Cash Flow Statement	45
7. BUILDING COMMUNITIES.....	46
7.1 Capital Expenditure Program Process	47
7.2 Asset Management Planning	48
7.3 New Capital Works.....	49
7.4 Community Centres.....	50
7.5 Standard Statement A4: Capital Works	52
8. OUR CULTURE, OUR STAFF AND OUR SERVICE	53
8.1 Our Culture.....	53
8.2 Our Staff	53
8.2.1. Sustainable Learning	55
8.3 Our Services.....	55
8.3.1. CoPP Services by Division	56
8.3.2. CoPP Services and Facilities.....	57
8.3.3. Support from Contractors.....	57
8.4 Information Technology.....	58

1. OUR COUNCIL - BUILT ON FOUR PILLARS

The expectations of the Councillors and the community are set out for staff at the City of Port Phillip (CoPP) in the Council Plan. This Plan is built upon the achievement of four fundamental goals. We refer to them as the pillars upon which our success depends:

Social equity – building a just, resilient, healthy and inclusive city with equitable access to responsive and relevant services and resources.

Economic viability – promoting effective stewardship of the Council's assets and positive Economic development within Port Phillip that also supports the Council's social, cultural and environment goals.

Environmental responsibility – fostering a liveable and attractive urban environment that uses fewer finite resources.

Cultural vitality – fostering conditions that allow communities within Port Phillip to express experience and enjoy diversity of values, beliefs and aspirations.

While this Strategic Resource Plan (SRP) discusses our application of the resources we need to achieve our goals, it is readily apparent that these physical resources are only part of the forces we can apply in realising our vision. The culture of CoPP comprises a resource in its own right, as does our knowledge, staff and information.

As much as we have embraced 'same day service' for our delivery of services, we are equally committed to delivering the financial and physical resources required to achieve this plan. In each detailed element, the plan is supported by a detailed technical analysis and a set of asset management plans. These diverse financial and non-financial elements combine to form our SRP.

2. OUR PLAN- VALUE FOR MONEY SERVICE AND SUSTAINABILITY

The SRP's underlying objective is to achieve sustainability by delivering services today without jeopardising the prospects of future generations. The achievement of this goal required consideration of the needs of ratepayers and residents, the cost of delivering services, current and future replacement requirements for infrastructure and the wider political and economic environment in which the Council can expect to operate.

2.1 SRP Link to Council Plan

The SRP outlines the resourcing framework that supports the sustainability of the Council Plan.

Diagram 1 – SRP Link to Council Plan



2.2 Framework of Financial Principles

Council established a Finance Sub-committee in 2006 which was charged with the responsibility of reviewing Council's finances and developing a set of financial principles that could be used to guide future resource allocation decisions.

The adopted framework of financial principles detailed below articulate the strategic financial direction that Council wishes to pursue. These principles provide the organisation with specific guidance on the overarching requirements to maintain revenue and expenditure neutrality, to fully fund asset renewal requirements and to match expenditure shifts to policy changes. They also spell out the preferred funding approach for different services, and incorporate a range of asset management, debt management and pricing principles.

Application of these principles should enable the CoPP to:

- Fund the Council in the delivery of value-for-money service and the provision of quality infrastructure for the residents and ratepayers of the City, and
- Ensuring the sustainability and responsibility of the Council's long term financial management in terms of the people of the City now and for future generations.

2.2.1. Purpose

- Ensure that the Council establishes and maintains control of its financial destiny.
- Ensure that Council's financial resources are applied towards achieving the desired outcomes, strategies and initiatives articulated in the four year Council Plan within the four pillar framework.
- Ensure that Council balances its expenditure on services and capital work
- The proposed framework of financial principles are enabling guidelines that will support both the ongoing viability of the City and its ability to achieve the objectives and vision in its Council Plan.

2.2.2. Overarching principles

- Achieve long term income and expenditure neutrality while keeping rates growth within the average for the sector.
- Achieve long term cash flow neutrality while keeping rates growth within the average for the sector.
- Maintain reserves at levels that are adequate to provide a buffer for large or unexpected short-term cash flow fluctuations.
- Ensure that Council's long term capital program fully funds asset renewal requirements.
- Significant or material shifts in the allocation of Council expenditure are directly linked to policy changes or conscious Council decisions that are supported by appropriate documentation (e.g. Council resolutions).

2.2.3. Rating and funding principles

- Local government taxes (rates) are levied in accordance with a ratepayer's capacity to pay as measured by the Net Annual Value (NAV) of property owned within the municipality. Rates levied are therefore directly proportional to the NAV 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.
- Universal services are funded from the broadest forms of income, rates and parking revenue.
- Fees for broadly used subsidised services provided by Council in a contestable market such as childcare and aged care will be based on a clearly articulated policy position and these services will be funded through a mix of user charges, government grants and rates and aim to achieve equitable outcomes.
- 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.
- Services to commercial tenants will be funded through rents and licence fees they are charged for access to and use of Council property. In setting these rentals Council will also take into account the cost of capital improvements that need to be made by the tenant.
- Additional or expanded services and capital infrastructure for specific commercial or industrial precincts (e.g. refurbishment of shopping centres) will be funded on a cost recovery basis in accordance with agreed plans or as co-funded with State and Federal government.

2.2.4. Infrastructure and Asset Management principles

- Council's investment and asset management strategies, purchasing arrangements and other financial tools should encourage environmental responsibility.
- Council is committed to spending between 20 and 25 percent of its total revenue budget on capital works and capital expenditure. This represents the baseline or floor that is required for Council to renew and enhance its asset base to ensure their ongoing fitness for use. It takes into account expected asset deterioration, increased asset utilisation (capacity requirements) and technology development.
- Replenishment (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 either rate revenue, sales of existing assets, government grants or external borrowings.

- Medium and long term expenditure plans on the City's infrastructure network will reflect the optimum maintenance and renewal cycles over the life of the different assets, the current condition of these assets and changes in the use of these assets.
- Assets will be managed in accordance with community need, optimum utilisation and longer-term efficiency. This recognises that Council will from time to time vary its priorities in accordance with social and infrastructure needs in the City and may decommission assets from time to time.
- Council's Capital Works Budget evaluation methodology reflects a transparent and systematic approach that is aimed at ensuring the recommended capital projects deliver a benefit to the community that is commensurate with the cost.

2.2.5. Debt management 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. This approach will allow Council to consider short term funding proposals for large or urgent projects and for the associated costs to be built into a smoothed forward financial plan.
- Where debt is increased, the servicing costs (principal and interest) need to be funded from future revenue streams (generally funded through growth) or cost savings that can be expected from the investment of the funds raised.
- Debt levels will be reduced progressively to enable the cost of debt servicing to be redirected into service delivery or building up cash backed reserves.

2.2.6. Pricing Principles

- Prices that are set by Council for services it provides to the community should ideally, but not exclusively, contain elements of the following factors, where possible:
 - Efficiency – fees are simple and not cumbersome to administer.
 - Transparency – nature and use of the service is understood by users.
 - Effectiveness – fees provide value for money for users.
 - Clarity – users are clear about when and how fees apply.
 - Equity – fees are fairly applied across a range of users.
 - Ethics – users with special service needs are not charged excessive fees directly in accordance with the cost of higher servicing requirements.
- Prices set for services provided are governed in the first instance by statute and services provided should be priced in accordance with the laid down statutory fees.

- Where prices are not regulated by statute, pricing is calculated in accordance with the following formula:

P	=	DC + O + M – S
P	=	Price
DC	=	Direct Cost
O	=	Attributable Overheads
M	=	Margin
S	=	Subsidy

This formula requires the service providers to identify and understand the costs associated with the delivery of these services. The inclusion of a margin for services will also encourage providers to be more efficient to compete in the market.

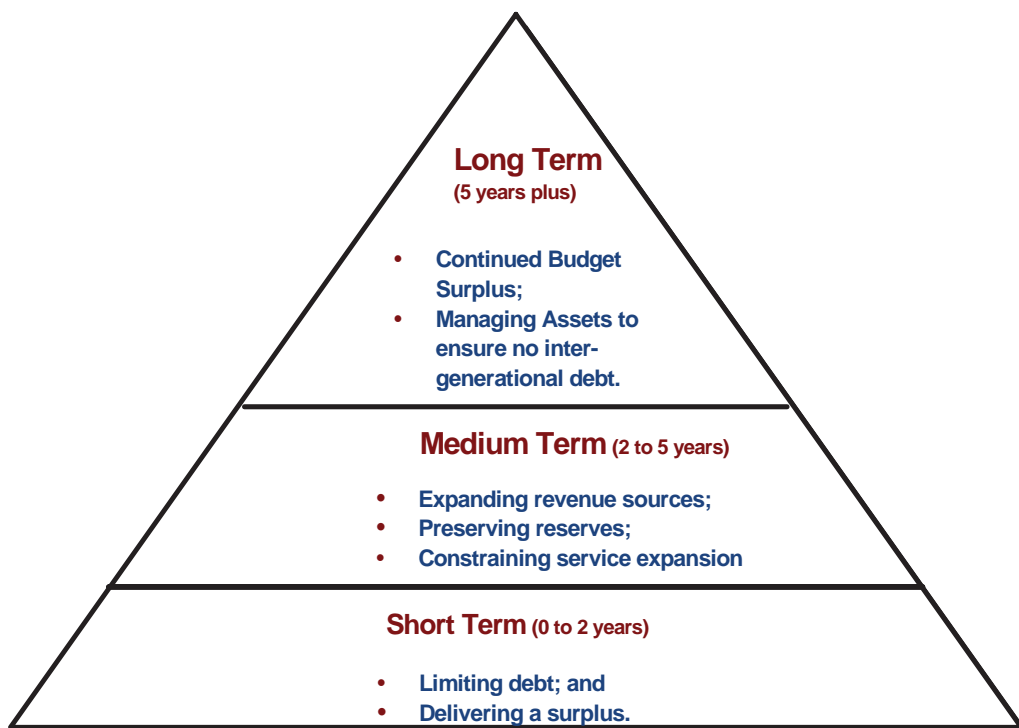
Prices charged to the user will be offset by the application of subsidies approved by Council and by exercising discretion based on capacity to pay. Subsidies need to be identified and assessed to ensure that they are helping Council meet its policy objectives in the Council Plan.

Notwithstanding the above, Council may as part of its regulatory role use pricing as a mechanism for changing behaviour and accordingly set prices for services such as work zone permits, footpath occupancy permits and additional parking permits that exceed the cost and overheads associated with providing the service.

2.3 Pyramid of Financial Sustainability

The financial sustainability objectives of the SRP can be demonstrated via a hierarchy of needs basis:

Diagram 2 – Financial Sustainability, Hierarchy of Needs.



2.4 Goals and Strategies for CoPP's 2008/09 SRP

SRP Goal

In pursuit of its objectives, the City of Port Phillip holds central the need for sustainability by ensuring continued operating viability, a positive cash flow, a growing asset base, support if its human resources and strengthening of its service culture. The SRP goal embodies four financial objectives supported by 12 strategies and one non-financial objective supported by two strategies, as detailed in Table 1 below:

Table 1: SRP Objectives and Strategies

Objective	Strategies	Time frame	Link to FP
1. CoPP will have an ongoing balanced budget and ideally a small surplus.	1. Expenditure on operating activities will be lower than income from operating activities, producing a surplus. Any surplus achieved will be transferred to reserves or carried over to subsequent years.	Short term	2.1 2.2
	2. Rate revenue will remain at a constant percentage of total revenue (target 55%) and other revenue will be strengthened over the medium term to reduce reliance on rate revenue.	Medium	3.1 3.2
	3. Services will be expanded where the expansions are sustainable within operating revenue, or funded by extra revenue.	Medium Term	3.5 3.6
2. The CoPP asset base will be maintained, enhanced and expanded	4. The total pool of assets will increase in value each year – excluding the effect of any revaluation adjustments.	Short Term	4.2
	5. Assets will be managed in accordance with community need, optimum utilisation and long-Term efficiency.	Long Term	4.7
	6. Capital expenditure on existing assets (asset renewals and enhancements) will be higher than depreciation.	Long Term	4.3 4.4
	7. Debt will be reduced progressively so that the cost of debt servicing can be redirected into service delivery, where appropriate.	Short to medium Term	5.4
3. Liquidity will be maintained at levels that assure adequate working capital without the need to resort to borrowings or a bank overdraft.	8. General reserves will be maintained at levels sufficient to assure operational liquidity.	Short Term	2.3
	9. Council will consider new loans for funding community capital works projects that will be supported by other cost efficiencies, supplemented by revenue streams or will enhance service delivery.	Medium Term	5.2
	10. Investments will be based on increasing reserves to fund periodic large capital expenditure items.	Medium to Long Term	2.3
4. Capital works will address community needs without ignoring long term financial impacts.	11. CoPP's capital assets will be enhanced and preserved to ensure that Council's service delivery capabilities are maintained and improved where possible.	Short to Medium Term	4.6
	12. CoPP will provide new assets in a way that assists in clustering community assets for social, service delivery and financial effectiveness.	Short to Medium Term	4.7
5. CoPP will proactively lead, develop and build organisational culture based on the provision of same day service and a work life balance.	13. CoPP will provide leadership and learning to its staff that builds relationships and where core learning objectives will focus on customer service, the provision of same day service, technical skills, leadership and innovation.	Short to Medium Term	
	14. CoPP will support the development of policy and practice in the workplace and community to increase organisational effectiveness.	Short to Medium Term	

2.4.1 Achievement of Goals and Strategies

The table below demonstrates the achievement of these goals and strategies within this Strategic Resource Plan:

Principle	Indicator	Measure	2007/08 Forecast Actual Result	2008/09 SRP	2008/09 Budget	2009/10	2010/11	2011/12
1. COPP will have an ongoing balanced budget and ideally a small surplus	1. Expenditure on operating activities will be lower than income from operating activities, producing a surplus. Any surplus achieved will be transferred to reserves or carried over to subsequent years	Operating Surplus	\$16.099M	\$13.723M	\$11.681M (1)	\$14.118M	\$13.723M	\$15.479M
		Cash Surplus	\$1.223M	\$4.008M	\$0.381M (2)	\$0.455M	\$0.523M	\$4.355M
2. The COPP asset base will be maintained, enhanced and expanded	2. Rate revenue will remain at a constant percentage of total revenue (target 55 %) and other revenue will be strengthened over the medium term to reduce reliance on rate revenue.	Rate revenue	56.35%	56.99%	56.47%	56.77%	58.28%	58.94%
		Total revenue						
3. Liquidity will be maintained at levels that assure adequate working capital without the need to resort to borrowings or a bank overdraft	4. The total pool of assets will increase in value each year – excluding the effect of any revaluation adjustments.	Total Property, Infrastructure, Plant & Equipment	\$1,683,395,000	\$1,531,725,000	\$1,706,972,000 (3)	\$1,724,106,000	\$1,737,320,000	\$1,746,493,000
		Total capital renewal & enhancements	\$12.765M	\$18.268M	\$16.357M (4)	\$14.525M	\$17.730M	\$13.430M
7. Debt will be reduced progressively so that the cost of debt servicing can be redirected into service delivery, where appropriate.	6. Capital expenditure on existing assets (asset renewals and enhancements) will be higher than depreciation	Cap Renewal & Upgrade	96.8%	138.4%	123.9%	108.4%	130.4%	97.3%
		Depreciation						
8. General reserves will be maintained at levels sufficient to assure operational liquidity	7. Debt will be reduced progressively so that the cost of debt servicing can be redirected into service delivery, where appropriate.	Loan Balance	\$3.273M	\$2.807M	\$2.807M	\$2.311M	\$1.785M	\$1.226M
		Borrowing Costs	\$0.320M	\$0.191M	\$0.191M	\$0.161M	\$0.130M	\$0.097M
3. Liquidity will be maintained at levels that assure adequate working capital without the need to resort to borrowings or a bank overdraft	8. General reserves will be maintained at levels sufficient to assure operational liquidity	General Reserves Balance	\$14.230M	\$3.077M	\$11.018M (5)	\$7.518M	\$7.518M	\$9.518M

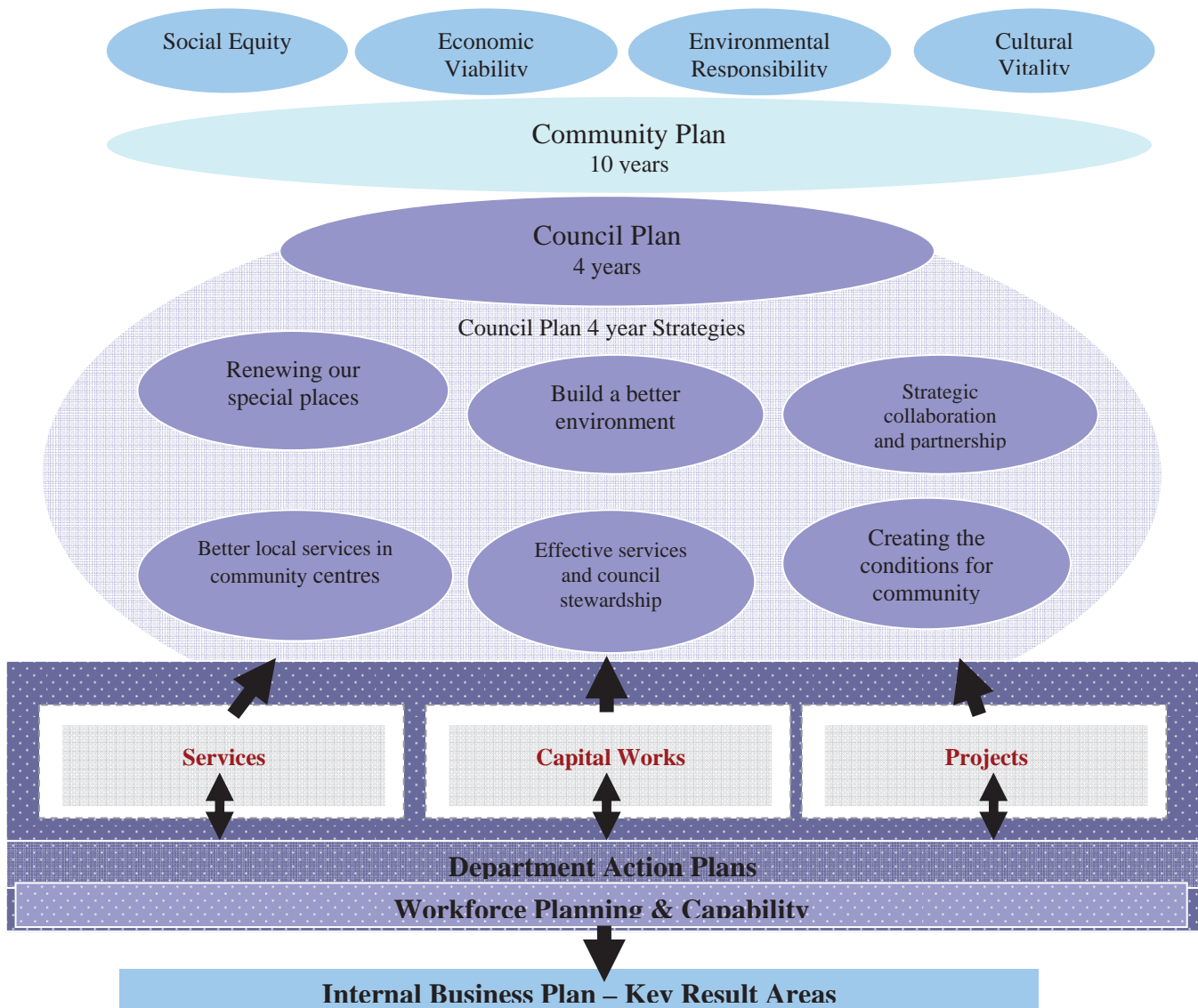
Explanation of variances from 2008/09 SRP to 2008/09 Budget

- (1) Operating surplus – 2008/09 Budget of \$11.681M is \$2.042M less than plan of \$13.723M due to reduced income from parking and inflationary pressures, especially energy costs that have impacted contract costs.
- (2) Cash surplus of \$0.381M is \$3.627M less than plan of \$4.008M due to increased transfer of Council reserves (\$2M) and reduced operating surplus.
- (3) Property, infrastructure, plant & equipment has increased by \$175M due to the annual asset revaluation.
- (4) Capital expenditure on existing assets is less than planned due to an increased focus on new assets which comprise over \$9M in the 2008/09 budget.
- (5) General Reserves of \$11.018M are \$8M more than projected due to delays in expending the Southport Nursing Home reserve and the additional transfer of \$2M to general reserves in 2008/09 budget.

3. OUR PROCESS- CYCLE OF INTEGRATED PLANNING

CoPP's planning process is summarised in the diagram below.

Diagram 4 – Integrated Planning



Council has as a key financial objective, the long term financial sustainability of the municipality which gives it the capacity to achieve its key corporate objectives as specified in the Council Plan. The relationship between these objectives is documented to assist in the achievement of three supplementary goals:

- Improved transparency in implementing the Council Plan and a more clearly demonstrated link between the Council Plan and the Budget.
- A documented means of measuring performance against declared goals and targets.
- Enhanced public accountability in having a Budget that is more easily understood by residents and ratepayers.

Contemporary municipal budgetary practice required that a long term Financial Plan should be linked to the Council Plan, Budget and Schedule of Capital Works. The long term Financial Plan sets the parameters for the Annual Budget. It is used to ensure that current operating trends, including the rate of growth for each revenue and expenditure item, are sustainable. It is used also to ensure that normal municipal operations generate sufficient cash flow to fund capital and borrowing commitments, renewal and maintenance of fixed assets occurs at an appropriate time and to review the financial viability of controlled entities.

Council also conducts a regular mid-year budget review, at which financial performance is assessed against budget. Significant forecast changes are made to the budget during this time and communicated to the public.

A draft of CoPP's long term Financial Plan is completed by February each year. This allows time for targets to be established during the long term financial planning process to guide the preparation of the Annual Budget via key budget assumptions. The Annual Budget sets out CoPP's service delivery objectives for the forthcoming year, as expressed in the Council Plan, in financial terms. The Budget financials are supported by business plans detailed to department level, this enables the reader to obtain an understanding as to how revenue and expenditure levels are set and then how rating levels are determined.

The Council Plan and Annual Budget reports (incorporating Capital Works) are both subject to a public review process, where public submissions/queries are considered by Council prior to finalisation of these reports.

3.1 Reliability from Modelling

The Financial Plan model includes a series of assumptions about future developments. A number of the assumptions assess expected developments such as changes in the consumer price index, average weekly ordinary time earnings (A.W.O.T.E.) and interest rates. Other assumptions are more about how the Council intends to manage the controllable elements of its environment, e.g. pricing, investment strategy, labour costs (Enterprise Agreement).

Broader environmental assumptions taken into account by divisional managers in the development of annual departmental service plans, that follow the objectives of the long term financial model, are overlaid against a wide number of contextual or environmental considerations. The Executive Team has agreed that the City of Port Phillip is likely to operate in the following environment for the next five to ten years:

Increasing Community Expectations – There will be a higher demand for tailor made solutions which resolve individual expectations and increased use of electronic media, particularly 'e' business solutions, leading to an expectation of service 24 hours a day, seven days a week.

Demographic Profile – CoPP is a highly mobile community with an increased number of couples without children and people who live alone particularly in the 25 to 60 year old age group. Many occupy accommodation in apartment developments around the municipality in areas such as St Kilda Road and Port Melbourne. This has an impact on our capacity to keep the community well informed and contributing to community life. Conversely, numbers of pre-school aged children have increased placing growing demands on the child care and early education service in the city and this trend is expected to continue. Socially marginalised and low income groups remain a small but significant part of our population and require access to the full range of opportunities and services.

Economic Development – Capital works programs in shopping centres and community markets will be targeted in assisting the health of the local economy with the cost of works partially offset by special rates raised on traders.

E-Commerce – The general expansion of electronic services and significant growth in internet technology within the wider community for recreational and business purposes leaves Council eager to promote its own services using new technologies.

The current eServices portal provides the ability to lodge customer requests and apply for land information and building certificates online. eServices allows our customers to pay a number of council fees and charges online. The next phase will see an increase in the number of transactions possible via the internet, particularly focussing on permit lodgement (development and parking) and permit renewals.

Council is involved in a federally funded initiative to provide customers with the ability to access property information prior to lodging a planning permit and then providing the option to lodge a permit online. This service will be delivered via the current eServices portal.

Financial Capability - There are numerous examples of increased responsibilities being passed on to local government by Federal or State legislation with insufficient funding for tasks passed on. The recent adoption of an agreement to strengthen state-local government relations (Victorian State Local Government Agreement) and formally commit to principles and guidelines that will give greater clarity to roles, responsibilities and financial arrangements is expected to improve the capacity of local government to provide services to communities and ensure greater transparency about state-local financial arrangements.

Where Council provides grants and subsidies, the requirement for an open and transparent process is of increasing importance.

Asset Management – Council's asset management plan aims to ensure meaningful and effective levels of service for Council's assets over their entire life cycle whilst ensuring cost-effectiveness, minimum exposure to risk and compliance with statutory and regulatory requirements. Sustainability in the provision of Council assets will require that CoPP's facilities and buildings be used to their optimum levels without compromising community access. It is intended to extend the forward planning outlook for asset management (renewals, enhancements and replacements) to a 10 year time frame.

The current year budget adjusted for permanent (ongoing) variations identified in the mid year review is used as the starting point for the model. Assumptions and anticipated developments, borrowings and capital requirements generate a five-year model. This is projected for a further five years on broad assumptions. Internal transfers are also taken into account in generating accurate department projections.

The Five Year Financial Plan includes details of Council's:

- Major revenue streams
- Major expenditure streams
- Capital Expenditure
- Debt repayments
- Asset sales
- Reserve transfers
- The impact of implementing significant Council policies and strategies (eg the Information Technology strategic plan, the Sports and Recreation plan and the Creative Cities strategy).

3.2 Performance Monitoring

The City of Port Phillip uses a range of performance monitoring tools to ensure that its SRP remains on track for successful implementation.

Budgets

Managers are held accountable to the delivery of their budgets, which are based on organisational targets and service delivery through the regular measurement of operational performances. This is reported via a detailed set of financial reports and departmental KPI measures that ET reviews on a monthly basis. Council reviews operational performance on this basis every quarter.

Annual Report/Audit

In the CoPP Annual Report, Council is required to:

- Provide reasons for significant variations against the prior year budget and to detail any changes in Council's financial ratios.
- Report on its performance against selected highlights detailed in the Council Plan.

Risk

CoPP applies a risk management model that aims to identify major operational business risks in a timely and financial manner and implement increases to address them. Managers are required to operate within their delegated levels of authority and CoPP also has an internal audit plan to back up the statutory external audit process.

The Executive Team oversees CoPP's implementation of the SRP, annual budget and Council Plan. It also sets the risk management framework within which all business units operate.

Benchmarking

CoPP uses KPIs and other benchmarking to assess its financial performance – particularly against other local government authorities. The Local Government Act Regulations requires councils to report five ratios as part of the annual report. CoPP monitors these ratios, i.e. debt servicing ratio, debt commitment ratio, revenue ratio, debt exposure ratio and working capital ratio. In addition, CoPP reviews its performance against a group of comparable (i.e. inner metropolitan), councils using a wide range of ratios. The various charts below indicate a positive performance, i.e. on the better side of the group average, against most ratios. Significantly, CoPP produces surplus operating results.

The Victorian Auditor-General released a report that confirmed the performance of all councils against five financial indicators:

- Underlying results – The City of Port Phillip recorded the highest underlying surplus of all inner metropolitan councils in 2006/2007 and was one of only 25 councils to achieve this across the State.
- Liquidity – Council's liquidity is very sound with a current ratio of 2.66:1 compared to the benchmark of 1.5 and this indicates that it has no immediate issues with repaying liabilities as and when they fall due.
- Indebtedness – Council's level of indebtedness is low (4.2% of own source revenue) and considerably below all prudential ratios.
- Self- financing – Council's is generating sufficient cash from its operations to fund new assets and asset renewals. Measures greater than 20% (CoPP 28.6%) demonstrate this.
- Investment Gap Ratio – Council's investment ratio of 2.44: 1 indicates that is adequately funding infrastructure spending – An investment gap greater than 1.5 indicates that there is likely to be sufficient spending on asset renewal.

4. OPERATIONAL SUSTAINABILITY

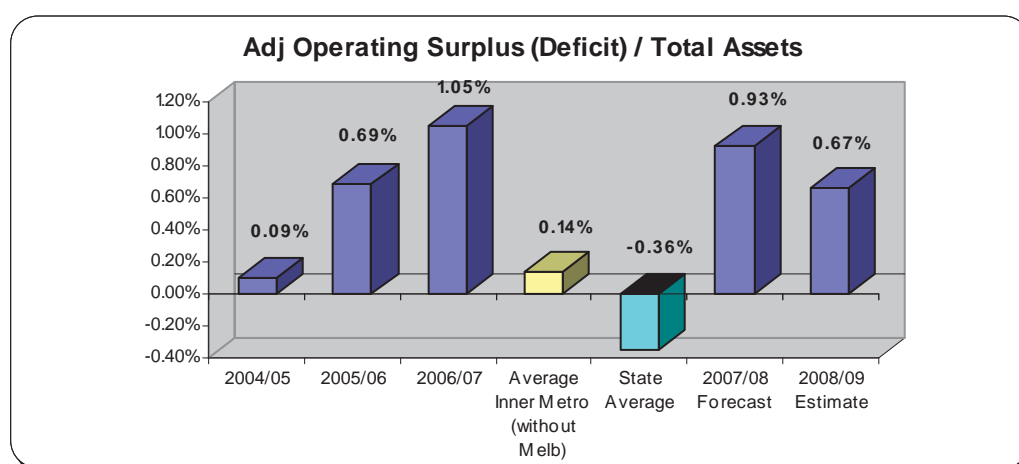
OBJECTIVE 1

CoPP will have an ongoing balanced budget and ideally a small surplus.

The Operating Surplus (Deficit) / Total Assets ratio indicates the proportion of total revenue raised that is retained as operating profit. An inability to record a positive ratio may indicate long-term sustainability issues for Council to address. A negative ratio indicates the asset base is being eroded.

In calculating the performance of Council, the Operating Statement result disclosed in the Annual Report has been adjusted to discount the effect of sale assets, assets contributed by developers, the net effect of any asset revaluation / write off, and also the amount of capital income. The adjusted outcome is therefore a true reflection of the Council's performance.

Graph 1: Adj Operating Surplus (Deficit / Total Assets)ⁱ



CoPP's outcome in this measure places it as one of only 25 Councils in Victoria who achieved an underlying operating surplus result. This reflects well on CoPP's performance.

The relevance and importance of measuring underlying surpluses has been highlighted recently in the Auditor General summary of financial audits. It remains important for CoPP's long-term sustainability for surpluses to continue to be achieved in this measure.

Strategy 1

Expenditure on operating activities will be lower than income from operating activities, producing a surplus. Any cash surplus achieved will be transferred to reserves or carried over to subsequent years.

Each year we will achieve a financial result that is in surplus. This will be achieved on the operating result, i.e. after adjusting the reported result to exclude all non-operational items and capital funding. This means we will receive more revenue than the expenditure required for operating purposes, ensuring continuous financial sustainability, generating a positive cash flow and contributing to a growth in net assets.

The Financial Plan requires growth in income and constraint on expenditure increases. There will be a continuing review and refocus of existing services and only a small number of service expansion initiatives. Profitable services will be expanded with the range and number of services achieving cost recovery being increased. Council will continue to explore ways of encouraging partnerships and alliances between the public, private and non-for-profit sectors as a means of increasing the range and quantity of services available to the community.

4.1 Standard Statement A1: Income Statement

The Income Statement (profit and loss) provides an indication of Council's performance at a current point in time. A positive result, i.e. profit or surplus, ensures the continued growth of Council's total equity which can be utilised for funding of replacement or maintenance or assets in the short term, or build up of reserves to fund assets in the long term, and the potential to expand the delivery of services. Council's Income Statement, extended with a cash conversion, is detailed below:

Standard Budgeted Income Statement

For the four years ending 30 June 2012

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2007/08		2009/10	2010/11	2011/12
	\$'000	\$'000	\$'000	\$'000	\$'000
OPERATING RESULT					
Revenues from ordinary activities					
Rates	71,347	73,680	78,101	82,787	87,755
Parking revenue	21,529	21,927	22,695	23,489	24,311
User fees & charges	12,512	14,887	15,557	16,257	16,988
Open space contributions	1,645	1,665	1,415	1,415	1,415
Grants - operating	8,130	8,010	8,010	8,010	8,010
Grants - capital	805	630	2,250	250	250
Interest received	2,399	1,650	1,250	1,250	1,250
Other income	8,238	8,026	8,307	8,598	8,899
	<u>126,605</u>	<u>130,475</u>	<u>137,585</u>	<u>142,056</u>	<u>148,878</u>
Expenses from ordinary activities					
Employee benefits	43,495	46,126	48,202	50,371	52,637
Contract services	29,076	35,252	36,838	38,496	40,228
Materials & other expenses	20,297	20,448	21,164	21,904	22,671
Professional services	4,128	3,577	3,702	3,832	3,966
Borrowing costs	320	191	161	130	97
Depreciation	13,190	13,200	13,400	13,600	13,800
Total Expenditure	<u>110,506</u>	<u>118,794</u>	<u>123,467</u>	<u>128,333</u>	<u>133,399</u>
Operating surplus (deficit) for the year	<u>16,099</u>	<u>11,681</u>	<u>14,118</u>	<u>13,723</u>	<u>15,479</u>
CONVERSION TO CASH					
Less cash costs not included in the operating result					
Capital works program	19,075	22,459	24,759	21,169	17,269
Capital works program - remediation expenditure	300	2,500	2,800	2,300	2,300
Capital works program - purchase of land	0	750	0	0	0
Capital Carry Over	19,798	0	0	0	0
Capital expenditure - IT	1,697	1,459	1,299	1,299	1,318
Capital expenditure - Other / Parking Machines	1,486	1,609	1,786	1,936	2,086
Loan repayments	4,497	466	495	526	559
Transfers to/(from) statutory reserves	(655)	(308)	(85)	(85)	(85)
Transfers to/(from) general reserves	1,104	(3,212)	(3,500)	0	2,000
	<u>47,302</u>	<u>25,723</u>	<u>27,554</u>	<u>27,145</u>	<u>25,447</u>
Plus non cash costs included in operating result					
Depreciation	13,190	13,200	13,400	13,600	13,800
Surplus/(deficit) for the year	<u>(18,013)</u>	<u>(842)</u>	<u>(36)</u>	<u>178</u>	<u>3,832</u>
Accumulated position brought forward					
Carry Over Surplus/(Deficit)	1,880	1,223	381	345	523
B/Fwd Surplus to fund Capital Carry Over	19,156	0	0	0	0
Capital Works Carried Over to 2008/09	(1,800)	0	0	0	0
Surplus/(Deficit) Carried Forward	<u>1,223</u>	<u>381</u>	<u>345</u>	<u>523</u>	<u>4,355</u>

Council has in the past used as its primary financial planning document the rates determination statement which gives a “snapshot” view of the key financial drivers of the municipality. This statement has now been superseded by the new standard statement above, which includes a conversion to cash outcome. It provides the reader with a view of the organisation’s ongoing revenue and expenditure flows as well as the annual investment that it makes in capital works. The statement is cash based and also includes details of changes in the Council’s debt levels, asset sales and transfers to and from its discretionary and statutory reserves. Council’s annual surplus or deficit is based on the cash conversion format and this statement is the preferred financial planning document due to the overall picture it provides to the reader and its comparability with previous financial plans.

Key Information Relayed by the Income Statement

The Income Statement (Profit and Loss) highlights a number of key points:

- The 2008/2009 operating budget projects an operating surplus of \$16.099M, after raising rates and charges of \$73.680M. In order to achieve Council’s objectives while maintaining service levels and a robust capital expenditure program, the total rate revenue is projected to increase by 4.0% in 2008/2009 which equates to an average price increase of 2.9%
- After accounting for non operating cash items (capital expenditure, loan repayments and reserves transfers) and non cash items (depreciation, and the estimated surplus from 2006/2007) Council anticipates a budget surplus of \$1.223M
- While the City’s current operating position is strong, it needs to be noted that reserves are being drawn down for remediation costs at the Gasworks site, St Kilda foreshore development, and the South Melbourne Market and repayment of debt
- Wage growth will continue to impact on Council operations (4.5% allowance in 2008/2009)
- Reductions in government funding have also been factored in with grants projected to remain unchanged in future years

In broad terms, the forecast for the following 5 years is based on the following annual assumptions:

- The expected inflation rate (CPI) for the 2008/2009 budget is 3.5%
- Labour costs will increase by 4.5% in 2008/2009, and in future years
- Staff numbers reflect population growth and increased demand for community services
- Service expansion will be funded by substitution
- Rates revenue will increase by 4.0% in 2008/2009 and 6.0% thereafter
- Government Grants will remain constant
- Capital Revenue will remain constant
- Fees and Charges increase by 4.5%
- Parking Revenue increases by 3.5%
- Other income increases by 3.5%
- Contract Services increases by 4.5%, reflecting CPI increase of 3.5% and 1.0% for service growth
- Materials and Other cost increases by 3.5%
- Professional Services increases by 3.5%

4.2 Income

Strategy 2

Rate revenue will remain at a constant percentage of total revenue (target at 55% and other revenue will be strengthened over the medium term to reduce reliance on rate revenue.

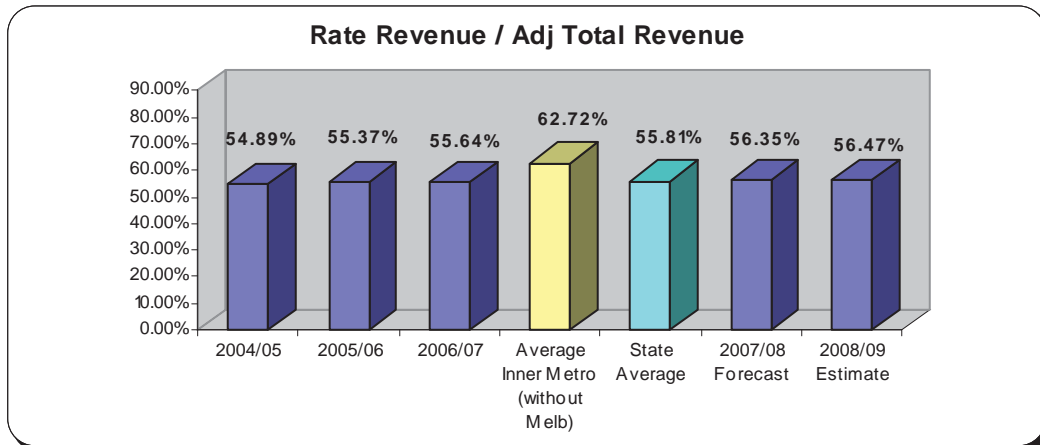
The broad scope of this strategy ensures that income will be increased to assure financial viability. Specifically, income will be sufficient to provide for operational expenditure, capital investment and debt management.

4.2.1. Rates

Council aims to constrain general rate increases to a level that maintains the real dollar value of revenue generated from individual properties and limits increases over this to levels that can be justified by its Council Plan Strategy (e.g. capital works). Rate increases will be undertaken in a manner that minimises the social and economic impact of increases for disadvantaged groups. Income from rates is forecast to rise in 2008/2009. The movement in rates has three components: price (CIP), volume (number of properties serviced), and additional capital improvements within the municipality.

The ratio of Rate Revenue / Total Adjusted Revenue shows revenue raised by general rates, expressed as a percentage of total revenue as adjusted by removal of abnormal items. Rate income is a secure and predictable source of revenue. A low ratio can warn of undue reliance on other forms of revenue, which may or may not be sustainable – such as Government grants. A high ratio may indicate that Council has not pursued alternative revenue sources effectively.

Graph 2: Rate Revenue / Adjusted Total Revenue



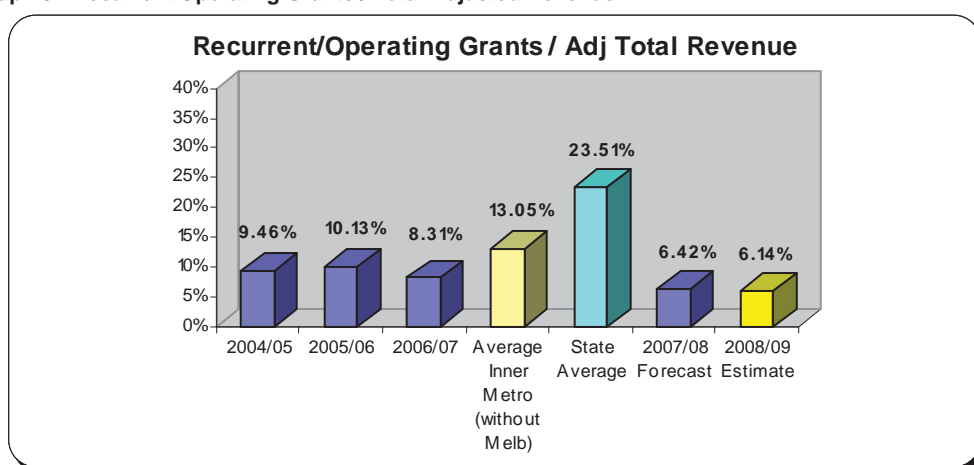
The graph shows CoPP’s reliance on Rate Revenue, as a percentage of its Total Revenue base, has remained steady in prior years, and is less than the average for the like Council grouping but trending upwards to 56%, which is just above the 55% target, due to reductions in the City’s other sources of revenue such as fees and charges/ parking income. Rates grew in dollar terms by 5.8%, but this growth is not matched in total revenue due to government grants and capital grants revenue projected to remain static. Council is committed to increasing its proportion of revenue from sources other than general rates.

4.2.2. Grants

Although Council seeks to maximise revenue from State and Federal government agencies within the limits of policy set by the Council Plan, grants are forecast to remain steady. Grants will be pursued as a priority, and as the preferred manner of partnering with State or Federal authorities in service delivery, but not at the expense of overall policy objectives or priorities. In general, councils have limited income generation opportunities, as over recent years, there has been a general reduction in government grants with both State and Federal governments shifting costs to local government by divesting service delivery to local government.

The Recurrent Operating Grant Revenue / Total Revenue ratio compares the amount received from Government Grants to the Total Revenue figure. A decreasing trend may indicate a reduced level of financial commitment from other tiers of government, thus increasing pressure on CoPP. A strong fees and charges component reduces the percentage of grants income from the total revenue base.

Graph 3: Recurrent Operating Grants / Total Adjusted Revenue



CoPP's grant income is very low, and is significantly below the group average, and the State average as a result of higher dependence on grant revenue by rural Councils. This may also reflect the State Government's apparent reluctance to provide funding given Port Phillip's socio-economic profile and given CoPP's other funding sources (especially parking revenue).

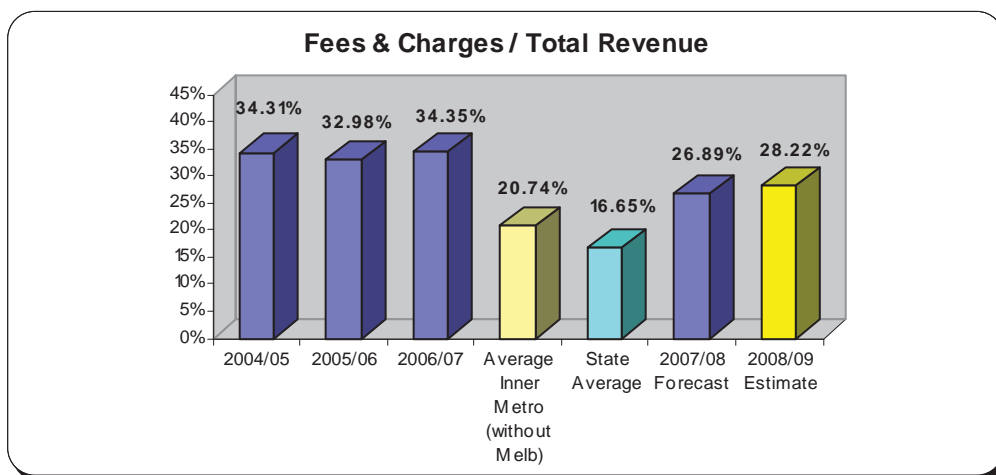
4.2.3. Fees and Charges

In broad terms, Council services are required to set fees sufficient to ensure recovery of the full cost of providing services whilst applying appropriate concessional rates for hardship. Fees and charges are set to increase by CPI plus an additional 1%. Where appropriate, charges must provide sufficient impact to ensure an appropriate community behavioural response, i.e. parking fines, library fines etc.

Council ensures that service delivery fees provide a sensitive response to the social and economic needs of the community via targeted service delivery, a structure of concessions and discounts, and suitable arrangements to pay.

The Fees and Charges Revenue / Total Revenue ratio compares the amount received from Fees and Charges to the Total Revenue figure. A decreasing trend may put pressure on Council's ability to continue to provide both operational services and capital works and may require Council to source additional income from rates or loan borrowings.

Graph 4: Fees and Charges / Total Revenue



CoPP performs well in terms of its fee revenues and the income it receives via the parking fees and fines. This income provides an invaluable source of revenue to Council contributing strongly to its less than average reliance on rate revenue as a percentage of its total revenue base. This is a current Council priority.

4.2.4. Interest on Investments

In line with the requirements of the Local Government Act and Council's Investment Policy, the objective for Council when placing investments is to take advantage of the interest earning potential of Council's surplus funds while reducing its exposure to financial risk, giving consideration to ethical investments and ensuring sufficient funds are kept available to meet cash requirements. The CoPP investment policy recommends that Council invests its working capital as follows:

Liquidity Management

For day to day cash management purposes, the Council must have available to it cash, liquid investments of at least \$5M. Liquid investments comprise:

- Overnight cash deposits with authorised counterparties that must be banks
- Bank bills endorsed or accepted by counterparties that must be banks

Cash Management

For amounts in excess of \$5M (day to day liquidity) up to \$15M, investments in the following securities may be undertaken:

- Assets approved under Liquidity Management policy
- Commercial paper rated A-1 or A-1+ by Standard and Poor's for terms up to 90 days
- Interest bearing deposits with authorised counterparties

Longer Term Investments

For funds in excess of those managed under the Liquidity and Cash Management policies (ie. \$15M), investments in the following securities may be undertaken:

- Assets approved under Liquidity and Cash Management policies
- Bonds issued by the Commonwealth or State Governments with a maturity of up to 5 years
- Corporate bonds rated BBB+ or higher by Standard & Poor's with a maturity of up to 5 years for no more than \$1M per issuer up to a total investment of \$5M
- Equity related interest bearing investments with a maturity of 3 years or less where the return of the capital sum is guaranteed by an approved counterparty up to a total investment of \$5M.

4.2.5. Proceeds from Sale of Assets

Asset sales are to be undertaken only where a cost benefit case indicates the effectiveness of the asset sale in relation to Council or community use.

4.2.6. Contributions

Private sector contributions to infrastructure development will be pursued as a major source of revenue for the provision of the ongoing infrastructure and service requirements of the Port Phillip community.

4.2.7. Borrowings

Liquidity will be leveraged through the conservative use of debt financing to provide financial flexibility to the organisation. The prudent management of debt levels is therefore a component for ensuring the sustainability of the Council.

4.3 Expenditure

Strategy 3
Services will be expanded where the expansion is sustainable within operating revenue, or funded by extra revenue.

The broad scope of this strategy identifies that:

- Expenditure will be set at levels sufficient to ensure the continued delivery of services to the residents and ratepayers and maintenance and growth of physical assets.
- Services will be exposed to competition via benchmarking, outsourcing and tendering to achieve continuous improvement and cost control. This is supported by the Best Value process as implemented by CoPP.
- Efficiency and productivity improvements will be achieved through investment in technology and new systems.
- Where investments in capital don't produce savings in labour, they should enable significant improvements in output and service.
- Expenditure levels will be set subject to the diverse needs of the community, within the overall limits of supporting income streams.

4.3.1. Employee Costs

Increases in employee costs are to be minimised through the pursuit of efficiency improvements, the application of cost-saving or service-improving technology, continuing training of Council staff and the sensitive management of employee health matters. Staff numbers will remain static. Wage costs are expected to move in line with Enterprise Bargaining Agreements entered into by CoPP.

4.3.2. Materials and Other Costs

Council seeks to confine increases in materials and other costs in the 2008/2009 financial year and has budgeted for an increase in line with inflation (2008/2009 CPI 3.5%).

4.3.3. Contracts

Contract costs are expected to increase by the expected the rate of inflation (3.5% in 2008/2009), plus an increase of 1% reflecting an increase in service growth.

5. FINANCIAL, STRENGTH AND ASSET GROWTH

OBJECTIVE 2	The CoPP asset base will be maintained, enhanced and expanded.
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The financial position will improve annually as a result of positive operating results. In addition Council's equity will increase due to periodic valuations of Council assets.

The incorporation of the statement of financial position (balance sheet) in the long term financial plan is important as it provides information about the City's assets and liabilities and is essential in the forecasting of cash flows. Consequently, it is a key tool for determining overall financial sustainability.

5.1 Standard Statement A2: Balance Sheet Statement

Budgeted Standard Balance Sheet

For the four years ending 30 June 2012

	Forecast Actual 2008 \$'000	Budget 2009 \$'000	Strategic Resource Plan Projections		
			2010 \$'000	2011 \$'000	2012 \$'000
Current assets					
Cash and cash equivalents	36,000	23,638	20,126	20,109	25,856
Receivables	10,827	10,827	10,827	10,827	10,827
Accrued income	817	817	817	817	817
Prepayments	652	652	652	652	652
Total current assets	<u>48,296</u>	<u>35,934</u>	<u>32,422</u>	<u>32,405</u>	<u>38,152</u>
Non-current assets					
Other financial assets	5	5	5	5	5
Receivables	2	2	2	2	2
Property, infrastructure, plant & equipment	1,683,395	1,706,972	1,724,216	1,737,210	1,746,493
Total non-current assets	<u>1,683,402</u>	<u>1,706,979</u>	<u>1,724,223</u>	<u>1,737,217</u>	<u>1,746,500</u>
Total assets	<u>1,731,698</u>	<u>1,742,913</u>	<u>1,756,645</u>	<u>1,769,622</u>	<u>1,784,652</u>
Current liabilities					
Payables	7,192	7,192	7,192	7,192	7,192
Trust funds and deposits	591	591	591	591	591
Provisions	6,360	6,360	6,360	6,360	6,360
Interest-bearing liabilities	466	495	526	559	594
Total current liabilities	<u>14,609</u>	<u>14,638</u>	<u>14,669</u>	<u>14,702</u>	<u>14,737</u>
Non-current liabilities					
Provisions	1,297	1,297	1,297	1,297	1,297
Interest-bearing liabilities	2,807	2,312	1,785	1,226	632
Total non-current liabilities	<u>4,104</u>	<u>3,609</u>	<u>3,082</u>	<u>2,523</u>	<u>1,929</u>
Total liabilities	<u>18,713</u>	<u>18,247</u>	<u>17,751</u>	<u>17,225</u>	<u>16,666</u>
Net assets	<u>1,712,985</u>	<u>1,724,666</u>	<u>1,738,894</u>	<u>1,752,397</u>	<u>1,767,986</u>
Equity					
Accumulated surplus	593,633	608,834	626,537	640,235	653,909
Asset revaluation reserve	1,103,160	1,103,160	1,103,160	1,103,160	1,103,160
Other reserves	16,192	12,672	9,087	9,002	10,917
Total equity	<u>1,712,985</u>	<u>1,724,666</u>	<u>1,738,784</u>	<u>1,752,397</u>	<u>1,767,986</u>

5.2 Asset Management

Strategies 4 - 6

The total pool of assets will increase in value each year – excluding the effect of any revaluation.

Assets will be managed in accordance with community need, optimum utilisation and long term efficiency.

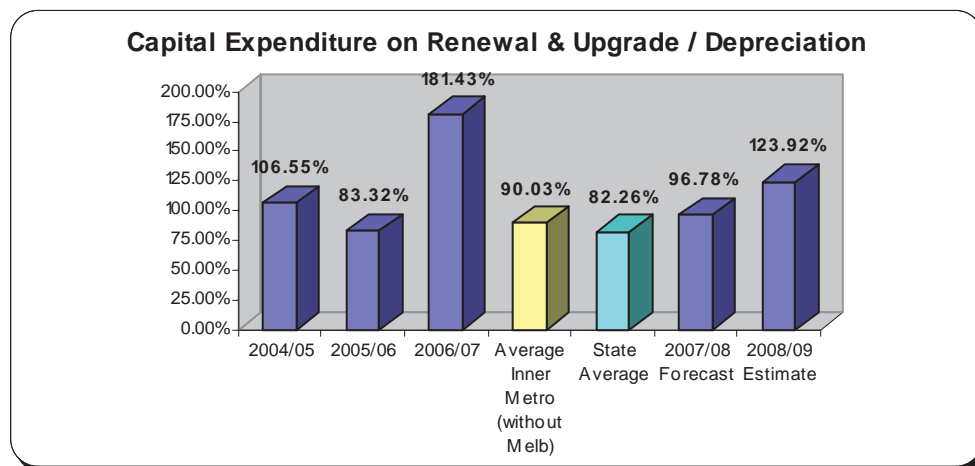
Capital expenditure on existing assets (asset renewals and enhancements) will be higher than depreciation.

The broad scope of the above strategies can be summarised as follows:

- Council's key balance sheet objectives are to ensure the relevance and currency of its fixed assets and the maintenance of debt and cash flow at levels that will ensure the ongoing sustainability of its service delivery to the Port Phillip community.
- We will invest in the maintenance, renewal and replacement of assets at a greater rate than they deteriorate or wear out, i.e. at a greater rate than depreciation.
- We will undertake efficient maintenance to ensure that the condition of infrastructure and community assets remains optimal and that the assets remain relevant to community needs.
- Borrowings for capital expenditure will be required to be self-funding, i.e. justified by cost benefit analysis, or justifiable in terms of asset replacement requirements.

The Capital Expenditure on Renewal & Upgrade / Total Depreciation ratio presents the total capital expenditure on asset renewal and asset upgrade as a percentage of total depreciation. An indicator of less than 100% may indicate that Council is not sustaining its asset base.

Graph 5: Capex on Renewal & Upgrade/ Depreciation



The capital expenditure on renewals & upgrades compared to depreciation highlights that CoPP has been reasonably committed to ensuring the majority of capital works are being targeted and addressing the issue of renewal of existing infrastructure. Council's expenditure is significantly greater than the group average and the State average and reflects council's expenditure on carried over projects to catch up on the capital program and commitment to maintaining expenditure levels on renewal of existing infrastructure .

5.3 Debt

Strategy 7

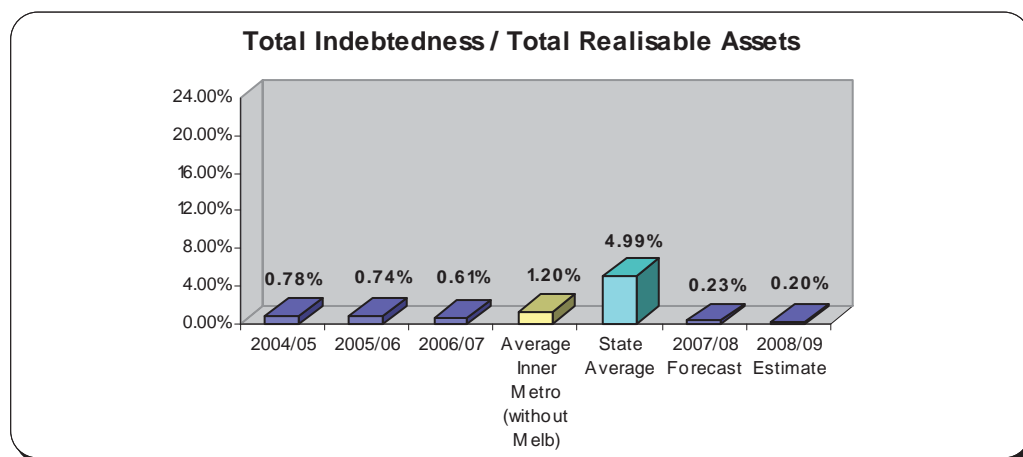
Debt will be reduced progressively so that the cost of debt servicing can be redirected into service delivery.

Servicing costs on debt can have the effect of reducing the amount of funds available for service provision, therefore our overall objective is to minimise our reliance upon debt.

The purpose of the borrowing strategy is to provide the City with a longer-term view of the borrowing requirements of the Council and the level of borrowings that is sustainable. CoPP's borrowings philosophy is that, as a general rule, the City will not borrow externally to fund operational requirements; however, we recognise that we will be best served sometimes to borrow money to pay for large capital works.

5.3.1. Council's Debt Performance

Graph 6: Total indebtedness / Total realisable assets



With total debt as a percentage of net realisable assets at 0.61% (2006/07 actuals) the City of Port Phillip compares favourably with the average for comparable councils of 1.20% and a State average of 4.99%, with Council's debt levels to gradually decrease.

In December 2007, Council repaid the outstanding principal of \$3.941M on one of the two Commonwealth Bank loans. The early repayment of this loan has resulted in Council saving \$904K in interest repayments over the remainder of the loan term.

6. REMAINING LIQUID

OBJECTIVE 3	Liquidity will be maintained at levels that assure adequate working capital without the need to resort to borrowings or a bank overdraft.
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CoPP aims for its cash flow from operations to be adequate to fund capital and borrowing commitments.

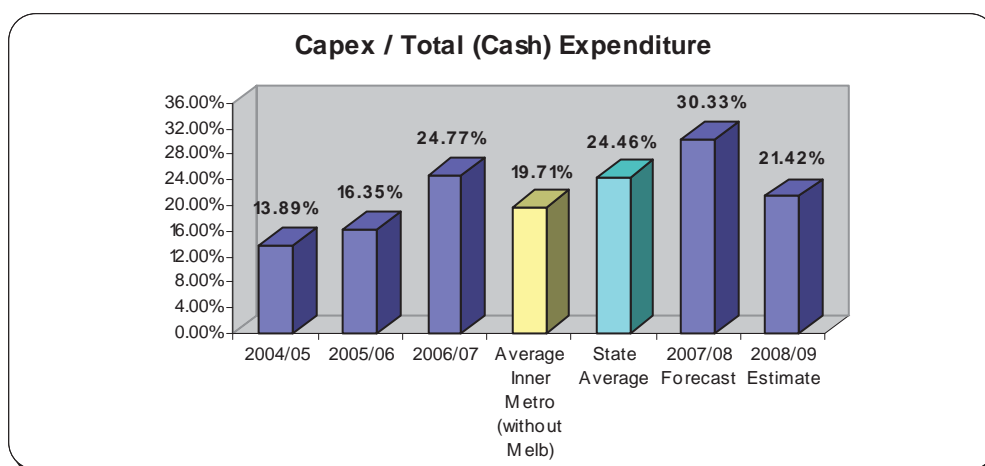
The movements in Working Capital are based on assumptions that point to no significant change in debtors or creditors.

6.1 Capital Outlay and Rates Inflow

6.1.1. Capital Outlay

The Total Capital Outlays / Total Cash Outflows ratio presents the total capital outlays as a percentage of total cash expenditure (excludes depreciation, includes capital expenditure). A decreasing trend may indicate an inability to renew assets as they reach the end of their useful lives. This indicator measures the total capital spent and includes funding of new assets in addition to asset renewal. Large capital grants and Council borrowings affect this measure significantly, where major projects that attract these capital funds will cause this result to improve periodically.

Graph 7: Total Capital Outlays/ Total (Cash) Expenditure



As distinct to the many other ratios where Council performs strongly, its performance in delivering capital works has been below average until a strong spike in 2006/07. The spike is largely attributable to an additional \$10M of expenditure on building assets.

CoPP's Capital Works programs are heavily reliant on rates and reserves funding. CoPP's sources of Capital funding proposed for the 2008/09 budget are detailed at Table 2 below:

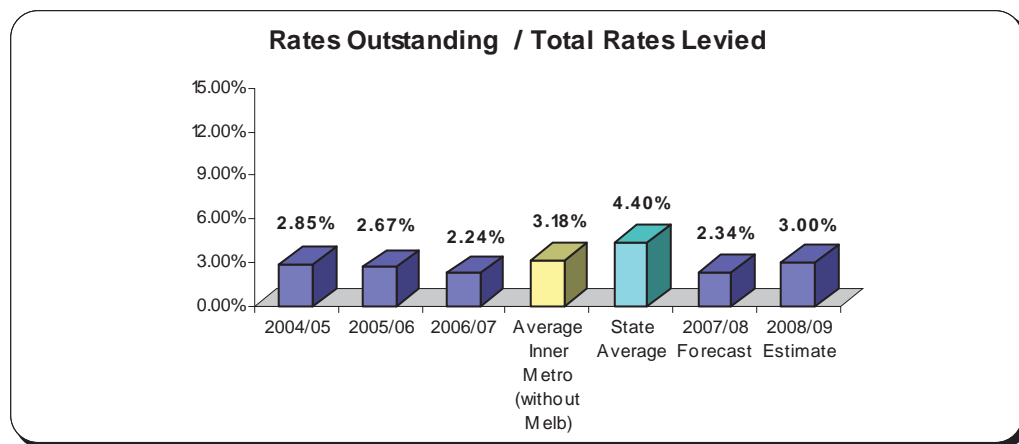
Table 2: Capital Works Expenditure Funding Sources

Sources of Funds	Budget 2007/2008 \$
External Income (Grants, Contributions, etc)	630,000
Rates & General Reserve Requirements	20,293,600
Resort & Recreation Reserves	1,723,000
Sustainable Transport Reserves	1,100,000
Other Reserves	1,962,000
Gross Budget Total	25,708,600

6.1.2. Rates Inflow

The Rates Outstanding / Total Rates ratio is the percentage of levied rates that remain unpaid at the end of the year. An increasing trend may demonstrate inefficiency with rate collection that will ultimately place pressure on Council's liquidity. The indicator is a good measure of the efficiency of the collection process. Industry Best Practice is under 2%.

Graph 8: Rates Outstanding/ Total Rates Levied



The trend in this ratio over the past three years has been one of a decreasing level of outstanding rates compared to the total rates levied. This positive trend is expected to slightly increase to 2.36% for the 2007/08 financial year. This has been due to improved follow up on overdue rates collections, as well as proceedings for sale of a number of properties under Section 181 of the Local Government Act, which gives Council the power to sell property or transfer land to itself in the event that rates monies owed are more than 3 years overdue, and no arrangements for payment have been entered into.

6.2 Reserves

Strategy 8

General reserves will be maintained at levels sufficient to assure operational liquidity.

CoPP's general reserves will be managed in a way that ensures adequate funds are available for the delivery of significant capital projects aimed at improving Council's services in the community. The use of reserves will be fiscally responsible, i.e. well targeted to community needs and at rates that do not jeopardise Council's working capital requirements. Council's budgeted reserves balances projected for 2008/2009 are summarised at table 3 below:

Table 3: CoPP Reserves Summary

RESERVE DESCRIPTION	AMOUNT \$000	STATUTORY	CASH BACKED
General Reserve <ul style="list-style-type: none"> Aggregates a number of specific purpose reserve funds including public housing and tree root damage 	10,831	N	Y
Sustainable Transport Reserve <ul style="list-style-type: none"> Funds held for Sustainable Transport initiatives, funded by parking permit fees. 	187	N	Y
Resort and Recreation Reserve <ul style="list-style-type: none"> Developer levies required for expenditure at a later date on recreational infrastructure. 	535	Y	Y
Car Park Reserve <ul style="list-style-type: none"> Developer contributions for expenditure at a later date on car parks. 	980	Y	Y
Asset Revaluation Reserve	1,125,422	N	N
C13 Infrastructure Reserve <ul style="list-style-type: none"> Developer Contributions for expenditure at a later date on infrastructure 	139	Y	Y
Total	1,138,094		

6.2.1. General Reserve Movements

- Operational surpluses achieved will be transferred to reserves in line with SRP Strategy 1, to replenish reserve balances.

6.3 Debt

Strategy 9

Council will consider new loans for funding community capital works projects that will be supported by other cost efficiencies or supplemented by revenue streams.

Council is committed to a debt minimisation strategy in order to free up debt servicing costs for service operations. However, new borrowings will be considered for capital works projects that will generate revenue or add to the value of the investment.

6.4 Investment

Strategy 10

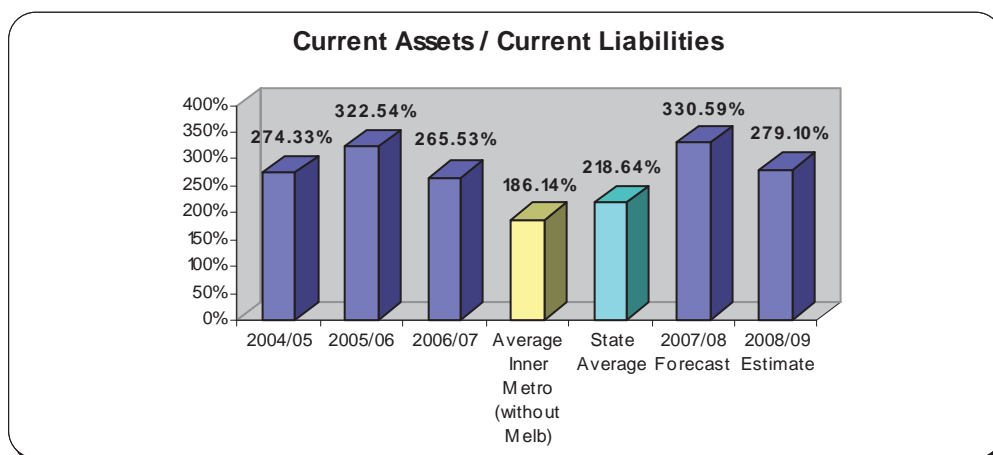
Investments will be based on increasing reserves to fund periodic large capital expenditure items.

We will manage our investments to optimise returns but remain risk-averse. Ensuring we retain maximum flexibility in supporting liquidity objectives, our investments will be predominantly short term. The result of this approach will be to preserve a strong working capital position.

6.4.1. Working Capital Ratio

The Current Assets / Current liability ratio is the traditional Working Capital Ratio that is widely used in private enterprise and is a mandatory performance measurement for Local Government. A decreasing trend, and in particular a ratio below 100%, may indicate Council cannot meet its current debt obligations, i.e. debts that will be due within the current twelve month period.

Graph 9: Current Assets/ Current Liabilities



CoPP’s ratio for Working Capital in 2006/07 was 265.53% and is projected to decline in 2007/08. This is due to using available cash for the early repayment of one of two loans during the 2007/08 and the expectation that the carry over of capital projects from prior financial years will be fully completed by the end of the financial year.

6.5 Standard Statement A3- Cash Flow Statement

The budgeted statement of cash flows is the key financial management tool for establishing the City's cash requirements for both short and long term needs. Linking the budgeted cash position for the year to the long term financial plan helps identify potential problems, providing an opportunity to more closely monitor and manage income and expenditure (including loan management) or pointing to the need to revisit the financial plan. The cash flow forecast includes both recurrent and non-recurrent operations.

Budgeted Standard Cash Flow Statement

For the four years ending 30 June 2012

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2007/08	2008/09	2009/10	2010/11	2011/12
	\$'000	\$'000	\$'000	\$'000	\$'000
	Inflows	Inflows	Inflows	Inflows	Inflows
	(Outflows)	(Outflows)	(Outflows)	(Outflows)	(Outflows)
Cash flows from operating activities					
<i>Receipts</i>					
Rates and garbage charges	71,347	73,680	78,101	82,787	87,755
Parking fees and fines	19,334	21,927	22,695	23,489	24,311
User charges and other fines	12,512	14,887	15,557	16,257	16,988
Grants	8,935	8,640	10,260	8,260	8,260
Contributions	1,645	1,665	1,415	1,415	1,415
Interest	2,106	1,650	1,250	1,250	1,250
Other revenue	8,238	8,026	8,307	8,598	8,899
	124,117	130,475	137,585	142,056	148,878
<i>Payments</i>					
Employee costs	-43,904	-46,126	-48,202	-50,371	-52,637
Contract services	-29,133	-35,252	-36,838	-38,496	-40,228
Materials and other expenses	-20,863	-20,448	-21,164	-21,904	-22,671
Professional services	-4,128	-3,577	-3,702	-3,832	-3,966
	-98,028	-105,403	-109,906	-114,603	-119,502
Net cash provided by operating activities	26,089	25,072	27,679	27,453	29,376
Cash flows from investing activities					
Proceeds from property, plant and equipment	0	0	0	0	0
Payments for property, plant and equipment	-26,014	-36,777	-30,644	-26,704	-22,973
Net cash used in investing activities	-26,014	-36,777	-30,644	-26,704	-22,973
Cash flows from financing activities					
Finance costs	-320	-191	-161	-130	-97
Proceeds from borrowings	0	0	0	0	0
Repayment of borrowings	-5,257	-466	-496	-526	-559
Net cash provided by (used in) financing activities	-5,577	-657	-657	-656	-656
Net decrease in cash & cash equivalents	-5,502	-12,362	-3,622	93	5,747
Cash & cash equivalents at beginning of year	41,502	36,000	23,638	20,016	20,109
Cash & cash equivalents at end of year	36,000	23,638	20,016	20,109	25,856

7. BUILDING COMMUNITIES

OBJECTIVE 4	Capital works will address community needs without ignoring long term financial impacts.
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Council is committed to improving the City's physical infrastructure. The Capital Works and Expenditure program set by the City of Port Phillip Council takes into account the following elements when formulating decisions regarding renewals, upgrades, enhancements and new assets:

Renewals, Upgrades, Enhancements

- Council fully funds the necessary renewals and upgrades of its infrastructure. This will ensure that the existing service potential of its current asset base is maintained and renewed in an optimal manner while also ensuring that there is sufficient capacity for the delivery of new projects and initiatives.
- 'Enhancement' of assets is a discretionary decision influenced by the availability of resources at a given time, such as initiatives of other levels of government (in the form of grants) or from cash reserves accumulated generally or specifically.

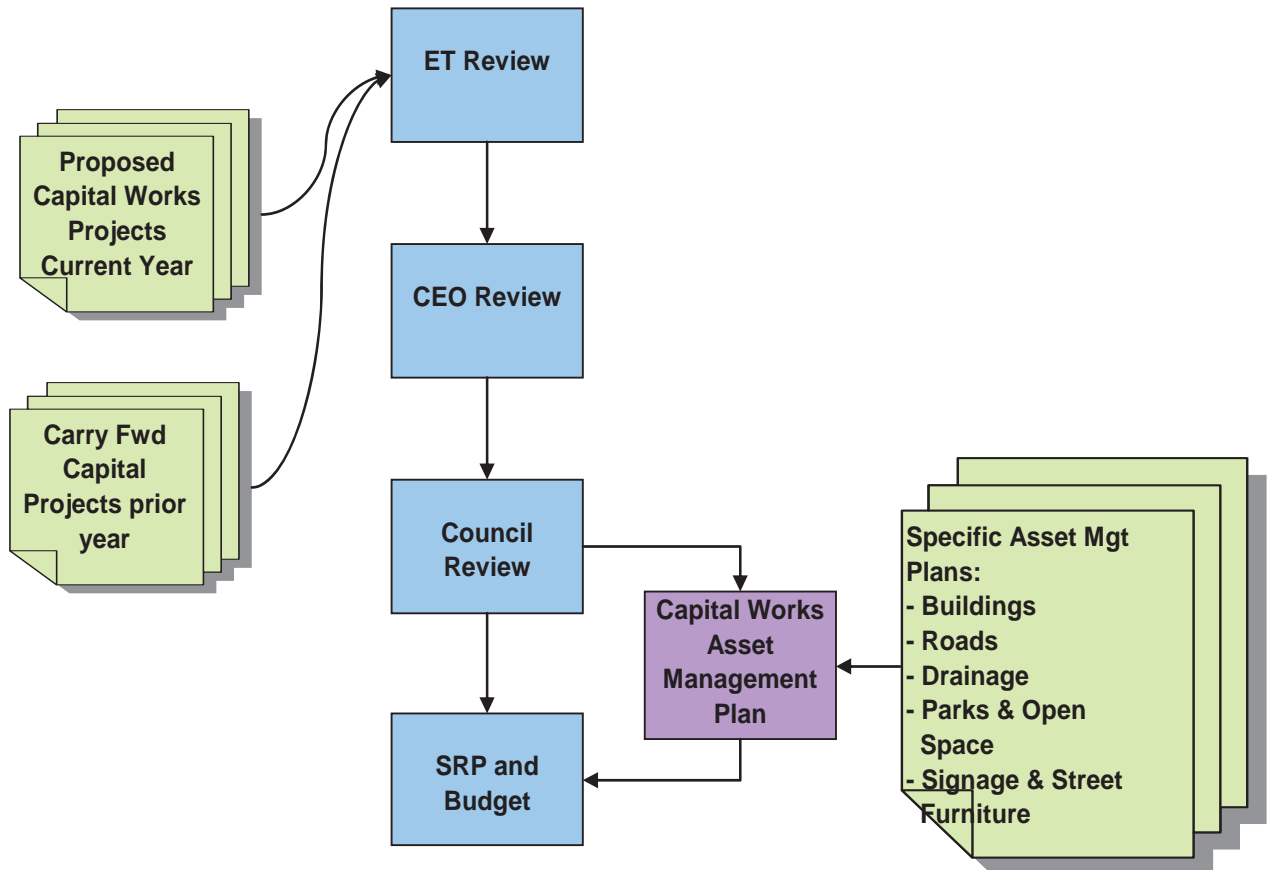
New Assets

- Asset renewal is important in an industry with low rates of obsolescence and is obviously linked to the rate of consumption of assets.
- A formal link between asset renewal and depreciation will help determine the quantum of spend each year. This implies a reasonably sophisticated measurement of condition and regular review, plus sustained political commitment.
- Capital expenditure could be linked to rate revenue based on the premise that the assets in this class have shorter lives, e.g. IT assets and library books. These should be paid for as they are consumed.

7.1 Capital Expenditure Program Process

CoPP undergoes a rigorous Capital Expenditure Program approval process as summarised below:

Diagram 5: Capital Expenditure Approval Process



7.2 Asset Management Planning

Strategy 11

CoPP's capital assets will be enhanced and preserved to ensure that Council's service delivery capabilities are maintained and improved where possible.

Asset management planning covers the provision and renewal of physical assets.

Council draws together its asset management activities under a general asset management plan, below which sit a series of detailed or specific asset management plans for different asset categories (buildings, roads, drainage, signage & street furniture, and parks & open spaces).

A major part of CoPP's activities revolve around the management of its asset portfolio in a manner that ensures that residents and visitors can enjoy the facilities and to ensure that they remain appropriate to community requirements both now and into the future. Our aim is to ensure meaningful and effective levels of service for each asset over its entire life cycle. This involves high levels of planning, renewal, replacement and maintenance of assets. This entails the integration of financial, technical, economic and social data against the assessment of condition of each asset.

Our asset management planning looks at our assets on a day-to-day, routine basis and on a medium-term, strategic basis, from time of conception to the time of retirement. In planning for assets we seek to ensure that they remain service (or community) focussed, cost-effective, support our risk management strategy, are legally compliant and fit with long term service planning and financial strategies.

In particular CoPP aims to:

- Increase the accuracy of our long term financial planning through careful monitoring of asset condition and usage requirements. This helps us to better predict when an asset may require replacement or renewal.
- Ensure value for money from our investments in land, infrastructure and buildings.
- Achieve increased efficiency by increasing the usage of each asset, thereby reducing unit operating costs (maintenance and utilities) and expanding Council's ability to provide well-located and serviceable facilities for the community. One of the larger challenges revolves around the choices regarding the best distribution and location of assets.

7.3 New Capital Works

The cost of providing and maintaining assets is high and the use of assets needs to be sufficient to warrant provision of the asset. Increasingly, CoPP is looking for ways of ensuring that assets are cost-effective in reducing operating expenses. Design and usage considerations have equal merit in contributing to reductions in operating expenses.

CoPP is confident that its strategies and procedures will minimise the risk of inter-generational liabilities being created as a result of deterioration in asset condition.

The prioritisation of capital works is reliant upon a range of criteria. Council balances a number of factors in order to ensure the correct mix of works - including:

- Prioritisation for roads, kerbs and channels using a pavement management system.
- Requirements for buildings are generally determined on condition assessment reports.
- Line management justification for replacement and refurbishment type works.

Capital works expenditure is only approved following a detailed prioritisation and cost benefit analysis of each proposal. This relies on the following measures:

- An analysis of the City's existing asset base in terms of the projected rate of expenditure required to achieve replacement of existing assets at rates consistent with an assessment of asset condition.
- The capital expenditure program is adequately informed of any impending 'humps' in required asset investment and that measures necessary to address these requirements are reflected in the long term financial strategy.
- Replacement at the same rate as depreciation is not assumed to be satisfactory.

The plan notes that four variables can invalidate asset replacement strategies based on depreciation:

- Condition assessments may indicate a significantly different timetable for asset replacement than that inferred from book values and depreciation rates (asset life) used for annual accounts.
- Asset schedules may include assets whose useful life may already have been fully written off but for which there is no current plan for replacement.
- Community usage requirements or expectations can change such as to render an asset ready for replacement well before it has reached an equivalent level of depreciation.
- The addition of new assets (as part of the City's annual capital works expenditure program) will add to the subsequent requirement for the replacement of new assets, let alone the need to replace existing assets. New assets mostly bring additional operating expenses that may undermine the City's ability to maintain projected levels of capital expenditure.

7.4 Community Centres

Strategy 12

CoPP will provide new assets in a way that assists in clustering community assets for social, service-delivery and financial effectiveness.

Council continues to acknowledge its key role in the provision and management of the infrastructure that supports Council's goal of sustainable communities.

Council recognises that community places and spaces:

- Play a vital role in community building by offering venues that promote the physical, cultural and emotional wellbeing of everyone in our community;
- Can help to build supportive communities by providing central centres offering easy access to local services, information, advice and referral.

Community facilities are able to help provide a sense of identity and social connectedness within local communities and a safe place in which locals of all ages can gather in civic, educational, special interest and recreational activities.

The goal of this policy is to ensure:

- Provision of a sustainable network of CoPP facilities that contributes to community need for facilities that are accessible and equitable venues for recreation, leisure, cultural and educational pursuits.

This is best achieved by consolidating Councils facilities so that they operate under the same policy, principles and guidelines thus encouraging widest use of all facilities by as many different people and groups as possible.

Consolidation will also lead to greater use by maximising the number of people using the facilities and increasing the hours of usage.

- Community spaces become a hive of related activities that are located together or close to each other in order to share resources, audiences and target groups.
- Ideally, community facilities reflect community needs and characteristics by embracing community priorities and being responsive and flexible to expressed and changing community profile and needs.

Vibrant and active community facilities are vital for long-term sustainability of communities and must be user-friendly and serve a clear civic purpose.

7.5 Policy Commitments

Strategy 13
CoPP will update the forward financial plan to recognise the ongoing impact on its revenue and expenditure from significant policy commitments (eg Information Technology strategic plan, Child Care Review, Creative Cities, Sports and Recreation strategy).

In line with the overarching financial principle that requires significant or material shifts in the allocation of Council expenditure to be directly linked to policy changes or conscious Council decisions, the SRP will be updated where practicable to reflect the future financial impact of any policy decisions that will give rise to significant changes in resource allocation or generate substantial income. This process will also be refined to take into account the financial impact that may arise from Council decisions to discontinue or scale back services.

Future financial targets and budget parameters will be updated to take the financial impact of Council policy changes into account.

Standard Statement A4: Capital Works

The Statement of Capital Works outlines the budgeted key areas of capital works expenditure, detailing the break up of costs of renewals, upgrades and new assets.

Budgeted Standard Capital Works Statement

For the four years ending 30 June 2012

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2007/08	2008/09	2009/10	2010/11	2011/12
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital works areas					
Roads	5,858	7,895	6,320	13,390	7,140
Drains	1,400	700	850	850	1,100
Parks & open space	5,370	7,980	5,615	6,825	5,825
Buildings	4,282	6,130	12,520	400	3,500
Signage & street furniture	455	715	715	465	465
Footpaths	1,680	1,300	1,300	1,300	1,300
Planning, implementation & other	0	989	239	239	239
	19,045	25,709	27,559	23,469	19,569
Capital expenditure areas					
Plant & Equipment	3,183	3,068	3,085	3,235	3,404
TOTAL CAPITAL	22,228	28,777	30,644	26,704	22,973
Represented by:					
Asset renewal	10,215	9,816	10,915	9,940	11,940
New assets - capital works	6,280	9,113	12,685	5,610	5,900
Asset expansion/upgrade	2,550	6,541	3,720	7,680	1,490
Planning & implementation	0	239	239	239	239
New assets - capital expenditure	3,183	3,068	3,085	3,235	3,404
TOTAL CAPITAL	22,228	28,777	30,644	26,704	22,973

Reconciliation of net movement in property, plant and equipment

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2007/08	2008/09	2009/10	2010/11	2011/12
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital works	19,045	25,709	27,559	23,469	19,569
Capital expenditure	3,183	3,068	3,085	3,235	3,404
Capital works carried forward	12,128	8,000	0	0	0
	34,356	36,777	30,644	26,704	22,973
Asset revaluation increment	0	0	0	0	0
Depreciation & amortisation	-13,190	-13,200	-13,400	-13,600	-13,800
Written down value of assets sold	0	0	0	0	0
Granted assets	0	0	0	0	0
Recognition of previously unrecognised assets	0	0	0	0	0
Net movement in property, plant & equipment	21,166	23,577	17,244	13,104	9,173

8. OUR CULTURE, OUR STAFF AND OUR SERVICE

OBJECTIVE 5	CoPP will proactively lead, develop and build organisational culture based on the provision of same day service and a work life balance.
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Strategies 14 & 15

CoPP will provide leadership and learning to it's staff that builds relationships and where core learning objectives will focus on customer service, the provision of same day service, technical skills, leadership and innovation.

CoPP will support the development of policy and practice in workplace and community to increase organisational effectiveness.

8.1 Our Culture

At the City of Port Phillip we believe that “the difference is working together”. The relationships developed with our customers, stakeholders and each other assist us to achieve our goal where service to our community is the key driver. Our vision is to be the best city in the best place for all. Our job is to make the community a better place. This means becoming an agile and flexible organisation at all times and in all ways. We know the best way to do this is by working together. That is why we have key behaviours that we aspire to and “3 Simple Rules” – caring for ourselves, caring for each other and caring for this place. Ultimately they are a guide to help us work together.

8.2 Our Staff

Our people are our most valued resource. We have a diverse workforce of committed individuals with an extensive range of skills and experience. We aspire to operate as one organisation focussed on the achievement of the Council Plan initiatives. Professional development, mentoring, open communication and feedback to one another enables us to do this. Through our Enterprise Agreement we are committed to a work and life balance where the needs of our people are maintained and embedded in the way we work.

CoPP staffing numbers are summarised by Division at table 4 below:

Table 4: CoPP Staffing Numbers

COPP Division	FTE staffing number (total)	Full-Time		Part-Time	
		Males	Females	Males	Females
Organisation Systems & Support					
<=25 Years of Age	5.6	54%	36%	0%	11%
Between 26 & 39 Years of Age	47.66	29%	57%	4%	10%
Between 40 & 54 Years of Age	30.93	32%	52%	0%	16%
>= 55 Years of Age	17.02	24%	59%	5%	13%
Subtotals	101.21	31%	54%	3%	12%
Organisation Systems & Support Total		85%		15%	
Community Assets & Services					
<=25 Years of Age	17.84	28%	56%	5%	11%
Between 26 & 39 Years of Age	89.85	23%	51%	1%	24%
Between 40 & 54 Years of Age	103.71	26%	35%	6%	33%
>= 55 Years of Age	65.26	26%	25%	13%	37%
Subtotals	276.66	25%	39%	6%	30%
Community Assets & Services Total		64%		36%	
Community Development & Planning					
<=25 Years of Age	19.11	21%	47%	12%	20%
Between 26 & 39 Years of Age	95.04	36%	44%	8%	12%
Between 40 & 54 Years of Age	84.6	31%	46%	5%	18%
>= 55 Years of Age	26.58	41%	15%	20%	24%
Subtotals	225.33	33%	42%	8%	17%
Community Development & Planning Total		75%		25%	
Grand Total	603.2	29.18%	42.61%	6.36%	21.86%
		71.78%		28.22%	

Note 1: Percentages factor in 35, 38 and 40 hour week employee / position relationships.

8.2.1. Sustainable Learning

The City of Port Phillip is a learning organisation that recognises the benefit of providing a stimulating and challenging environment for its staff. CoPP is committed to providing personal and professional development opportunities via a comprehensive training program underpinned by sustainable learning outcomes.

Sustainable Learning at the City of Port Phillip is about lasting behavioural change. Learning outcomes are linked to an assessment of an individual or a team's development needs with all internal training focussing on the following learning principles:

- Contributes to service culture;
- Builds internal capacity (succession planning);
- Fills knowledge gap - ensures the determined key competencies are defined and the identification of skills/knowledge gap are used as part of ongoing coaching and support;
- Meets legislative duty of care, regulations and codes of practice requirements.

Emphasis is placed on lasting behavioural change through the use of personal insight, encouraging dialogue and through preparing participants to discuss and apply their learning in new situations. Individuals training needs are ascertained in conjunction with their supervisor as part of the performance dialogue and feedback process and incorporated into an annual personal workplan.

8.3 Our Services

We have developed an approach to service delivery which we call 'Same Day Service' (SDS). Based on this approach our commitment to the community states that:

"We will not be able to fix all of your problems, or resolve them as quickly as you may prefer. However we do commit to prompt response to your requests and delivering our commitments."

SDS is a commitment by all staff to exercise personal judgment within agreed standards to respond on the day they receive a request. The central message is that all staff take personal responsibility for what they do and how they contribute to improving service delivery.

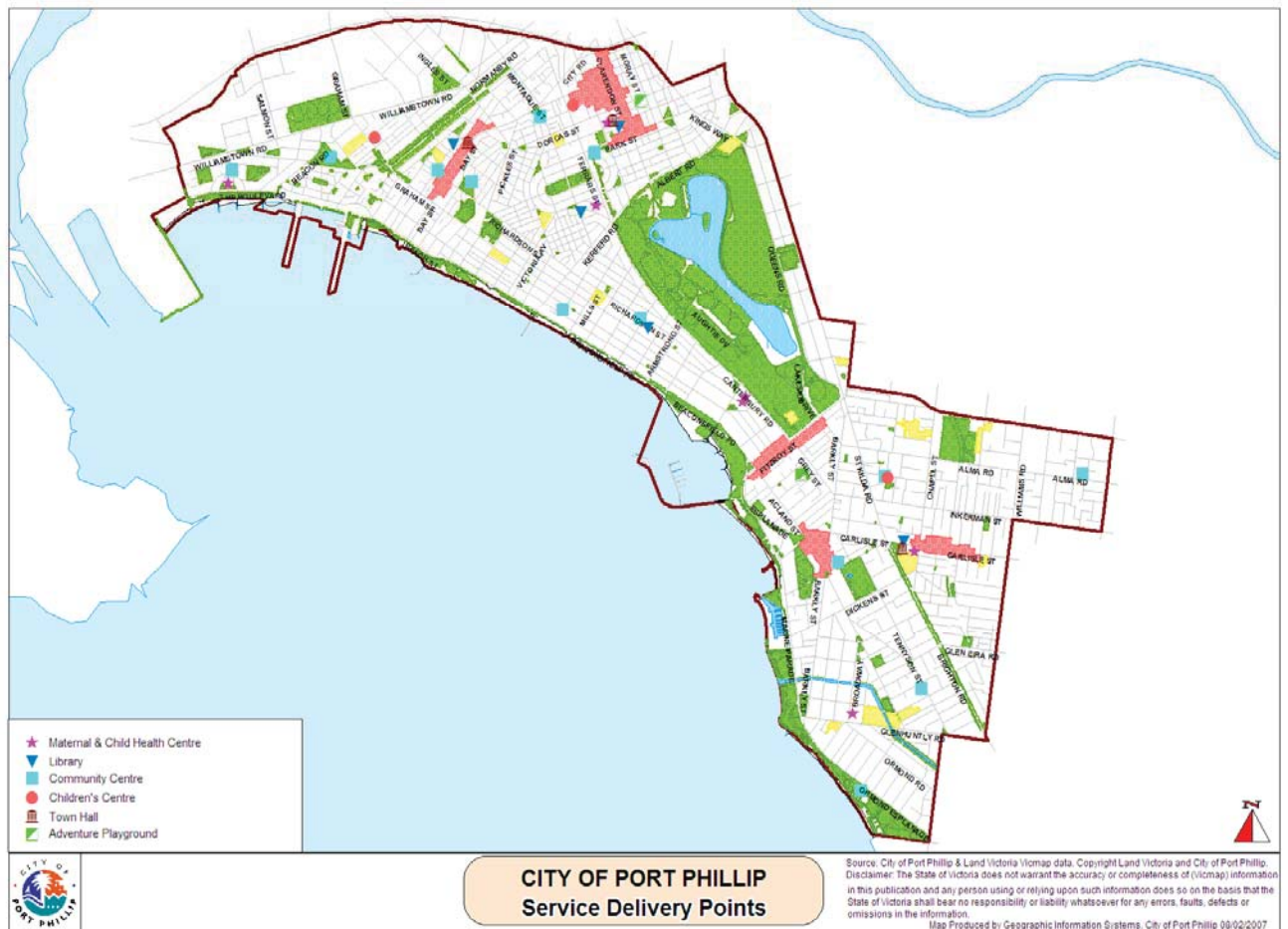
8.3.1. CoPP Services by Division

Table 5: CoPP Services per Division

Community Assets & Services	Organisation Systems & Support	Community Planning & Development
<ul style="list-style-type: none"> • Council Liaison and Technical Services • Assets and Emergency Management • Asset Design and Delivery • Parks and Open Spaces • Parks & Urban Planning • Civil Construction • Street & Beach Cleaning • Civil Maintenance • Building Maintenance • Environmental Policy & Planning • Waste & Cleaning • Infrastructure & Waste Management • Family and Children's Services • Ageing and Community Care • Home Care • South Melbourne Market • ASSIST (Customer Service Centre) • Meetings & Events • Parking Permits • Customer Service Systems • On-line Development 	<ul style="list-style-type: none"> • Revenue Management • Financial Management • Accounts Payable • Accounts Receivable • Payroll • Purchasing • Treasury • Financial Systems • Records • Governance Projects • Statutory Functions • Mayor & Councillors Office • Corporate Planning & Management • Service Improvement • Marketing & Publications • Campaigns & Community Relations • Valuations & Property Co-ordination • Insurance & Risk Management • Port Phillip Online • Organisation Development (HR) • Fleet • Information Systems • Information Systems Training • Geographic Information Systems (GIS) 	<ul style="list-style-type: none"> • Sustainable Transport • Economic Development & Tourism • Community Health and Development • Community Planning & Leadership • Parking Systems • Community Housing • Parking Enforcement • Health Services • Animal Management • Local Laws • Statutory Planning • Strategic Planning • Building Solutions • Systems Development • St Kilda's Edge • Planning & Building Business Support • Social Planning and Policy • Foreshore and Recreation • Library Services • Arts and Festivals • Community Development • Youth & Recreation • Indigenous Policy & Programs • Local Information, Networks & Community Spaces (LINCS)

8.3.2. CoPP Services and Facilities

Diagram 6: CoPP Service Points



8.3.3. Support from Contractors

The structure of our organisation is supplemented by a range of non-staff specialists who deliver services via long and short-term contracts, or are brought in to provide specific services as required. We value our contractor partnerships highly and work together to ensure that when our community experience service from these companies it should be the same as the service they experience from City of Port Phillip staff.

External contractors provide:

- Parks & open spaces management;
- Waste collections;
- Parking revenue collections;
- Street and beach cleaning;
- Road, footpath and drainage construction and maintenance;
- Property valuations.

8.4 Information Technology

Information Technology forms a critical foundation for the development of new and improved services, both to the community and to the organisation itself. Therefore Information Technology Services develop a strategic plan is developed each year to promulgate the activities and direction of the department.

The 07/08 year was dedicated to bringing CoPP's IT systems and services up to standard so that in 08/09 the organisation can develop and implement improved technology based service channels. The council has made significant investments in its core systems (Pathway, Hansen, FMIS) to enhance service delivery across council's core services. To maximise the return on our investment, council needs to commit to its policies and procedures regarding these systems, in particular around data entry and appropriate use.

Pilot exercises have been undertaken to facilitate working from remote locations, a mobile workforce and process improvement, and these will be expanded upon over the coming year. ITS will continue to work with business units to identify potential improvements and exploit these opportunities.

Within any project are inherent risks, however in an IT project these risks are amplified and therefore must be even more stringently managed. With online and mobile services being rolled out CoPP must also roll out corresponding security policies and systems.

ⁱ All charts taken from *Financial KPI Analysis 2006/07*, Strategy Plus, 2008