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A snapshot of our year

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The year in review

**July 2018**

**NAIDOC Week**
Celebrated NAIDOC week with flag raising and smoking ceremony at the St Kilda Town Hall.

**August 2018**

**Rainbow Road opening**
Officially opened the 35-metre rainbow flag at Jackson Street, St Kilda. With hundreds of people attending and celebrating the arrival of the powerful symbol of diversity and inclusion.

**Live N Local**
Celebrated local music with 200 music acts performing at 50 gigs and two artist development days as part of the free Live N Local Festival.

**September 2018**

**Car share bay installation**
First two car share bays were installed in Fishermans Bend, taking the total number of car share vehicles to 183.
October 2018

Seniors Festival
Hosted our annual Seniors Festival with events taking place across the City, ranging from the Mirror Ball Disco Dance, Port Phillip Writes: Seniors Festival Awards and Pinaroo Village Festival.

Ride2Work Day and Tour de Cecil
Led local Ride2Work Day celebrations with Tour de Cecil including a French-themed breakfast at South Melbourne Market, a pedal-powered cinema, bike storytime, bike confidence courses and shop-by-bike day.

Fishermans Bend’s first new park
Officially opened Kirrip Park, the first open space in Fishermans Bend. The 9,000 square metre park was a joint project between the City of Port Phillip and the Victorian Government.

November 2018

Mayoral election
Councillor Dick Gross was elected Mayor, after a 14-year break from the role and Councillor Louise Crawford elected Deputy Mayor.

Sport Phillip Launch
Provided programs across the municipality encouraging people to participate in physical activities, with a new program every two months.

Melbourne Renewable Energy project
Construction commenced on the wind farm near Ararat, creating 140 jobs during construction, eight ongoing jobs, and new opportunities for local businesses in regional Victoria.

Summer in the City campaign launch
Called for everyone to play their part in keeping the City clean and safe over the busy summer months.

December 2018

CCTV launch on St Kilda foreshore
Launched community safety measures, including a CCTV system on the St Kilda foreshore.
January 2019

**Twilight markets**
Entertained market goers with a range of stalls, food, bars and bands at the South Melbourne Market’s 10 week Twilight market.

**New Citizens welcomed**
Welcomed 100 new citizens from 31 countries to Port Phillip as part of our annual Australia Day celebrations.

**Pride March**
Raised the Rainbow Flag at all three town halls to celebrate the iconic Pride March and opening of the Midsumma Festival.

February 2019

**Council Plan engagement**

**St Kilda Festival**
Australia’s largest community festival, a celebration of community spirit, live local music and the beautiful St Kilda foreshore. With 12 hours of programming, 50 scheduled performances and over 400,000 people in attendance.

**Lunar New Year at South Melbourne Market**
Celebrated year of the pig for the Lunar New Year with lion dancers spreading good fortune and happiness to all in attendance.

March 2019

**Mussel and Jazz Festival at South Melbourne Market**
The annual festival was held at South Melbourne Market with piping hot mussel paella, sangria, wok cooked drunken mussels and craft beer, and artisanal ice cream and fun for the kids.

**Ride2School Day**
Supported nearly 3,000 students across 11 local schools to participate in Ride2School Day.

**Neighbourhood Ngargee Season**
The Neighbourhood Ngargee (gathering) program closed after another successful season with 23 gatherings across five neighbourhoods.

**Cultural diversity week**
Celebrated people from 163 countries who speak 114 different languages that call Port Phillip home.
**April 2018**

**Premier’s Active April**
Organised 12 programs as part of the Premier’s Active April for people of all fitness levels to take part in and enjoy.

**Anti-graffiti murals in Elwood**
Interrupting the cycle of graffiti Council has engaged the artist ‘Sugar’ to paint two murals at opposite sides of the canal adjacent to John Street, Elwood.

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**May 2019**

**Trivia night**
Hosted the fourth annual Friends of Suai/Covalima Trivia Night with all proceeds supporting the scholarship program in Covalima, Timor-Leste.

**Reconciliation Week**
Celebrated Reconciliation Week which commemorates the anniversaries of 1967 referendum and this historic High Court Mabo decision.

**St Kilda Film Festival**
Showcased Australian short films at the St Kilda Film Festival with almost 3,000 people attending the opening night at the Palais Theatre.

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**June 2019**

**Revised Council Plan endorsed**
Endorsed the revised Council Plan 2017-27 including the Budget for 2018/19.

**Annual Homeless Memorial**
Supported the Annual Homeless Memorial, which was attended by over 250 people.

**North Port Oval redevelopment**
Kicked off the 2019 football season on the recently refurbished North Port Oval.
Our performance at a glance

Council sets the strategic direction for the municipality, develops policy, identifies service standards and monitors performance. More detail on Council’s performance for the year is provided in Chapter 4 Our Performance.

Council Plan outcome indicators actions on track

63%  
15 out of 24 indicators

Council Plan service measures that achieved target

65%  
52 out of 80 measures

Council Plan priorities in progress or completed

92%  
123 out of 132 priorities
The inaugural place audit in Fitzroy Street aimed to help identify how the street is currently being used.
Service measure targets not achieved

Further details regarding service performance is available in Chapter four.

- Resident perception regarding whether City of Port Phillip services contribute to the overall health and wellbeing of the community
- Resident satisfaction with services that support older people and people living with disabilities
- Resident satisfaction with support services for Families, Youth and Children
- Resident satisfaction with parking management
- Resident satisfaction with transport planning policy, safety and design
- Satisfaction with sealed local roads
- Cost of animal management service ($66.16 compared to a target of $76.00)
- Cost of food safety service ($591.00 compared to $562.00)
- Satisfaction with council decisions (59, an increase from the previous year of 57)
- Library collection usage (4.31 compared to five). Over one million loans annually, with the library collection slightly lower than 2017/18
- The number of active library members decreased by 1,429 from 2017/18
- Participation in first MCH home visit has decreased (93.8 per cent compared to 100 per cent)
- Cost to Council of the MCH service was slightly over target of $75.00. A high level of MCH service is still being received
- MC4 Participation in the MCH service (74.28 per cent compared to a target of 85 per cent)
- Participation in MCH service by Aboriginal children remains at a consistent rate of 80 per cent compared to a target of 85 per cent.
- Satisfaction with sealed local roads (68 compared to a target of 70)
- Time taken to decide planning applications (78 days compared to a target of 75 days)
- Planning applications decided within 60 days (56.56 per cent compared to a target of 60 per cent)
- Cost of statutory planning service ($3,143.78 compared to a target of $2,200)
- Kerbside collection bins missed (3.4 compared to a target of 2.5)
- Cost of kerbside garbage bin collection service significantly reduced from 2017/18 and slightly higher of the target $80.00
- Cost of kerbside recyclables bin collection service. The increase in cost of our recyclables collection service exceeded our target of $36.00
- Kerbside collection waste diverted from landfill in 2019 caused a drop in the overall result compared to a target of 35 per cent
- Resident satisfaction with making Port Phillip more environmentally sustainable
- Resident satisfaction with street cleaning
- Public space community requests resolved on time
- Resident satisfaction with visitor management
- Per cent staff turnover
- Community satisfaction with advocacy
- Community time saved
- Material Legislative Breaches
- Percentage of residents that agree the website is easy to use and navigate through the sections you want.

Outcome indicators not on track

- Residents reporting that Port Phillip is a welcoming and supportive community for everyone
- Social housing as a percentage of housing stock
- Kerbside Collection diverted from landfill
- Potable water usage
- Residents that feel a sense of safety and security in Port Phillip
- Percentage of people employed in the top five industries as a proportion of total employment in the municipality
- Residents who feel Port Phillip has a culture of creativity
- Residents who feel they have opportunities to participate in affordable local community events and activities
- Satisfaction with community consultation and engagement.
Priorities completed this year

- Invest in a long-term program of community facility upgrades to ensure they are fit for purpose and meet current and future community needs.
- Increase investment in street cleaning, litter bins and equipment to improve amenity and responsiveness and investigate opportunities for further improvements to service delivery.
- Use Council property assets (land and air space contributions) and cash contributions to facilitate delivery of new community housing units by local housing organisations, including progressing development of 46-58 Marlborough Street, Balaclava.
- Work with the Victorian Government and local community housing organisations to optimise benefits from existing social housing sites, through increased yield, quality and housing type aligned to local needs.
- Facilitate partnerships between the community housing, private and philanthropic sectors that fund and deliver new housing projects, including in Fishermans Bend.
- Establish the Pride Centre in St Kilda.
- Work with the Port Phillip Health and Wellbeing Alliance, Youth Advisory Committee, Older Persons Consultative Committee, Access Network, Multicultural Forum and Multifaith Network to develop policy, services and infrastructure that best meet diverse community needs.
- Implement walking projects that create safe, high amenity walking routes and reduce barriers to people walking across arterial roads.
- Develop a Parking Management Plan as part of the Integrated Transport Strategy.
- Develop a heat management plan to help cool the City and reduce the impact on health.
- Examine the effectiveness of establishing a Port Phillip energy foundation, or partnering with an existing foundation, to undertake advocacy, research, advisory and community engagement initiatives.
- Increase investment in street cleaning, litter bins and equipment to improve amenity and responsiveness and investigate opportunities for further improvements to service delivery.
- Pursue waste innovations in Fishermans Bend.
- Map the innovation and creative exosystem of the City to understand and prioritise options to address issues of affordability of space.
- Connect local industry associations, including visitor and volunteer groups like the Port Melbourne Waterfront Welcomers, with the broader visitor economy.

Priorities not started

Some of the four-year priorities are not due to commence in 2019/20, these include:

- Investigate opportunities to protect vegetation and increase canopy cover on private property.
- Complete an Ecological Biodiversity Study, in partnership with the EcoCentre and local experts.
- Develop a strategic plan for the St Kilda precinct, including a strategy to revitalise Fitzroy Street.
- Review the Housing Strategy to ensure new residential development is well located and respects the character and heritage of established neighbourhoods.
- Implement the outcomes from the review of the Local Government Act.
Performance highlights

More detail on Council’s performance for the year is provided in Chapter 4 Our Performance.

Strategic direction 1
We embrace difference, and people belong

- Opened Rainbow Road
- Submitted application and funding proposal by HousingFirst for the Marlborough Street development
- Completed construction on the North Port Oval and Peanut Farm sports pavilions.

Strategic direction 2
We are connected and it’s easy to move around

- Adopted the Move, Connect Live - Integrated Transport Strategy 2018-28
- Commenced parking fee trials in Fitzroy Street, St Kilda; Waterfront Place, Port Melbourne and Elwood Foreshore
- Undertook a parking space audit and updated our mapping system.

Strategic direction 3
We have smart solutions for a sustainable future

- Adopted the Don’t Waste It! Waste Management Strategy 2018-28
- Continued working with partners to deliver the Elster Creek Action Plan
- Completed the stormwater harvesting scheme at Alma Park.

Strategic direction 4
We are growing and keeping our character

- Completed construction on the new community park in Montague (Kirrip Park)
- Completed construction of Peanut Farm path lighting
- Implemented the new summer management program.

Strategic direction 5
We thrive by harnessing creativity

- Commenced the Art and Soul - Creative and Prosperous City Strategy 2018-21 and endorsed the Art and Soul Panel
- Undertook the inaugural place audit in Fitzroy Street to help identify how the street is currently being used throughout the day
- Held place planning sessions for South Melbourne and engaged a company to run Suitcase Rummage during Spring / Summer in 2019/20.

Strategic direction 6
Our commitment to you

- Engaged business partner to commence work on the Customer Experience program
- Engaged with the community on updating the Council Plan including conducting a focus group, and intercept surveys, with over 660 completed.
Awards and third party endorsements

Charters Institute of Procurement and Supply (CIPS) Corporate Certification Standard

Procurements policies, processes and procedures achieved the Charters Institute of Procurement and Supply (CIPS) Corporate Certification Standard. One of nine organisations in Australia with or above this accreditation and are the first Local Government Agency in Australia.

Premier’s Sustainability Award (Government category)

For the work undertaken to make the Melbourne Renewable Energy project a reality.

Victorian CitySwitch Award

The Melbourne Renewable Energy project partners were awarded the Victorian CitySwitch Award.

National CitySwitch Award

Following the success at the Victorian CitySwitch Awards, we were in the running for the National Awards. The project partners were announced as winners in Sydney in November.

Australasian Reporting Awards

The 2017/18 Annual Report was awarded a Gold Award in the Local Government category after meeting the criteria for the second year.

Victorian Municipal Excellence Awards (Best Council in Victoria)

Port Phillip City Council won the Victorian Municipal Excellence Award (Best Council in Victoria), awarded by the Association of Consulting Surveyors Victoria, based on a survey of their members (licensed surveyors) recognising sustained excellence in dealing with planning applications for subdivision.

Institute of Public Works Engineering Australasia (Victoria) Engineering Excellence Award

City of Port Phillip received an Engineering Excellence Award for environmental sustainability for its work in the development of Kirrip Park.
What happened in your local neighbourhood?

We have nine neighbourhoods, each with distinct character and attributes. Two of these - Sandridge/Wirraway and Montague - are emerging neighbourhoods in Fishermans Bend.
Port Melbourne

Encompassing most of the suburb of Port Melbourne, the neighbourhood is a gateway to Melbourne via Station Pier. The Waterfront precinct brings a large number of visitors to the neighbourhood and beyond, attracted to the foreshore and beaches as well as the retail and commercial strip along Bay Street.

Sandridge / Wirraway

This neighbourhood will transform over the next 30 years as the Fishermans Bend renewal area develops. It is bound by the West Gate Freeway to the north, Williamstown Road to the south, Todd Road to the west and Johnson Street to the east.

Montague

Montague is an emerging neighbourhood in Fishermans Bend. It is bound by the West Gate Freeway to the north, the St Kilda Light Rail Line (route 96) to the east, City Road to the south, and Boundary Street to the west.

North Port Oval upgrade

New AFL goal post footings, irrigation system, boundary fencing and coaches’ boxes were installed; and the grounds have fresh rye grass.

JL Murphy Reserve Pavilion upgrade

Existing sections of the old pavilion were demolished, the new slabs poured, structural steel framing erected, roof works and external walls were all commenced.

Kirrip Park completed

Kirrip Park opened in October 2018, with a paved entrance, lawn areas, outdoor LED lighting, paths and multiple seating areas, and native garden beds.
**South Melbourne**

Encompassing most of the suburb of South Melbourne and part of Albert Park, the neighbourhood is one of Melbourne’s original suburbs. Clarendon Street and the South Melbourne Market attract local and regional visitors.

**South Melbourne Community Centre upgrades**

Building upgrades included South Melbourne Community Centre; fire sprinkler systems installed at South Melbourne Market and Coventry Street Child Care Centre; and South Melbourne Town Hall lifts upgrade.

**Albert Park / Middle Park**

Encompassing the suburb of Middle Park, part of the suburb of Albert Park and part of St Kilda West, this neighbourhood is one of the oldest parts of the City, with significant heritage areas featuring houses from the Victorian and Edwardian eras.

**The Maritime Capital Reactive works**

Beacon Cove Pier Piles project - completed repairs to 27 timber piles and building footings. South Melbourne Life Saving Club reconstruction included.

**St Kilda Road**

Encompassing parts of the suburbs of Melbourne and Windsor, and parts of Albert Park and South Melbourne, this neighbourhood is unique in the City because of its mix of offices and high-rise residential development.

**Domain Precinct**

Domain Precinct project is being led by Rail Projects Victoria for the Victorian Government with impacts on parking, traffic lane closures and traffic flow changes; Council continues to advocate for optimal outcomes for our area.
St Kilda / St Kilda West
Encompassing the suburbs of St Kilda West (east of Cowderoy Street), most of St Kilda and a small part of Elwood, the neighbourhood is attractive to residents and visitors for its iconic retail strips, significant open spaces and the foreshore.

Linden Gallery upgrade
Included installation of a lift, extension window, DDA toilets, landscaping and replacement rollerdoor to rear laneway gate.

Peanut Farm Sports Pavilion upgrade
The Peanut Farm Sports Pavilion upgrade was completed and the building handed over to the sporting clubs in March 2019.

St Kilda Marina
St Kilda Marina project - Site Brief was completed. Community panel design process concluded in December with additional technical investigations required, delaying the project by six weeks.

East St Kilda / Balaclava
Encompassing the suburb of Balaclava and part of East St Kilda and St Kilda, this neighbourhood has diverse housing types and population. Primarily a residential neighbourhood, the Carlisle Street activity centre, Balaclava Station and Alma Park are key features.

Balaclava Precinct Program
Carlisle Street Tram Stop upgrade was completed in July 2018.

St Kilda Library
St Kilda Library Redevelopment Strategy architectural feasibility and costing was completed.

Alma Park Stormwater Harvesting system
Construction was completed on the bioretention system, underdrainage and pump shed, including UV treatment system and waterpump.

Elwood / Ripponlea
Encompassing the suburb of Ripponlea and most of Elwood, the neighbourhood is known for its leafy streets, restaurants and suburban character. Ripponlea Station offers good access to central Melbourne.

Elwood Foreshore Fitness Station
Design completed and marine-grade fitness equipment ordered.

Elster Creek Catchment
Elster Creek Catchment Partnership and Elsternwick Park Nature Reserve - project partners commenced development of a new Action Plan for the catchment and the community reference group met four times.
What you got for $100

We delivered a broad range of services to our diverse community of residents, traders, business owners and visitors. This list show how rates revenue was spent across these services for every $100 spent in 2018/19.

Read more about each of Council’s services in Chapter 4 Our Performance.

<table>
<thead>
<tr>
<th>Service</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport and parking</td>
<td>$18.85</td>
</tr>
<tr>
<td>Amenity</td>
<td>$10.47</td>
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<tr>
<td>Public space planning and delivery</td>
<td>$10.36</td>
</tr>
<tr>
<td>Recreation</td>
<td>$7.86</td>
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<tr>
<td>Asset management</td>
<td>$7.54</td>
</tr>
<tr>
<td>Technology, transformation and customer experience</td>
<td>$7.09</td>
</tr>
<tr>
<td>Governance</td>
<td>$4.01</td>
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<tr>
<td>Sustainability</td>
<td>$4.00</td>
</tr>
<tr>
<td>People, culture and capability</td>
<td>$3.61</td>
</tr>
<tr>
<td>Arts, culture and heritage</td>
<td>$3.27</td>
</tr>
<tr>
<td>Libraries</td>
<td>$3.02</td>
</tr>
<tr>
<td>Children</td>
<td>$2.54</td>
</tr>
<tr>
<td>City planning and urban design</td>
<td>$2.53</td>
</tr>
<tr>
<td>Festivals</td>
<td>$2.19</td>
</tr>
<tr>
<td>Ageing and accessibility</td>
<td>$2.16</td>
</tr>
<tr>
<td>Community programs and facilities</td>
<td>$1.90</td>
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<tr>
<td>Families and young people</td>
<td>$1.57</td>
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<tr>
<td>Financial management</td>
<td>$1.49</td>
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<tr>
<td>Waste reduction</td>
<td>$1.39</td>
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<tr>
<td>Affordable housing and homelessness</td>
<td>$0.97</td>
</tr>
<tr>
<td>Economic development and tourism</td>
<td>$0.86</td>
</tr>
<tr>
<td>Local laws and animal management</td>
<td>$0.77</td>
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<tr>
<td>Health services</td>
<td>$0.51</td>
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<tr>
<td>Municipal emergency management</td>
<td>$0.40</td>
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<td>Development compliance</td>
<td>$0.39</td>
</tr>
<tr>
<td>Markets</td>
<td>$0.25</td>
</tr>
</tbody>
</table>
Financial report overview

In 2018/19, the Council has maintained services and infrastructure in addition to delivering priority projects and service improvements valued by our community. In doing so it has continued our commitment to continuous improvement and efficiency and keeping rates affordable.

Financial sustainability indicators

Against a backdrop of increasing cost pressures and rising expectation of service delivery, Council has performed well in delivering on our financial strategy. That said we are not complacent and understand the increasing expectation our community has that we are prudent in our management of their funds and stewardship of the community assets.

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Net result</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net result greater than 0 %</td>
<td>2.1 %</td>
<td>4.9 %</td>
<td>14.6 %</td>
<td>3.2 %</td>
<td>3.1 %</td>
</tr>
<tr>
<td><strong>Adjusted underlying result</strong></td>
<td>[0.6 %]</td>
<td>1.0 %</td>
<td>1.3 %</td>
<td>[3.3 %]</td>
<td>(3.4 %)</td>
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<tr>
<td>Adjusted underlying result greater than 5 %</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Working capital</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working capital ratio greater than 100 %</td>
<td>221 %</td>
<td>243 %</td>
<td>232 %</td>
<td>265 %</td>
<td>268 %</td>
</tr>
<tr>
<td><strong>Internal financing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cashflow from operations to net capital expenditure greater than 100%</td>
<td>134 %</td>
<td>115 %</td>
<td>155 %</td>
<td>149 %</td>
<td>107 %</td>
</tr>
<tr>
<td><strong>Indebtedness</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indebtedness ratio less than 40 %</td>
<td>6.6 %</td>
<td>6.3 %</td>
<td>5.9 %</td>
<td>5.2 %</td>
<td>5.3 %</td>
</tr>
<tr>
<td><strong>Capital replacement</strong> *</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital to depreciation greater than 150 %</td>
<td>125 %</td>
<td>148 %</td>
<td>142 %</td>
<td>103 %</td>
<td>135 %</td>
</tr>
<tr>
<td><strong>Infrastructure renewal gap</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renewal and upgrade to depreciation greater than 100 %</td>
<td>89 %</td>
<td>91 %</td>
<td>115 %</td>
<td>87 %</td>
<td>108 %</td>
</tr>
<tr>
<td><strong>Overall financial sustainable risk rating</strong></td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
</tbody>
</table>

* refer to Total Capital Spend on page 2-40 for details.
Key financial highlights

Some of the key financial highlights include:

• achieving an overall low risk rating on Victorian Auditor General’s Office (VAGO) financial sustainability indicators
• delivering a cumulative cash surplus balance of $0.86 million
• a positive net operating result of $7.1 million (3.1 per cent of total revenue)
• an investment portfolio of $85 million
• low levels of debt (7.1 per cent of rates revenue)
• a healthy working capital ratio of 268 per cent
• permanent ongoing efficiency savings of over $2.4 million (taking the total to over $13.4 million over the past six years).

Against a backdrop of increasing cost pressures and rising expectation of service delivery, Council has performed well in delivering on our financial strategy. That said we are not complacent and understand the increasing expectation our community has that we are prudent in our management of their funds and stewardship of the community assets.

Cash surplus

As part of our financial strategy, the principal financial report used by Council to monitor its financial performance is the Income Statement Converted to Cash. The cumulative cash surplus balance of $860,000 is in line with the previously reported forecast.

<table>
<thead>
<tr>
<th></th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Surplus</strong></td>
<td>7,148</td>
</tr>
<tr>
<td>Add back depreciation</td>
<td>25,740</td>
</tr>
<tr>
<td>Add back written down value of disposed assets</td>
<td>5,644</td>
</tr>
<tr>
<td>Add back balance sheet work in progress reallocated to operating</td>
<td>418</td>
</tr>
<tr>
<td>Less non-monetary contributed assets</td>
<td>(243)</td>
</tr>
<tr>
<td>Less share of net surplus of associates and joint ventures</td>
<td>21</td>
</tr>
<tr>
<td>Less capital expenditure</td>
<td>(34,834)</td>
</tr>
<tr>
<td>Less lease repayments</td>
<td>(441)</td>
</tr>
<tr>
<td>Less net transfers to reserves</td>
<td>(5,185)</td>
</tr>
<tr>
<td><strong>Cash surplus for the financial year</strong></td>
<td>(1,732)</td>
</tr>
<tr>
<td>Brought forward cash surplus</td>
<td>2,595</td>
</tr>
<tr>
<td><strong>Cumulative cash surplus balance</strong></td>
<td>863</td>
</tr>
</tbody>
</table>
Achieving an operating surplus is a key component of Council’s long term financial strategy. It provides the capacity to renew our $3.2 billion worth of community assets, meet debt repayment obligations, and manage the impact of financial risks as they arise.

Council’s 2019 operating surplus of $7.1 million represents a $0.1 million decrease on the 2018 result. Total operating income increased by $7.4 million (3.3 per cent) mainly due to:

- $4.2 million of additional rates income due to rates increase of 2.25 per cent consistent with the Victorian Government Cap and new properties added during the year from development
- $3.4 million of additional user fees income:
  - $1.8 million of paid parking income due to a number of factors including the rollout of PayStay payment option via mobile options has increased utilisation, the introduction of paid parking at Fishermans Bend Urban Renewal Area, and the new parking machine credit card surcharge fee
  - $1.4 million of other user charges including increased development activity related income and full year of Barring Djinang Kindergarten.

Total operating expenditure has increased by $7.5 million (3.4 per cent) due to:

- $3.7 million Employee Cost largely due to the two per cent Enterprise Agreement pay rise and the additional 15 full time equivalent staff to deliver services and initiatives approved by Council including full year operation of Barring Djinang Kindergarten
- $7.8 million Material and Services largely due to first year of the Customer Experience program; increased operational expenditure such as road line-marking, landscape works, soil remediation and community consultation due to a greater capital portfolio spend; and increased water usage due to a warmer year
- $2.3 million Depreciation due to the 2018/19 capital works program and the accelerated depreciation charge for the revalued land improvement assets (increased value over its shortened remaining useful life)
- $1.5 million Doubtful debts provision increased due to lower collection rates of parking infringements by Fines Victoria
- $8.9 million one-off Pride Centre contribution in 2017/18.

The fluctuating trends over the years, as shown in the graph, are largely due to one off non-cash accounting adjustments. These include a $20.4 million non-cash contribution from State Government for the Palais Theatre redevelopment and the leaseholder contribution (in excess of the insurance pay out) for the rebuild of the Council owned Stokehouse Restaurant.

The underlying operating result excludes capital related revenue (grants and open space contributions).

Council’s underlying operating result in 2019 is a deficit of $7.3 million, 3.4 per cent of total underlying revenue. This is a $0.3 million increase from last year’s deficit of $7 million.

That said, adjusted for extraordinary expenditure items in 2019 which totalled $8 million including Customer Experience program, the accelerated depreciation charge, and the increase in parking doubtful debts due to system and collection issues facing Fines Victoria, the underlying result for 2019 would be a surplus of $0.7 million.
Council has approximately $3.26 billion in net assets. The main driver for changes in the value of Council’s assets is the impact of asset revaluations which take place over a rolling three-year cycle except for land which is currently revalued annually due to ongoing significant increases in value.

The main driver for the increase in 2019 was an increase in Council’s infrastructure asset values of $60.1 million.
The year ahead

For 2019/20 we have prepared a balanced budget (with a modest risk buffer) that delivers on a wide range of services and ongoing investment in our strategic priorities, and within a rates cap increase of 2.5 per cent.

This includes a fully funded project portfolio of $44.7 million. This will be used to renew, improve, and grow our community infrastructure (including green assets), make improvements to service delivery and asset management, and develop plans for the future.

We have been able to invest in projects that matter and stay within the rates increase cap through continuation and refinement of our disciplined financial strategy. These include:

- maximising efficiency and making savings including better project planning and delivery
- ensuring we recover costs through fair and appropriate user charges
- careful management and prioritisation of expenditure to ensure alignment with strategic priorities and best value
- sensible use of borrowings and reserves where appropriate to invest in new or improved assets.

A key priority in 2019/20 will be to deliver year three initiatives of the Council Plan. In particular, the $23 million investment in the Customer Experience Program to provide better and more responsive customer service whilst delivering a more efficient enterprise (streamline processes, improve systems, improve workforce mobility and transition to digital service delivery).

Ensuring we are financially sustainable as we face a number of key financial risks including:

- Fines Victoria parking debtor system and collection issues
- Waste sector disruptions including recycling
- The funding and financing plan for Fishermans Bend remains uncertain.

Dennis O’Keeffe
Chief Financial Officer
Community engagement is becoming even more important as we work on being future ready for the challenges associated with a rapidly changing environment.