



City of Port Phillip

# **STRATEGIC RESOURCE PLAN**

**2009/2010 - 2012/2013**

## TABLE OF CONTENTS

<b>1. DRAFT COUNCIL PLAN 2009-2013.....</b>	<b>4</b>
1.1 A commitment to good governance .....	4
1.2 SRP Link to Council Plan.....	4
1.3 Framework of Financial Principles .....	5
1.3.1. Purpose.....	5
1.3.2. Overarching principles .....	5
1.3.3. Rating and funding principles.....	6
1.3.4. Infrastructure and Asset Management principles.....	6
1.3.5. Debt management principles .....	7
1.3.6. Pricing Principles.....	7
1.4 Pyramid of Financial Sustainability .....	8
1.5 Goals and Strategies for CoPP’s 2008/09 SRP.....	9
<b>2. OUR PROCESS- CYCLE OF INTEGRATED PLANNING .....</b>	<b>10</b>
2.1 Reliability from Modelling.....	11
2.2 Performance Monitoring .....	12
<b>3. OPERATIONAL SUSTAINABILTY .....</b>	<b>14</b>
3.1 Standard Statement A1: Income Statement .....	15
3.2 Income .....	17
3.2.1. Rates.....	17
3.2.2. Grants .....	18
3.2.3. Fees and Charges.....	19
3.2.4. Interest on Investments.....	20
3.2.5. Proceeds from Sale of Assets.....	20
3.2.6. Contributions.....	20
3.2.7. Borrowings .....	21
3.3 Expenditure.....	21
3.3.1. Employee Costs.....	21
3.3.2. Materials and Other Costs .....	21
3.3.3. Contracts.....	21
<b>4. FINANCIAL, STRENGTH AND ASSET GROWTH .....</b>	<b>22</b>
4.1 Standard Statement A2: Balance Sheet Statement.....	22
4.2 Asset Management.....	23
4.3 Debt .....	24
4.3.1. Council’s Debt Performance .....	24
<b>5. REMAINING LIQUID .....</b>	<b>25</b>
5.1 Capital Outlay and Rates Inflow .....	25
5.1.1. Capital Outlay.....	25
5.1.2. Rates Inflow .....	26
5.2 Reserves.....	27
5.2.1. General Reserve Movements .....	27
5.3 Debt .....	28
5.4 Investment .....	28
5.4.1. Working Capital Ratio .....	28
5.5 Standard Statement A3: Cash Flow Statement.....	29
<b>6. BUILDING COMMUNITIES .....</b>	<b>30</b>
6.1 Capital Expenditure Program Process.....	31
6.2 Asset Management Planning.....	32
6.3 Capital Works Renewal .....	33
6.4 Community Centres .....	34
6.5 Policy Commitments .....	35
6.6 Standard Statement A4: Capital Works .....	36
<b>7. FINANCIAL SUSTAINABILITY INDICATORS.....</b>	<b>37</b>
<b>8. OUR CULTURE, OUR STAFF AND OUR SERVICE .....</b>	<b>39</b>
8.1 Our Culture .....	39
8.2 Our Staff .....	39
8.2.1. Sustainable Learning .....	40
8.3 Our Services .....	41

8.3.1.	<i>CoPP Services by Division</i> .....	42
8.3.2.	<i>CoPP Services and Facilities</i> .....	43
8.3.3.	<i>Support from Contractors</i> .....	43
8.4	Information Technology .....	44

## 1. DRAFT COUNCIL PLAN 2009-2013

Each newly elected council is required by legislation to develop a new Council Plan. Prior to last year's election many of the candidates made public commitments to improve accountability, transparency, governance and community consultation. Last December, the new council reaffirmed this commitment. The Draft Council Plan 2009-2013 has been informed both by councillors' election platforms and conversations held within the community in February and March 2009.

Overall feedback from the community conversations suggested that the majority of participants agreed with council's proposed four strategic directions as important and a priority. These are:

- **Engaging and Governing the City**
- **Taking Action on Climate Change**
- **Strengthening our Diverse and Inclusive Community**
- **Enhancing Liveability**

### 1.1 A commitment to good governance

In March 2009 council adopted a Governance Statement outlining a set of principles to guide the quality of decision-making by council and its organisation.

The Governance Statement acknowledges that the central purpose of sound governance practices for local democracy is high quality, well informed, responsive and accountable decision-making in the best interests of the community.

The Governance Statement acknowledges that the Council Plan is council's overall statement of its vision, strategic objectives, priorities and values, aspiring to serve the best interests of the Port Phillip community. The Council Plan will go beyond statutory requirements as the major governance document for the City of Port Phillip and will be maintained as a rolling forward plan to be reviewed annually in consultation with the community.

For a full copy of the Governance Statement, visit the City of Port Phillip website at <[www.portphillip.vic.gov.au](http://www.portphillip.vic.gov.au)>.

### 1.2 Strategic Resource Plan (SRP) Link to Council Plan

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

Diagram 1 – SRP Link to Council Plan



## 1.3 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.

### 1.3.1. 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.
- Ensure that Council balances its expenditure on services and capital works.
- 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.

### 1.3.2. 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).

### **1.3.3. 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.

### **1.3.4. 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.

### **1.3.5. 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) ideally 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.
- Borrowings are also appropriate for the purpose of funding large non-recurrent capital works projects that can be expected to provide benefits to future generations.
- Debt levels will be reduced progressively to enable the cost of debt servicing to be redirected into service delivery or building up cash backed reserves.

### **1.3.6. 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:

<b>P</b>	=	<b>DC + O + M – S</b>
<b>P</b>	=	<b>Price</b>
<b>DC</b>	=	<b>Direct Cost</b>
<b>O</b>	=	<b>Attributable Overheads</b>
<b>M</b>	=	<b>Margin</b>
<b>S</b>	=	<b>Subsidy</b>

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.

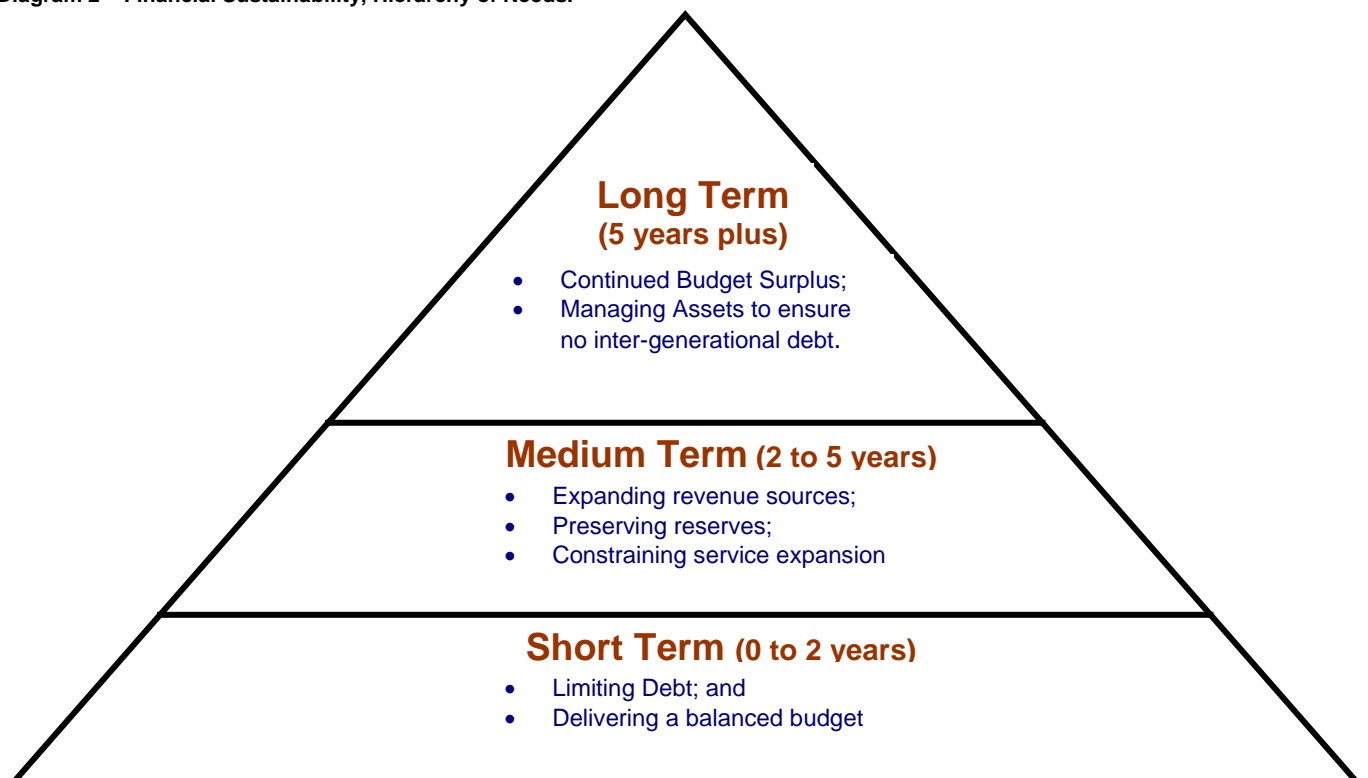
Prices charged to the user will be offset by the application of subsidies approved by Council and by exercising discretion based on capacity to pay. Subsidies need to be identified and assessed to ensure that they are helping Council meet its policy objectives in the Council Plan.

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.

## 1.4 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.



## 1.5 Goals and Strategies for CoPP's 2009/10 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 of 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:

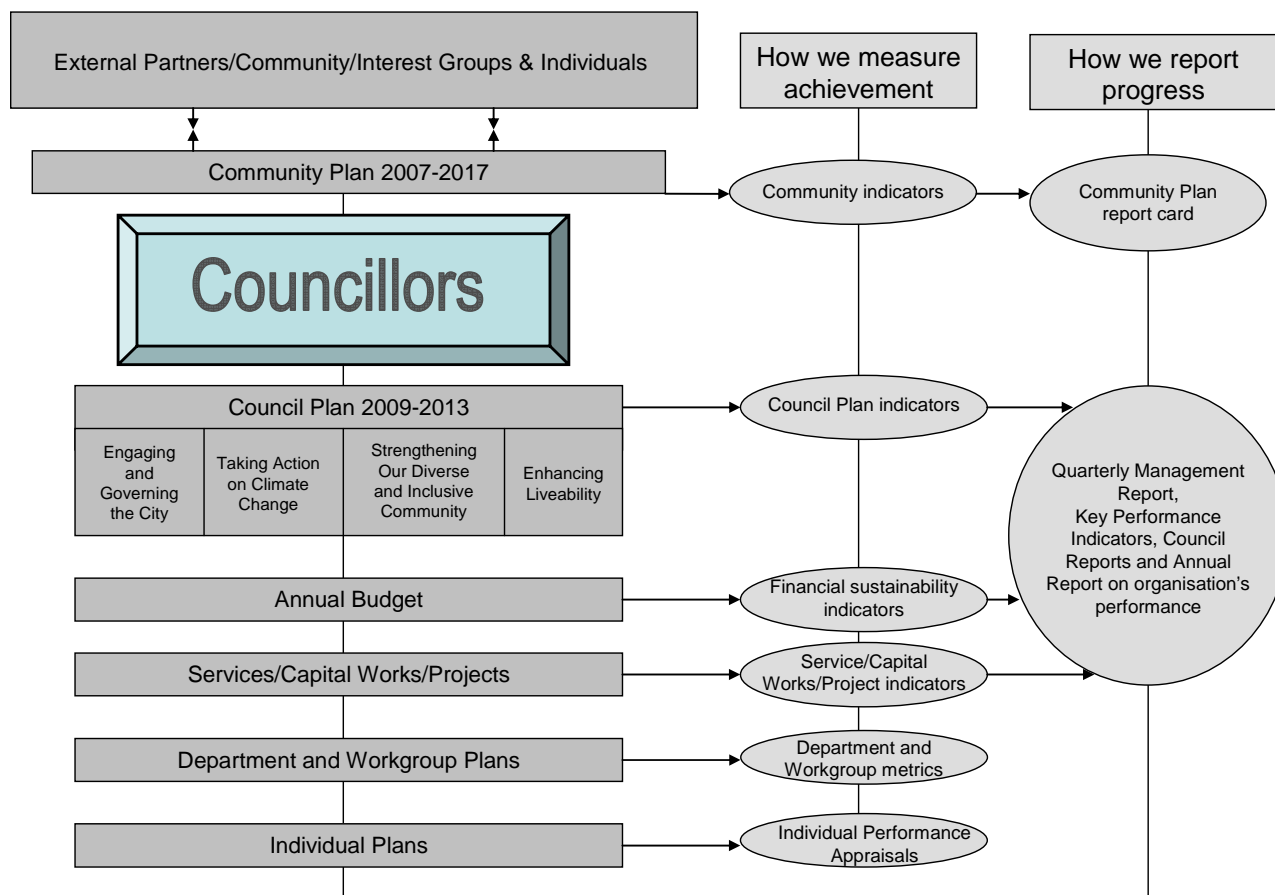
**Table 1: SRP Objectives and Strategies**

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 in line with or 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, enhanced service delivery, or provide benefits to future generations.	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. OUR PROCESS - CYCLE OF INTEGRATED PLANNING

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

Diagram 3 – 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 requires that a Financial Plan should be linked to the Council Plan, Budget and Schedule of Capital Works. The four year 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 also ensures that normal municipal operations generate sufficient cash flow to fund capital and borrowing commitments and the renewal and maintenance of fixed assets occurs at an appropriate time.

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.

## 2.1 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, population growth 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 number of contextual and environmental considerations. Some of the broader environmental trends that will influence Council services include:

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.

An increase in the number of pre-school aged children and the failure of a prominent private childcare supplier has placed 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.

Increasing Density and Community Expectations – In the next 20 years (between 2006 and 2026) Port Phillip is forecast to accommodate another 18,000 dwellings and more than 28,000 residents. With this change will be an increase in community expectation of how the public amenity is managed and maintained. Managing also the balance between welcoming visitors to Port Phillip's popular attractions and protecting residents' liveability will continue to be a focus.

Economic Climate – the global economic climate is likely to have local impacts of increased unemployment and a reduction in economic activity. While there is likely to be a slowing in major development activity, smaller private sector development projects will continue. It is anticipated an increase in demand in services will occur for business assistance, community, housing support and use of public facilities.

Climate Change – Responding to the challenges of climate change, both for the community and the operations of the organisation will be a major influence on activity. Increased demand on street tree management, improved sustainable management of open space and developing broader mitigation and adaption strategies for Council and the community will become a focus.

Cost Shifting - There are a number of 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.

Good Governance – Council has identified good governance as one of its key priorities and the principles of good governance will drive the organisation's accountability and performance.

Effective Communication and Community Engagement – The success of Council's plan and delivery of service will be the ability to effectively communicate and engage with the community. How Council improves its performance in informing and engaging will be a key focus.

People – The changing nature of the workforce means Council will need to remain flexible in the recruitment and retention of staff. Ensuring the City of Port Phillip is an employer of choice, in providing a safe, healthy and constructive working environment where contributions are valued, will support a sustainable workforce in providing ongoing services to the community.

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 four year model. This is projected for a further three years on broad assumptions.

The four 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.

## **2.2 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.

### Performance Management Framework

CoPP has introduced a structured approach to measuring organisational performance over the past two years.

This has resulted in the development of ten organisational key performance indicators (KPIs) which are reported to the public on a quarterly basis.

These performance indicators are supplemented by the requirement for each workgroup to measure their performance on an ongoing basis against a number of metrics which they would have developed. Performance against these metrics is monitored on a monthly basis by managers and directors.

### 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, against most ratios.

### 3. OPERATIONAL SUSTAINABILITY

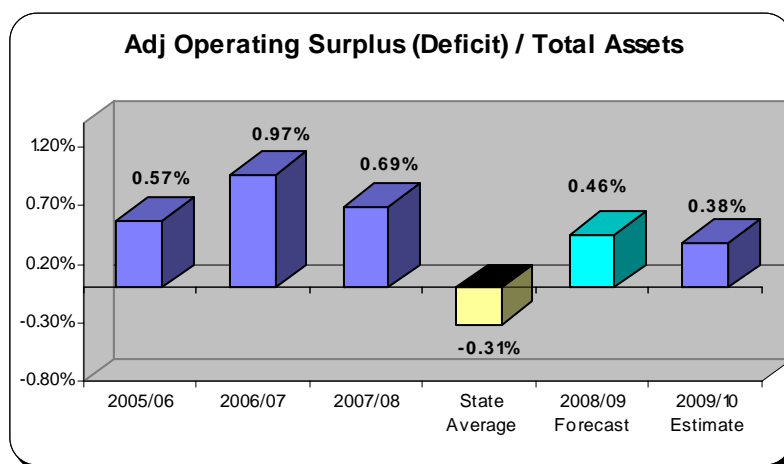
#### OBJECTIVE 1

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. A negative ratio may indicate long-term sustainability issues for Council to address.

In calculating the performance of Council, the Operating Statement result disclosed in the Annual Report has been adjusted to discount the effect of the sale of 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: Adjusted Operating Surplus (Deficit / Total Assets)



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 in line with or 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 balanced or 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 expenditure to be constrained by income growth. There will be a continuing review and refocus of existing services and only a small number of service expansion initiatives. 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.

### 3.1 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:

#### Budgeted Standard Income Statement converted to Cash

For the four years ending 30 June 2013

	Forecast	<b>Budget</b>	Strategic Resource Plan		
	Actual		Projections		
	2008/09		2010/11	2011/12	2012/13
	\$'000	<b>\$'000</b>	\$'000	\$'000	\$'000
<b>OPERATING RESULT</b>					
<b>Revenues from ordinary activities</b>					
Rates	74,480	<b>78,293</b>	82,207	86,317	90,633
Parking revenue	21,027	<b>21,540</b>	21,540	21,540	21,540
User fees & charges	14,756	<b>14,974</b>	15,573	16,196	16,844
Open space contributions	1,665	<b>1,200</b>	1,200	1,200	1,200
Grants - operating	8,230	<b>8,763</b>	8,763	8,763	8,763
Grants - capital	630	<b>5,920</b>	250	2,550	250
Interest received	1,650	<b>1,000</b>	1,000	1,000	1,000
Other income	7,590	<b>8,799</b>	9,151	9,517	9,898
	<b>130,028</b>	<b>140,489</b>	139,684	147,083	150,128
<b>Expenses from ordinary activities</b>					
Employee benefits	45,826	<b>50,505</b>	52,779	55,153	57,636
Contract services	35,298	<b>35,212</b>	36,268	37,356	38,477
Materials & other expenses	20,189	<b>20,629</b>	20,470	20,470	20,470
Professional services	3,777	<b>4,671</b>	4,811	4,955	5,104
Borrowing costs	191	<b>161</b>	130	260	212
Depreciation	13,200	<b>14,500</b>	14,900	15,300	15,700
<b>Total Expenditure</b>	<b>118,481</b>	<b>125,678</b>	129,358	133,494	137,599
<b>Operating surplus (deficit) for the year</b>	<b>11,547</b>	<b>14,811</b>	10,326	13,589	12,529
<b>CONVERSION TO CASH</b>					
<b>Less cash costs not included in the operating result</b>					
Capital works program	25,654	<b>28,451</b>	25,950	25,293	24,435
Capital Carry Over	7,149	<b>6,300</b>	0	0	0
Capital expenditure - IT	1,459	<b>1,273</b>	1,299	1,318	1,318
Capital expenditure - Other / Parking Machines	1,627	<b>1,828</b>	1,978	2,128	2,278
Loan - Urban Studies Centre	0	<b>0</b>	(2,600)	0	0
Loan repayments	466	<b>495</b>	526	750	798
Transfers to/(from) statutory reserves	(308)	<b>(262)</b>	(300)	(300)	(300)
Transfers to/(from) general reserves	(3,571)	<b>(1,831)</b>	(1,627)	(300)	(300)
	<b>32,476</b>	<b>36,254</b>	25,226	28,889	28,229
<b>Plus non cash costs included in operating result</b>					
Depreciation	13,200	<b>14,500</b>	14,900	15,300	15,700
<b>Surplus/(deficit) for the year</b>	<b>(7,729)</b>	<b>(6,943)</b>	0	0	0
<b>Accumulated position brought forward</b>					
Carry Over Surplus/(Deficit)	1,223	<b>371</b>	0	0	0
Council Initiatives Carry Over	(272)	<b>272</b>	0	0	0
B/Fwd Surplus to fund Capital Carry Over	7,149	<b>6,300</b>	0	0	0
<b>Surplus/(Deficit) Carried Forward</b>	<b>371</b>	<b>0</b>	0	0	0

This statement 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 2009/2010 operating budget projects an operating surplus of \$14.811 million, after raising rates and charges of \$78.293 million. 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 6.26% in 2009/2010 which equates to a 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 2008/2009) Council anticipates a balanced budget (no proposed surplus or loss overall)
- Wage growth will continue to impact on Council operations with a 4.5% allowance for the Enterprise Bargaining Agreement and banding movements in 2009/2010. The budget also proposes 21.6 new positions on top of the 15.2 approved in 2008/2009. This labour growth is partially offset by a reduction in contract payments and external labour.
- Reductions in government funding have also been factored in with operational grants projected to remain unchanged in future years

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

- The expected inflation rate (CPI) for the 2009/2010 budget is 2.0% and 3.0% thereafter
- Labour costs will increase by 4.5% in 2009/2010, and in future years
- Staff numbers reflect resources required to deliver on new Council initiatives highlighted in the Council Plan
- Service expansion will be funded by substitution
- Rates revenue will increase by 6.26% in 2009/2010 and 5.0% thereafter
- Government Grants will remain constant
- Capital Revenue will remain constant
- Fees and Charges increase by 4.0%
- Parking Revenue will remain constant
- Other income increases by 4.0%
- Contract Services increases by 2.0%, reflecting CPI increase of 2.0%
- Materials and Other costs will remain constant at \$20.470 million from 2010/11
- Professional Services increases by 3.0%

## 3.2 Income

### Strategy 2

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

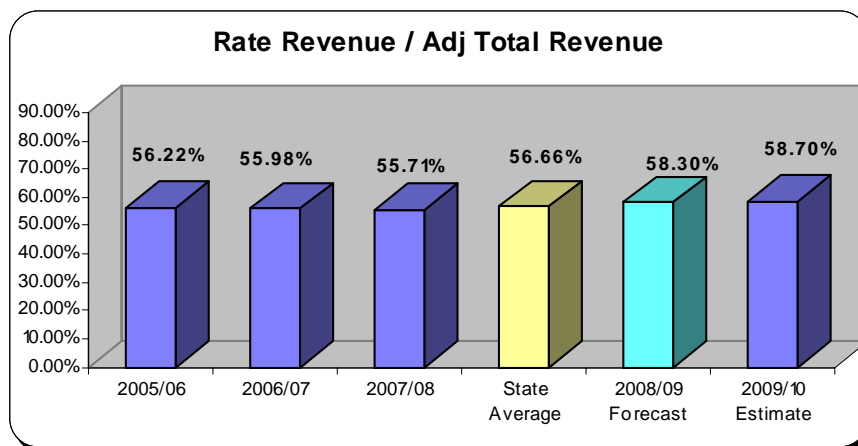
The broad scope of this strategy ensures that income will be increased to assure financial viability. Specifically, income will be sufficient to provide for operational expenditure, capital investment and debt management.

### 3.2.1. 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 2009/2010. The movement in rates has three components: price (CPI), 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



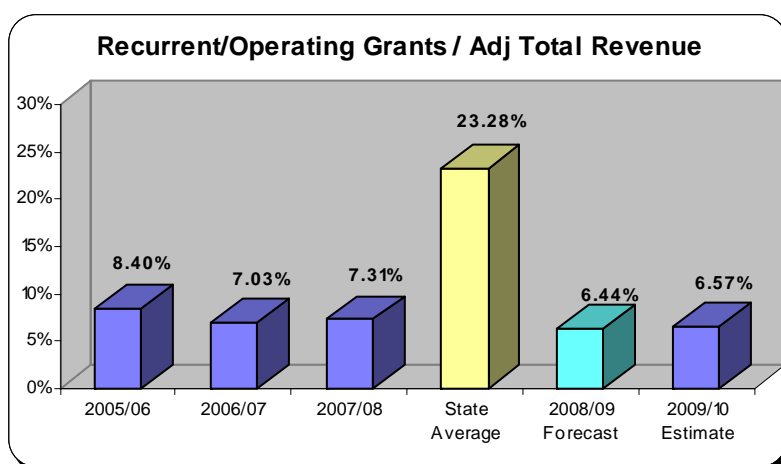
The graph shows CoPP's reliance on Rate Revenue, as a percentage of its Total Revenue base, has remained steady in prior years, and is above the State average and trending upwards to 59%, which is above the 55% target, due to reductions in the City's other sources of revenue such as fees and charges/ parking income.

### 3.2.2. 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 the fact that the City of Port Phillip has a relatively high level of own source revenue (especially parking revenue).

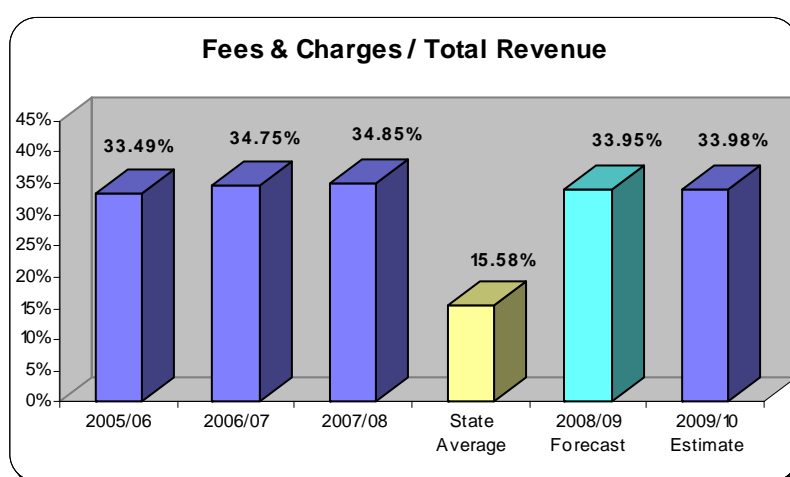
### 3.2.3. Fees and Charges

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 1% or 3%. 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 lower than average reliance on rate revenue as a percentage of its total revenue base.

### **3.2.4. 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 and liquid investments of at least \$5 million. 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 \$5 million (day to day liquidity) up to \$15 million, investments in the following securities may be undertaken:

- Assets approved under Liquidity Management policy
- Interest bearing deposits with authorised counterparties

#### Longer Term Investments

For funds in excess of those managed under the Liquidity and Cash Management policies (ie. \$15 million), 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
- 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 \$5 million.

The adoption of this investment policy has been put on hold following the failure of Lehman Brothers in September 2008 and the subsequent introduction of measures such as the Commonwealth guarantee of deposits up to \$1 million. Council now exercises a more conservative approach to investing its surplus funds, which includes the use of the Commonwealth guarantee and the big four Australian banks for deposits in excess of \$1 million.

### **3.2.5. 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.

### **3.2.6. 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.

### **3.2.7. 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.

## **3.3 Expenditure**

<b>Strategy 3</b>
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 benchmarked periodically to achieve continuous improvement and identify improvement opportunities.
- 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.

### **3.3.1. 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. Wage costs are expected to move in line with Enterprise Bargaining Agreements entered into by CoPP.

### **3.3.2. Materials and Other Costs**

Council seeks to confine increases in materials and other costs. This expenditure has remained constant over the life of the financial plan.

### **3.3.3. Contracts**

Contract costs are expected to increase by the expected the rate of inflation (2.0% in 2009/2010).

## 4. FINANCIAL, STRENGTH AND ASSET GROWTH

<b>OBJECTIVE 2</b>	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.

### 4.1 Standard Statement A2: Balance Sheet Statement

#### Budgeted Standard Balance Sheet

For the four years ending 30 June 2013

	Forecast		Strategic Resource Plan		
	Actual 2009 \$'000	Budget 2010 \$'000	Projections		
			2011 \$'000	2012 \$'000	2013 \$'000
<b>Current assets</b>					
Cash and cash equivalents	32,599	<b>23,563</b>	21,636	21,036	20,436
Receivables	11,030	<b>11,030</b>	11,030	11,030	11,030
Accrued income	702	<b>702</b>	702	702	702
Prepayments	384	<b>384</b>	384	384	384
Total current assets	<u>44,715</u>	<u><b>35,679</b></u>	<u>33,752</u>	<u>33,152</u>	<u>32,552</u>
<b>Non-current assets</b>					
Other financial assets	5	<b>5</b>	5	5	5
Property, infrastructure, plant & equipment	1,951,670	<b>1,975,022</b>	1,989,349	2,002,788	2,015,119
Total non-current assets	<u>1,951,675</u>	<u><b>1,975,027</b></u>	<u>1,989,354</u>	<u>2,002,793</u>	<u>2,015,124</u>
Total assets	<u>1,996,390</u>	<u><b>2,010,706</b></u>	<u>2,023,106</u>	<u>2,035,945</u>	<u>2,047,676</u>
<b>Current liabilities</b>					
Payables	10,538	<b>10,538</b>	10,538	10,538	10,538
Trust funds and deposits	1,799	<b>1,799</b>	1,799	1,799	1,799
Provisions	6,960	<b>6,960</b>	6,960	6,960	6,960
Interest-bearing liabilities	495	<b>526</b>	750	798	849
Total current liabilities	<u>19,792</u>	<u><b>19,823</b></u>	<u>20,047</u>	<u>20,095</u>	<u>20,146</u>
<b>Non-current liabilities</b>					
Provisions	1,297	<b>1,297</b>	1,297	1,297	1,297
Interest-bearing liabilities	2,312	<b>1,786</b>	3,636	2,838	1,989
Total non-current liabilities	<u>3,609</u>	<u><b>3,083</b></u>	<u>4,933</u>	<u>4,135</u>	<u>3,286</u>
Total liabilities	<u>23,401</u>	<u><b>22,906</b></u>	<u>24,980</u>	<u>24,230</u>	<u>23,432</u>
Net assets	<u>1,972,989</u>	<u><b>1,987,800</b></u>	<u>1,998,126</u>	<u>2,011,715</u>	<u>2,024,244</u>
<b>Equity</b>					
Accumulated surplus	582,113	<b>599,017</b>	611,270	625,459	638,588
Asset revaluation reserve	1,368,340	<b>1,368,340</b>	1,368,340	1,368,340	1,368,340
Other reserves	22,536	<b>20,443</b>	18,516	17,916	17,316
Total equity	<u>1,972,989</u>	<u><b>1,987,800</b></u>	<u>1,998,126</u>	<u>2,011,715</u>	<u>2,024,244</u>

## 4.2 Asset Management

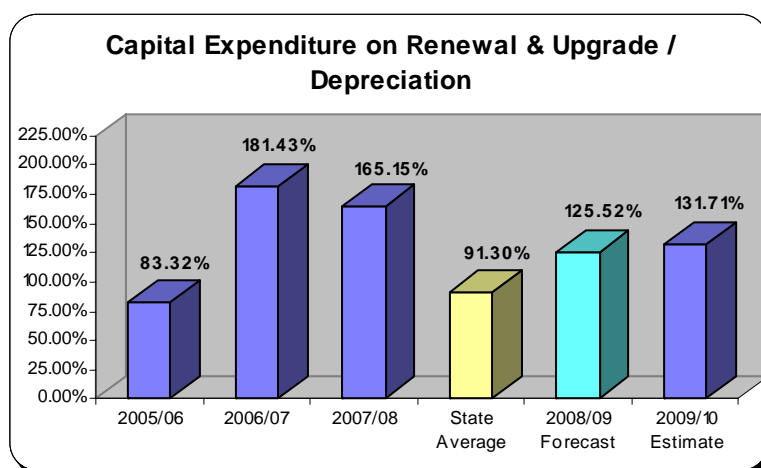
<b>Strategies 4 - 6</b>
The total pool of assets will increase in value each year – excluding the effect of any revaluation.
Assets will be managed in accordance with community need, optimum utilisation and long term efficiency.
Capital expenditure on existing assets (asset renewals and enhancements) 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.

### 4.3 Debt

**Strategy 7**

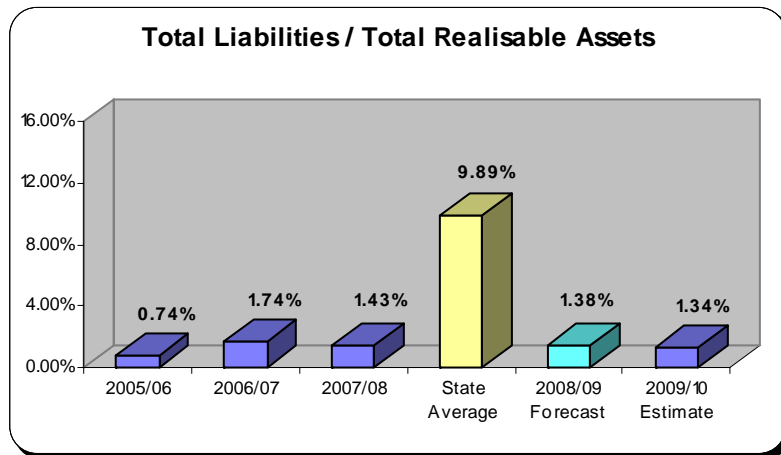
Debt will be reduced progressively so that the cost of debt servicing can be redirected into service delivery.

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.

#### 4.3.1. Council's Debt Performance

**Graph 6: Total indebtedness / Total realisable assets**



## 5. REMAINING LIQUID

<b>OBJECTIVE 3</b>	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.

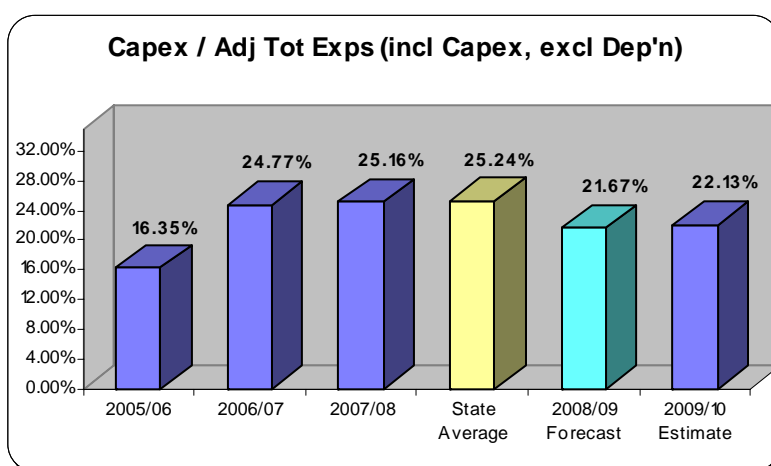
The movements in Working Capital are based on assumptions that point to no significant change in debtors or creditors.

### 5.1 Capital Outlay and Rates Inflow

#### 5.1.1. 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



In line with the financial principle to commit 20 – 25% of Council's revenue budget to capital expenditure, performance on this measure has improved over the past three years.

CoPP's Capital Works programs are heavily reliant on rates and reserves funding. CoPP's sources of Capital funding proposed for the 2009/10 budget are detailed at Table 2 below:

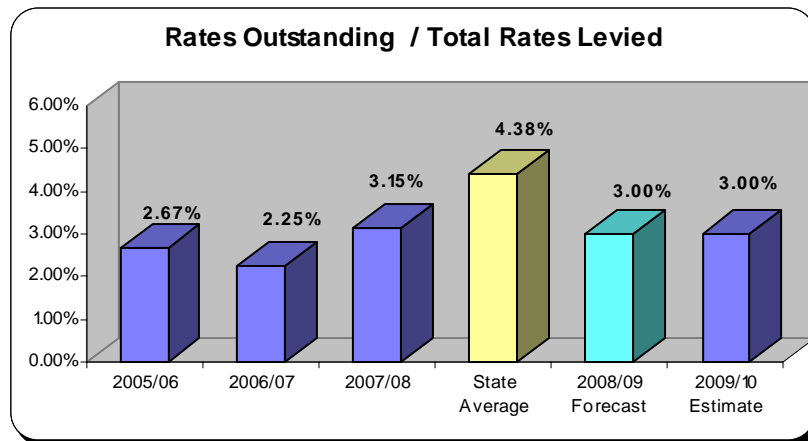
Table 2: Capital Works Expenditure Funding Sources

Sources of Funds	Budget 2009/2010 \$'000
External Income (Grants, Contributions, etc)	5,920
Rates & General Reserve Requirements	19,393
Resort & Recreation Reserves	1,462
Sustainable Transport Reserves	500
Other Reserves	1,370
<b>Gross Budget Total</b>	<b>28,645</b>

### 5.1.2. 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**



## 5.2 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 2009/2010 are summarised at table 3 below:

Table 3: CoPP Reserves Summary

RESERVE DESCRIPTION	2009/2010 AMOUNT \$000	STATUTORY	CASH BACKED
General Reserve <ul style="list-style-type: none"> <li>Aggregates a number of specific purpose reserve funds including public housing and tree root damage</li> </ul>	15,270	N	Y
Sustainable Transport Reserve <ul style="list-style-type: none"> <li>Funds held for Sustainable Transport initiatives, funded by parking permit fees.</li> </ul>	901	N	Y
Resort and Recreation Reserve <ul style="list-style-type: none"> <li>Developer levies required for expenditure at a later date on recreational infrastructure.</li> </ul>	3,022	Y	Y
Car Park Reserve <ul style="list-style-type: none"> <li>Developer contributions for expenditure at a later date on car parks.</li> </ul>	980	Y	Y
Asset Revaluation Reserve	1,368,340	N	N
C13 Infrastructure Reserve <ul style="list-style-type: none"> <li>Developer Contributions for expenditure at a later date on infrastructure</li> </ul>	270	Y	Y
<b>Total</b>	<b>1,388,783</b>		

### 5.2.1. General Reserve Movements

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

## 5.3 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.

## 5.4 Investment

### Strategy 10

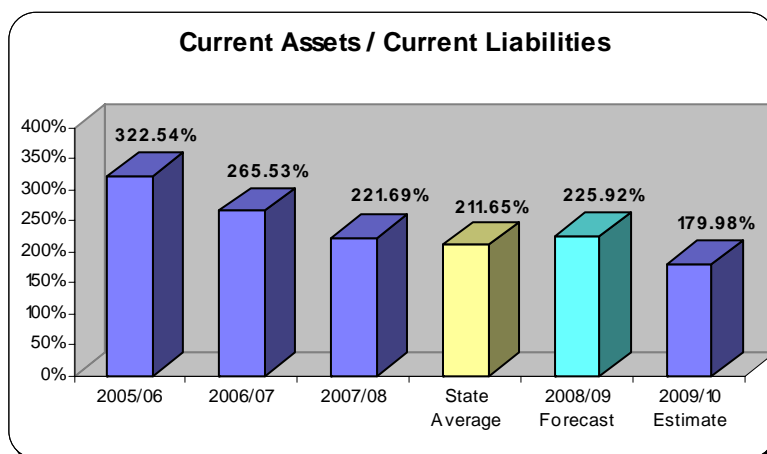
Investments will be based on increasing reserves to fund periodic large capital expenditure items.

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.

### 5.4.1. 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



## 5.5 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 2013

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2008/09	2009/10	2010/11	2011/12	2012/13
	\$'000	\$'000	\$'000	\$'000	\$'000
	Inflows	Inflows	Inflows	Inflows	Inflows
	(Outflows)	(Outflows)	(Outflows)	(Outflows)	(Outflows)
<b>Cash flows from operating activities</b>					
<i>Receipts</i>					
Rates and garbage charges	74,480	<b>78,293</b>	82,207	86,317	90,633
Parking fees and fines	20,282	<b>21,540</b>	21,540	21,540	21,540
User charges and other fines	14,756	<b>14,974</b>	15,573	16,196	16,844
Grants	8,860	<b>14,683</b>	9,013	11,313	9,013
Contributions	1,665	<b>1,200</b>	1,200	1,200	1,200
Interest	1,650	<b>1,000</b>	1,000	1,000	1,000
Other revenue	9,232	<b>8,799</b>	9,151	9,517	9,898
	<u>130,925</u>	<u><b>140,489</b></u>	<u>139,684</u>	<u>147,083</u>	<u>150,128</u>
<i>Payments</i>					
Employee costs	(45,513)	<b>(50,505)</b>	(52,778)	(55,153)	(57,636)
Contract Services	(35,908)	<b>(35,212)</b>	(36,268)	(37,356)	(38,477)
Materials and other expenses	(20,189)	<b>(20,629)</b>	(20,470)	(20,470)	(20,470)
Professional services	(3,777)	<b>(4,671)</b>	(4,812)	(4,955)	(5,104)
	<u>(105,387)</u>	<u><b>(111,017)</b></u>	<u>(114,328)</u>	<u>(117,934)</u>	<u>(121,687)</u>
Net cash provided by operating activities	<u>25,538</u>	<u><b>29,472</b></u>	<u>25,356</u>	<u>29,149</u>	<u>28,441</u>
<b>Cash flows from investing activities</b>					
Proceeds from property, plant and equipment	0	<b>0</b>	0	0	0
Payments for property, plant and equipment	(29,589)	<b>(37,852)</b>	(29,227)	(28,739)	(28,031)
Net cash used in investing activities	<u>(29,589)</u>	<u><b>(37,852)</b></u>	<u>(29,227)</u>	<u>(28,739)</u>	<u>(28,031)</u>
<b>Cash flows from financing activities</b>					
Finance costs	(191)	<b>(161)</b>	(130)	(260)	(212)
Proceeds from borrowings	0	<b>0</b>	2,600	0	0
Repayment of borrowings	(466)	<b>(495)</b>	(526)	(750)	(798)
Net cash provided by (used in) financing activities	<u>(657)</u>	<u><b>(656)</b></u>	<u>1,944</u>	<u>(1,010)</u>	<u>(1,010)</u>
<b>Net decrease in cash &amp; cash equivalents</b>	<u>(4,708)</u>	<u><b>(9,036)</b></u>	<u>(1,927)</u>	<u>(600)</u>	<u>(600)</u>
Cash & cash equivalents at beginning of year	<u>37,307</u>	<u><b>32,599</b></u>	<u>23,563</u>	<u>21,636</u>	<u>21,036</u>
<b>Cash &amp; cash equivalents at end of year</b>	<u>32,599</u>	<u><b>23,563</b></u>	<u>21,636</u>	<u>21,036</u>	<u>20,436</u>

## 6. BUILDING COMMUNITIES

<b>OBJECTIVE 4</b>	Capital works will address community needs without ignoring long term financial impacts.
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Council is committed to improving and maintaining 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 and Upgrades

- 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.
- 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.

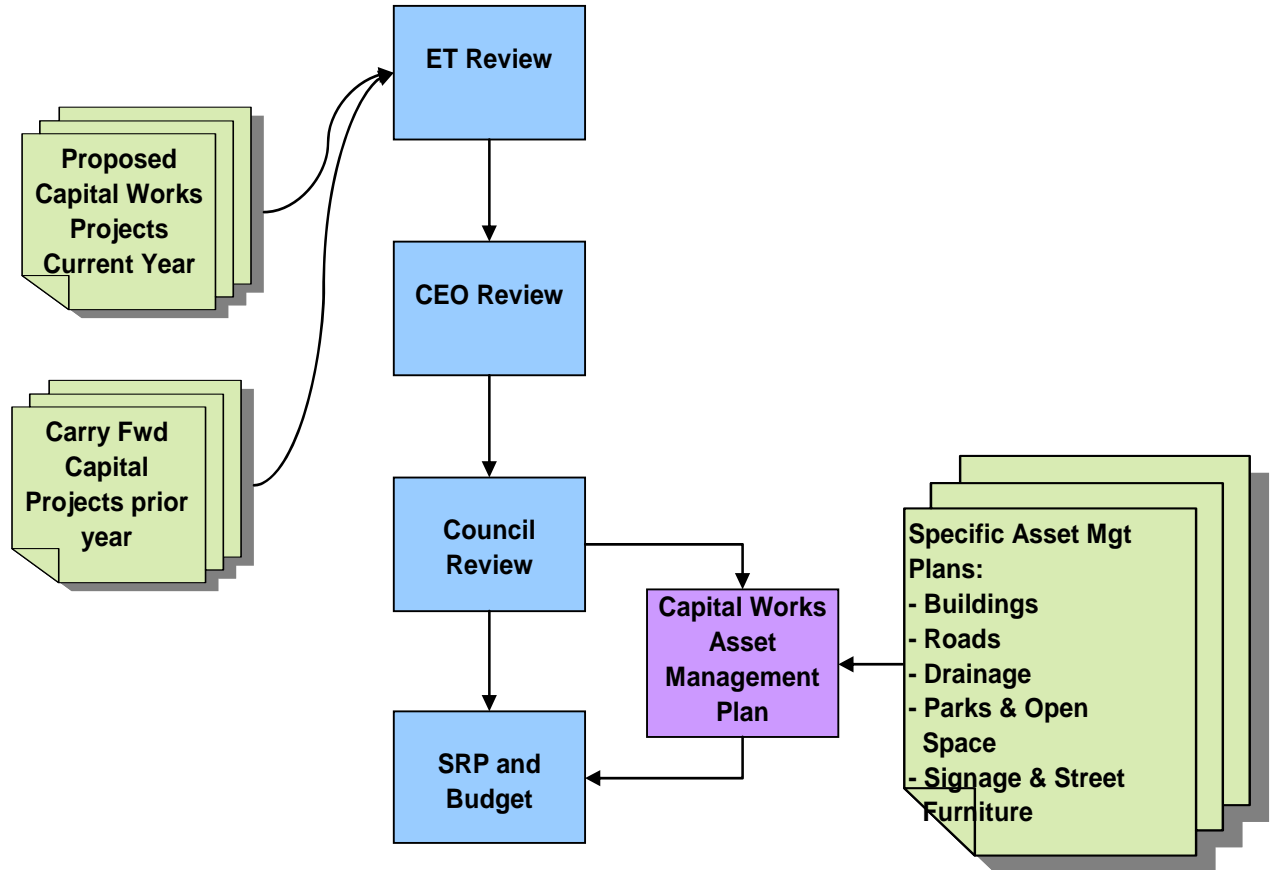
### New Assets

- New assets will be commissioned where a thorough analysis shows a lack of flexibility in the existing asset stock to deliver the necessary services demanded by the community. This strategic decision making process will ensure that new assets are added to Council's inventory in order to deliver the service gap.
- New asset decisions will acknowledge and plan for the increased costs associated with maintenance and eventual renewal of that asset. Council's priority is to renew existing assets over the building of new assets.

## 6.1 Capital Expenditure Program Process

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

Diagram 4: Capital Expenditure Approval Process



The above process is determined with full regard to Council's strategic directions as outlined in the Council Plan and the Community Plan.

## 6.2 Asset Management Planning

<b>Strategy 11</b>
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CoPP's capital assets will be enhanced and preserved to ensure that Council's service delivery capabilities are maintained and improved where possible.
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Asset management planning covers the provision and renewal of physical assets.

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

Council makes provision over the course of the four year Strategic Resource Plan for increased expenditure on renewing Council's existing assets. This acknowledges and assumes increased costs associated with asset renewal.

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.

## 6.3 Capital Works Renewal

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.

## 6.4 Community Centres

<b>Strategy 12</b>
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CoPP will provide new assets in a way that assists in clustering community assets for social, service-delivery and financial effectiveness.
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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.

## 6.5 Policy Commitments

<b>Strategy 13</b>
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CoPP will update the forward financial plan to recognise the ongoing impact on its revenue and expenditure from significant policy commitments
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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.

## 6.6 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 2013

	Forecast	<b>Budget</b>	Strategic Resource Plan		
	Actual		Projections		
	2008/09	<b>2009/10</b>	2010/11	2011/12	2012/13
	\$'000	<b>\$'000</b>	\$'000	\$'000	\$'000
<b>Capital works areas</b>					
Roads	9,875	<b>8,605</b>	9,108	8,878	11,325
Parks & open space	8,497	<b>6,098</b>	5,372	5,236	5,035
Buildings	6,625	<b>11,345</b>	9,160	8,928	6,305
Signage & street furniture	265	<b>350</b>	311	304	270
South Melbourne Market	0	<b>1,250</b>	1,142	1,113	700
Planning, implementation & other	779	<b>803</b>	857	834	800
	26,041	<b>28,451</b>	25,950	25,293	24,435
<b>Capital expenditure areas</b>					
Plant & Equipment	3,086	<b>3,101</b>	3,277	3,446	3,596
<b>TOTAL CAPITAL</b>	29,127	<b>31,552</b>	29,227	28,739	28,031
<b>Represented by:</b>					
Asset renewal	9,943	<b>12,263</b>	11,159	10,876	9,761
New assets - capital works	9,231	<b>8,550</b>	5,579	5,438	5,535
Asset expansion/upgrade	6,625	<b>6,835</b>	8,408	8,195	8,341
Planning & implementation	242	<b>803</b>	804	784	798
New assets - capital expenditure	3,086	<b>3,101</b>	3,277	3,446	3,596
<b>TOTAL CAPITAL</b>	29,127	<b>31,552</b>	29,227	28,739	28,031

### Reconciliation of net movement in property, plant and equipment

	Forecast	<b>Budget</b>	Strategic Resource Plan		
	Actual		Projections		
	2008/09	<b>2009/10</b>	2010/11	2011/12	2012/13
	\$'000	<b>\$'000</b>	\$'000	\$'000	\$'000
Capital works	26,041	<b>28,451</b>	25,950	25,293	24,435
Capital expenditure	3,086	<b>3,101</b>	3,277	3,446	3,596
Capital works carried forward	6,761	<b>6,300</b>	0	0	0
	35,888	<b>37,852</b>	29,227	28,739	28,031
Asset revaluation increment	0	<b>0</b>	0	0	0
Depreciation & amortisation	-13,200	<b>-14,500</b>	-14,900	-15,300	-15,700
Written down value of assets sold	0	<b>0</b>	0	0	0
Granted assets	0	<b>0</b>	0	0	0
Recognition of previously unrecognised assets	0	<b>0</b>	0	0	0
<b>Net movement in property, plant &amp; equipment</b>	22,688	<b>23,352</b>	14,327	13,439	12,331

## 7. FINANCIAL SUSTAINABILITY INDICATORS

The Victorian Auditor-General's Office has developed a set of financial sustainability ratios that provide a set of interrelated indicators for local governments to use to assess their financial performance and position.

To be sustainable, COPP needs to have some excess capacity to be able to manage future financial risks and shocks without having to radically adjust revenue or expenditure policies. As the revenue base for COPP is not tied to the value of the asset base and COPP cannot sell most of its assets to obtain funds, a key objective is to maintain their infrastructure assets, while managing debt to ensure that it can be paid back from future operations.

The indicators as per the table below estimate COPP ongoing financial sustainability trends, as per Council's four year Strategic Resource Plan as set out earlier within this document.

<b>Underlying Result</b>						
<i>A positive result indicates a surplus, and the larger the percentage, the stronger the result. A negative result indicates a deficit. Operating deficits cannot be sustained in the long-term. Underlying revenue does not take into account non-cash developer contributions and other one-off (non recurring) adjustments</i>						
Forecast 2008/09	Budget 2009/10	Strategic Resource Plan Projections			Trend +/-	
		2010/11	2011/12	2012/13		
8.88%	10.54%	7.39%	9.24%	8.35%	o	
<b>Overall Risk Rating:</b>		<b>LOW</b>				

<b>Liquidity</b>						
<i>This measures the ability to pay existing liabilities in the next 12 months. A ratio of one or more means there is more cash and liquid assets than short-term liabilities.</i>						
Forecast 2008/09	Budget 2009/10	Strategic Resource Plan Projections			Trend +/-	
		2010/11	2011/12	2012/13		
2.26	1.80	1.68	1.65	1.62	-	
<b>Overall Risk Rating:</b>		<b>LOW</b>				

<b>Self Financing</b>						
<i>Measures the ability to replace assets using cash generated by their operations. The higher the percentage, the more effectively this can be done.</i>						
Forecast 2008/09	Budget 2009/10	Strategic Resource Plan Projections			Trend +/-	
		2010/11	2011/12	2012/13		
19.18%	20.98%	18.15%	19.82%	18.94%	-	
<b>Overall Risk Rating:</b>		<b>MEDIUM</b>				

**Indebtedness**

Comparison of non-current liabilities (mainly comprised of borrowings) to own sourced revenue. The higher the percentage, the less able to cover non-current liabilities from the revenues they generate themselves. Own sourced revenue is used (rather than total revenue) because it does not include capital grants, which are usually tied to specific projects.

Forecast 2008/09	Budget 2009/10	Strategic Resource Plan Projections			Trend +/-
		2010/11	2011/12	2012/13	
3.02%	2.47%	3.81%	3.07%	2.35%	+

**Overall Risk Rating:****LOW****Investment Gap**

Comparison of the rate of spending on infrastructure with its depreciation. Ratios higher than 1:1 indicate that spending is faster than the depreciating rate. This is a long-term indicator, as capital expenditure can be deferred in the short-term if there are insufficient funds available from operations, and borrowing is not an option.

Forecast 2008/09	Budget 2009/10	Strategic Resource Plan Projections			Trend +/-
		2010/11	2011/12	2012/13	
1.94	1.96	1.74	1.65	1.56	-

**Overall Risk Rating:****LOW**

## 8. OUR CULTURE, OUR STAFF AND OUR SERVICE

<b>OBJECTIVE 5</b>	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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<b>Strategies 14 &amp; 15</b>	
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 culture is based on the principles of ethics, openness and honesty and integrity and our job is to make the community a better place. We need to be flexible and adaptable and work together to use our combined skills to deliver our services. Our “3 Simple Rules” – care for yourself, care for others and care for this place provide the framework for the way we work together and deliver our services.

### 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 be an employer of choice and to operate collectively as one organisation focussed on the achievement of the Council Plan initiatives. Our commitment to professional development, mentoring, open communication and feedback and a safe and respectful working environment 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	
<b>Finance</b>									
<=25 Years of Age	1	1	100%	0	0%	0	0%	0	0%
Between 26 & 39 Years of Age	12.91	3	23%	9	70%	0.91	7%	0	0%
Between 40 & 54 Years of Age	9.6	4	42%	4	42%	0	0%	1.6	17%
>= 55 Years of Age	5.2	0	0%	3	58%	0	0%	2.2	42%
Subtotals	28.71	8	28%	16	56%	0.91	3%	3.8	13%
<b>Finance</b>		84%				16%			
<b>Organisation Systems &amp; Support</b>									
<=25 Years of Age	4.84	1	21%	3	62%	0.84	17%	0	0%
Between 26 & 39 Years of Age	43.53	17	39%	20	46%	1.5	3%	5.03	12%
Between 40 & 54 Years of Age	30.98	6	19%	18	58%	1.29	4%	5.69	18%
>= 55 Years of Age	16.71	6	36%	7	42%	2.26	14%	1.45	9%
Subtotals	96.06	30	31%	48	50%	5.89	6%	12.17	13%
<b>Organisation Systems &amp; Support Total</b>		81%				19%			
<b>Community Assets &amp; Services</b>									
<=25 Years of Age	11.98	0	0%	9	75%	1.83	15%	1.15	10%
Between 26 & 39 Years of Age	73.54	14	19%	42	57%	0	0%	17.54	24%
Between 40 & 54 Years of Age	94.21	30	32%	33	35%	4.02	4%	27.19	29%
>= 55 Years of Age	70.37	20	28%	17	24%	10.17	14%	23.2	33%
Subtotals	250.1	64	26%	101	40%	16.02	6%	69.08	28%
<b>Community Assets &amp; Services Total</b>		66%				34%			
<b>Community Development &amp; Planning</b>									
<=25 Years of Age	15.81	6	38%	6	38%	0.97	6%	2.84	18%
Between 26 & 39 Years of Age	101.67	38	37%	38	37%	10.53	10%	15.14	15%
Between 40 & 54 Years of Age	86.32	40	46%	25	29%	4.06	5%	17.26	20%
>= 55 Years of Age	29.86	10	33%	7	23%	5.21	17%	7.65	26%
Subtotals	233.66	94	40%	76	33%	20.77	9%	42.89	18%
<b>Community Development &amp; Planning Total</b>		73%				27%			
<b>Grand Total</b>	579.82	188	32.42%	225	38.81%	42.68	7.36%	124.14	21.41%
		71.23%				28.77%			

### 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. We are committed to providing personal, professional and career development opportunities via a comprehensive learning and development program underpinned by sustainable learning outcomes.

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 a knowledge gap – identified through ongoing coaching and support;
- Meets legislative duty of care, regulations and codes of practice requirements.

Emphasis is placed on lasting change through the use of personal insight, encouraging dialogue and through enabling participants to discuss and apply their learning in new situations.

Each 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 development plan.

### **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.

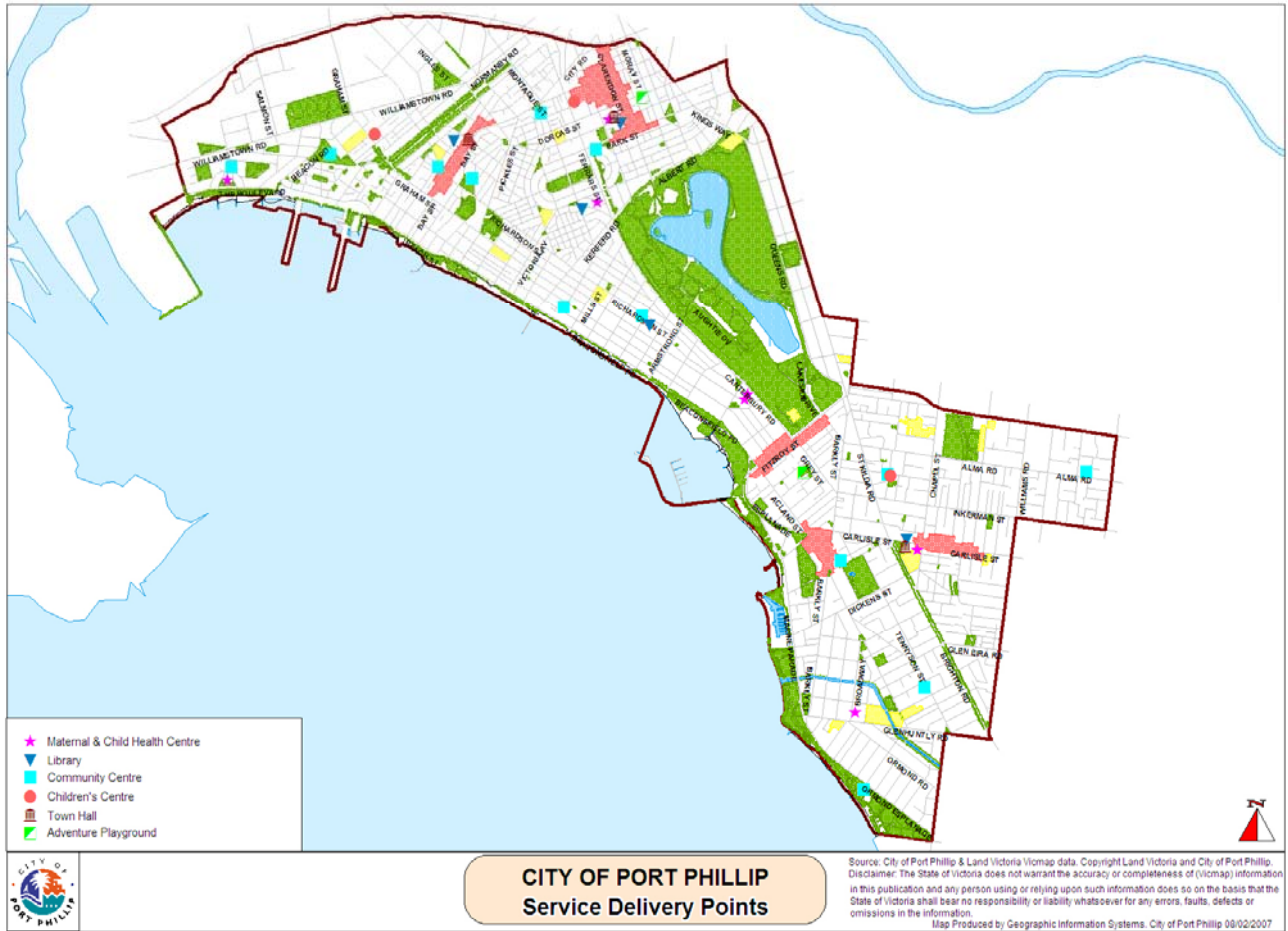
### 8.3.1. CoPP Services by Division

Table 5: CoPP Services per Division

Community Assets & Services	Organisation Systems & Support	Community Development & Planning	Finance
<ul style="list-style-type: none"> <li>• Asset Planning</li> <li>• Asset and Project Services</li> <li>• Building Maintenance</li> <li>• Meetings &amp; Events</li> <li>• Family and Children's Services</li> <li>• Home and Community Care</li> <li>• Street &amp; Beach Cleaning</li> <li>• Infrastructure Development Services</li> <li>• Infrastructure Maintenance</li> <li>• Waste Management</li> <li>• Parks and Open Spaces Services</li> <li>• South Melbourne Market</li> </ul>	<ul style="list-style-type: none"> <li>• ASSIST (Customer Service Centre)</li> <li>• Customer Service Systems</li> <li>• On-line Communications</li> <li>• Records</li> <li>• Governance</li> <li>• Statutory Functions</li> <li>• Mayor &amp; Councillors Office</li> <li>• Corporate Planning &amp; Performance</li> <li>• People &amp; Culture (HR)</li> <li>• Communications</li> <li>• Valuations &amp; Property Co-ordination</li> <li>• Insurance &amp; Risk Management</li> <li>• Information Systems</li> <li>• Information Systems Training</li> <li>• Geographic Information Systems (GIS)</li> <li>• Contracts</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable Transport</li> <li>• Economic Development &amp; Tourism</li> <li>• Community Health and Development</li> <li>• Community Leadership</li> <li>• Parking Systems</li> <li>• Community Housing</li> <li>• Parking Enforcement</li> <li>• Health Services</li> <li>• Animal Management</li> <li>• Local Laws</li> <li>• Statutory Planning</li> <li>• Strategic Planning</li> <li>• Building Solutions</li> <li>• Ageing &amp; Diversity Policy &amp; Partnerships</li> <li>• Sustainable Environment</li> <li>• Planning &amp; Building Business Support</li> <li>• Social Planning and Policy</li> <li>• Library Services</li> <li>• Arts and Festivals</li> <li>• Community Development</li> <li>• Youth &amp; Recreation</li> <li>• Indigenous Policy &amp; Programs</li> <li>• Parking Permits</li> </ul>	<ul style="list-style-type: none"> <li>• Rates</li> <li>• Financial Management</li> <li>• Accounts Payable</li> <li>• Accounts Receivable</li> <li>• Payroll</li> <li>• Purchasing</li> <li>• Treasury</li> <li>• Financial Systems</li> <li>• Fleet</li> </ul>

### 8.3.2. CoPP Services and Facilities

Diagram 5: 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 space 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 the Information Management Group (IMG) develops a strategic plan to promulgate the activities and direction of the department.

As set out in the IT Strategic Plan, the past 2 years have been spent bringing council's information systems up to date and developing a stable, secure yet agile base for the future. In addition to upgrades of the core hardware and software, IMG have facilitated an upgrade to the Customer request, Property, Records, Finance, Mapping and Internet systems, and the integration between these.

Following the completion of these upgrades 09/10 will be spent ensuring the stability and security of council's systems, and implementing secondary improvements such as enabling working from remote locations, a mobile workforce and process improvement. An integral part of this round of upgrades and improvement is a post implementation review and documentation of our new architecture.

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 develop and audit corresponding Information Management policies and processes throughout the organisation.

After 09/10 focus will be given to council's desktop standard operating environment and planning done for a migration to a new version of Windows. IMG will continue to work towards the centralisation of all core systems and data, creating a single view of all of council's customers, assets and services.

The centralisation will be augmented by adoption of the Municipal Association of Victoria's (MAV's) Enterprise Content Management framework. This will drive the adoption of systems and processes which deliver a streamlined and reliable customer service experience and drive compliance with council's record management and data security obligations.

This Local Government ICT Collaborative Disaster Recovery project is a priority for the local government sector because there is enormous potential to share infrastructure and resources in the IT disaster recovery area. It has an ambitious approach to ICT disaster recovery and represents an opportunity for councils to work in partnership across the sector in a defined area to implement broader technology solutions for whole of council business. City of Port Phillip is a member of the pilot group which is leading the sector wide work to:

- consider disaster recovery issues when forming IT strategies
- utilise current technology to assist IT disaster recovery
- identify possible hosting arrangements (from leveraging existing state investments through to council hosting and regional solutions)
- develop several case studies

In order to capitalise on council's investment in its Information systems, IMG will continue to liaise with other business units to plan out the implementation of new and improved technologies.