

**ORDINARY MEETING OF COUNCIL  
25 MAY 2009**

**ORDERS OF THE DAY**

<b>ORDER 3</b>	<b>QUARTERLY MANAGEMENT REPORT</b>
<b>LOCATION/ADDRESS:</b>	
<b>RESPONSIBLE EXECUTIVE DIRECTOR:</b>	<b>SALLY CALDER, DIRECTOR OSS</b>
<b>AUTHOR:</b>	<b>CHRIS PIKE, MANAGER CORPORATE PLANNING &amp; PERFORMANCE</b> <b>DAVID FILMALTER, CHIEF FINANCIAL OFFICER</b>
<b>FILE NO.:</b>	
<b>ATTACHMENTS:</b>	<b>ATTACHMENT 1: 3<sup>RD</sup> QUARTER FINANCIAL REPORT</b> <b>ATTACHMENT 2: 3<sup>RD</sup> QUARTER KPI REPORT</b> <b>ATTACHMENT 3: 3<sup>RD</sup> QUARTER SERVICE PROMISE REPORT</b> <b>ATTACHMENT 4: 3<sup>RD</sup> QUARTER ACHIEVEMENTS &amp; CHALLENGES</b>

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**1. EXECUTIVE SUMMARY**

- 1.1. To provide Council with information on the financial, capital works, service and internal performance of the organisation.

**2. RECOMMENDATION**

- 2.1. That the Council resolve to:
- 2.1.1. Receive and note the 3<sup>rd</sup> Quarter 2008/09 Quarterly Management Report

**3. DISCUSSION**

- 3.1. The Local Government Act requires that at least every 3 months, the Chief Executive Officer must ensure that a statement comparing the budgeted revenue and expenditure for the financial year with the actual revenue and expenditure to date is presented to the Council at a Council meeting which is open to the public.
- 3.2. The CEO has traditionally exceeded this requirement by providing a quarterly report. Continuing in this vein, this report contains four attachments for the 3rd Quarter (Jan-Mar 2009):
- 3.2.1. Quarterly Financial Report including summary of progress on the Capital Works Program

- 3.2.2. Key Performance Indicator (KPI) Report detailing results against the 9 most important measures of operational success
  - 3.2.3. Service Promise Report detailing the performance of Council's 10 most important services (as deemed by the residents and ratepayers of the City of Port Phillip).
  - 3.2.4. Achievements & Challenges
- 3.3. A brief summary of these reports is provided below.

**Quarterly Financial Report**

- 3.4. Council's net cash surplus (excluding non cash items) of \$26.134M for the nine months ending 31 March 2009 is \$4.039M favourable compared to the year to date forecast of \$22.095M.
- 3.5. Income (excluding loss on asset sales) has a favourable variance of \$1.799M which is primarily due to the following offsetting factors:
- 3.5.1. Rate revenue \$658K favourable largely due to the impact of additional supplementary rates and interest raised on overdue rates
  - 3.5.2. Government grants \$548K favourable predominately due to greater than anticipated grant income within Culture & Recreation, Community Development and Infrastructure Services
  - 3.5.3. Parking revenue \$354K favourable due to increased enforcement activity and increased demand for pay parking as a result of hot summer weather
  - 3.5.4. Interest income \$344K favourable due to additional funds available for investment
  - 3.5.5. Other income \$352K unfavourable due largely due to reduced utilisation of the North St Kilda and Clark Street child care centres, and the non operation of the West St Kilda child care centre.
- 3.6. Expenditure (excluding depreciation) has a favourable variance of \$2.241M and is primarily due to the following offsetting factors:
- 3.6.1. Employee Costs \$659K favourable due to delays in filling vacant positions across the organisation (partially offset by unfavourable agency costs) and lower than budgeted redundancy costs (\$205K)
  - 3.6.2. Contract payments \$925K favourable due to favourable variances across the whole organisation, predominately within Finance (a \$314K reversal of a year end adjustment - temporary variance) and Building Services (\$237K favourable due to delays in expending phased budget)
  - 3.6.3. Professional Services \$456K unfavourable due to unfavourable variances across the whole organisation, predominately within Building Services (unbudgeted consulting, architectural services),

South Melbourne Market (higher legal fees, surveying and feasibility costs) and Environment & Renewal (consultancy fees)

- 3.6.4. Insurance \$203K favourable due to lower than budgeted insurance claims
- 3.6.5. Materials \$209K favourable due to favourable variances across the whole organisation, predominately within Information Management Group, Environment & Renewal and Community Services
- 3.7. Council's year to date expenditure of \$15.027M on capital works, including remediation expenditure and the capital carry over from 2007/2008, is \$2.663M less than the YTD budget of \$17.690M. Given that Council's forecast full year expenditure on capital works of \$32.958M is significantly more than the year to date expenditure, a review of the likely capital works carry over into 2009/2010 has been carried out as part of the preparation of the draft budget. The proposed 2009/2010 budget projects a capital works carry over of \$6.300M which equates to 19.2% of the total capital works budget.

**Key Performance Indicator (KPI) Report**

- 3.8. One KPI achieved target during the quarter – Liveability: Community rating of the quality of life in the City of Port Phillip as Good or Excellent.
- 3.9. Of those that did not achieve target four are of most concern:
  - 3.9.1. Delivery of our Service Promises – Actual 45%, Target 70% (see report summary below)
  - 3.9.2. Council's Carbon Emissions – Actual 6535 Tonnes of Greenhouse Gas, Target 6314
  - 3.9.3. Council Plan Initiative Milestones Completed – Actual 75%, Target 90%
  - 3.9.4. Rating of (Staff) Engagement – Actual 60%, Target 80%
- 3.10. It is important to note that this is only the second year of reporting for most of these KPIs. The organisation continues to learn about the usefulness of the indicators, the methods of measurement and the validity of the targets. For example, industry research has revealed that the Victorian local government average for staff engagement is 47% and the Australian Public and Private Sector average is 38%.
- 3.11. Most importantly the collection and analysis of this data is adding to Council's and the organisation's understanding of the drivers of performance.

**Service Promise Report**

- 3.12. Eight of 30 Promises are yet to be measured due to the use of annual data or the need to develop systems to measure them.
- 3.13. 45% of measured Service Promises were on or above target.

- 3.14. The promises that measure community perceptions of individual services are generally below target which reflects the lower ratings of overall community satisfaction.
- 3.15. Like the KPI report, many of these performance indicators are being measured for the first time. More time is required to consider the appropriateness of the promises themselves and the level of targets being set. Once again, though, the collection and analysis of this data is growing the understanding of the drivers of performance.

**Communication**

- 3.16. Following the reception of this report by Council, the KPI and Service Promise results will be posted on the Council's website. Key messages are:
  - 3.16.1. The Council is in a sound financial position.
  - 3.16.2. The Council is on track to deliver on the majority of commitments outlined in the 2008/09 Council Plan although for a variety of reasons, some work will carry over into 2009/10.
  - 3.16.3. The Financial, KPI and Service Promise Reports provide accountability and transparency in the Council's operations.
- 3.17. There is scope to improve the way that Council shares performance information with the community. Building on the findings of the last two years improvements will be incorporated into Council's review and implementation of a new communications strategy.