



City of Port Phillip

Draft Strategic Resource Plan 2004/2005 – 2008/2009

June 2004

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1. OUR COUNCIL – BUILT ON FOUR PILLARS

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

Economic viability – effective stewardship of Council's resources and promotion of positive economic development.

Environmental responsibility – placing a limited and balanced load on our environment while recognising the complexity of an altered and urban nature of the City.

Cultural vitality – supporting the conditions that allow our communities to experience and enjoy diversity of values, beliefs and aspirations.

Social equity – developing resilient and fair communities through effective and appropriate services and resources for our residents.

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

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

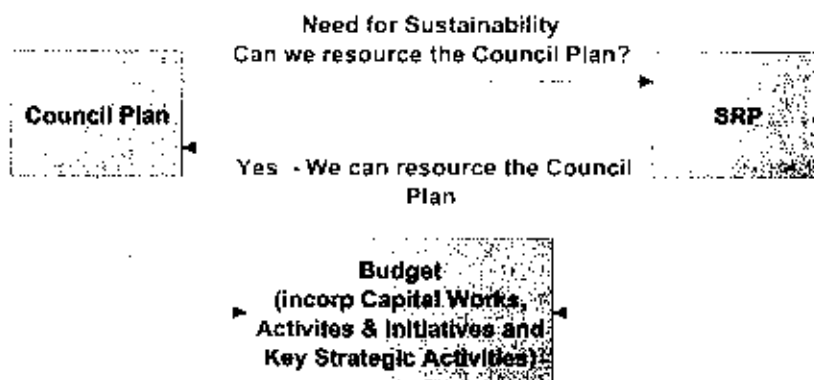
2. OUR PLAN - VALUE-FOR-MONEY SERVICE AND SUSTAINABILITY

The SRP's underlying objective is to achieve sustainability by delivering services today without jeopardising the prospects of future generations. The achievement of this goal requires consideration of the needs of ratepayers and residents, the costs 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.

1.1 SRP Link to Council Plan

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

Diagram 1 – SRP Link to Council Plan



The SRP is framed around broad financial principles that encompass Council's strategic goals and philosophical objectives. Specifically, it addresses whether the Council Plan is affordable by assessing Council's position in regard to operating outcomes, financial position and cash flow. It goes into detail regarding cost control, wage growth, pricing policy, income policy, investment strategies, debt management, environmental and social concerns, asset replacement strategy and inter-generational debt. It also examines Council's non financial resources in respect of culture, service commitment and human capital.

The elements that go together to make up the financial plan can only be achieved if supported by a Council fully committed to transparent and meaningful engagement with the community and by a management team that is determined in its desire to apply the discipline required to deliver the Council's objectives within the limits defined by the SRP.

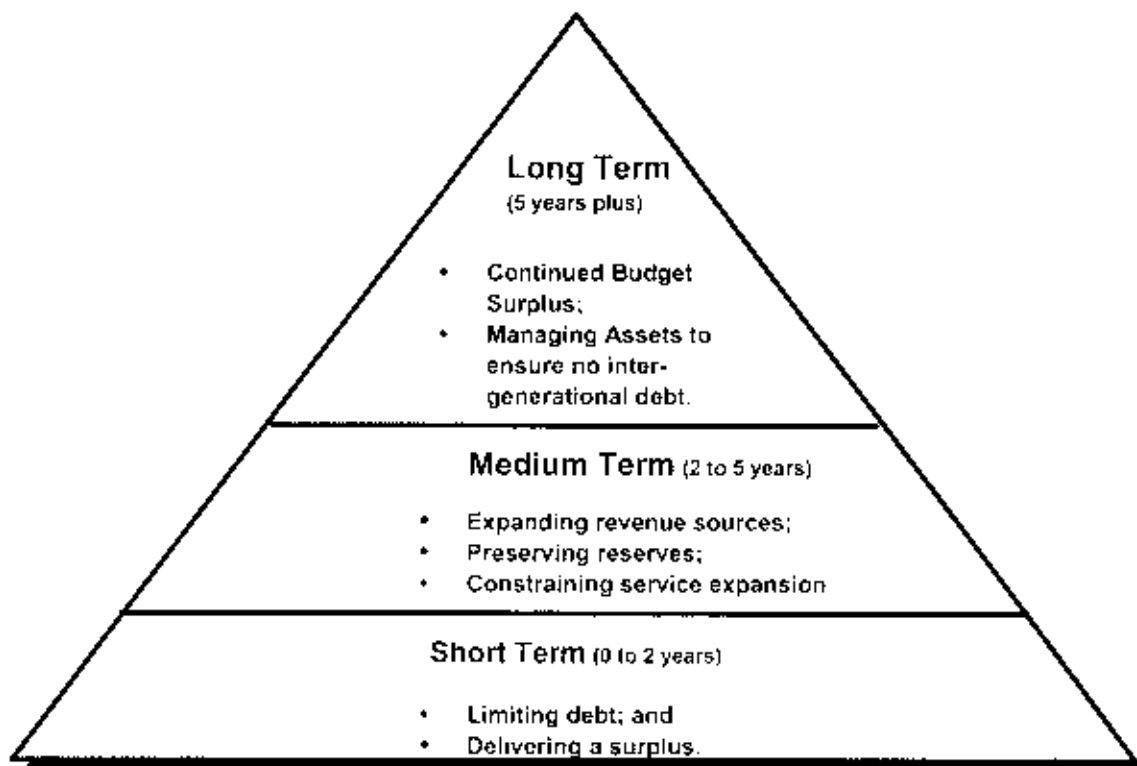
The City of Port Phillip's SRP balances immediate needs with inter-generational responsibility:

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

2.1 Pyramid of Financial Sustainability

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

Diagram 2 – Financial Sustainability, Hierarchy of Needs.



2.2 Goals and Strategies for CoPP's 2004/05 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 it's human resources and strengthening of it's 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 & Strategies

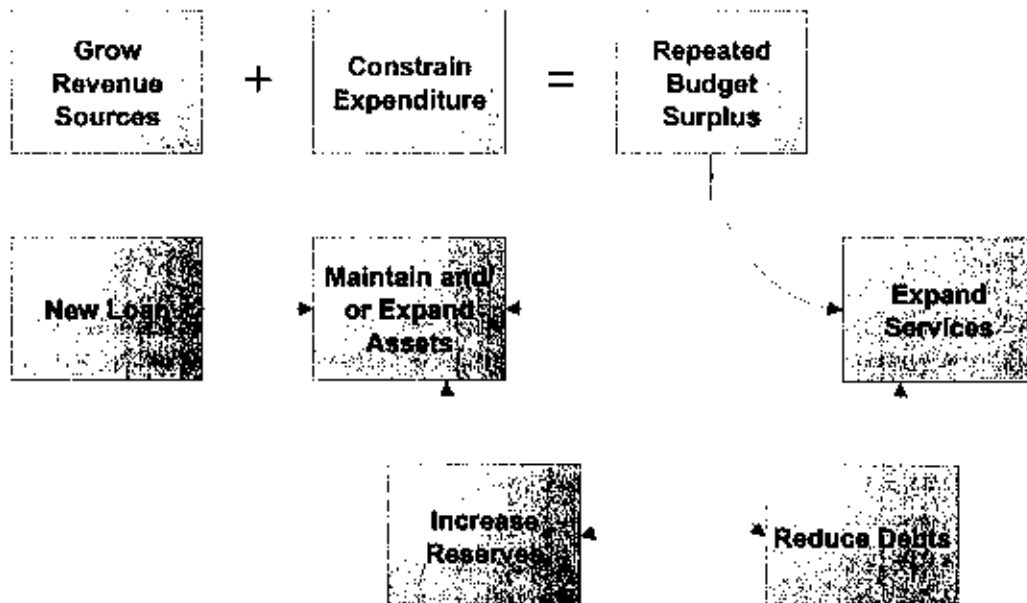
Objective	Strategies	Time Frame
1. CoPP will have an ongoing balanced budget and ideally a small surplus.	1. Expenditure on operating activities will be lower than income from operating activities, producing a surplus. Any surplus achieved will be transferred to reserves or carried over to subsequent years.	Short Term
	2. 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 Term
	3. Services will be expanded where the expansions are sustainable within operating revenue, or funded by extra revenue.	Medium Term
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
	5. Assets will be managed in accordance with community need, optimum utilisation and long-term efficiency.	Long Term
	6. Capital expenditure on existing assets (asset renewals and enhancements) will be higher than depreciation.	Long Term
	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
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
	9. Council will consider new loans for funding community capital works projects that will be supported by other cost efficiencies, supplemented by revenue streams or will enhance service delivery.	Medium Term
	10. Investments will be based on increasing reserves to fund periodic large capital expenditure items.	Medium to Long Term
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.	Medium Term
	12. CoPP will provide new assets in a way that assists in clustering community assets for social, service-delivery and financial effectiveness.	Long Term

Objective	Strategies	Time Frame
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 it's staff that builds relationships and where Core learning objectives will focus on the provision of same day service, technical skills, leadership and innovation. 14. CoPP will support the development of policy and practice in workplace and community to increase organisational effectiveness.	Short to Medium Term Short to Medium Term

2.2.1 Goals and Strategies Relationship

The relationship between the SRP objectives and strategies is illustrated below:

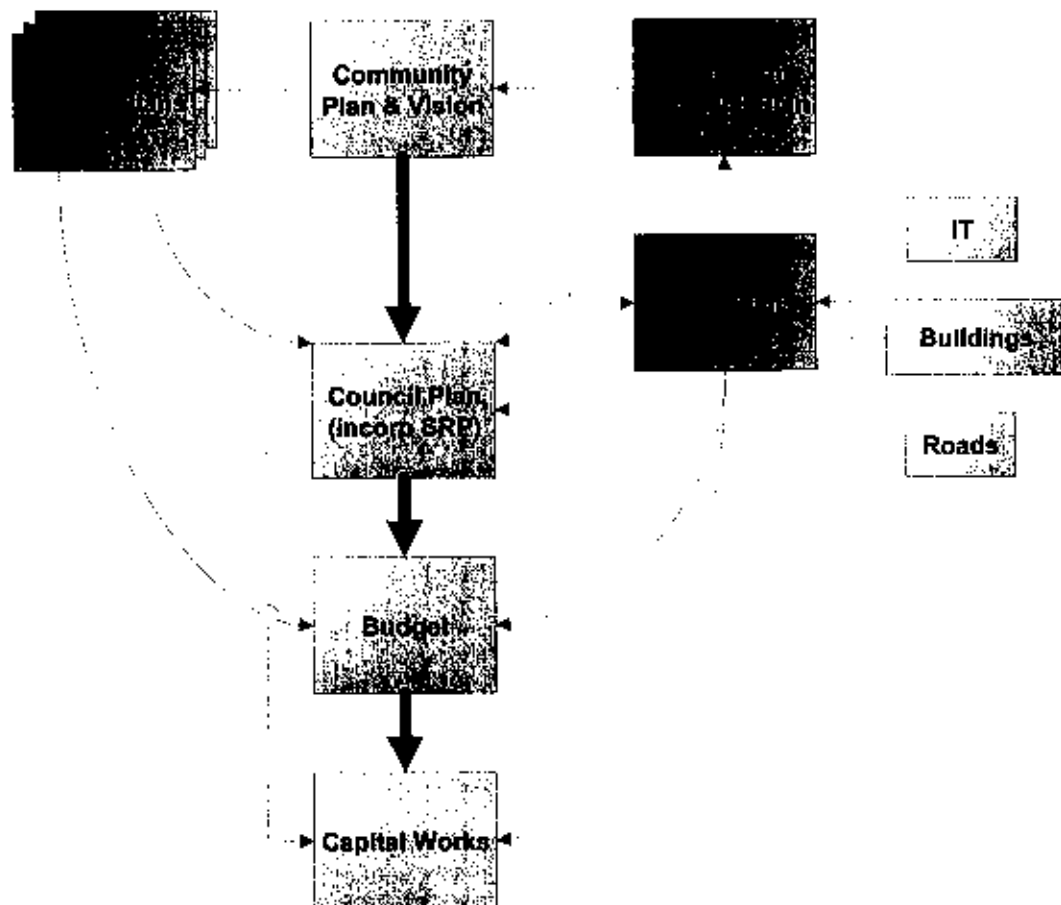
Diagram 3 – SRP Objectives & Strategies.



3. OUR PROCESS - CYCLE OF INTEGRATED PLANNING

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

Diagram 4 – Integrated Planning



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

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

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

Council also conducts a regular mid-year budget review, at which financial performance is assessed against budget. Significant forecast changes are made to the budget during this time and communicated to the public. This process has been supported over the past two years by the Council's Expenditure Review Committee (ERC), which has helped identify significant savings to help Council build up its reserves.

A draft of CoPP's long term Financial Plan is completed by February each year. This allows time for targets to be established during the long term financial planning process to guide the preparation of the Annual Budget via key budget assumptions. The Annual Budget sets out CoPP's service delivery objectives for the forthcoming year, as expressed in the Council Plan, in financial terms. The Budget financials are supported by a series of service plans detailed to department level, this enables the reader to obtain an understanding as to how revenue and expenditure levels are set and then how rating levels are determined. Departmental service plans are broken down further to business unit level, outlining individual services within the Council Planning framework, however this level of detail is not available to the public.

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

3.1 Reliability from Modelling

The Financial Plan model includes a series of assumptions about future developments. A number of the assumptions assess expected developments such as changes in the consumer price index and interest rates. Other assumptions are more about how the Council intends to manage the controllable elements of its environment, eg pricing, investment strategy, enterprise bargaining.

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 back grounded against a wide number of contextual or environmental considerations. The GMT has agreed that the City of Port Phillip is likely to operate in the following environment for the next five to ten years:

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

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

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

CoPP Workforce Profile - The shift from the in-house provision of Council services to more outsourced services has changed the profile of CoPP's staff. We require a workforce profile with increased skills in overseeing outsourced services.

E-commerce – The general expansion of electronic services and significant growth in Internet technology within the wider community for recreational and business purposes leaves Council eager to promote its own services using new technologies. Council's Internet operations will expand to include payments and enquiries spanning many services it provides.

Financial Capability - As the baby boomers exit the workforce, our revenue will be levied on a shrinking working population base. Council's rate revenue may weaken as apartment dwellings become more common in other parts of the metropolitan area.

There are numerous examples of increased responsibilities being passed on to local government by Federal or State legislation with insufficient funding for tasks passed on.

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 is to ensure meaningful and effective levels of service for Council 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.

The current year forecast is used as the starting point for the model. Assumptions and anticipated developments, borrowings and capital requirements generate a five-year model. This is projected for a further five years on broad assumptions. Internal transfers are also taken into account in generating accurate department projections.

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

- Major revenue streams
- Major expenditure streams
- Capital Expenditure
- Debt repayments
- Asset sales
- Reserve transfers

3.2 Performance Monitoring

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

Operational 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 GMT 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 it's performance against selected highlights detailed in the Council Plan.

Best Value

CoPP also complies rigorously with the Best Value legislation through the thorough five year cyclical review of all its services. Review panels with external chairs oversee this process.

Risk

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

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

Benchmarking

CoPP uses KPIs and other benchmarking to assess its financial performance – particularly against other local government authorities. The Local Government Act Regulations (section 12) requires councils to report five ratios as part of the annual report. CoPP monitors these ratios, ie 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, ie inner metropolitan, councils using a wide range of ratios. The various charts below indicate a positive performance, ie on the better side of the group average, against most ratios. Significantly, CoPP produces surplus operating results.

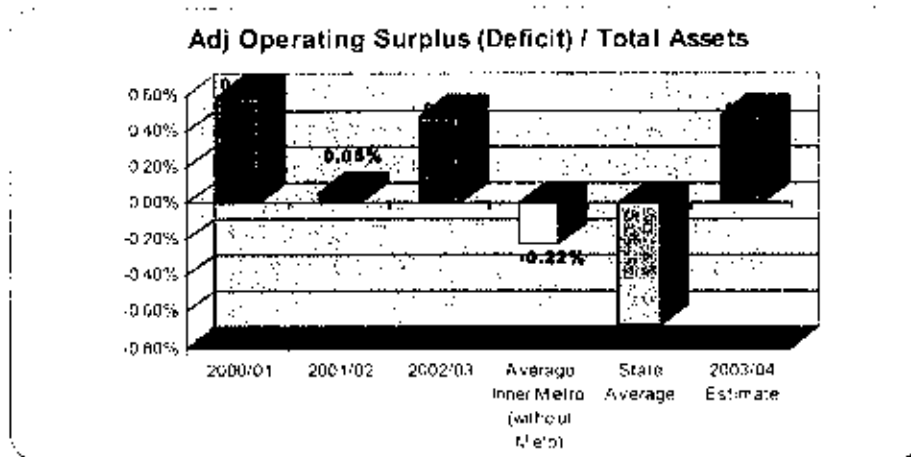
4. OPERATIONAL SUSTAINABILITY

OBJECTIVE 1. CoPP will have an ongoing balanced budget and ideally a small surplus.

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

In calculating the performance of Council, the Operating Statement result disclosed in the Annual Report has been adjusted to discount the effect of sale 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: Adj Operating Surplus (Deficit)/ Total Assets¹



CoPP's outcome in this measure places it as one of only 18 Councils in Victoria who achieved an underlying operating surplus result. This reflects well on CoPP's performance.

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

Strategy 1.

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

Each year we will achieve a financial result that is in surplus. This will be achieved on the operating result, ie 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 continuing financial sustainability, generating a positive cash flow and contributing to a growth in net assets.

The financial plan requires growth in income and constraint on increases in expenditure. There will be a continuing review and refocus of existing services and only a small number of service expansion initiatives. Profitable services will be expanded with the range and number of services achieving cost recovery being increased. Council will continue to explore ways of encouraging partnerships and alliances between the public, private and not-for-profit sectors as a means of increasing the range and quantity of services available to the community.

4.1 Standard Statement A1: Statement of Financial Performance

The Statement of Financial Performance (profit and loss) provides an indication of Council's performance at a current point in time. A positive result, ie profit or surplus, ensures the continued growth of Council's total equity which can be utilised for funding of replacement or maintenance of 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 Statement of Financial Performance, extended with a cash conversion is detailed below:

A-1 STRATEGIC RESOURCE PLAN		STANDARD STATEMENT OF FINANCIAL PERFORMANCE				
For the years ended 30 June 2005 - 2009						
	04/05	05/06	06/07	07/08	08/09	
	\$'000	\$'000	\$'000	\$'000	\$'000	
Revenues from ordinary activities						
Rates	57,622	60,809	64,154	67,682	71,404	
Government grants	8,479	7,881	7,881	7,881	7,881	
Open Space Contributions	1,240	1,800	1,800	1,800	1,800	
Capital Grants	747	250	250	250	250	
Interest	1,050	1,050	1,050	1,050	1,050	
Net Parking Income	20,155	20,280	20,686	21,099	21,520	
Other income	15,383	15,250	16,193	16,648	17,116	
Proceeds from sale of assets	257	0	0	0	0	
Total revenues	104,933	107,320	112,014	116,410	121,021	
Expenses from ordinary activities						
Employee costs	34,414	35,352	37,120	38,605	40,149	
Contract services	29,060	29,235	30,082	30,955	31,852	
Materials and other expenses	19,633	18,978	19,529	20,095	20,678	
Professional services	2,784	3,544	3,611	3,680	3,750	
Borrowing Costs	610	562	511	457	457	
Depreciation	11,984	12,000	12,200	12,400	12,600	
Written down value of assets sold	0	0	0	0	0	
Total expenditure	98,484	99,671	103,053	106,192	109,486	
Net Surplus (Deficit) from Operations	6,449	7,649	8,961	10,218	11,535	
CONVERSION TO CASH						
Less cash costs not included in the Operating Result						
Works Program	17,631	16,275	18,775	15,275	15,275	
Capital Expenditure	2,138	2,371	2,521	2,671	2,821	
Loan Repayments	764	812	863	917	967	
Transfers To/(From) Reserves	(601)	(2,700)	(4,200)	(700)	(700)	
Property Sales	0	0	0	0	0	
Sub Total	19,932	16,758	17,959	18,163	18,363	
Plus non cash costs included in Operating but not surplus result						
Depreciation	11,984	12,000	12,200	12,400	12,600	
Proceeds from sale of assets	0	0	0	0	0	
Sub Total	11,984	12,000	12,200	12,400	12,600	
Surplus / (Deficit) for year	(1,499)	2,891	3,202	4,455	5,772	
Accumulated position Brought Forward	1,637	138	3,029	6,231	10,686	
Surplus / (Deficit) Carried Forward	138	3,029	6,231	10,686	16,458	

Council has in the past used as its primary financial planning document the rates determination statement which gives a "snapshot" view of the key financial drivers of the municipality. This statement has now been superceded by the new standard statement above, which includes a conversion to cash outcome. It provides the reader with a view of the organisation's ongoing revenue and expenditure flows as well as the annual investment that it makes in capital works. The statement is cash based and also includes details of changes in the Council's debt levels, asset sales and transfers to and from its discretionary and statutory reserves. Council's annual budget 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 Statement of Financial Performance

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

- The 2004/2005 Operating Budget projects an operating surplus of \$6.50M, (taking into account \$257K of proceeds from the sale of assets), after raising rates and charges of \$57.62M. In order to achieve Council's objectives while maintaining service levels and a robust capital expenditure program, the average rate bill is projected to increase by 1.8% (less than forecast CPI of 2.9% - based on the Sept 2003 Qtr Access Economics report) on 2003/2004 while total rates revenue is expected to increase by 5.5%.
- After accounting for non operating cash items (capital expenditure, loan repayments and reserves transfers) and non cash items (depreciation, proceeds from sale of assets and estimated surplus from 2003/04) Council anticipates a balanced budget position with a marginal surplus of \$138K.
- While the City's current financial position is strong due to its high level of cash reserves, it needs to be noted that these reserves are projected to reduce significantly over the next 3 years to fund capital works for the St Kilda Town Hall Accommodation strategy.
- Wage growth will continue to impact on Council operations (4.0% allowance in 04/05).
- Real reductions in government funding have also been factored in with grants projected to reduce in 2005/06 and remain unchanged in future years.
- The 2004/2005 Budget incorporates the Budgets for the Child Care Centres, which were previously excluded. This has had the effect of increasing revenue by \$2.59M and expenditure by \$2.61M.

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

- The expected inflation rate (CPI) for the 2004/05 budget is 2.9%.
- Labour cost will increase by 4% in 04/05, 5% in 05/06, 5% in 06/07 and 4% for both 07/08 and 08/09 in line with the CoPP Enterprise Bargaining Agreement requirements.
- Staff numbers to remain static.
- Income from rates increase by 5.5%.
- Government Grants will remain constant.
- Capital Revenue will remain constant.
- Fees and Charges increase by 2.9%.
- Parking Revenue increases by 2.0%.
- Other income increases by 2.9%.
- Contract Services increases by 2.9%.
- Materials & Other costs increases by 2.9%.
- Professional Services increases by 1.9%.

4.2 Income

Strategy 2.

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

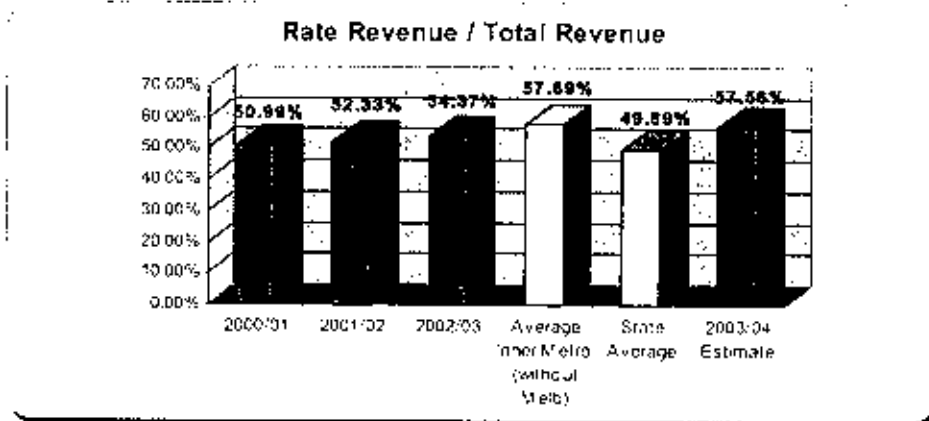
The broad scope of this strategy ensures that income will be increased to assure financial viability. Specifically, income will be sufficient to provide for operational expenditure, capital investment and debt management.

4.2.1 Rates

Council aims to constrain general rate increases to a level that maintains the real dollar value of revenue generated from individual properties and limits increases over this to levels that can be justified by its Council Plan Strategy (eg 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 by 5.5% in 2004/05. This growth is based on a previously assumed inflation rate of 3.5% and a change in volume of 2.0%. While the 2004/05 inflation outlook is lower (2.9%), the actual volume growth of 3.7% experienced in 2003/2004 implies an average increase in each resident's rate bill of 1.8% (5.5% total rates income rise less 3.7% growth in volume).

The ratio of Rate Revenue / Total 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 forms effectively.

Graph 2: Rate Revenue/ Total Revenue



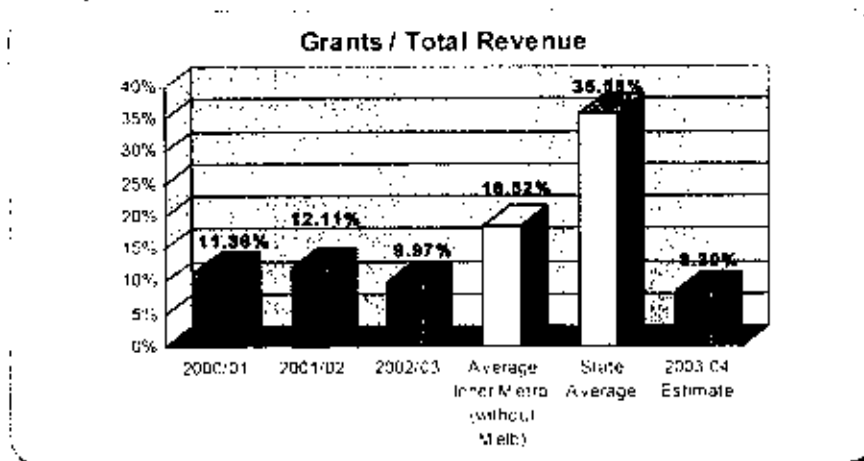
The graph shows CoPP's reliance on Rate Revenue, as a percentage of its Total Revenue base, to be less than the average for the like Council grouping but increasing over the four years graphed. An increase in revenue from sources such as Fees and Charges would reduce Council's reliance on revenue from rates. Council is committed to increasing its proportion of revenue from sources other than general rates.

4.2.2 Grants

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

The 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 lessens the percentage grants form of the total revenue base.

Graph 3: Grants/ Total Revenue



CoPP's grant income is very low and may reflect the State Government's apparent reluctance to provide funding given Port Phillip's socio-economic profile and given CoPP's other funding sources (especially parking revenue).

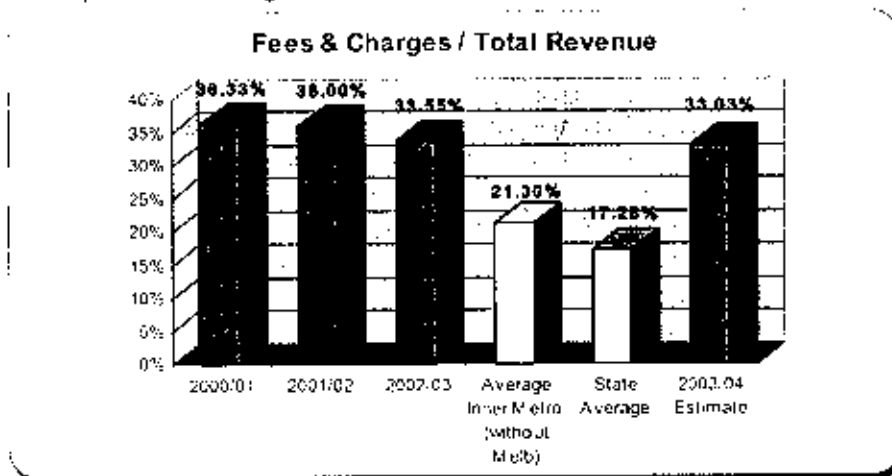
4.2.3 Fees & Charges

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. Where appropriate, charges must provide sufficient impact to ensure an appropriate community behavioural response, ie 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 & 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 & Charges/ Total Revenue



While CoPP performs well in terms of its fee revenues and the income it receives via the parking fees and fines, growth in the area of non-rate revenue will reduce Council's reliance on rate revenue. This is a current Council priority.

4.2.4 Interest on Investments

Council officers are required to maximise the return on investments while minimising the risk on funds invested in line with the Council's power to invest funds under the Local Government Act and its internal investment policy. The CoPP investment policy recommends that Council places funds:

- In financial institutions with a short term rating of A2 or better;
- At rates higher than or equal to the RBA discount rate;
- In short term bank bills or term deposits;
- For shorter term investment cycles, less than 6 months, particularly at times of uncertainty in interest rates.

4.2.5 Proceeds from Sale of Assets

Asset sales are to be undertaken only where a cost benefit case indicates the effectiveness of the asset sale in relation to Council or community use. No major asset sales are foreshadowed.

4.2.6 Contributions

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

4.2.7 Borrowings

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

4.3 Expenditure

Strategy 3.

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

The broad scope of this strategy identifies that:

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

4.3.1 Employee Costs

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

4.3.2 Materials and Other Costs

Council seeks to confine increases in materials and other expenses to a level of increase in line with the rate of inflation, forecast at 2.9% in 2004/05.

4.3.3 Contracts

Contract costs are to be confined to levels in line with the rate of inflation (forecast at 2.9% in 2004/05) except where a deliberate decision is taken to replace Council supplied services with contracted services or vice versa.

5. FINANCIAL STRENGTH AND ASSET GROWTH

OBJECTIVE 2 The CoPP asset base will be maintained, enhanced and expanded.

The financial position will improve annually as a result of positive operating results. In addition Council's equity will increase due to periodic valuations of Council assets.

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

5.1 Standard Statement A2: Statement of Financial Position

A-2 STRATEGIC RESOURCE PLAN **STANDARD STATEMENT OF FINANCIAL POSITION**
As at 30 June 2005 - 2009

	2004/05 \$'000	2005/06 \$'000	2006/07 \$'000	2007/08 \$'000	2008/09 \$'000
ASSETS					
Current Assets					
Cash assets	31,824	32,015	31,017	34,772	39,844
Receivables	8,426	8,426	8,426	8,426	8,426
Accrued income	112	112	112	112	112
Prepayments	173	173	173	173	173
Total Current Assets	40,535	40,726	39,728	43,483	48,555
Non Current Assets					
Investment in joint venture	505	505	505	505	505
Other financial assets	284	284	284	284	284
Receivables	40	40	40	40	40
Property, infrastructure, plant and equipment	994,195	1,000,841	1,009,937	1,015,483	1,020,979
Total Non Current Assets	995,024	1,001,670	1,010,766	1,016,312	1,021,808
Total Assets	1,035,559	1,042,396	1,050,494	1,059,795	1,070,363
LIABILITIES					
Current Liabilities					
Payables	7,459	7,459	7,459	7,459	7,459
Trust funds	771	771	771	771	771
Employee benefits	2,641	2,641	2,641	2,641	2,641
Provisions	320	320	320	320	320
Interest bearing liabilities	812	863	917	975	1,036
Total Current Liabilities	12,003	12,054	12,108	12,166	12,227
Non Current Liabilities					
Employee benefits	2,822	2,822	2,822	2,822	2,822
Interest bearing liabilities	8,632	7,769	6,852	5,877	4,840
Total Non Current Liabilities	11,454	10,591	9,674	8,699	7,662
Total Liabilities	23,457	22,645	21,782	20,865	19,890
Net Assets	1,012,102	1,019,751	1,028,712	1,038,930	1,050,473
EQUITY					
Accumulated surplus	522,542	532,891	546,052	556,971	569,214
Asset Revaluation Reserve	475,167	475,167	475,167	475,167	475,167
Other Reserves	14,392	11,692	7,492	6,792	6,092
Equity	1,012,101	1,019,750	1,028,711	1,038,930	1,050,473

Key Information Relayed by Statement of Financial Position

The Statement of Financial Position (Balance Sheet) highlights a number of key points –

- Receivables are likely to remain constant over the 5 years. CoPP's non rates debtors arise predominantly from the following CoPP services:
 - Home care;
 - South Melbourne Market rentals;
 - Commercial rentals;
 - Waste management;
 - Venue hire;
 - Arts & festivals
- Net Fixed Assets (net of depreciation) will grow in value in line with the Capital Works program initiatives and projected Capital Expenditure on Council property plant and equipment.
- Interest bearing loans will continue to fall in line with CoPP's debt minimisation strategy.
- Other reserves will reduce over the 5 year period to fund the St Kilda Town Hall Accommodation Strategy and the South Melbourne Market redevelopment.
- Council will continue to present a strong working capital ratio (Current Assets/Current Liabilities) due to an increasing cash asset base. This is supported by the use of Reserves to fund significant Capital outlays.
- Total equity will increase consistently in line with budgeted surplus* in operating performance.

5.2 Asset Management

Strategies 4-6.

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

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

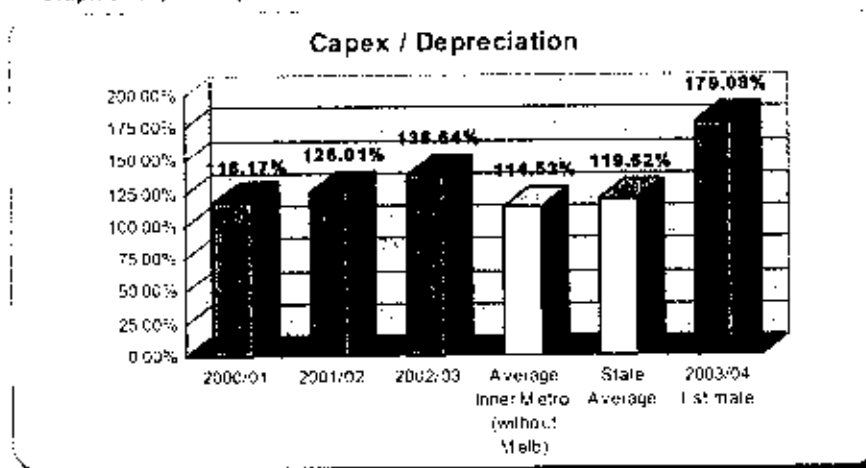
Capital expenditure on existing assets (asset renewals and enhancements) will be higher than depreciation.

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

- Council's key balance sheet objectives are to ensure the relevance and currency of its fixed assets and the maintenance of debt and cash flow at levels that will ensure the ongoing sustainability of its service delivery to the Port Phillip community.
- We will invest in the maintenance, renewal and replacement of assets at a greater rate than they deteriorate or wear out, ie 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, ie justified by cost benefit analysis, or justifiable in terms of asset replacement requirements.

The Total capital Outlays / Total Depreciation ratio presents the total capital outlays 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/ Depreciation



NB: The ratio results for the financial years 2000/01 to 2002/03 are based on actual results as reported in CoPP's Annual Report which are less than the budget due to the value of capital works carried over. The 2003/04 estimate is based on the budget, however the actual performance will be influenced by the extent of the capital works carried over. Once capital works carried over are adjusted, this will have the effect of lowering the ratio for 2003/04.

Capital expenditure compared to depreciation highlights CoPP's capital works effort in a favourable light. While a result over the 100% mark is the minimum benchmark, it is important to strive for a much higher outcome given the likelihood that some capital works relate to the creation of new assets as against the renewal of existing assets.

5.3 Debt

Strategy 7.

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

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

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

5.3.1 Council's Debt Performance

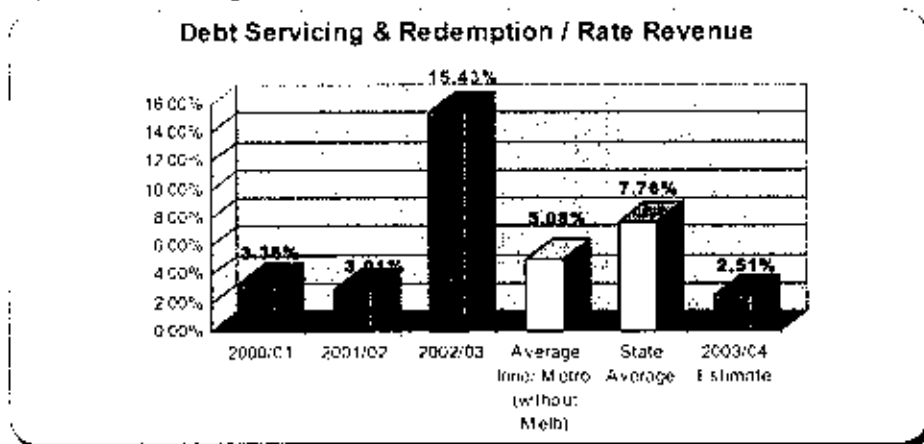
- (i) With total debt as a percentage of net realisable assets at 1.90%, the City of Port Phillip compares favourably with the average for comparable councils of 2.6% and a State average of 8.9%.
- (ii) An indication of the Council's strong position is its interest cover ratio, which is an indication of its ability to meet ongoing interest bills and therefore service its debt. In 2001/02, the ratio for the City of Port Phillip is 36:1, meaning it has \$36 of net income to use for every dollar of interest payments it must make. This indicates the Council will

have sufficient capacity to take on a significantly higher level of debt in the future in order to finance capital projects.

(iii) In terms of its debt servicing costs, the City of Port Phillip spends less than 3% of its Rate revenue, compared to over 5% for similar Victorian council's and a 7.76% average for the State overall.

The Debt Servicing & Redemption/ Rate Revenue ratio shows the amount of loan interest and principal paid compared to Rate Revenue.

Graph 6: Debt Servicing & Redemption/ Rate Revenue



The above graph portrays the declining trend that Council has achieved in its level of indebtedness over the past four-year period.

The 2002/2003 result, which highlights a large spike in the trend, is due to Council repaying its unfunded superannuation liability. This decision has been proven to be correct as evidenced by the super fund's annualised return of 11.64% for the 9 months ending 31 March 2004. The 2003/2004 forecasts indicate a return to Councils previous approach to debt redemption.

CoPP is repaying \$600,000-\$700,000 per annum of its debt, with no new borrowings. The relatively low level of Council's indebtedness does not warrant a higher commitment to debt reduction.

6. REMAINING LIQUID

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

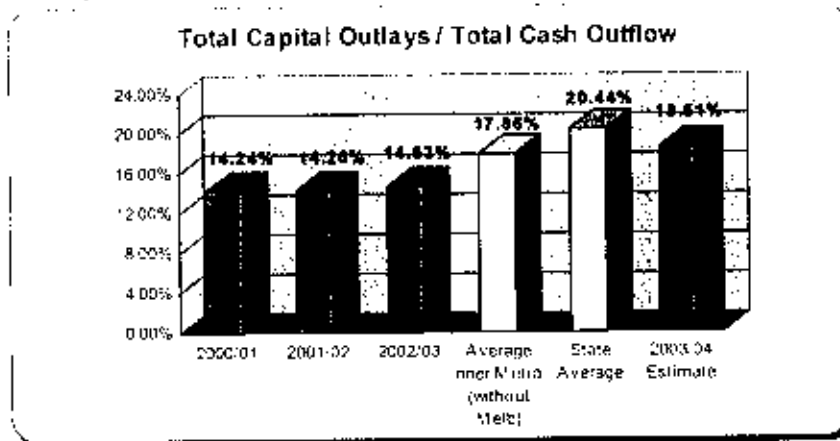
The movements in Working Capital are based on assumptions that point to no significant change in debtors or creditors.

6.1 Capital Outlay and Rates Inflow

6.1.1 Capital Outlay

The Total Capital Outlays / Total Cash Outflows ratio presents the total capital outlays as a percentage of total cash outflows as displayed in the Statement of Cash Flows. 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 spend and includes funding of new assets. 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 Outflow



CoPP's performance in this ratio for 2002/03 was slightly below the averages for the group and placed Council as the fifth lowest in term of capital works effort. As a long established council CoPP funds a lower rate of new capital works when compared to emerging municipalities. CoPP also offers a wider range of services than some of its neighbouring councils, specifically in the following areas:

- Human services, incorporating Arts and Festivals;
- Town planning, incorporating strategic and statutory planning;
- Foreshore, incorporating tourism and beach cleaning.

The capital works achieved over the period 2000/01 and 2002/03 has been quite consistent at the 14% mark and an increase has been forecast for 2003/04.

CoPP's Capital Works programs are heavily reliant on rates and reserves funding. CoPP's sources of Capital funding proposed for the 2004/05 budget are detailed at Table 2 below:

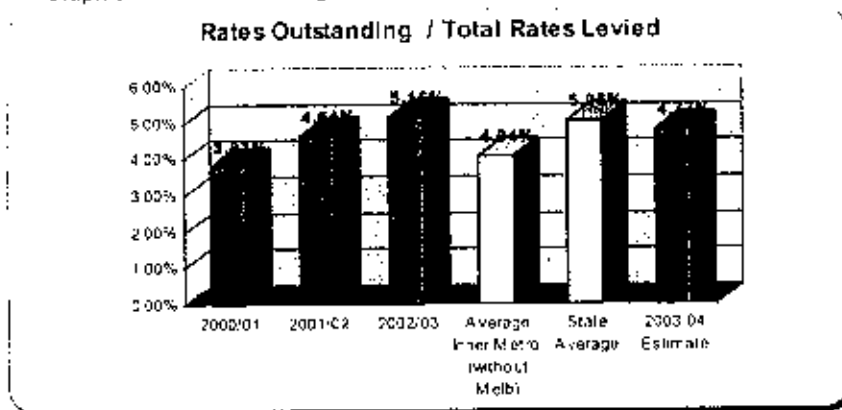
Table 2: Capital Works Expenditure Funding Sources

Sources of funds	Proposed Budget 2004/05 \$000
External Income (Grants, Contributions etc)	747
Rates & General Reserve Requirements	14,504
Reserve Transfer Requirements:	
Resort & Recreation Reserve	2,300
Other Reserves	80
Sub Total - Reserves	2,380
Net Budget Total (exclusive of external grants, contributions etc)	16,884
Gross Budget Total	17,631

6.1.2 Rates Inflow

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

Graph 8: Rates Outstanding/ Total Rates Levied



The trend in this ratio over the three-years has been one of an increasing level of outstanding rates compared to the total rates levied. This area has received significant attention in 2003/04 and this trend is expected to reverse.

6.2 Reserves

Strategy 8.

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

CoPP's general reserves will be managed in a way that ensures adequate funds are available for the delivery of significant capital projects aimed at improving Council's services in the community. The use of reserves will be fiscally responsible, ie well targeted to community needs and at rates that do not jeopardise Council's working capital requirements. Council's budgeted reserves balances projected for 2004/2005 are summarised at table 3 below:

Table 3: CoPP Reserves Summary

Reserve Description	Amount \$000	Statutory	Cash NB1
General Reserve • <i>Aggregates a number of specific purpose reserve funds including public housing and tree root damage</i>	9,725	N	Y
Sustainable Transport Reserve • <i>Funds held for Sustainable Transport initiatives, funded by parking permit fees.</i>	291	N	Y
Resort and Recreation Reserve • <i>Developer levies required for expenditure at a later date on recreational infrastructure.</i>	3,328	Y	Y
Car Park Reserve • <i>Developer contributions for expenditure at a later date on car parks.</i>	1,049	Y	Y
Asset Revaluation Reserve	475,167	N	N
Total	\$489,560		

NB1: With the exception of the Asset Revaluation Reserve, all other reserves are cash backed.

6.2.1 General Reserve Movements

- CoPP paid out its entire superannuation shortfall of \$3.4M in 2002/03 out of its general reserve. \$1.7M of this has been returned to reserves in 2003/04 and a further \$1.7M is budgeted to be replenished in 2004/05.
- General reserves will reduce over the next 3 year period to fund the St Kilda Town Hall Office Accommodation works program and the South Melbourne Market re-development.
- Operational surpluses achieved will be transferred to reserves in line with SRP Strategy 1, to replenish reserve balances.

6.3 Debt

Strategy 9.

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

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

6.4 Investment

Strategy 10.

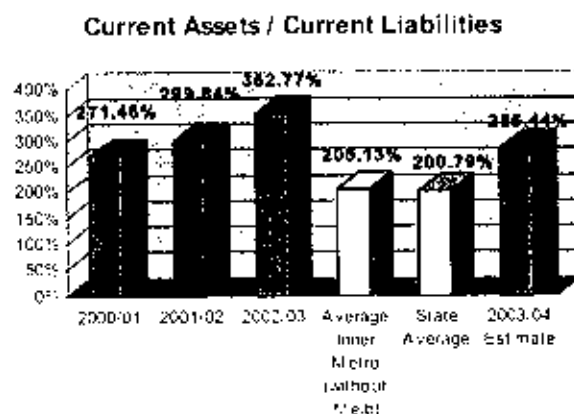
Investments will be based on increasing reserves to fund periodic large capital expenditure items.

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

6.4.1 Working Capital Ratio

The Current Assets / Current liability ratio is the traditional Working Capital Ratio that is widely used in private enterprise and is a mandatory performance measurement for Local Government. A decreasing trend, and in particular a ratio below 150%, may indicate Council cannot meet its current debt obligations, ie debts that will be due within the current twelve month period.

Graph 9: Current Assets/ Current Liabilities



CoPP's ratio for Working Capital in 2002/03 was high at 352.77%. This outcome is largely driven by the extent of current cash at bank funds held of \$22.5 million.

6.5 Standard Statement A3 – Cash Flow Statement

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

A-3 STRATEGIC RESOURCE PLAN

For the years ending 30 June 2005 - 2009

STANDARD STATEMENT OF CASH FLOWS

	04/05 \$'000	05/06 \$'000	06/07 \$'000	07/08 \$'000	08/09 \$'000
Cash flows from operating activities					
Receipts from ratepayers (ie. rates)	57,622	60,809	64,154	67,682	71,404
Payments to suppliers (inclusive of GST)	(35,028)	(36,057)	(37,062)	(38,099)	(39,162)
Net cash inflow (outflow) from customers/suppliers	22,594	24,752	27,092	29,583	32,242
Parking Fees & Fines	21,163	21,294	21,720	22,154	22,596
Government Grants (inclusive of GST)	8,479	7,881	7,881	7,881	7,881
Contributions	1,240	1,800	1,800	1,800	1,800
Capital Grants	747	250	250	250	250
Interest received	1,050	1,050	1,050	1,050	1,050
Other receipts (inclusive of GST)	20,750	16,775	17,812	18,313	18,828
Net GST refund	2,602	2,637	2,669	2,753	2,840
Payments to employees	(34,414)	(35,352)	(37,120)	(38,605)	(40,149)
Borrowing costs	(610)	(562)	(511)	(457)	(457)
Other payments	(21,596)	(20,876)	(21,482)	(22,105)	(22,746)
Net cash inflow (outflow) from operating activities	22,005	19,649	21,161	22,617	24,135
Cash flows from investing activities					
Payments for property, plant and equipment	(20,267)	(18,646)	(21,296)	(17,946)	(18,087)
Proceeds from sale of investments	0	0	0	0	0
Proceeds from sale of property, plant and equipment	257	0	0	0	0
Net cash inflow (outflow) from investing activities	(20,010)	(18,646)	(21,296)	(17,946)	(18,087)
Cash flows from financing activities					
Proceeds from borrowings	0	0	0	0	0
Repayment of borrowings	(764)	(812)	(863)	(917)	(976)
Net cash inflow (outflow) from financing activities	(764)	(812)	(863)	(917)	(976)
Net increase (decrease) in cash held					
Cash at the beginning of the year	30,594	31,824	32,015	31,017	34,772
Cash at the end of the year	31,824	32,015	31,017	34,772	39,844
Reconciliation of Operating Result and Net Cash Flows from Operating Activities for the year ending 30 June					
Net surplus/(deficit) from operations	6,449	7,649	8,961	10,218	11,535
Depreciation and amortisation	11,984	12,000	12,200	12,400	12,600
Profit (loss) on sale of property, plant and equipment	(257)	0	0	0	0
Net movement in current assets and liabilities	3,829	0	0	0	0
Net cash inflow (outflow) from operating activities	22,005	19,649	21,161	22,618	24,135

Key Information Relayed by Statement of Cash Flows

The Statement of Cash Flows highlights a number of key points –

- Council projects a strong net cash position which is reliant on well established cash inflows from Rates, Parking and other fees and charges.
- Cash inflows are enforced by vigorous debt collection processes and effectively managed creditor terms.
- Borrowings will be repaid with only marginal impact on cash flow.
- Cash outflows for capital will move in line with a well managed asset planning strategy as discussed under Goal 4. The St Kilda Town Hall Accommodation strategy is included in these plans.

7. BUILDING COMMUNITIES

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

Renewals, Upgrades, Enhancements

- Council fully funds the necessary renewals and upgrades of its infrastructure.

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

New Assets

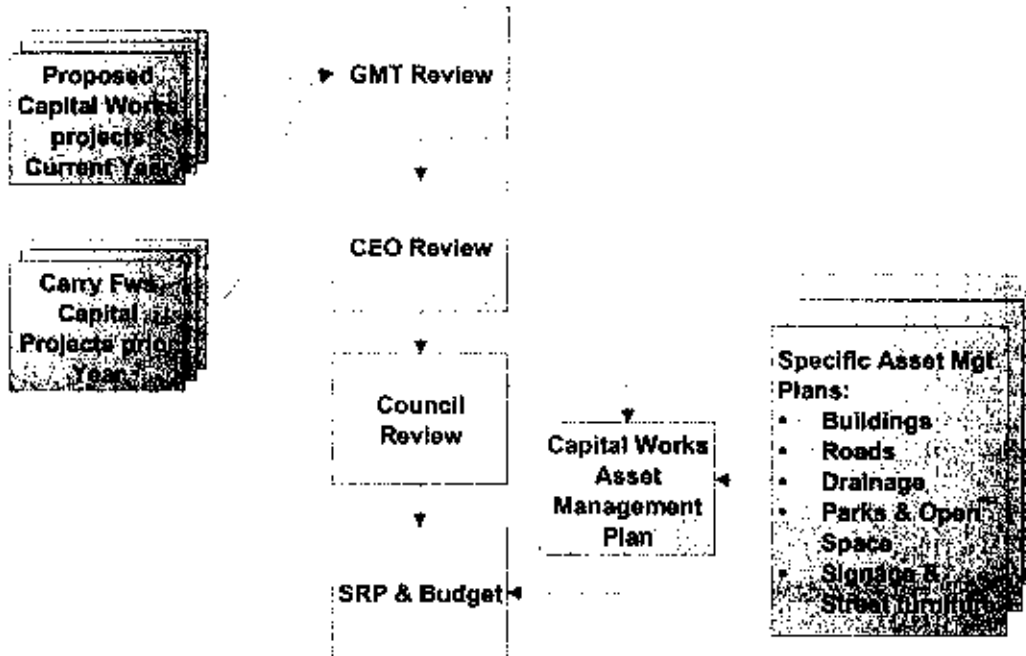
- Asset renewal is important in an industry with low rates of obsolescence and is obviously linked to the rate of consumption of assets.
- A formal link between asset renewal and depreciation will help determine the quantum of spend each year.

This implies a reasonably sophisticated measurement of condition and regular review, plus sustained political commitment.
- Capital expenditure could be linked to rate revenue based on the premise that the assets in this class have shorter lives, eg IT assets and library books. These should be paid for as they are consumed.

7.1 Capital Expenditure Program Process

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

Diagram 5: Capital Expenditure Approval Process



7.2 Asset Management Planning

Strategy 11

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

The planning around the provision and maintenance of assets is called "asset management planning".

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

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

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

In particular CoPP aims to:

- Increase the accuracy of our long term financial planning through careful monitoring of asset condition and usage requirements. This helps us to better predict when an asset may require maintenance 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 the Council's ability to provide well-located and serviceable facilities for the community. One of the larger challenges revolves around the choices regarding the best distribution and location of assets.

7.3 New Capital Works

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

CoPP is confident that its strategies and procedures will ensure there is no creation of inter-generational liabilities that may be created as a result of a 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, curbs and channels using a pavement management system.
- Requirements for buildings are generally determined on condition assessment reports.
- Line management justification for replacement and refurbishment type works.

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

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

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

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

7.4 Community Hubs

Strategy 12.

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

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

Council recognises that community places and spaces:

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

Community facilities are able to help provide a sense of identity and social connectedness within communities and a safe place in which locals of all ages can gather in 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 accessible and equitable meeting spaces that are venues for recreation, leisure and cultural and educational pursuits.

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

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

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

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

7.5 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.

A.4 STRATEGIC RESOURCE PLAN

STANDARD STATEMENT OF CAPITAL WORKS

For the years ending 30 June 2005 - 2009

Capital Works Areas	04/05 \$'000	05/06 \$'000	06/07 \$'000	07/08 \$'000	08/09 \$'000
Roads & Footpaths	3,491	4,725	5,550	5,550	5,550
Drains	675	1,900	2,675	2,675	2,575
Buildings	9,360	6,700	7,400	3,900	4,000
Parks & Open space	3,675	2,500	2,600	2,600	2,600
Plant, equipment and other	430	450	550	550	550
Feasibility studies/ Design	-	-	-	-	-
Other	-	-	-	-	-
Total capital works	17,631	16,275	18,775	15,275	15,275
Represented by:					
Renewal	6,951	7,743	8,243	8,743	8,693
Upgrade	8,940	8,532	9,582	5,582	5,632
Expansion	-	-	-	-	-
New assets	1,740	-	950	950	950
Feasibility studies/ Design	-	-	-	-	-
Total capital works	17,631	16,275	18,775	15,275	15,275

Property, Plant & Equipment movement Reconciliation Worksheet	04/05 \$'000	05/06 \$'000	06/07 \$'000	07/08 \$'000	08/09 \$'000
The movement between the previous year and the current year in property, plant and equipment as shown in the Statement of Financial Position links to the net of the following items:					
Total capital works	17,631	16,275	18,775	15,275	15,275
Asset revaluation movement	-	-	-	-	-
Depreciation and amortisation	(11,984)	(12,000)	(12,200)	(12,400)	(12,600)
Written down value of assets sold	-	-	-	-	-
Net movement in property, plant & equipment	5,647	4,275	6,575	2,875	2,675

Key Information Relayed by Capital Works Statement

The Statement of Capital Works highlights a number of key points –

- Capital works are undertaken to renew existing assets and facilities or to provide additional facilities.
- The expenditure on existing assets needs to be greater than the rate they are worn out or deteriorate if the quality of the assets is not to deteriorate over time.
- The coming year sees a host of capital works with major projects in the redevelopment of the South Melbourne Market, offices for Council staff to improve organisation and service delivery and the St Kilda Edge (a series of projects along St Kilda's waterfront).

8. OUR CULTURE, OUR STAFF AND OUR SERVICE

OBJECTIVE 5	CoPP will proactively lead, develop and build organisational culture based on the provision of same day service and a work life balance.
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Strategies 13 & 14
CoPP will provide leadership and learning to it's staff that builds relationships and where core learning objectives will focus on 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

CoPP is an organisation that exists to provide service to it's community. We are committed to ensuring we have an organisation that is sustainable, innovative, and focussed on providing services to our community. We recognise that the quality of our internal and external relationships are critical to our success. At the core of these relationships are the values we aspire to: care for self, care for others and care for this place. This is what makes the difference between an average workplace and an excellent workplace.

In support of our commitment to our service users, we are also building a culture focuses on outcomes and supports risk and innovation within parameters of accountability.

8.2 Our Staff

The CoPP staff have an extensive range of skills and technical abilities. They work a wide variety of work patterns and are spread across numerous service delivery units in four divisions. When it comes to the provision of service delivery and the development of critical strategic initiatives, our staff are our most important asset. It is through them that we create, lead and build a wealth of knowledge for our community and our organisation. Our staff make the aspirations of the community truly occur.

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
Corporate Management					
<= 25 yrs old	8.1	24%	45%	5%	25%
Between 26 - 39 yrs old	36.6	33%	47%	3%	17%
Between 40 - 54 yrs old	22.5	36%	38%	5%	21%
>= 55 yrs old	8.0	37%	25%	13%	25%
Total for Corporate Management	75.2	33%	42%	5%	20%
		75%		25%	
City Development					
<= 25 yrs old	11.9	17%	76%	0%	8%
Between 26 - 39 yrs old	68.6	47%	41%	3%	9%
Between 40 - 54 yrs old	35.6	62%	20%	3%	15%
>= 55 yrs old	13.5	59%	7%	22%	12%
Total for City Development	129.6	50%	35%	5%	11%
		85%		15%	
Urban Services					
<= 25 yrs old	1.7	59%	41%	0%	0%
Between 26 - 39 yrs old	38.6	39%	52%	2%	8%
Between 40 - 54 yrs old	32.8	73%	24%	3%	0%
>= 55 yrs old	11.9	84%	8%	8%	0%
Total for Urban Services	84.9	59%	35%	3%	4%
		93%		7%	
Community & Cultural Vitality					
<= 25 yrs old	18.8	9%	37%	18%	36%
Between 26 - 39 yrs old	87.3	10%	47%	9%	33%
Between 40 - 54 yrs old	123.4	11%	36%	14%	39%
>= 55 yrs old	39.8	5%	34%	17%	44%
Total for Comm & Cult Vitality	269.2	10%	39%	13%	38%
		49%		51%	
Grand Total	559.0	30%	38%	8%	24%
		68%		32%	

NB1: Full time equivalent (FTE) staffing numbers detailed above are based on:

- Actual staff paid as at March 2004. The FTE in the CoPP 2004/05 Budget will differ from the figures above as the budget details a projected FTE estimate only
- A 38 hour working week and include all casuals and part time staff that work on a pro-rata of 38 hours.

8.2.1 Sustainable Learning

CoPP encourages and recognises the benefit of actively promoting individuality and providing a stimulating and challenging environment for our staff to develop and grow. We aim to support and provide career opportunities for staff as they arise and their capability is proven.

To support this, CoPP has a comprehensive training program underpinned by sustainable learning outcomes.

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

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

Each training provider is fully briefed on what we mean by sustainable learning. The underlying message places the emphasis on lasting behavioural change through the use of personal insight, encouraging dialogue and through preparing participants to discuss and apply their learning in new situations.

We will assess the value of this learning through ensuring that each individual in conjunction with their manager/supervisor engage in dialogue about their training needs, that the value of the learning is assessed and that ongoing support and coaching is provided to the employee once the training has taken place.

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 Per Division

Our services per Division are detailed at table 5 below:

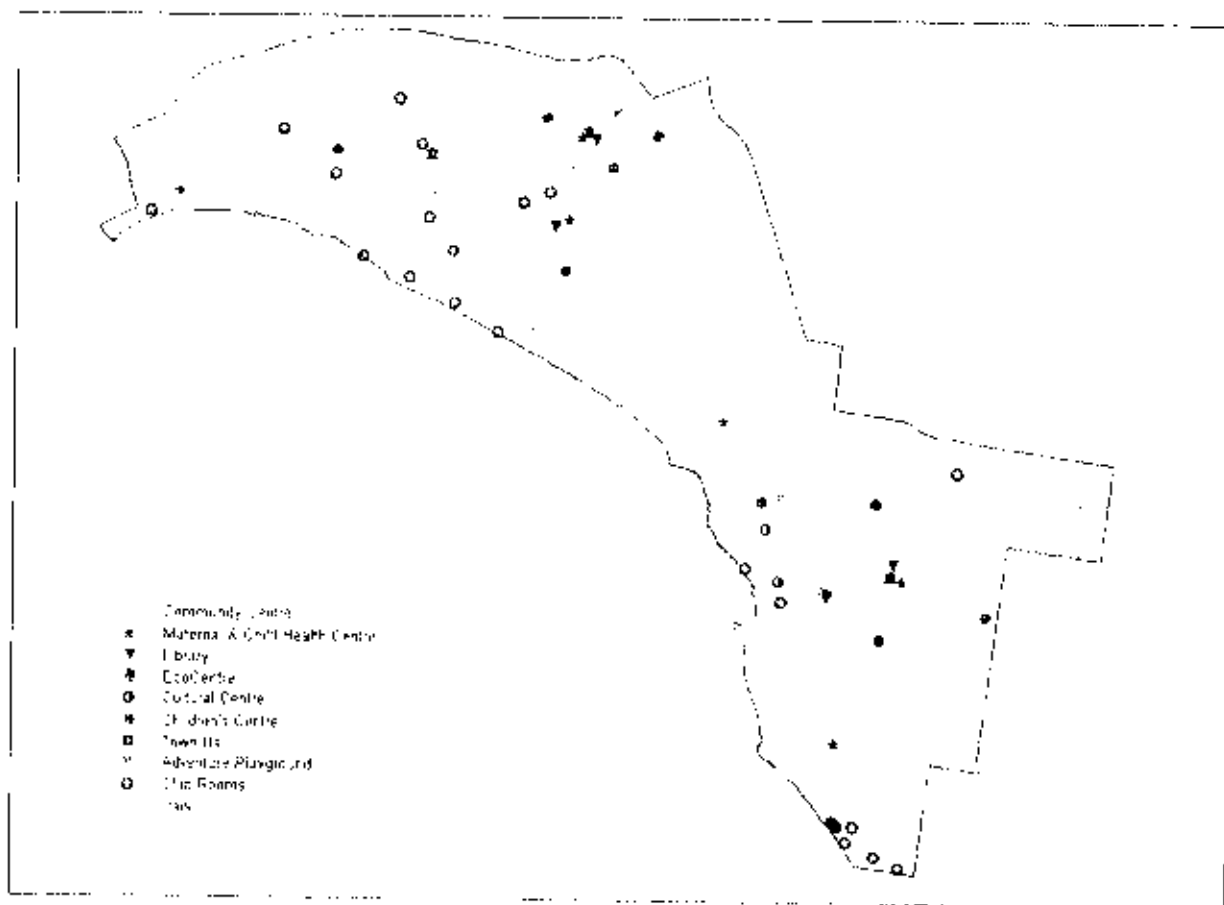
Table 5: CoPP Services per Division

<ul style="list-style-type: none"> o Council Liaison and Technical Services o Assets and Emergency Management o Asset Design and Delivery o Information Systems & Technical Support o Environmental Programs o Waste Management Services o Street & Beach Cleaning o Parks and Open Spaces o Parks & Urban Planning o Civil Construction o Civil Maintenance Services o Building Maintenance 	<ul style="list-style-type: none"> o Sustainable Transport o Economic Development o Community Health and Development o Parking Systems o Community Housing o Urban Design and Architecture o Parking Enforcement o Health Services o Animal Management o Statutory Planning o Amenity & Planning Enforcement o Strategic Planning o Building Solutions o Corporate Planning and Strategy o Systems Development o Major Place Management Projects (eg. St Kilda's Edgo, Port Melbourne Waterfront, South Melbourne Central) 	<ul style="list-style-type: none"> o Social & Cultural Planning and Policy o Family and Children's Services o Ageing and Community Care o Foreshore and Events o Library Services o Arts and Festivals o Community Access o Youth & Recreation o Organisation Development (HR) o Local Information, Networks & Community Spaces (LINCS) 	<ul style="list-style-type: none"> o Revenue Management o Financial Services (AP/AR/Treasury/Payroll/Purchasing) o Financial Management o Risk Management & Insurance o Sister Cities o Governance & Corporate Projects o Governance & External Relations o Statutory Functions o Mayor & Councillors Office o Property & Valuations o Facilities o Port Phillip On Line o ASSIST (customer service centre) o Corporate Communications o South Melbourne Market o Parking Permit Administration o Sustainable Value
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8.3.2 CoPP Services and Facilities

CoPP's service delivery points and facilities are detailed in the diagram below:

Diagram 6: CoPP Services Map



8.3.3 Support from Contractors

However well structured the organisation may be and no matter how well trained are our staff, we recognise that our ability to deliver high quality and cost effective service will often require the involvement of a range of non-staff specialists who can be brought in to provide specific support as and when required. We embrace our relationship with these consultants and contractors as partners in a common objective of delivering on our promises to the community. We ensure that they join with us in delivering services with the same commitment and excellence we expect of ourselves.

External contractors are utilised predominantly for the following CoPP services:

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

8.4 Information Technology

Central to CoPP's services is a structured information technology framework that supports our everyday function and enhances service delivery. Each year CoPP formulates an Information Systems Strategy that outlines the initiatives for the coming financial year.

The Information Systems Strategy for 2004/05 financial year is committed to firstly maintaining the high level of reliability and availability currently provided for existing systems, and secondly to supporting increased levels of service to the community.

The initiatives planned for next financial year, include:

- Improving communications between the major council sites such as Townhalls, Depot, and St Kilda Library, with a number of smaller locations, including community centres, childcare centres and libraries. This will not only improve the quality and effectiveness of staff support for the community at those sites, but also (where residents are able to take advantage of 'Public access' computer facilities) the speed and reliability of access to council information through Port Phillip On Line
- The implementation of software at several offices across the City, which will allow staff to provide 'up to the minute' advice to residents on the availability of all council resources such as community rooms, meeting rooms, sports grounds, and other community use facilities.
- The addition of a capability to 'Port Phillip On Line' (the City's website), to allow interested applicants to request 'Land Information Certificates' through the Internet. This is expected to reduce labour overheads and speed up response times for some ten thousand inquiries received each year. In the future, other high volume transactions will be added, supporting the Corporate Plan goal of exploiting technology to improve services and response times to the community.
- The implementation of a comprehensive software solution to support service provision to the community. Currently care for aged residents (such as Delivered meals and other services to assist the aged to remain in their own homes) is supported by staff using a variety of inadequate software products. Providing consolidated reports to State Government, documenting the services provided and maintaining up to date records on residents who receive these services is time consuming and wasteful of staff resources. Staff will be able to focus on the actual delivery of quality support.
- Support for the implementation of a sophisticated Asset management system, which will significantly improve the timely and cost effective management of the City's assets including roads, drains, buildings, parks, street furniture and signs.

All charts taken from *Financial KPI Analysis 2002/03, Strategy Plus, 2004.*