



**14.1 COUNCIL PLAN AND BUDGET 2019/20: RELEASE OF DRAFT DOCUMENT FOR PUBLIC CONSULTATION**

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**1. PURPOSE**

- 1.1 For Council to consider release of the draft updated Council Plan 2017-27, including the draft Budget 2019/20, for public consultation

**2. EXECUTIVE SUMMARY**

- 2.1 The integrated Council Plan 2017-27, which includes the Strategic Resource Plan, the Municipal Public Health and Wellbeing Plan, a financial strategy, 10-year financial plan and annual budget was adopted on 21 June 2017 and updated on 20 June 2018. It sets a 10-year direction for the City, with a four-year focus on the specific actions Council will undertake to work towards achieving this direction.
- 2.2 The Plan was adopted following a highly participative and successful community engagement, in which over 2,000 pieces of feedback were received in February and May 2017.
- 2.3 The *Local Government Act 1989* (the Act), requires Council each year to:
- 2.3.1 review the Council Plan to determine whether the strategies, actions and measures require adjustment
  - 2.3.2 develop an annual Budget, which includes detail on the capital and operating programs
  - 2.3.3 release the proposed amendments to the Council Plan and draft Budget for a minimum 28-day statutory public review period and invite submissions from the public
  - 2.3.4 receive and hear all submissions at a Council meeting
  - 2.3.5 adopt the updated Council Plan 2017-27 and Budget 2019/20 by 30 June 2019.
- 2.4 This report outlines proposed amendments to the Council Plan 2017-27, including the draft Budget 2019/20.



- 2.5 Consistent with the Council Plan and Budget parameters that were considered by Council in December 2018, the proposed amendments result from strategic work undertaken during the year that has revealed a need for refinement in the long-term outcomes, strategies or initiatives, better and updated information related to measures and targets or changes to our strategic risk profile.
- 2.6 The draft updated Council Plan and Budget 2019/20 highlights our prudent approach to financial management. Our proposed 10-year financial plan is forecast to be financially sustainable by achieving a low overall Victorian Auditor General Office Financial Sustainability Indicator risk rating, whilst providing significant investment over the 10-year period in important initiatives to deliver on the Council Plan outcomes and vision:
- 2.6.1 \$23 million for Customer Experience Program (to provide better and more responsive customer service whilst delivering a more efficient enterprise)
  - 2.6.2 \$43 million to implement the Sustainable Environment Strategy (Act and Adapt)
  - 2.6.3 \$34 million to implement the Integrated Transport Strategy (Move, Connect, Live)
  - 2.6.4 \$21 million to implement the Don't Waste It Strategy (2019 to 2022) including \$17.5 million for a proposed sustainability hub.
  - 2.6.5 \$14 million to implement the Creative and Prosperous City Strategy (Art and Soul).
- 2.7 Additional evidence of Councils prudent fiscal management is that rates increases in the past 3 years have remained within the Victorian Government prescribed rates cap. Efficiency savings, staff reductions etc have contributed to Council having low levels of debt and carrying healthy reserves which provide capacity to deal with emerging risks and growth challenges, for example Fisherman's Bend.
- 2.8 Our costs are increasing at a higher rate than CPI and rates cap. This is common across Local Government as we renew and upgrade our ageing asset base and manage emerging issues, for examples: increase in drainage cleaning, effects of disruption in recycling sector, and the recently introduced swimming pool inspection service.
- 2.9 We acknowledge that the methodology upon which rates are calculated (Net Annual Value) does have a significant impact on some ratepayers experiencing significant uplift in property valuations. Council has support processes in place to assist those ratepayers who experience financial hardship in paying rates.
- 2.10 In considering whether to release the draft updated Council Plan and draft Budget 2019/20 document, Council needs to assess the proposed amendments to the Council Plan, and be satisfied that the draft Budget 2019/20 continues to be aligned to the vision for the municipality set out in the Plan and continues to meet the financial sustainability principles.



### 3. RECOMMENDATION

That Council:

- 3.1 Releases the draft updated Council Plan 2017-27, inclusive of the Municipal Health and Wellbeing Plan, 10-year Financial Plan, Strategic Resource Plan and draft Budget 2019/20 for a 28-day period of public consultation (refer to Attachment 1)
- 3.2 Authorises a Public Notice to be published in The Age and an advertisement in the Port Phillip Leader, a display of the draft updated Council Plan 2017-27 including the draft Budget 2019/20 on Council's website, and availability of the Plan for inspection at town halls and municipal libraries, to ensure broad community awareness and invite public submissions pursuant to section 223 of the *Local Government Act 1989* (refer to Attachment 2).
- 3.3 Notes the findings resulting from community engagement at markets and venues between October and December 2018.
- 3.4 Notes the activities that will be undertaken to support the draft updated Council Plan and draft Budget 2019/20.
- 3.5 Agrees to receive and hear submissions from the public at the Special Council meeting on 4 June 2019, commencing 6.30 pm at the St Kilda Town Hall, prior to considering adoption of the updated Council Plan 2017-27, including Budget 2019/20, at the Ordinary Council Meeting on 19 June 2019 commencing 6.30 pm at the St Kilda Town Hall.

### 4. KEY POINTS/ISSUES

#### Annual review of the Council Plan

##### Parameters for review of Council Plan and Budget 2019/20

- 4.1 In December 2018, officers presented a report to Council to provide an update on operating environment changes and to seek approval of the 10-Year Financial Outlook and the parameters for the review of the Council Plan, the Strategic Resource Plan and development of the Budget 2019/20.
- 4.2 Officers proposed limiting the 2019/20 review of the Council Plan and Budget to items where:
  - 4.2.1 further strategic work has revealed a need for refinements in the long-term outcomes, priorities or initiatives
  - 4.2.2 adjustments are required to measures and targets to reflect further work or updated results
  - 4.2.3 there are changes required to respond to the operating environment.



- 4.3 The annual review provides an opportunity to align the Council Plan with:
- 4.3.1 adopted core strategies, two of which (Move, Connect, Live and Don't Waste It!) were adopted in October 2018, after the updated version of the Council Plan in June 2018
  - 4.3.2 the recent mid-year review of progress on the priorities under each strategic direction, and
  - 4.3.3 in response to changes to our operating environment.

**Our operating environment**

- 4.4 The Council Plan 2017-27 identifies seven challenges that our municipality faces (population growth, urbanisation, transport and parking, legislative and policy influences, climate change, economic conditions and the rapid evolution of technology).
- 4.5 These remain important challenges for our city and will continue to influence financial planning and budgeting decisions.
- 4.6 Expected growth in the municipality remains a significant challenge for Council, primarily due to development in the Fisherman's Bend Urban Renewal Area (FBURA). Council is expecting to have a role in funding and delivering infrastructure prior to the receipt of revenue streams associated with development. The quantum and timing of capital investments and consequential operational and infrastructure servicing (whole of life costing) expenditure are uncertain.
- 4.7 The recent adoption of two core strategies (Move, Connect, Live; and Don't Waste It!) include priority actions to deal with risks relating to climate change, transport and parking, and population growth.
- 4.8 We continue to have awareness of risks related to security, including cyber security and a continued emergence of service disruption and technology changes that provides both opportunities and challenges for service delivery.
- 4.9 Community expectations for an improved experience of Council services continue to rise, particularly regarding use of technology. This also provides opportunities to improve efficiency through streamlining bureaucracy, the provision of better information and self-service models. The Customer Experience Program commenced earlier in 2018 and has five discreet work streams to deliver productivity and efficiency benefits, capability and cultural change, ultimately resulting in better customer experiences.
- 4.10 Based on our recent mid-year assessment, our performance to deliver the Council Plan is tracking well with around 95% of Council Plan priorities in-progress or completed, and 95% of priority projects on track. Despite this, procuring services to deliver projects continues to be challenging with significant infrastructure projects underway across the state.



- 4.11 Overall, Council has a sound financial position which means we have been able to accommodate priorities and manage emerging risks. However, maintaining financial discipline remains a focus, as reflected in our financial strategy, particularly given the significant investment that will be required in response to growth and to provide contingency for risks such as unexpected superannuation calls and disruption in waste/recycling sector.
- 4.12 Recent internal reviews and audits have also identified a need to strengthen controls around strategic risks related to health and safety, procurement and contract management, fraud and corruption, and legislative compliance.
- 4.13 Rates affordability continues to be a major concern of the community, with rates and other essential services such as utilities forming an increasing share of average household income. Council has responded to this by identifying approximately \$13 million in efficiency savings in the last six financial years (including over \$2 million in savings in 2019/20). Key initiatives to deliver these savings include a service review program to better define service requirements and target support, a commitment to better practice procurement and asset management, the sale of surplus properties, and investment in business process and system improvements.
- 4.14 A recent Clean Streets service review investigated ways Port Phillip can improve the effectiveness and efficiency of its service to create a better experience of streets for residents, businesses and visitors. In response, officers are recommending increased services response times in the draft Budget 2019/20.
- 4.15 Council recently endorsed a paper for community consultation that looks at options to improve quality, access and a range of compliance issues associated with Children services.

#### **Proposed amendments to the Council Plan**

- 4.16 The proposed updated Council Plan is in Attachment 1. A section entitled 'Changes to this plan' includes details of the proposed changes to the Council Plan. Below is a summary of those changes.

#### ***Services and alignment to strategic directions***

- 4.17 The adopted Council Plan has 26 services across the six strategic directions. Officers propose to increase the number of services to 28 by disaggregating two services into four services. This recognises that the services have discrete activities and provide different value to the community:
- 4.17.1 separating the activities within the 'Governance and engagement' service to create two new services: 'Community engagement', and 'Governance, risk and policy'
- 4.17.2 separating the activities within the 'Technology, transformation and customer experience' to create two new services: 'Customer experience' and 'Technology'
- 4.18 Other proposed changes include:



- 4.18.1 the renaming of the 'Waste reduction' service category to 'Waste management' and transfer of waste management activities currently under the 'Amenity' service category to 'Waste management'. Under the proposal 'Waste management' would cover all waste activities including kerbside refuse and recycling, hard and green waste, street litter bins, the resource recovery centre. Inclusion of all waste related activities is consistent with the recently adopted Waste strategy: Don't Waste It!
- 4.18.2 transferring the 'Amenity' service category, related four-year priorities and performance measures from Strategic Direction 3: We have smart solutions for a sustainable future to Strategic Direction 4: We are growing and keeping our character. The activities under 'Amenity' include street and beach cleaning, graffiti management, maintenance of foreshore, drainage network and public toilets. Officer consider these activities are more aligned to Outcome 4.1: Liveability in a high-density City.
- 4.18.3 the renaming of the 'Markets' service category to 'South Melbourne Market' to increase transparency of the South Melbourne Market operations and priorities. Costs and revenues associated with the Esplanade and other markets in the municipality transferred to the 'Festivals' service.

***Four-year priorities***

- 4.19 Officers propose minor edits to eight Council Plan four-year priorities. The edits:
- 4.19.1 provide additional information (for example, referring to specific pavilion and oval upgrades)
- 4.19.2 identify where actions have been completed (for example, noting that the Waste Strategy was endorsed in September 2018) or
- 4.19.3 reflect, where there has been an agreed change in approach (for example, rewording the priority on the development of a Parking Management Plan)
- 4.20 Officers also propose the inclusion of a new priority relating to Graffiti management and the implementation of Council's Graffiti Management Plan, which is currently out for consultation.

***Outcome indicators***

- 4.21 Outcome indicators and their targets have been updated to be consistent with the recently adopted core strategies: Move, Connect, Live, Act and Adapt, Don't Waste It!, and Art and Soul:
- 4.21.1 the exception is the Outcome Indicator on people employed in the Top 5 industries as a proportion of total employment in the municipality. The current Top 5 industries are: professional, scientific and technical services, construction, health care and social assistance, accommodation and food services.



Officers are recommending removal of this indicator from the Council Plan and Art and Soul, as data has been trending downwards due to diversification of industry and employment across the municipality and downward trends in construction.

***Service performance measures and targets***

- 4.22 Service performance measures and their targets have been updated based on updated results, to be aligned to the recently adopted core strategies, and aligned to the 2020/21 targets:
- 4.23 Officers are proposing three new service measures:
  - 4.23.1 cost of sealed local road resealing measured on a cubic metre basis (in addition to the cost of sealed local road resealing measured on a square metre basis (which is required by legislation). The square metre basis does not reflect that a significant proportion of Council's road resealing is on roads with high use, requiring a thicker base.
  - 4.23.2 days between receipt and first response for all local laws requests, with a target of less than three days. There are currently no service measures in the Council Plan for local laws activities and is a measure of efficiency in the service.
  - 4.23.3 total recordable injury frequency rate per million work hours. The target for 2019/20 will be based on average of past performance. It has been added to reflect the importance of a safe working environment.

***Our financial strategy***

- 4.24 The Council Plan is supported by a financial strategy which provides clear direction on the allocation, management and use of financial resources. It aims to ensure that Council remains financially sustainable while maintaining assets and services, responding to growth, and delivering on priorities.
- 4.25 The financial strategy is embedded in a 10-year Financial Plan and forms part of the proposed amended Council Plan. It sets the parameters within which Council agrees to operate to maintain acceptable financial outcomes over the short, medium and long term.
- 4.26 On 12 December 2018, Council endorsed the 10-Year Financial Outlook. The objective of the Outlook is to:
  - 4.26.1 set clear direction and parameters for the development of the annual budget
  - 4.26.2 test the long term financial implications of the current forecasts in revenue and expenditure.
- 4.27 The financial strategy has been updated and informed by the endorsed 10-Year Financial Outlook and development of the draft Budget 2019/20 (refer to Attachment 1).



**Monitoring financial sustainability**

4.28 Officers use the Victorian Auditor General’s financial sustainability indicators to monitor Council’s financial sustainability. Council’s financial strategy is designed to ensure an overall low risk rating over the period of the plan unless Council can demonstrate it is prudent not to (i.e. for one-off abnormal transactions that do not have an enduring impact). As demonstrated in the table below, officers forecast that Council will achieve an overall risk rating of low throughout the 10-year period.

Indicator	Indicator Targets	Forecast Budget Projections										
		2018/19	2019/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
Net Result %	Greater than 0%	0.4%	0.7%	2.2%	5.7%	6.3%	6.5%	5.8%	6.2%	6.1%	6.3%	6.4%
Working Capital	Working Capital Ratio >100%	239%	220%	139%	154%	166%	174%	180%	187%	195%	203%	210%
Internal Financing	Net cashflow from operations to net capital expenditure >100%	81%	87%	64%	113%	116%	113%	110%	112%	112%	112%	112%
Indebtedness	Indebtedness ratio <40%	5.1%	4.9%	1.3%	1.3%	1.4%	1.4%	1.4%	1.4%	1.3%	1.3%	1.3%
Capital Replacement	Capital to depreciation >150%	163%	142%	220%	151%	151%	154%	152%	152%	150%	150%	150%
Infrastructure Renewal Gap	Renewal & upgrade to depreciation >100%	126%	121%	129%	128%	128%	131%	130%	129%	128%	127%	128%
Overall Financial Sustainable Risk Rating		Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low

**Financial risks**

4.29 Some of the key financial risks Council faces include:

- 4.29.1 Rates capping. The 10-year Financial Plan assumes rates capping based on inflation. Since its introduction, the Minister for Local Government has prescribed rates based on inflation, which has been lower than that recommended by the Essential Services Commission (ESC). Every 0.1 per cent lower than the ESC methodology equates to a \$0.13 million reduction per annum in revenue.
- 4.29.2 While the 10-year Financial Plan achieves financial sustainability over the next 10 years, beyond this period sustainability will be tested particularly if other financial risks materialise.
- 4.29.3 A more subdued property development market may result in rates revenue growing at a lower rate than the 1.3 per cent per annum figure assumed in the 10-year Financial Plan. Every 0.1 per cent reduction in growth equates to a \$0.13 million reduction in revenue per annum.
- 4.29.4 A subdued property development market may also impact user fees and statutory fees including statutory planning, street occupation permits, road closures, skip bins etc. A 10 per cent drop in activity could result in a revenue reduction of \$0.41 million per annum.



- 4.29.5 Lower than expected parking revenue, which is the second largest revenue source, is historically volatile and can be impacted by the macro-economic environment. A 1.0 per cent reduction in revenue from parking fees and fines equates to a \$0.38 million per annum reduction in revenue.
  - 4.29.6 There may be a large funding gap between the infrastructure desired at the Fisherman's Bend and what can be funded. A failure to appropriately budget for the costs of running and looking after new assets in Fisherman's Bend is also a risk.
  - 4.29.7 The funding and financing plan for Fisherman's Bend remains uncertain. If an Infrastructure Contribution Plan includes a land equalisation component is introduced, it may result in the loss of future Open Space Contributions to Council. Council relies on future Open Space Contributions to replenish the reserve which is currently in a \$10 million deficit mainly due to our past investment in the Kirrip park (land purchase and park development).
  - 4.29.8 Recent changes to the recycling sector due to policy changes imposed by China and India will have a permanent negative impact to local government.
  - 4.29.9 The possibility of a future unfunded defined benefits superannuation call.
  - 4.29.10 Future reductions in funding from other levels of government or increases in cost shifting.
  - 4.29.11 Not realising full benefits of the Customer Experience & Transformation program.
  - 4.29.12 A major, unexpected, asset renewal/upgrade challenge.
- 4.30 Notwithstanding these risks, Council's sound financial position with low levels of borrowing and healthy reserves balances enables the organisation to respond to these financial risks in the 10-year period if they arise. If necessary, the Council could also apply to the ESC for an above rates cap increase.

***Rates assistance***

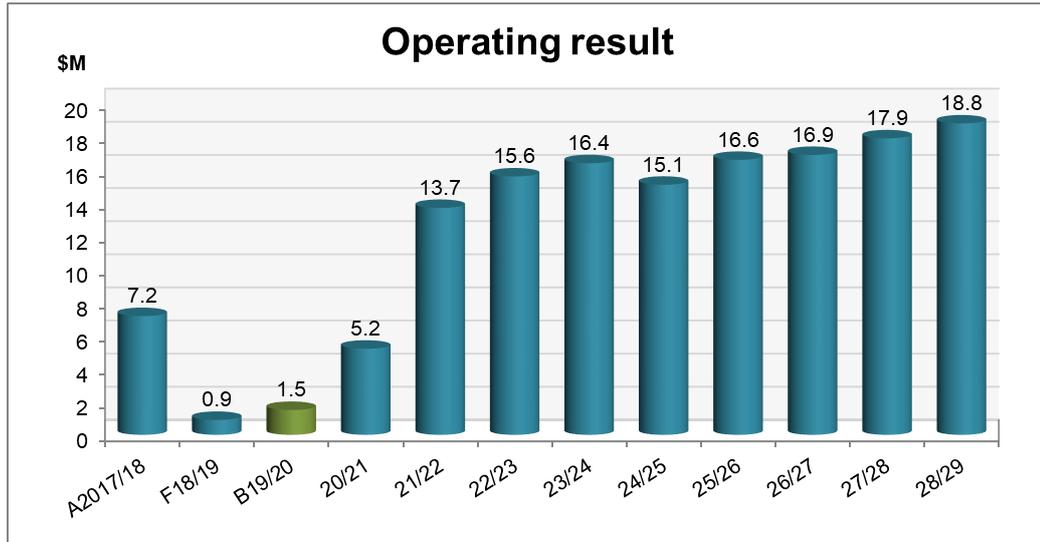
- 4.31 The Council recognises the impact municipal rates and other charges have on the financially disadvantaged sections of the community. In addition to Council's commitment to keeping rates affordable we offer a range of assistance packages:
- 4.32 A council-funded pensioner rebate which will increase by 3.0 per cent to \$170 in 2019/20 – the City of Port Phillip is one of the few councils that offer this scheme.
- 4.33 An option for self-funded retirees to defer their rates indefinitely at half the official penalty interest rate set by the Victorian Government (five per cent for the 2018/19 financial year, 2019/20 financial year has not been released).
- 4.34 Providing a 50 per cent waiver of the general rate for housing accommodation that provides reduced rentals for elderly persons of limited means.



- 4.35 Support for residents and ratepayers experiencing hardship through rate deferments and payment arrangements.

**The draft Budget 2019/20 at a glance**

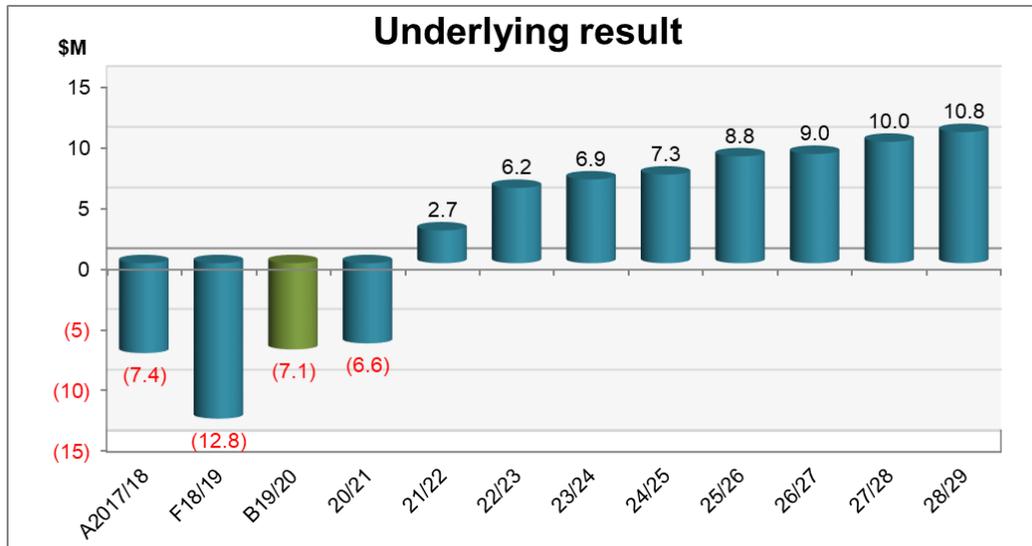
**Operating result**



- 4.36 Achieving an operating surplus is a key component of Council's financial strategy. It provides capacity to maintain and renew our \$3.2 billion worth of community assets, meet debt repayment obligations, manage the impact of financial risks materialising, and invest in transformative strategies.
- 4.37 For the financial years 2018-2021, operating surpluses of \$0.9 million, \$1.5 million and \$5.2 million respectively are limited by the \$22 million investment in the Customer Experience program. The technology shift to Cloud-based managed services means a significant amount of expenditure budgeted for technology will be reclassified as operating expenditure rather than capital investment.

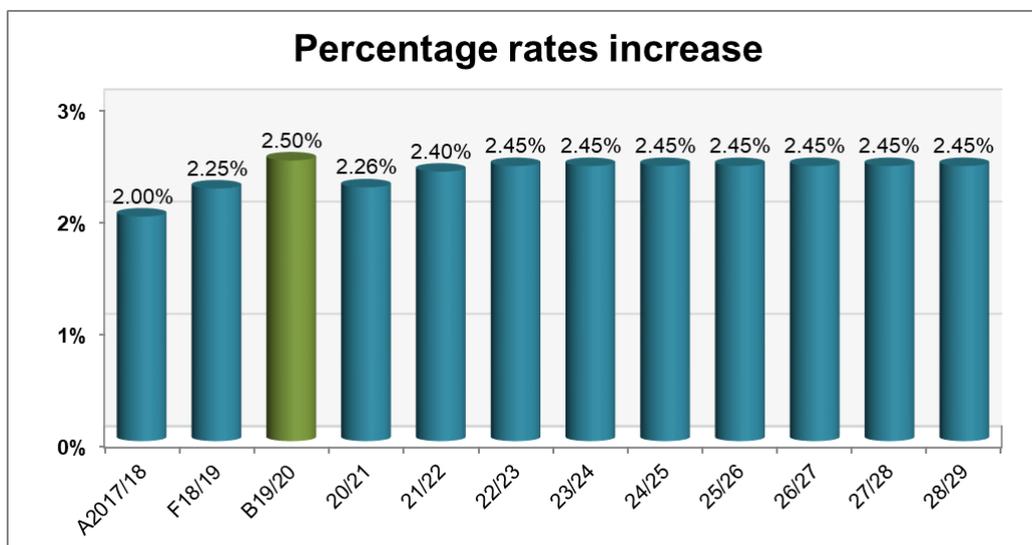


**Underlying result**



- 4.38 The adjusted underlying result excludes capital related revenue (grants and open space contributions). It assesses Council’s ability to generate sufficient funds for asset renewals.
- 4.39 The 2017/18 underlying deficit was due to one-off expenditure items totalling \$11 million including Pride Centre contribution and relinquishing a Committee of Management property of Crown land.
- 4.40 For the financial years 2018-21, underlying deficits of \$12.8 million, \$7.1 million, and \$6.6 million respectively are mainly attributed to the \$22 million investment in the Customer Experience program. The technology shift to Cloud-based managed services means a significant amount of expenditure budgeted for technology will be reclassified as operating expenditure rather than capital investment.

**Rates – percentage increase**





- 4.41 The draft Budget 2019/20, which funds a \$40.4 million capital program and maintains existing service levels, includes a 2.50 per cent rates increase, consistent with the Victorian Government cap. This has been achieved through a continued strong focus on prudent financial management, careful prioritisation and commitment to productivity and efficiency (\$2.2 million in savings identified in Budget 2019/20 in addition to the \$11 million over the previous five budgets). Future rates increases are based on forward projections of inflation consistent with past decisions made by Minister of Local Government for setting the rates cap.

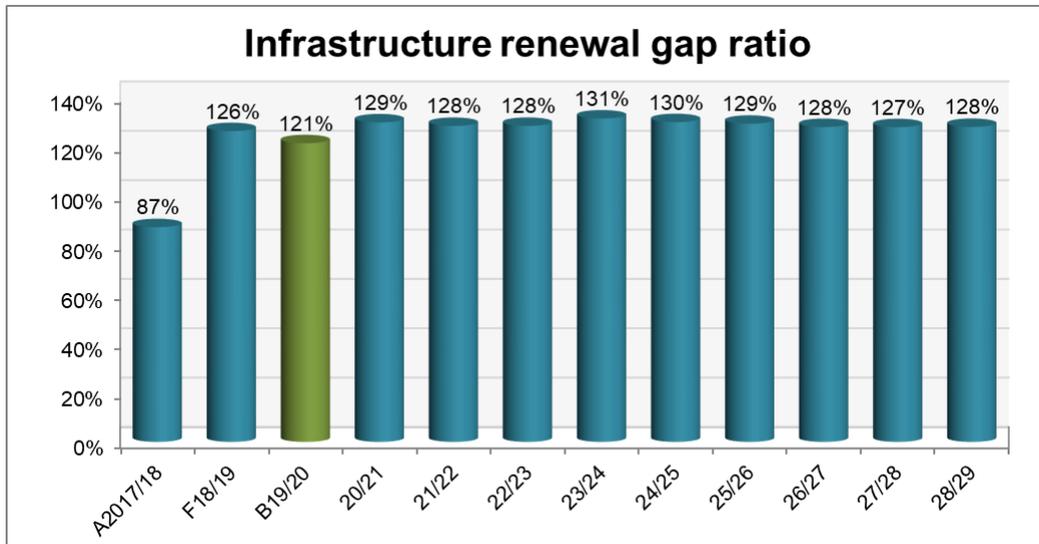
**Operating expenditure**



- 4.42 Draft Budget 2019/20 operating expenditure totals \$224.5 million which includes \$7.1 million for the Customer Experience program (\$22 million over the financial years 2018/19 to 2020/21). Officers expect productivity and efficiency savings from this program equivalent to \$40 million over the 10-year period.
- 4.43 The small but steady growth in operating expenditure in future years is largely driven by inflation (around 2 to 2.5 per cent per annum), service demand increases associated with population growth (around 1.3 per cent per annum), and the operating expenditure impact of new and improved assets (for example depreciation increase of 3.8 per cent per annum). This is partially offset by Council’s commitment to efficiency and cost savings (1.0 per cent per annum).

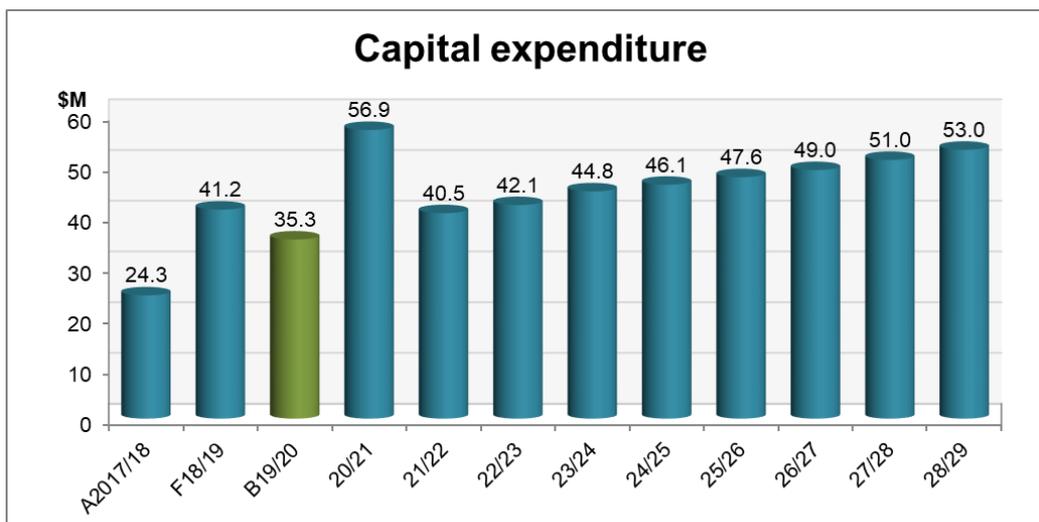


**Infrastructure renewal gap**



- 4.44 This graph shows the asset renewal and upgrade budget over the 10-year Financial Plan compared to depreciation. It assesses if Council’s spend on its asset base is keeping up with the rate of asset depletion.
- 4.45 The ratio for 2017/18 relates to a number of work in progress large and complex building projects such as Peanut Farm Pavilion and South Melbourne Community Centre. The funds were deferred to Budget 2018/19.
- 4.46 Over the period of the financial plan, Council intends to stay above 100%, which shows commitment to not only maintaining but upgrading existing assets.

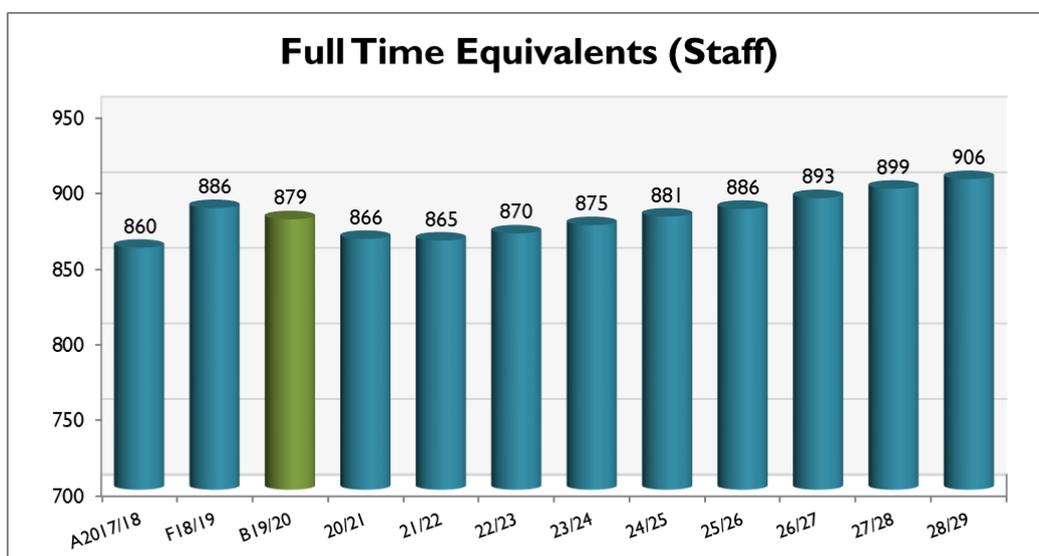
**Capital expenditure**





- 4.47 Capital works expenditure in 2019/20 is expected to be \$35.3 million, out of a total \$40.4 million capital program. The \$5.1 million gap represents the component of the capital program budget expected to be classified as operating expenditure, such as community engagement, feasibility studies and landscaping costs.
- 4.48 The lower than average capital expenditure in 2017/18 of \$24.3 million relates to a number of work in progress large and complex building projects such as Peanut Farm Pavilion and South Melbourne Community Centre. The funds were deferred to Budget 2018/19.
- 4.49 In addition, \$5.5m of capital budget from savings and underspends in 2017/18 were transferred to the Asset Renewal Fund for future capital works.
- 4.50 The large spike in 2020/21 capital program includes \$17.5 million investment for a proposed Sustainability Hub.
- 4.51 Over the period of the financial plan, Council provide for appropriate levels of capital expenditure to ensure existing assets are maintained and improved whilst also investing in growth driven assets. The target of at least 150 per cent of depreciation is expected to be achieved.

**Council staff**



- 4.52 Council employees are our most essential resource, enabling the delivery of a broad range of services. For Budget 2019/20, we are proposing a net decrease of seven FTEs based on 17 new positions fully offset through the disestablishment of 24 existing FTE positions.
- 4.53 Over the period of the financial plan, officers expect the growth in FTEs to increase by 1.0 per cent to service projected population growth. This is offset by investment in technology (Customer Experience program) which is expected to achieve productivity and efficiencies which will see the shift of back office roles re-directed to service delivery/ community facing roles.



### Proposed fees and charges

- 4.54 In most cases, fees and charges for 2019/20 are proposed to increase by 2.75 per cent. This approach is consistent with our financial strategy, and community feedback, which supported increasing user charges for some services. There will be variances where minor rounding equates to larger or smaller percentages.
- 4.55 There are some exceptions where officers believe a larger increase is fair and reasonable:
- 4.55.1 Merchant fees structure updated to reflect varying cost of payment options; American Express 0.65%; Eftpos and Debit cards 0.59% and Visa/Mastercard Credit cards 1.16%. This complies with Australian Competition and Consumer Commission requirements.
  - 4.55.2 General Local Law permit fee to increase by \$45 (22%) reflecting the amount of time required to complete the tasks involved and to recover the cost of the service.
  - 4.55.3 Application fee for the removal of Significant Tree to increase by \$25 (17%) to preference tree pruning over tree removal.
  - 4.55.4 Food Services meal fee structure updated to ensure equity and based on user's income level in accordance with the guideline set by the Victorian Government's Home and Community Care Program for Younger People. High income users will be paying \$21 per meal, an increase of 228%.
  - 4.55.5 Street occupation permits to increase between 19% to 50% based on benchmarking exercise performed against neighbouring Councils.
  - 4.55.6 Vehicle Crossing permit application fee to increase by \$100 (67%) reflecting the amount of time required to complete the tasks involved and to recover the cost of the service from users.
  - 4.55.7 A number of changes to the Event fees structure including new fees, setting multiple hour (block) rates instead of hourly rates, and fee adjustments to be consistent across the service. The fees have been benchmarked to ensure Council remains price competitive with neighbouring councils.
  - 4.55.8 A number of St Kilda Festival fees increase by approximately 7.5%. They remain fair and affordable in comparison to the income generated from the festival by traders and reflect increased costs in running the event.
- 4.56 Some fees were kept to 2018/19 levels and or reduced to incentivise greater community usage. These include:
- 4.56.1 Council town hall standard hire fees to reduce by approximately 23%. Utilisation uplift is expected to offset the fee reductions.
  - 4.56.2 No increase to community facilities hire fees.



- 4.56.3 No increase to Adventure Playground party hire fees.
- 4.57 There are some new fees in 2019/20 to help manage demand and prevent cross-subsidisation of services by ratepayers:
- 4.57.1 New building fees introduced on a cost recovery basis including:
- Report and Consent Advertising fee set at \$66
  - Building Audits Inspection fee set at \$180
  - Building application fee to retain works constructed without a building permit set at \$616 (minimum fee)
  - A number of Asset Protection Inspection fees ranging from \$235 to \$3,296 to ensure council assets are not damaged by development. These fees are set at similar levels consistent with benchmarked metro councils.
  - Swimming Pool Barrier compliance certificate fee set at \$476.
- 4.57.2 A new \$27.60 statutory community based social and recreational activity fee per hour for using the Fog Theatre by NDIS eligible participants.
- 4.57.3 A new \$10 direct debit/credit decline fee for child care services to recover the cost of chasing declines and minimise administrative tasks. This supports a more efficient child care service model.
- 4.57.4 A number of new Food Registration fees for temporary commercial premises to enable clearer classification. These fees have been benchmarked and consistent with fees set by metro councils.
- 4.58 A review of the Footpath Trading price structure will take place in May 2019 and any Council approved changes will be incorporated into the final Budget 2019/20 fees & charges schedule.
- 4.59 Statutory fees set by the Victorian Government will be updated during the financial year.
- 4.60 The complete schedule of proposed fees and charges for 2019/20 is contained within the draft Council Plan 2017-27 document (refer to Attachment 1).

#### **Proposed budget changes**

- 4.61 Included within the draft Budget 2019/20 are the following discretionary increases in budget that are required to either maintain (above inflation) or increase service levels. Council has been able to accommodate these increases and keep the rates increase to 2.5% (in line with the CPI increase) by identifying over \$2.2 million of efficiency savings:

ORDINARY MEETING OF COUNCIL  
17 APRIL 2019



Initiative	Expenditure in 2019/20
Additional expenditure for stormwater pipe cleaning maintenance required to clear backlog of maintenance	624
Additional expenditure requirement to address security and public safety concerns including South Melbourne Market.	488
Increased service levels for leaf litter cleaning (fortnightly) during the Autumn season and additional litter cleaning of feeder streets surrounding shopping precincts. This is response to community feedback from the recent Clean Streets service review	261
Additional funding for the Graffiti Paint Out Program to meet community demand and maintain current service levels	150
A property advisor (two-year position) to support property operations improvement, reactive issues management and Property Policy implementation	100
Extension of two existing 8-month amenity officer positions to 12 months to support current work on homelessness response, to provide increased dog off lead patrols and after-hours amenity response	51

4.62 A complete list of capital and operating projects that are proposed in 2019/20 is contained within the updated Council Plan 2017-27 document (refer to Attachment 1). The figures have been updated based on the February 2019 forecasts and includes \$0.6 million deferrals from 2018/19 into 2019/20. The following table identifies new projects and significant changes to the 2019/20 forward estimates that were presented in the adopted Council Plan:

Capital and operating projects	Description	Expenditure in 2019/20
<i>Projects not previously identified in the Council Plan</i>		
Elwood Foreshore Facilities Strategy	Succession plan for the building assets on the Elwood foreshore	150
Middle Park Beach renourishment	To replenish the artificially made Middle Park Beach in accordance with the State Government Funding Deed	400
Placemaking Program - Renew Australia -	Work with owners of vacant premises in Fitzroy Street to place temporary tenants into confirmed tenancies over two years. Initiative is subject to	75

# ORDINARY MEETING OF COUNCIL

## 17 APRIL 2019



<b>Capital and operating projects</b>	<b>Description</b>	<b>Expenditure in 2019/20</b>
Fitzroy Street leasing project	several businesses agreeing and matching funding from Creative Victoria	
South Melbourne Precinct	To review and update planning and design controls in South Melbourne to align partnership, employment and sustainability goals outlined in key Council strategies. Activities in include brief for economic report (2019/20), opportunities paper (2020/21), finalisation of structure plan (2021/22) and amendment completed (2022/23)	70
Local Area Traffic Management Infrastructure (ITS) - Rouse St, Port Melbourne	To install raised pavement intersection treatments along Rouse Street. Joint funded with VicRoads, Council's contribution is \$50,000	100
Pocket Parks	This is a Victorian Government election commitment. To design two pocket parks. Location of pocket parks are subject to the Department of Environment, Land, Water and Planning criteria for the commitment, which are currently unknown	50
Rotary Park Play Space Development	To undertake a more standard nature-based play upgrade like our current park and playground program projects. Partly funded by the Stokehouse (\$75,000) and Rotary (\$15,000), Council's contribution is \$260,000 to project. To be funded from drawdown of reserves	350
South Melbourne Town Hall renewal and upgrade	To repair the existing building structure and other renewal works identified from building condition reports following the collapse of a portion of the first floor west wing ceiling.	3,700
Sports Fields upgrade program: High use areas	In addition to the replacement of sports fields with natural turf, this initiative will upgrade sports field high traffic usage areas (interchange benches, near goals and various entry gates) with hybrid or synthetic grass throughout the municipality. To be funded from drawdown of reserves	300
St Kilda Pier Foreshore upgrade	This is a Victorian Government election commitment. To design complimentary public realm works on the boulevard and foreshore	130

# ORDINARY MEETING OF COUNCIL

## 17 APRIL 2019



Capital and operating projects	Description	Expenditure in 2019/20
	areas managed by Council (extension of Pier Road along Catani Gardens).	
Standard drawings and designs	An annual program to develop standard drawings and designs for all Council infrastructure assets. This will allow better maintenance and renewal of Council assets.	150
Workplace Accommodation renewal, upgrades and expansion	To implement the five-year workplace plan developed in 2018/19, including renewal of existing staff work spaces to maximise use and productivity, and fit out of a new interim five-year workspace that will ultimately replace occupation of 232 Carlisle Street.	500
<i>Major changes to existing projects</i>		
Fisherman's Bend program	EXTENDED: To support a series of key planning activities including completing precinct planning across all 3 precincts	425
Kerferd Road safety improvements	\$2m identified in the Council Plan is proposed to be deferred to 2021/22, while Council awaits details on the Victorian Government's Shrine to Sea initiative	0
Land acquisition-Sustainability Hub	\$17m identified in the Council Plan is proposed to be deferred to 2020/21, while Council identifies partnership funding	0
South Melbourne Life Saving Club Redevelopment	Bring forward (net) of \$1.5 million from 2019/20 to 2018/19 due to delivery progress ahead of schedule	905
<i>Project name changes</i>		
Bike Infrastructure delivery and Pedestrian Infrastructure delivery programs	These programs replace the Walk and Bike Infrastructure delivery program previously identified in the Council Plan	1,904
Bubup Nairm rectification works	Previously within the Building Safety and Accessibility Program. To undertake works to meet building codes and IOS Standards	600



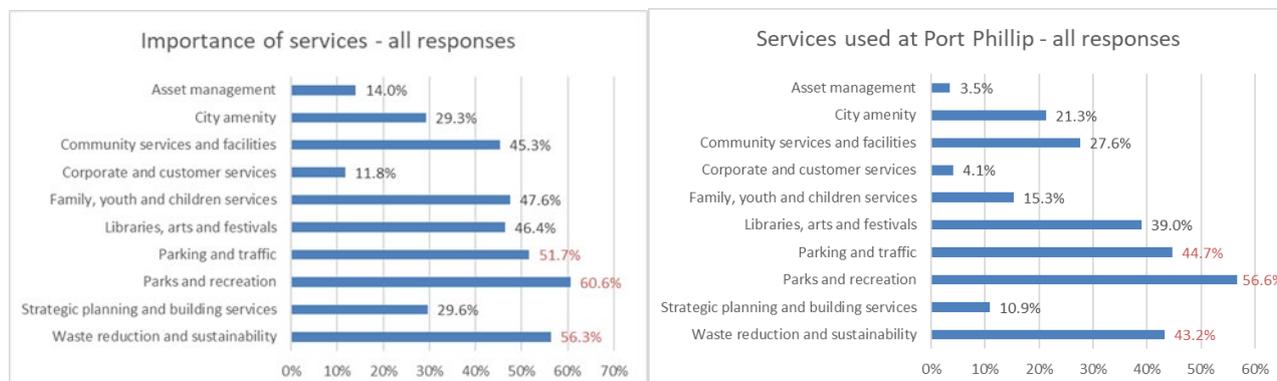
Capital and operating projects	Description	Expenditure in 2019/20
Greening Port Phillip Strategy Implementation Program	This replaces the annual street tree and park tree improvement programs	640
Tram Infrastructure partnership delivery	An annual program aligned to Move, Connect, Live. It also replaces the Fitzroy Street streetscape upgrade Stage 2 project. This project will now take place in 2019/20	250

- 4.63 Council officers also received several budget requests during the development of the Budget 2019/20 from community members to fund new initiatives or increase funding for existing initiatives (see Attachment 3). All requests were forwarded to Councillors for consideration. Officers will advise the community members of the outcome of their requests and next steps, which includes the option to send through a formal submission on the draft Budget 2019/20. All formal submissions will be heard (with the option of submitters to present in person) at the special Council meeting on 4 June 2019.

## 5. CONSULTATION AND STAKEHOLDERS

- 5.1 Between 20 October and 3 December 2018 Council hosted 10 neighbourhood-based pop-up conversations. The purpose of the sessions was to find out those services the community thinks are important for Council to provide and services that they use. It was also an opportunity to find out whether residents felt connected and whether they felt safe in their neighbourhood.
- 5.2 We received 662 responses, with good representation from participants based on gender, age ranges, location and whether they were residents of Port Phillip. Key themes from these conversations included:
- 5.2.1 There is a strong correlation in the ranking of service categories between the service groups respondents believe are important for Council to provide or support and the services respondents use. The top three service groups are: Parks and recreation, Waste reduction and sustainability, and Parking and traffic.

# ORDINARY MEETING OF COUNCIL 17 APRIL 2019



5.2.2 Although other services aren't as widely used, the community recognises the importance of these services. For example, Family, youth and children services, and Strategic planning and building services were considered important although not as widely used.

5.2.3 Activities within the service groups, where more than 50% of respondents felt were 'Very Important' include:

- Bicycle and pedestrian friendly initiatives, and traffic safety improvements
- Clean streets, beaches and foreshores
- Manage waste collection
- Arts and cultural programs
- Maintenance of open space
- Kindergartens, child care and maternal child health
- Community care services and facilities
- Recycling and environmental sustainability.

5.2.4 Most respondents who live or work in Port Phillip agreed / strongly agreed they:

- felt connected to their local community (71.3%)
- felt safe in their neighbourhood (79.7%).

5.2.5 While most residents responded that they had a connection with their neighbourhood, respondents located in St Kilda Road generally had less connection than in other neighbourhoods.

5.2.6 While most residents and non-residents who responded felt safe in Port Phillip, St Kilda/St Kilda West residents felt considerably less safe in Port Phillip than people in other neighbourhoods, with over 25% said that they felt unsafe in Port Phillip.

5.2.7 Participants were asked to provide commentary on the one thing that Council could change about their neighbourhood. Many comments were around Transport and parking management (traffic and parking management), Amenity (cleaner streets and waste management) and Public space (provision of public space, street and park trees and events). Additionally, there were several comments related to City planning and urban design (housing density and quality of development), Governance, policy and risk (advocacy), and Waste reduction (green and organic waste).



- 5.3 A second phase of our community engagement will take place on Saturday 4 May. Around 80 invited participants, including representatives from a range of community groups and our nine suburban neighbourhoods, as well as individuals who participated in our first phase of consultation, will attend a community consultation workshop to assist Council to prepare the 2019/20 Budget and guide future budgets.
- 5.4 The workshop will build upon the results in the neighbourhood-based pop-up conversations and online community survey. The workshop will guide participants through a series of discussions and debates about what they think are important services for Council to deliver and what isn't a priority. All participants will be provided with information before the workshop that outlines Council's broad range of services so that you can be well prepared for the discussions.

## 6. LEGAL AND RISK IMPLICATIONS

- 6.1 The Local Government Act 1989, requires Council to undertake an annual review of the Council Plan and to develop an annual Budget, for adoption by 30 June. The Act stipulates that any proposed amendments to the Plan and draft Budget be released for a 28-day public review period with public submissions invited.
- 6.2 Preparation and release of the proposed amended Council Plan 2017-27 (and draft Budget 2019/20) for public comment as recommended is consistent with these legislative requirements.
- 6.3 The financial and non-financial tables supporting the draft Budget 2019/20 and draft Strategic Resource Plan have been prepared in accordance with regulations laid down by the Local Government Amendment (Performance Reporting and Accountability Act 2014).
- 6.4 Officers will review the project portfolio between the draft and final versions of the Council Plan for deliverability. Any proposed changes to the timing of projects within the draft Council Plan will be reported as part of the adopted version of the Plan.

## 7. FINANCIAL IMPACT

- 7.1 As outlined in the Financial Strategy section of this report, this Plan operates within the rates cap, maintains financials sustainability, whilst investing in essential assets and services.
- 7.2 The draft Budget 2019/20 includes:
- 7.2.1 A rate increase of 2.50 per cent (equivalent to the rates cap)
  - 7.2.2 An increase in most fees and charges by 2.75 per cent
  - 7.2.3 \$2.2 million of efficiency savings. This adds to the \$11 million of savings delivered over the previous five budgets.
  - 7.2.4 The aforementioned adjustments are necessary in order to absorb the cost pressures council faces and to maintain a balanced Budget 2019/20 including:



- annual inflation adjustments for enterprise contracts.
- EBA increments for our staff (under negotiation).
- additional security budget required to mitigate safety risk to the community & our staff.
- increasing water charges reflecting greater usage required to upkeep our parks, ovals and gardens - mainly caused by below average rainfall.
- Lower parking income from Fisherman's Bend (fee reduction applied in January 2019 expected to have a positive utilisation uplift).
- Higher prices from new contract tenders including South Melbourne Market cleaning.
- Higher parking doubtful debts provisions due to the current inability of Fines Victoria to collect outstanding parking fines on Council behalf.
- Service level increases for street cleaning services, graffiti removal and amenity issues management.

7.2.5 There is no increase in an already low debt position.

7.2.6 Cash reserve for operational liquidity and contingency of \$27.0 million

7.2.7 \$55 million invested in projects to maintain, grow and improve services and assets

7.2.8 A cash surplus of \$0.9 million, which is above the financial strategy target of \$0.5 million. This provides additional contingency for enterprise financial risks including waste/ recycling sector disruptions.

7.3 Any resource implications of proposed adjustments to the draft Council Plan have been represented in the 10-Year Financial Plan and draft Budget 2019/20.

## **8. ENVIRONMENTAL IMPACT**

8.1 The proposed amendments to the Council Plan 2017-27 is aligned to the adopted Sustainable Environment and Waste strategies, including proposed targets for sustainability measures and funded priorities to achieve the targets.

## **9. COMMUNITY IMPACT**

9.1 The proposed amendments to the Council Plan 2017-27 is aligned to the adopted Creative and Prosperous City, and Integrated Transport strategies, including proposed targets for sustainability measures and funded priorities to achieve the targets.

## **10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY**

10.1 The proposed amended Council Plan 2017-27, when adopted, will replace the current version of the Council Plan 2017-2027.



**11. IMPLEMENTATION STRATEGY**

11.1 TIMELINE

11.1.1 If Council releases the release of the draft version of the proposed amendments to the Council Plan 2017-27, including the draft Budget 2019/20, for public consultation, the following will occur:

<b>Between Tuesday 23 April and Tuesday 21 May 2019</b>	<p>The proposed amended Council Plan 2017-27, including draft Budget 2019/20, will be available for public review with written submissions invited.</p> <p>Community consultation workshop to assist Council to prepare the 2019/20 Budget and guide future budgets to take place on Saturday 4 May.</p>
<b>Tuesday 21 May 2019</b>	Submissions on the proposed amendments to the Council Plan and draft Budget will close.
<b>Tuesday 4 June 2019</b>	Submissions will be received and heard by Council at the Special Council Meeting. Submitters who choose to speak to their submission, will do so at this meeting.
<b>Wednesday 19 June 2019</b>	The amended Council Plan 2017-27 (and Budget 2019/20) will be considered at the Ordinary Council Meeting for adoption.
<b>Early July 2019</b>	Mayor responds to submitters on the Council Plan and/or submission.
<b>Before 17 July 2019</b>	The Chief Executive Officers will notify the Minister of Local Government of the adoption of the amended Council Plan and Budget 2019/20 and provide a copy.

11.2 COMMUNICATION

11.2.1 Release of the draft version of the proposed amendments to the Council Plan 2017-27, including the draft Budget 2019/20, for public consultation will be communicated through information on Council’s website, a public notice in The Age, advertisement in the Port Phillip Leader, direct notification to all persons / groups on the project stakeholder database, and by making documents available at the Town Halls and Municipal Libraries (refer to Attachment 2).

**Key Messages**

11.2.2 The following key messages will support release of the Plan and assist the community to consider the document and make written submissions:

- The proposed changes to the Council Plan respond to the opportunities and challenges the City faces (including significant population growth, an increasing density of development and climate change) in a way that enhances Port Phillip as a place to live, work and visit.



- It also responds to recent challenges around the recycling industry and doubtful debts for parking debtors managed by Fines Victoria reflecting ongoing collection and system issues.
- Key strategies have been developed to further detail the steps required over the next two to ten years to respond to some of the challenges
- This has been achieved through a continued strong focus on prudent financial management, careful prioritisation and commitment to productivity and efficiency (\$13 million identified over the last six budgets including 2019/20).
- It is a plan for action on how we will deliver our shared vision for the future.
- It is about looking after our assets (for example, South Melbourne Town Hall and drainage) and responding to community calls for increased service levels (cleaning and waste)
- Council invites members of the public to submit comments during the public review period (Tuesday 23 April to Tuesday 21 May 2019) in relation to:
  - how the proposed amended Council Plan addresses community priorities and needs
  - how the draft Budget 2019/20 will deliver on the priorities outlined in the Plan.
- The closing date for submissions is Tuesday 21 May 2019 and submitters will be invited to speak to their submission at the Special Council meeting on 4 June 2019.
- Council will consider adoption of the amended Council Plan (and Budget 2019/20) at its meeting on 19 June 2019.

## 12. OFFICER DIRECT OR INDIRECT INTEREST

- 12.1 No officers involved in the preparation of this report have any direct or indirect interest in the matter.

**TRIM FILE NO:**

**16/02/221**

**ATTACHMENTS**

- 1. Updated Council Plan 2017-27 and draft Budget 2019/20**
- 2. Public notice releasing the draft updated Council Plan 2017-27, including the draft Budget 2019/20, for public consultation**
- 3. Community budget requests 2019-20**