



COUNCIL PLAN AND BUDGET 2020/21: ADOPTION

EXECUTIVE MEMBER: CHRIS CARROLL, GENERAL MANAGER, CUSTOMER, OPERATIONS AND INFRASTRUCTURE

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1. PURPOSE

1.1 For Council to formally consider and respond to public submissions and adopt the updated Council Plan 2017-27, including the Budget 2020/21.

2. EXECUTIVE SUMMARY

- 2.1 The COVID-19 pandemic has brought significant challenges for the City of Port Phillip community.
- 2.2 The Council Plan and Budget 2020/21 was developed as traders were forced to closed or drastically alter their offering; playgrounds were roped off; beaches were restricted; and rising unemployment.
- 2.3 How to lead and support the community through this unprecedented time and plan for economic and social recovery was at the forefront of developing the initiatives and measures that form the core of the Council Plan and Budget 2020/21.
- 2.4 The Council Plan and Budget 2020/21 highlights a prudent approach to financial management in responding to the pandemic (and other risks) whilst still managing to provide significant investment over the 10-year period to deliver on the Council Plan outcomes and vision.
- 2.5 The integrated Council Plan 2017-27 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. Each year Council reviews the Council Plan to determine whether the strategies, priorities and measures require adjustment and COVID-19 has necessitated substantial pivots in 20/21 – both fiscally and community focussed.
- 2.6 In addition to addressing the forecast \$31 million temporary revenue impact from COVID-19 including \$20 million in 2020/21, this Budget also addresses significant cost pressures within the Victorian Government rates cap. This includes over \$1.2 million in additional waste levies and contract costs, a further \$1.2 million in lost revenue associated with the failed Fines Victoria collection system, and implementation of Local Government Act Reforms.



- 2.7 The Budget also responds to the climate emergency with significant continued investment in environmental sustainability initiatives and advocacy as well as an increased focus on embedding environmental sustainability in our city strategy and design, asset management, procurement, project management, and investment policies and practices.

Community consultation

- 2.8 A draft version of the updated Council Plan 2017-27, including the draft Budget 2020/21 was released on 17 June 2020 for a 28-day review period incorporating 19 June to 17 July 2020.
- 2.9 Council's first ever all-virtual consultation program took place incorporating an online survey and seven neighbourhood-based focus groups of up to 12 participants; all supported by a comprehensive communications campaign to the community.
- 2.10 Council received 298 submissions on the draft document and heard 27 speakers at the Ordinary Council Meeting on 5 August 2020. The key themes raised related to:
- 2.10.1 Support for the EcoCentre programs and redevelopment.
 - 2.10.2 Support for the South Port Community Centre and its programs.
 - 2.10.3 Concerns with the proposed 2 per cent rate increase, concerns with the proposed service level reductions or requesting further expenditure cuts.
 - 2.10.4 Support for the Economic and Social Recovery program, with requests for additional support.
 - 2.10.5 Support for increased budget for the bike network and infrastructure.
- 2.11 26 submissions were received on the business side of the Economic and Social Recovery program and another 12 submissions related to Affordable Housing and Homelessness. Submitters were generally supportive of Council's approach and involvement, although most submitters sought additional Council support.
- 2.12 Most of the 101 online survey respondents were supportive of the initiatives. The exceptions were bringing forward the South Melbourne and St Kilda structure plans and allocating funds to address emerging social impacts. Focus group discussions around these initiatives indicate further description around these initiatives is required for our community to better understand them.
- 2.13 In terms of the proposed service level reductions, we received a small number of (less than five) submissions on each of the proposed service level reductions.
- 2.13.1 In all but two of the 11 proposed service level reductions, more than 50% of the 101 online survey respondents were supportive of the change. The exceptions were Reducing Community Satisfaction Survey to minimum LGPRF requirements (49%) and Ceasing Afternoon Litter Bin service over summer (26%).
 - 2.13.2 Participants across all focus groups indicated concerns over the proposed service level reductions to services that support children and young people. Some participants were more comfortable with these proposed reductions given they were temporary rather than permanent reductions.



- 2.13.3 Officers have recommended the reinstatement of the Afternoon Litter Bin service over summer at a cost of \$32k following feedback from our community.
 - 2.13.4 No other changes are recommended. Some of the proposals are temporary (ranging up to 12 months) or the responsibility of other tiers of government (eg dental checks). Others are a strategic response to continuing be financially sustainable while maintaining assets and services, responding to growth, and delivering on priorities.
- 2.14 There was support in both the online survey (60%) and the focus groups for the additional Family / Assertive Outreach resource for supporting families experiencing vulnerability to access early years education services, although there was a query in the focus groups around level of funding.

Updates to the draft Budget 2020/21

- 2.15 Since the release of the draft Budget 2020/21, officers have factored in the following changes to a range of budget items to reflect new and better information:
- 2.15.1 A \$3.2 million improvement to our 2019/20 year-end results, due to lower paid parking income impact and additional savings. As well as \$2.9 million of project deferrals.
 - 2.15.2 Additional efficiency savings of \$730,000 in 2020/21 resulting from the recent organisational restructure and fleet insurance.
 - 2.15.3 Additional cost pressures in 2020/21 of around \$4.7 million including \$1.3 million for high priority asset renewal and safety works (largely funded from the asset renewal reserve) and \$1.9 million for reduced parking and childcare revenue associated with Stage 4 lockdowns.
- 2.16 Due to an inability to guarantee the safety of our community, the 2021 St Kilda Festival is unlikely to go ahead. The need to procure infrastructure and entertainment in advance means that a decision is required by Council by the end of August. Given Stage 4 restrictions remain in place until September; officers believe it is highly unlikely we will be able to recommend going ahead given the risk of significant wasted effort and resources.
- 2.17 Officers recommend that Council agrees to suspend the Festival for one year and for the \$1.7 million in funds to be quarantined in reserve for one-off spend on economic and cultural recovery (including a focus on small business, live music and the creative industries).
- 2.18 Adjusting for the financial changes above and consideration of submissions, officers are proposing to include in the Budget 2020/21:
- 2.18.1 Support for Council tenants – allocate an additional \$1.1 million to extend rental deductions from October to end of December for impacted business and community tenants.
 - 2.18.2 Reactivate Fitzroy Street – match funding by the Fitzroy Street Traders Association to reinstate the initiative to reactivate Fitzroy Street in the post-



- COVID-19 recovery (\$75,000). Officers to seek Victorian Government funding for the second year.
- 2.18.3 Mechanisms that support and promote businesses within the City of Port Phillip and encourage visitation particularly – establish a Business Advisory Group, consisting of representatives from across the Municipality and Councillors (\$0).
 - 2.18.4 St Kilda Junction accessibility improvements - allocate \$100,000 (to be funded from the Sustainable Transport Reserve) to address the highest priority DDA and accessibility issues in and around the Junction.
 - 2.18.5 St Kilda Road Temporary Protected Bike Lanes – advocate to Victorian Government to fund and deliver temporary bike lanes. Impact to Council would be \$93,000 in reduced parking revenue due to temporary removal of parking spaces.
 - 2.18.6 Shimmy Bike Routes – allocate \$150,000 (to be funded from the Sustainable Transport Reserve) to develop informal bike riding routes to connect to local shopping strips.
 - 2.18.7 Afternoon Litter Bin Service over Summer – reinstate \$32,000 in funding for this service in response to community feedback.

Proposed Budget 2020/21 summary

2.19 The proposed Budget for 2020/21 includes:

- 2.19.1 A rate increase of 2 per cent (\$2.7 million or an average of \$35 per average ratepayer), which is equivalent to the rates cap set by the Victorian Government. The proceeds of the increase will be used to fund a \$5.6 million Economic and Social Recovery Program providing support for ratepayers, businesses and community members who need it the most.
- 2.19.2 Project investment of \$53 million to maintain, grow and improve services and infrastructure including \$33.2 million of capital investment in our \$3.2 billion worth of community assets including roads, footpaths, drains and stormwater pipes, parks and foreshore, sport fields and facilities, and community facilities.
- 2.19.3 A cumulative cash surplus of \$1.13 million providing additional contingency for financial risks including COVID-19 recovery. This is supplemented by a \$1.7 million reserve for additional COVID-19 recovery funded through the suspension of the St Kilda Festival for 1 year.
- 2.19.4 No increase in an already low debt position, with the majority of this proposed to be repaid in 2021/22. In addition, cash reserves of \$23.9 million are retained for contingency and operational needs including staff leave liability. Given the financial risks and cost pressures facing council it is prudent to retain this financial capacity for the future.
- 2.19.5 Efficiency savings of \$5.6 million (equating to around \$60 million over the next 10 years), including \$0.7million from the Customer Experience Program. This totals \$12.6 million of savings delivered over the last four budgets of this Council.



- 2.19.6 Further savings of \$1.2 million (a mix of temporary and permanent equating to around \$11 million over the next 10 years) from reducing investment in services that are the responsibility of other tiers of government, of low impact, or nice to do but not essential.
- 2.19.7 \$9.8 million in temporary additional savings based on lower demand, part year recommencement of council services, completing an organisational operating review and a reduced capital portfolio (largely deferrals into the next few years rather than cuts).
- 2.19.8 A net decrease of 62 Full Time Equivalent (FTE) positions. We expect 25 of these positions will be required in 2021/22 as the capital program and service demand ramp up again following COVID-19. Salaries and wages have been reduced budget on budget by \$5.6 million.
- 2.20 The \$5.6 million Economic and Social Recovery Program represents an increase of \$1.4 million from draft budget and builds on the \$2.8 million emergency relief package provided in the final quarter of last financial year. It excludes the \$1.7m reserve set aside from suspending the St Kilda Festival. The program includes initiatives to:
 - 2.20.1 Provide relief from rates, rents and Council fees and charges including interest free payment plans and deferrals, fee waivers and rental abatement.
 - 2.20.2 Reactivate public space
 - 2.20.3 Support land use and statutory planning
 - 2.20.4 Reduce red tape
 - 2.20.5 Support businesses, volunteer sector, social connections and community resilience
 - 2.20.6 Respond to affordable housing and homelessness.
- 2.21 Council will also continue to provide its additional pensioner rebate of \$175 to supplement the State Government rebate scheme of \$249 plus \$50 rebate for the Fire Services levy up to a maximum of 50%. We are one of the few councils offering this support.
- 2.22 In addition, Council is working with the State Government to provide employment opportunities through the provision of community services as part of the Working for Victoria jobs scheme.
- 2.23 The Council Plan includes significant projected investment continuing over the next 10 years. Some of the project priorities included in Budget 2020/21 include:
 - 2.23.1 **Waste, amenity and sustainability:** \$6.9 million is budgeted to support projects including the EcoCentre redevelopment, energy efficiency street lighting and buildings, waste strategy implementation including a food and garden organics collection trial, and implementation of our public toilet plan. This will also support continuation of our critical investment in stormwater management and continued support for the Elster Creek Catchment Partnership.



- 2.23.2 **Traffic and parking:** Over \$6 million to support projects including close to \$3 million upgrading roads, footpaths, kerbs, and laneways and over \$1 million on bike infrastructure and related projects including temporary protected bike lanes along St Kilda Road (subject to Government approval) and Shimmy Lane bike routes. This will also support continued involvement with the Domain Precinct and Melbourne Metro Project.
- 2.23.3 **Parks and recreation:** \$12.3 million in projects including \$8.9 million for public space and playground projects such as the Palais Theatre and Luna Park precinct revitalisation, St Kilda Marina Lease and Redevelopment, and the J L Murphy Play Space upgrade. It also includes \$3.4 million upgrading sport fields and recreation facilities including Graham St Skate Park, J L Murphy Reserve, Lagoon Reserve, North Port Oval, RF Julier Reserve, and Elwood 'Wattie Watson Oval'.
- 2.23.4 **Arts, culture and markets:** \$5.3 million allocated towards projects to improve the condition, safety, and accessibility of the South Melbourne Market, implementation of the Creative and Prosperous City Strategy, investment in our libraries. This also includes funding for the renewal of the South Melbourne Town Hall and upgrade of the Palais Theatre Toilets with a focus on enhanced facilities for women.
- 2.23.5 **Family and community services:** \$1.7 million allocated towards projects to support improved condition, safety and accessibility of childcare and community facilities as well as implementation of the *In our Backyard Affordable Housing Strategy*. This is in addition to continuation of our highly valued children's, aged care, and housing and homeless services.
- 2.23.6 **City planning and local laws:** \$1.1 million allocated towards planning scheme amendments, South Melbourne and St Kilda precinct strategic plans, and implementation of the heritage program. Significant investment as part of the Customer Experience Program in improving Council's planning, permitting and animal registration services.
- 2.23.7 **Asset management:** Over \$6.3 million allocated towards projects to improve the condition, functionality, safety and accessibility of council buildings as well as planning and consultation on the upgrade and revitalisation of facilities on the Elwood Foreshore.
- 2.23.8 **Customer experience:** A \$9.6 million investment in improved culture, capability, technology and ways of working to make it easier and better for our customers, community and employees while delivering a more efficient organisation. We expect productivity and efficiency savings equivalent to \$40 million over the 10-year period with \$700k included in Budget 2020/21.
- 2.24 In addition to the significant \$31 million short-term financial impact created by COVID-19, which this budget addresses, the 10-year financial outlook includes a rates cap challenge of \$108 million of which \$75 million is expected to be addressed through ongoing efficiency savings. The residual \$33 million will need to be addressed through service level reductions and/or a future waste charge.



- 2.25 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 for most of the period, although in 2020/21 the risk will be medium overall.
- 2.26 The Council Plan and Budget 2020/21 responds to the substantial economic and social demands caused by COVID-19 whilst ensuring that the long-term vision for the City will continue to be delivered. It offers hope as well as the initiatives required to rebuild our community in a fiscally responsible manner.

3. RECOMMENDATION

That Council:

- 3.1 Notes that the financial changes identified and incorporated into the Budget 2020/21 in Attachment 1 of this report.
- 3.2 Notes that the community engagement findings summarised in Section 5 and detailed in Attachment 2 of this report.
- 3.3 Agrees to suspend the 2021 St Kilda Festival and quarantines the \$1.7 million savings in reserve for a one-off spend on economic and cultural recovery – to be determined by Council at later date when impacts are better known and restrictions ease.
- 3.4 Having considered all the submissions received and heard at the Ordinary Meeting of Council on 5 August 2020, agrees to include in the Budget 2020/21 the following:
- 3.4.1 Reactivate Fitzroy Street – match \$75,000 funding by the Fitzroy Street Trading Association to reactivate Fitzroy Street in the post-COVID-19 recovery period by filling vacant stores on Fitzroy Street.
- 3.4.2 Mechanisms that support and promote businesses within the City of Port Phillip and encourage visitation particularly – establish a Business Advisory Group, consisting of representatives from across the Municipality and Councillors (\$0).
- 3.4.3 St Kilda Junction accessibility improvements - allocate \$100,000 (to be funded from the Sustainable Transport Reserve) to address the highest priority DDA and accessibility issues in and around the Junction.
- 3.4.4 St Kilda Road Temporary Protected Bike Lanes – advocate to Victorian Government to fund and deliver temporary bike lanes. Impact to Council would be \$93,000 in reduced parking revenue due to temporary removal of parking spaces.
- 3.4.5 Shimmy Bike Routes – allocate \$150,000 (to be funded from the Sustainable Transport Reserve) to develop informal bike riding routes to connect to local shopping strips.
- 3.5 Having considered all the submissions received and heard at the Ordinary Meeting of Council on 5 August 2020, and considered the online survey and focus group findings, agrees to:
- 3.5.1 Reinstate the Afternoon Litter Bin Service (\$32,000)



- 3.5.2 Proceed with the other service level changes identified in the draft Budget 2020/21 noting this is a strategic response in continuing to be financially sustainable while maintaining assets and services, responding to growth, and delivering on priorities.
- 3.6 Adopts the updated Council Plan 2017-27, which includes the Strategic Resource Plan and Budget 2020/21, pursuant to ss125-127 of the Local Government Act 1989, as set out in Attachment 4.
- 3.7 Delegates authority to the CEO to reflect any changes made by Council at tonight's meeting, which are not reflected in Attachment 4, and to make minor typographical corrections or changes to images before final publication.
- 3.8 Responds in writing to those that have made formal written submissions, to advise them of the outcome of Council's decision as set out in Attachment 3.
- 3.9 Notes that the adopted Council Plan 2017-27 including Budget 2020/21 will be sent to the Minister for Local Government before 17 September 2020.

4. KEY POINTS/ISSUES

The updated Council Plan including the draft Budget 2020/21

- 4.1 Council endorsed the updated Council Plan 2017-27 including the draft Budget 2020/21 document on 17 June 2020 for public consultation.
- 4.2 The draft document was updated to reflect changes required to respond to our operating environment. Applying the principles and budget parameters set within the 10-Year Financial Outlook that were first considered by Council in December 2019 and again on 6 May 2020, it included a balanced draft Budget 2020/21 that addresses the rates capping challenge and responds to a significant financial impact and risks associated with COVID-19 pandemic and other risks such as the impact of the Recycling Victoria policy on waste services.
- 4.3 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.
- 4.4 The financial strategy is embedded in a 10-year Financial Plan and forms part of the updated Council Plan. It sets the parameters within which Council agrees to operate to maintain acceptable financial outcomes over the short, medium and long term.
- 4.5 Key highlights of the draft Budget 2020/21 included:
 - 4.5.1 A rate increase of 2 per cent, which is equivalent to the rates cap set by the Victorian Government, with the additional proceeds to be used to: increase support for ratepayers, businesses and community members who need it the most through the \$4.2 million proposed Economic and Social Recovery program.
 - 4.5.2 A general increase in fees and charges of 2.25 per cent, which is consistent with our financial strategy, unless it makes sense to vary, and to provide targeted support to those who need it most.



- 4.5.3 Efficiency savings of \$4.9 million, including \$0.7million from the Customer Experience Program. This adds to the \$13 million of savings delivered over the previous six budgets.
- 4.5.4 No increase in an already low debt position, with the majority of this proposed to be repaid in 2021/22.
- 4.5.5 Cash reserve for operational needs including staff leave and contingency of \$23.9 million.
- 4.5.6 Project investment of \$47 million to maintain, grow and improve services and assets.
- 4.5.7 A cash surplus of \$983,000 providing additional contingency for enterprise financial risks including COVID-19 recovery.

4.6 It also included \$1.3 million in service level reductions.

Public consultation and consideration of submissions

4.7 Refer to section 5 of the report.

Financial changes to the Budget 2020/21 since public consultation

- 4.8 Since the release of the draft Budget 2020/21, officers have factored in the following changes to a range of budget items to reflect new and better information on:
 - 4.8.1 A \$3.2 million improvement to our 2019/20 year-end results, due to lower paid parking income impact and additional savings. Project deferrals of \$2.9 million.
 - 4.8.2 Additional efficiency savings of \$730,000 in 2020/21 resulting from the recent organisational restructure and fleet insurance.
 - 4.8.3 Negating this are several additional cost pressures in 2020/21:
 - \$1.3 million increase in costs for high priority asset renewal and safety works.
 - \$0.9 million loss of paid parking revenue due to Stage 4 lockdowns.
 - \$0.2 million in additional COVID-19 related expenditure.
 - \$1.1 million to extend rental deductions from October to end December 2020 for impacted tenants.
 - \$0.2 million to fund other costs such as higher WorkCover premiums, and an additional project manager resource for EcoCentre / South Melbourne Town Hall and other projects.
- 4.9 Attachment 1 lists the financial changes that have been incorporated into the Budget 2020/21 and the reason for the change.

Proposed changes to the Budget 2020/21

- 4.10 Due to an inability to guarantee the safety of our community, the 2021 St Kilda Festival is unlikely to go ahead. The need to procure infrastructure and entertainment in advance means that a decision is required by Council by the end of August and as



stage 4 restrictions remain in place until September; it's untenable to think an affirmative decision could be made within this timeframe.

- 4.11 Officers recommend that Council agrees to suspend the Festival for one year and for the \$1.7 million in funds to be quarantined in reserve for one-off spend on economic and cultural recovery (including a focus on support for small business, live music and the creative industries).
- 4.12 After consideration of the submissions received, officers are proposing to include in the Budget 2020/21:
- 4.12.1 Reactivate Fitzroy Street – match \$75,000 funding offered by the Fitzroy Street Trading Association to reinstate the retail activation initiative for a 12 month trial to reactivate Fitzroy Street in the post-COVID-19 recovery period by filling vacant stores on Fitzroy Street that currently has the highest vacancy rate in our municipality at approximately 30%, offering spaces to struggling artists, creatives, businesses that have been negatively affected by lockdowns (\$75,000). To approach the Victorian Government for second year funding.
 - 4.12.2 Mechanisms that support and promote businesses within the City of Port Phillip and encourage visitation particularly – establish a Business Advisory Group, consisting of representatives from across the Municipality and Councillors (\$0).
 - 4.12.3 St Kilda Junction accessibility improvements - allocate \$100,000 (to be funded from the Sustainable Transport Reserve) to address the highest priority DDA and accessibility issues in and around the Junction.
 - 4.12.4 St Kilda Road Temporary Protected Bike Lanes – advocate to Victorian Government to fund and deliver temporary bike lanes. Impact to Council would be \$93,000 in reduced parking revenue due to temporary removal of parking spaces
 - 4.12.5 Shimmy Bike Routes – allocate \$150,000 (to be funded from the Sustainable Transport Reserve) to develop informal bike riding routes to connect to local shopping strips.
- 4.13 For the remainder of submissions, officers are not recommending any budget changes or scope changes to annual programs.

Updated overall Budget 2020/21 financial position

- 4.14 The impact of all the proposed changes above is that the cumulative cash surplus will be \$1.13 million.
- 4.15 As outlined in the Financial Strategy in this report, the Plan operates within the rates cap, maintains financial sustainability and an overall low financial sustainable risk rating as measured by the VAGO Financial Sustainability Indicators, whilst investing in essential assets and services.

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4.16 The updated financial sustainability table is as follows:

Indicator	Indicator Targets	Forecast Projections											
		2019/20	2020/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	
Net Result %	Greater than 0%	2.9%	(7.6%)	1.2%	2.6%	4.7%	6.1%	5.6%	5.4%	4.9%	5.3%	4.5%	
Adjusted underlying result	Greater than 5%	(3.0%)	(10.6%)	(2.7%)	(1.0%)	1.0%	2.0%	2.1%	2.0%	2.2%	2.6%	1.9%	
Working Capital	Working Capital Ratio >100%	363%	229%	235%	228%	237%	254%	266%	276%	282%	290%	292%	
Internal Financing	Net cashflow from operations to net capital expenditure >100%	125%	73%	89%	100%	114%	122%	118%	116%	113%	114%	109%	
Indebtedness	Indebtedness ratio <40%	5.0%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	
Capital Replacement	Capital to depreciation >150%	87%	123%	163%	155%	153%	154%	153%	154%	154%	154%	154%	
Infrastructure Renewal Gap	Renewal & upgrade to depreciation >100%	72%	117%	154%	147%	140%	131%	130%	131%	131%	131%	131%	
Overall Financial Sustainable Risk Rating		Med	Med	Low	Low	Low	Low	Low	Low	Low	Low	Low	

4.17 The proposed Budget for 2020/21 includes:

- 4.17.1 A rate increase of 2 per cent, which is equivalent to the rates cap set by the Victorian Government, with the additional proceeds to be used to increase support for ratepayers, businesses and community members who need it the most, through the \$5.6 million Economic and Social Recovery program.
- 4.17.2 A general increase in fees and charges of 2.25 per cent, which is consistent with our financial strategy, unless it makes sense to vary, and to provide targeted support to those who need it most.
- 4.17.3 Efficiency savings of \$5.6 million, including \$0.7million from the Customer Experience Program. This totals \$18.6 million of savings delivered over the last seven budgets.
- 4.17.4 There is no increase in an already low debt position, with the majority of this proposed to be repaid in 2021/22.
- 4.17.5 Cash reserves for operational needs including staff leave and contingency of \$23.9 million.
- 4.17.6 Project investment of \$53 million to maintain, grow and improve services and assets.

4.18 A cumulative cash surplus of \$1.13 million providing additional contingency for enterprise financial risks including COVID-19 recovery. Resource implications of proposed adjustments to the Council Plan have been represented in the 10-Year Financial Plan and Budget 2020/21.

Changes to the Council Plan document

- 4.19 The Council Plan document content in Attachment 4 contains the following changes:
 - 4.19.1 A CEO message has been included.
 - 4.19.2 The *Changes to this plan* section of the Council Plan document has been updated to reflect the proposed changes to the Budget 2020/21.



- 4.19.3 The *How the community shaped this Council Plan* section of the document has been updated to include the recent community engagement and the initiatives that are proposed to be included in Budget 2020/21 after considering submissions.
- 4.19.4 The *Fees and Charges* section has been updated to reflect a change in the Personal Training annual licence fee for 1 to 15 participants
- 4.19.5 The target for 2020/21 for Energy consumption in Council Buildings and Streetlights in the Council Plan has changed from 7,200MWh to 8,080MWh. This is to reflect the endorsed changes by Council in the Budget 2020/21 to reduce the Energy Efficiency and Solar Program to \$50,000 in 2020/21 and deferral of the Energy Efficient Street Lighting upgrade to 2021/22 (notably the latter was a deliverability issue).
- 4.19.6 The 10-year financial statements, fees and charges, service information and other supporting tables in the Council Plan document have been updated to reflect the proposed changes in this report. This includes the reporting of subsidised rental income (non-cash) from the Asset and Property Management service category in the draft document to Finance and Project Management. Net financial impact is zero
- 4.20 Officers will further update the Council Plan document for any other decisions made by Council to the Budget 2020/21 at the 19 August 2020 Council meeting.
- 4.21 Rate information in the Council Plan and Budget 2020/21 document in Attachment 4 will be updated to reflect Council decisions relating to the Council report to the 19 August 2020 Council meeting on Declaration of Rates and Charges – 1 July 2020 to 30 June 2021.

5. CONSULTATION AND STAKEHOLDERS

Community engagement on the updated Council Plan and Budget 2020/21

- 5.1 On 17 June 2020, Council endorsed the release of the updated Council Plan 2017-27, including the draft Budget 2020/21, for public consultation.
- 5.2 Release of the draft document was communicated through information on Council's website and Have Your Say website, via Council's social media channels and newsletters, a public notice in The Age and by making documents available at municipal libraries that were open.
- 5.3 To support public consultation:
 - 5.3.1 An online survey was made available specifically asking for feedback on the 16 Economic and Social Recovery Program initiatives that would require additional funding, and 11 proposed service level reductions and one proposed service level increase.
 - 101 responses were received.
 - 5.3.2 seven neighbourhood-based online focus groups sessions consisting of up to 12 participants were established to gather feedback on the draft budget, and test views. The conversation also included investment in their neighbourhood.



- 137 registrations of interest received; 40 community members participated
- 5.4 The CEO also instigated tailored conversations on the draft Budget with business and community organisations such as BEST, Port Phillip Bike Users Group (BUG), The Community Alliance of Port Phillip (CAPP), Port Phillip Emergency Climate Network (PECAN), Port Melbourne Business Association, Port Phillip Community Group (PPCG), Ratepayers of Port Phillip (RoPP – cancelled at request of RoPP), St Kilda traders, and St Kilda Water and Trees (SKWAT).
- 5.5 In total, Council received 298 written submissions from individuals or groups, related to 23 service categories. The main themes to come out of the submissions were:
- 5.5.1 Sustainability (116 submissions): most submitters were either thanking Council for, or requesting, continued support of the EcoCentre redevelopment and its programs. There was one submitter who did not support development of the EcoCentre at the St Kilda botanical gardens. Other submissions referred to the Climate Emergency, increase street tree canopy cover, support for Elsternwick Park North initiative.
 - 5.5.2 Community Programs and Initiatives (100 submissions): most submitters were thanking Council for, or requesting, continued support of the South Port Community Centre. A small number of submitters also thanked Council for its continued support of the Port Phillip Community Group.
 - 5.5.3 Finance and project management (31 submissions): most submitters were either not supportive of a rate increase and/or looking to Council to make further expenditure cuts. Some submitters raised concerns with the proposed service level reductions. There were a few submissions that were supportive of Council's approach.
 - 5.5.4 Economic development and tourism (26 submissions): All submissions related to the \$4.2 million Economic and Social Recovery, with most submitters supportive of Council's approach and seeking additional Council support (this is covered in more detail in the report).
 - 5.5.5 Transport and parking management (18 submissions): Ten submitters sought increased budget for the bike network and infrastructure. Two submitters requested changes to parking times/ permit arrangements.
 - 5.5.6 Public spaces (17 submissions): Topics were varied with some submissions on increased parks/trees and support for St Kilda Triangle.
 - 5.5.7 Affordable Housing and Homelessness (12 submissions): Submitters were generally supportive of Council's approach and involvement. One submitter was seeking an increase to the existing Social Housing Fund to provide for the added initiatives aimed at homelessness.

Findings on the proposed Economic and Social Recovery program

- 5.6 In terms of the 16 proposed initiatives in the Economic and Social Recovery program:
- 5.6.1 There were several points of alignment between survey and focus group feedback. Both survey respondents and focus group participants indicated



- general support for the Economic and Social Recovery Program. Strongest support was shown for the first initiative to extend hardship provisions to vulnerable resident and commercial ratepayers (82% support from survey respondents), with some debate across the focus groups around whether a rates waiver or cut was a better option than a deferment.
- 5.6.2 There was also strong support for the initiatives targeted at our most vulnerable community members, such as housing support for the homeless and rough sleepers in our City. Focus group discussions noted some questions around Council's ability to manage housing properties and the need for collaboration across all tiers of government.
- 5.6.3 Two initiatives received less than 50 per cent support from survey respondents (Bring forward South Melbourne and St Kilda structure plans – 43% and Funds to address emerging social impacts – 48 %). Focus group discussions around these initiatives indicate further description around these initiatives is required for our community to better understand them.
- 5.6.4 There was some debate in the focus group discussions around the value of the Corporate Volunteer Program initiative, which received 69 per cent support from survey respondents. Focus group participants supported the concept of a volunteer program, but queried the funding allocation, and there was some consensus that a volunteer program should not be at any financial cost to the organisation.
- 5.7 When asked what should be added to the program, survey respondents suggested a range of things, including funding for community programs and facilities that demonstrate a high level of community access, further organisational savings and a rate freeze. Several specific suggestions were also put forward by survey respondents. A list of their verbatim contributions to this question is provided in Attachment 2.
- 5.8 Council received 26 submissions on the proposed Economic and Social Recovery program. There is general support for the program. Several submitters requested an expansion or extension to the initiatives:
- 5.8.1 Establishment of a Business Advisory Group to enact programs that will enhance and promote business within the whole municipality.
- 5.8.2 Upstride Agency and Andiamo Projects jointly requested use of \$150,000 fund allocated in Economic and Social Recovery program for a Christmas event activation designed at both promoting local business and also encouraging visitors during this time (cost approximately \$60,000).
- 5.8.3 Rates relief (12 months waiving of rates, pro rata relief, part waiver-part deferral, at least 25% waiver.
- 5.8.4 Rent relief (12-month waiving of rents).
- 5.8.5 Establishment of a vacancy "levy".
- 5.8.6 Reinstate Council funding for the Fitzroy St retail activation with matched funding from the Fitzroy St Business Association.
- 5.8.7 Establishing grants for businesses to set up in the area.



- 5.8.8 Waiving footpath permit fees.
- 5.8.9 Replacing Council's current skip permit fee structure with an annual fee.
- 5.8.10 Removal of parking fees or increased free parking.
- 5.8.11 Continuation of the prioritisation of the St Kilda Precinct Strategic Plan.
- 5.8.12 Create a 12-month job creation program.
- 5.8.13 Co-investment of pop-up activities and consideration of a "Hoyne like" project.

Findings on the proposed service level changes

- 5.9 In terms of the 11 proposed service level reductions, there was less unanimous support:
 - 5.9.1 In all but two of the 11 proposed service level reductions, more than 50% of online survey responses were supportive of the change.
 - 5.9.2 The exceptions were Reducing Community Satisfaction Survey to minimum LGPRF requirements (49%) and Ceasing Afternoon Litter Bin service over summer (26%).
 - 5.9.3 The online focus groups had mixed views on the former and did not support the latter and there was some support for a trial and evaluation.
 - 5.9.4 Participants across all focus groups indicated concerns over the proposed service level reductions to services that support children and young people. Some participants were more comfortable with these proposed reductions given they were temporary rather than permanent reductions.
- 5.10 There was support (60% in online survey) and for the additional Family / Assertive Outreach resource for supporting vulnerable families, although there was a query in the focus groups around level of funding.
- 5.11 Council received a small number of submissions on the proposed service level reductions:
 - 5.11.1 Defer Youth Leadership and Engagement program for six months: Three submitters raised concerns with the proposal.
 - 5.11.2 Suspend Early Education Partnership for one year: Two submitters raised concerns with the proposal.
 - 5.11.3 Suspend Youth Service Development for one year: One submitter raised concerns with the proposal.
 - 5.11.4 Reduce operational subsidy to kindergartens from \$4,000 to \$2,000 per centre: One submitter sought support for kindergartens and one submitter raised concerns with the proposal.
 - 5.11.5 Reduce project funding for Friends of Suai/Covalima: Two submitters thanked Council for its support and one submission sought continued support.
 - 5.11.6 Cessation of pre-school dental check program funding agreement with Star Health: Three submitters raised concerns with the proposal.



- 5.11.7 Close South Melbourne Night Market and NEFF Kitchen: One submitter requested keeping the NEFF Kitchen open.
- 5.11.8 Reduce the Customer Satisfaction Survey to minimum legal requirements: One submitter noted that Council could continue to collect data and cost savings in real time by using platforms such as Survey Monkey.
- 5.11.9 One submitter didn't support any of the proposed service level reductions.

Funding requests

- 5.12 Council also received several submissions from community groups and individuals with funding requests.
 - 5.12.1 The St Kilda Primary School principal and the reverend from Holy Trinity Balaclava and Elwood church approached Council with the idea to convert a section of Dickens Street, St Kilda into a community play space.
 - 5.12.2 The Middle Park Bowls Club requested Council contribution of \$2.5 million in 2020/2021 for the development of the site. However, Council has since submitted on behalf of the club an application to the Victoria Government Community Sports Infrastructure Stimulus Program for funding.
 - 5.12.3 The Albert Park Bowls Club requested Council support of \$150,000 in planning, permitting and approvals for Phase 1 of the redevelopment: creation of female-only change rooms and remediation of current toilet facilities.
 - 5.12.4 Power House Rugby Union Club requested a Council contribution to construct a new sports pavilion. However, Council submitted on behalf of the club an application to the Victoria Government Community Sports Infrastructure Stimulus Program for funding.
 - 5.12.5 Elwood College requested \$500,000 contribution from Port Phillip for outdoor courts extension, roof and lighting project at the Phoenix Centre (Elwood College Community Sport and Arts Centre).
 - 5.12.6 JAAG requested Council to proceed with the St Kilda Junction Upgrade initiative by working with Department of Transport on a masterplan, DDA compliance of St Kilda Junction tram stop 131 and installing pedestrian crossings.
 - 5.12.7 JAAG also requested funding within the relevant budget for increased security and safety flood lighting along Charnwood Road park.
 - 5.12.8 The Chair WW2 Commemorative Committee and 8 other submitters have asked for \$22,000 Council funding for completion of the remembrance garden in the Railway Reserve, Port Melbourne.
 - 5.12.9 Bring Back Brookes Jetty requested Council support for a replacement structure for the Brookes Jetty.
 - 5.12.10 BCNA is requesting renewal of road surface between on Beach Street between Bay Street and Waterfront Place.



- 5.12.11 A board member of Port Phillip Community Group has requested a 12.5% increase in Council funding.
- 5.12.12 Libertarian Productions is requesting parking permits for Williams St, Balaclava.
- 5.12.13 U3APP requests an Audio / Video upgrade of the Mary Kehoe Centre. They also recommend a new class of parking permit to respond to challenging parking situations due to short time limits.
- 5.12.14 SKWAT is seeking Council to undertake a serious assessment of a recycled water project for Catani Gardens in the 2020/21 budget at an estimated cost of \$25,000.
- 5.12.15 unChain requests funding in Budget 2020/21 towards a business case for St Kilda Triangle.
- 5.12.16 CAPP requests an increase in the Social Housing Fund to provide for the added initiatives aimed at homelessness.
- 5.12.17 An individual has requested to have lighting installed in Hester Reserve, Port Melbourne, as a matter of security.
- 5.12.18 Four submitters request that Council not charge them for services for the waste collection services they do not use.

Investment in neighbourhoods

- 5.13 Focus group participants were asked additional questions around how the budget was developed, and the level of investment planned for their neighbourhood in 2020/21. Overall, participants were satisfied with the principles and prioritisation criteria for developing Budget 2020/21. Some suggested climate change impacts and waste management challenges needed to be included in the prioritisation criteria.
- 5.14 Participants were generally comfortable with planned investment in their neighbourhood for 2020/21. There was some desire to understand how each neighbourhood compared against others, and for more detail around some of the investments, and some debate on the benefits around deferring capital works projects to identify further savings / reprioritise funding or bringing these projects forward to stimulate the local economy.
- 5.15 Details on the community engagement findings are in Attachment 2. A summary of submissions received, and proposed officer responses are in Attachment 3. For full submissions, refer to the 5 August Council Report: *Council Plan and Budget 2020/21: Hearing of Submissions*

6. LEGAL AND RISK IMPLICATIONS

- 6.1 The Local Government Act 1989 (the Act), requires Council each year to:
 - 6.1.1 review the Council Plan to determine whether the strategies, actions and measures require adjustment
 - 6.1.2 develop an annual Budget, which includes detail on the capital and operating programs

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- 6.1.3 release the updated Council Plan and draft Budget for a minimum 28-day statutory public review period and invite submissions from the public
- 6.1.4 receive and hear all submissions at a Council meeting
- 6.1.5 adopt the updated Council Plan and annual Budget, after consideration of public submissions, by 30 June 2020. The Minister for Local Government gazetted on 9 April 2020 that the adoption date for the upcoming Strategic Resource Plan and Budget 2020/21 had been extended to 31 August 2020.

6.2 The financial and non-financial tables supporting the Budget 2020/21 and Strategic Resource Plan have been prepared in accordance with regulations laid down by the Local Government Amendment (Performance Reporting and Accountability Act 2014).

7. FINANCIAL IMPACT

- 7.1 The Council Plan including the Budget 2020/21 operates within the rates cap, maintains financials sustainability, while investing in essential assets and services.
- 7.2 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 for the vast majority of the 10-year period following 2020/21.

Indicator	Indicator Targets	Forecast Projections										
		2019/20	2020/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30
Net Result %	Greater than 0%	(2.1%)	(7.7%)	0.5%	2.7%	4.6%	6.1%	5.6%	5.4%	4.9%	5.2%	4.5%
Adjusted underlying result	Greater than 5%	(7.1%)	(10.0%)	(2.7%)	(0.8%)	0.9%	1.9%	2.1%	2.0%	2.2%	2.6%	1.9%
Working Capital	Working Capital Ratio >100%	299%	199%	198%	192%	200%	216%	228%	238%	244%	252%	254%
Internal Financing	Net cashflow from operations to net capital expenditure >100%	78%	93%	87%	99%	114%	122%	118%	116%	113%	114%	109%
Indebtedness	Indebtedness ratio <40%	5.3%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Capital Replacement	Capital to depreciation >150%	104%	102%	159%	159%	153%	154%	153%	154%	154%	154%	154%
Infrastructure Renewal Gap	Renewal & upgrade to depreciation >100%	85%	96%	150%	150%	140%	131%	130%	131%	131%	131%	131%
Overall Financial Sustainable Risk Rating		Med	Med	Low	Low	Low	Low	Low	Low	Low	Low	Low

For details on financial risks, rates assistance, Budget 2020/21 at a glance and fees and charges, please refer to the Council Plan document in Attachment 4.

8. ENVIRONMENTAL IMPACT

- 8.1 The updated 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.
- 8.2 The City of Port Phillip declared a climate emergency at the 18 September 2019 Council meeting. The declaration acknowledges that Council was already providing a



comprehensive response to the climate emergency through the Act and Adapt – Environmental Sustainability Strategy 2018-28 and other initiatives.

- 8.3 Council officers are now working through the process of embedding the declaration in relevant policies and strategies and reviewing opportunities for advocacy to the Victorian and Australian governments.
- 8.4 Like other strategic priorities, some project expenditure has been deferred to future years to help address the financial impacts of COVID-19. However, the draft Budget 2020/21 includes a continued focus on council's commitment to environmental sustainability and funds a significant increase in the cost of council's waste and recycling services. Project funding has been allocated to developing a comprehensive response to the waste crisis and a range of other projects that help respond to the climate emergency.

9. COMMUNITY IMPACT

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

10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 10.1 The adopted updated Council Plan 2017-27 will replace the current version of the Council Plan 2017-2027.

11. IMPLEMENTATION STRATEGY

11.1 TIMELINE

- 11.1.1 Following Council's adoption of the Budget 2020/21, the public notice of the adoption of the Budget will be placed in the Port Phillip Leader before 31 August 2020.
- 11.1.2 A copy of the updated Council Plan 2017-27, including the Budget 2020/21, will be forwarded to the Minister for Local Government by 17 September 2020.
- 11.1.3 A rates brochure will be distributed in conjunction with the issuing of rate notices in September 2020.

11.2 COMMUNICATION

- 11.2.1 Each person or organisation that has lodged a submission will be notified in writing, thanking them for their submission, advising them of the Council decision and the reasons for that decision.
- 11.2.2 The updated Council Plan 2017-27 document, which includes the Budget 2020/21, will be promoted on Council's website, and made available at local libraries and service centres when they re-open.
- 11.2.3 Council and the community will continue to receive updates on the Council's financial performance against the Council Plan and Budget through regular CEO reports and the Annual Report.



KEY MESSAGES

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

- Council has developed a balanced Budget 2020/21 that addresses the rates capping challenge and responds to the significant financial impact and risks associated with COVID-19 pandemic and other risks such as the impact of the Recycling Victoria policy on waste services.
- The proposed rate increase is 2 per cent, which is equivalent to the rates cap set by the Victorian Government, with the additional proceeds to be used via the \$5.6 million Economic and Social Recovery program to increase support for ratepayers, businesses and community members who need it the most.
- It includes efficiency savings of \$5.6 million, including \$0.7million from the Customer Experience Program. This totals \$12.6 million of savings delivered by this Council over the last four budgets.
- And there is no increase in an already low debt position.
- To achieve this Council has strategically reprioritised expenditure and the Budget includes a small number of temporary and permanent service level reductions, in addition to the cuts and efficiencies already made across the organisation, including operational and staffing.
- Council is prioritising activities that will stimulate our economy in recovery and that will best shape our City for the future.

12. OFFICER DIRECT OR INDIRECT INTEREST

12.1 An officer involved in the preparation of this report has an indirect interest by close association. The close association is employed by the Australian Government who is a funder of Council's aged care services, which are included as part of this Council budget. The officer involved in the preparation of this report has no direct line management responsibility for aged care. The indirect association, while responsible for the Southern Metropolitan region, has had responsibility for matters associated with the City of Port Phillip assigned to another officer in the Australian Government.

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ATTACHMENTS

1. Financial changes that have been incorporated into baseline of the Budget 2020/21
2. Community Engagement Report
3. Summary of budget submissions 2020-21 and responses
4. Council Plan 2017-27 including Budget 2020/21