



13.2 DRAFT COUNCIL PLAN 2021-2031 YEAR THREE - MUNICIPAL HEALTH & WELLBEING PLAN, FINANCIAL PLAN, REVENUE & RATING PLAN, AND BUDGET 2023-24: RELEASE FOR PUBLIC CONSULTATION

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1. PURPOSE

1.1 To consider release of the draft Council Plan 2021-31 updated for year three and the draft Budget 2023/24 for community consultation.

2. EXECUTIVE SUMMARY

2.1 Council adopted the Council Plan 2021-31, incorporating Community Vision, Municipal Health & Wellbeing Plan, Revenue & Rating Plan and Budget 2021/22 on 23 June 2021. The Plan sets out a 10-year vision and five strategic directions for the City, with a four-year focus on the specific actions Council will undertake to work towards achieving this vision.

2.2 The Local Government Act 2020 (the Act), requires Council each year to:

2.2.1 review the Council Plan to determine whether the strategies, actions and measures require adjustment;

2.2.2 develop an annual Budget and Financial Plan, which includes detail on the capital and operating programs.

2.3 Since the adoption of the Council Plan 2021-31, Council has subsequently adopted the Enterprise Asset Management Plan, Don't Waste It! Waste Management Strategy and Rating Strategy which were all endorsed on the 29 June 2022. These strategies and plan have influenced the development of draft Budget 2023/24.

2.4 This report outlines proposed amendments to the Council Plan 2021-31, including the draft Budget 2023/24.

2.5 Consistent with the Council Plan and Budget parameters that were considered by Council in 2021, 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 Budget 2023/24 has also been informed by the comprehensive cost review process completed between July 2022 and January 2023 which resulted in a proposed reduction to the Cultural Development Fund – Projects stream



(funding for individual artistic/creative projects) from \$187,000 to \$100,000 to be consulted with the draft Budget 2023/24.

- 2.7 This report seeks authorisation for the CEO to continue to provide Council projects and services within the parameters of the adopted Council Plan and Budget 2021-31 and any decisions of Council that have updated this. It also seeks to authorise the CEO to incur planning, design and community consultation expenditure on new projects proposed in the draft Budget 2023/24.
- 2.8 Applying the principles and budget parameters set within the 10-Year Financial Outlook that were adopted by Council in December 2022, a balanced draft Budget 2023/24 is presented for Council's consideration that addresses the ongoing rate capping challenge, considers inflation well in excess of the rates cap, provides rates relief to our community facing cost of living pressures, and responds to the various financial risks facing Council
- 2.9 The draft Budget 2023/24 includes:
- 2.9.1 An average rate increase of 3.50 per cent, which is equivalent to the rates cap set by the Victorian Government.
- 2.9.2 A one-off rebate on general rates set at 3.5 per cent funded from favourable 2022/23 budgetary items including parking income and investment income will be provided in 2023/24 in recognition of the cost-of-living pressures that our community is facing.
- a) This unprecedented net zero rates increase by our Council for 2023/24 recognises the significant cost of living pressures faced by our community – from high inflation to rising interest rates.
- b) While cost of living pressures are the immediate concern of Council, it is important that our city is a place where everyone has the opportunity to thrive and enjoy all that Port Phillip offers. To help achieve this, we will continue to look at how we can divert unexpected surplus income into assistance or assets benefitting our diverse community as needed.
- 2.9.3 Increased targeted financial support including:
- a) Increasing the Council-funded pensioner rates rebate by 5 per cent to \$210 in 2023/24 – noting that the City of Port Phillip is one of the few councils that offer this scheme in addition to the State Government rebate.
- b) Additional \$50,000 funding for the Early Education Grants program (total \$206,000) to support vulnerable families not eligible for Commonwealth Childcare subsidy to access additional days of childcare.
- c) Extension of the funding agreement for Launch Housing to employ a dedicated assertive outreach service for rough sleepers for a further two years at a cost of \$110,000 per annum. This role is critical to supporting Port Phillip Zero and community safety and amenity.



- d) A one-off \$40,000 funding for greater food support within the municipality. This is to respond to the greater demand for food relief to enable the purchase of additional food.
- e) Continuation of existing business support with the Economic Recovery Package until June 2025. This includes ongoing activation of public space and one-off Dundas Place Activation.
- 2.9.4 A rating structure that is consistent with the *Rating Strategy 2022-25*, which includes differential rating based on Capital Improved Value (CIV) and a separated tiered waste charge. This includes a 1% rating reallocation from residential to non-residential property.
- 2.9.5 Changes to the Waste Charge structure to achieve outcomes that are fair, efficient to administer and simple to understand for our community. These include:
 - a) Default Waste Charge including the cost of providing Multi-Unit Dwelling shared Food Organic and Garden Organic (FOGO) kerbside services;
 - b) No Default Waste Charge on residential car-spaces & storage areas while commercial car-spaces & storage areas will be charged 10% of the Default Waste Charge (see 4.27 Rating and Revenue Plan for details).
- 2.9.6 Accommodating other additional expenditure pressures including:
 - a) inflation projected at 4.5 per cent (1.0 per cent greater than the rates cap of 3.5 per cent)
 - b) an increase in the Superannuation Guarantee Charge to 11 per cent from 10.5 per cent
- 2.9.7 Efficiency savings of \$2.1 million (\$1.1 million ongoing and \$1 million one-off in the draft portfolio). Total permanent savings delivered in the three budgets of this Council are \$4.9 million and \$12.6 million delivered over the four budgets of the previous Council. Cumulative savings since the introduction of rates capping in 2016/17 are more than \$91 million.
- 2.9.8 A general increase in fees and charges of 3.75 per cent based on forecast inflation, unless supported by benchmarking or to provide targeted relief.
- 2.9.9 No debt – excluding finance lease liabilities will remain as part of our financing strategy.
- 2.9.10 Cash reserves for operational needs including staff leave and contingency of \$20.8 million.
- 2.9.11 Project investment of \$81.6 million to maintain, grow and improve services and assets.
- 2.9.12 Over the 10-year period, additional project investment for:
 - a) \$25 million provisional funding for Elwood Foreshore Facilities Project, Stages 2 & 3.



- b) \$17 million for South Melbourne Market Connect
- c) Additional \$9 million will be set aside in the Municipal Growth Fund due to risk of funding shortfalls for the development of Fishermans Bend.

2.9.13 A cash surplus of \$1.04 million providing additional contingency for likely enterprise financial risks.

2.10 The draft 10-year Financial Plan includes a rates cap challenge of \$76 million which has been reduced by \$33 million from the \$109 million in the adopted 10-year Financial Outlook due to the significant improvement in paid parking utilisation of in the municipality, rising interest rates and realised efficiency savings.

2.11 It is expected that the rates cap challenge will be addressed through ongoing efficiency savings with a 1 per cent efficiency target per annum included in the Financial Plan. Over the long run it is likely other levers will be required to balance the budget with further investment required particularly in Fishermans Bend, and further cost shifting.

2.12 In the Council Plan, significant investment continues to be projected over the 10-year period on important initiatives to deliver on the Council Plan outcomes and priorities:

2.12.1 Integrated Transport Strategy \$31 million

2.12.2 Sustainable Environment Strategy \$44 million

2.12.3 Public Space Strategy – \$103 million

2.12.4 Don't Waste It! Waste Management Strategy (2023-2025) implementation - \$3.7 million.

2.13 In considering whether to release the draft version of the amended Council Plan and draft Budget 2023/24 document, Council needs to assess the proposed amendments to the Council Plan and be satisfied that the draft Budget 2023/24 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:

PART 1

3.1 Notes that the draft Budget 2023/24 includes the following changes to general rates:

3.1.1 An increase of 3.50 per cent to the average general rate, which is equivalent to the rates cap set by the Victorian Government.

3.1.2 A 1.0 per cent general rates reallocation from residential to non-residential properties which aligns our rating strategy and is much lower than the reallocation that would have taken place if based on the 2023 general property valuation.



- 3.1.3 Differential Rating set at property class based on preliminary 2023 general property valuation with the following draft rates in the dollar (some minor adjustments may be required for final budget adoption):
- a) Residential rate in the dollar 0.001706
 - b) Commercial rate in the dollar 0.002034
 - c) Industrial rate in the dollar 0.002013
- 3.1.4 A one-off rebate to the average general rate equivalent to 3.5 per cent will be provided in 2023/24 funded from the favourable 2022/23 cash surplus in recognition of the cost-of-living pressures our community are facing. This results in essentially no net increase in general rates for 2023/24. General rates for individual properties will be reallocated based on 2023 general revaluation.
- 3.1.5 One-off Rebate with the following draft rates in the dollar rebate (some minor adjustments may be required for final budget adoption):
- a) Residential rate in the dollar (0.000057)
 - b) Commercial rate in the dollar (0.000068)
 - c) Industrial rate in the dollar (0.000068)

PART 2

- 3.2 Notes that the draft Budget 2023/24 has been informed by the *Don't Waste It! Waste Management Strategy 2022-25* and *Rating Strategy 2022-2025 including changes to Waste Charges*.
- 3.3 Notes that the draft Budget 2023/24 includes:
- 3.3.1 A cumulative cash surplus of \$1.04 million providing additional contingency for likely enterprise financial risks and projected impact of inflation.
 - 3.3.2 Budgeted cost of providing direct waste services total \$15.4 million an increase of \$1.7 million due to contract indexation & tender pricing, the State landfill levy increasing above inflation, and new FOGO services for Multi-Unit Dwellings and Communal Hubs, and full year Single Unit Dwelling FOGO. This is funded from waste charge income of \$14.8 million and a drawdown on Waste Charge Reserve of \$0.6 million.
 - 3.3.3 The outcome from the Cost Review 2022 including an \$87k reduction to the Cultural Development Fund – Projects stream (funding for individual artistic/creative projects) for consultation with the draft Budget 2023/24
 - 3.3.4 Fees and charges generally increasing 3.75 per cent unless it makes sense to vary, and to provide support to those who need it most.
 - 3.3.5 Ongoing efficiency savings of \$1.1 million in Budget 2023/24 and continue to find more during the financial year.
 - 3.3.6 No debt, aside from some finance lease liabilities will remain as part of our financing strategy.
 - 3.3.7 Cash reserves for operational needs including staff leave and contingency of \$20.8 million.



- 3.3.8 Project investment of \$81.6 million to maintain, grow and improve services and assets.
- 3.3.9 Increase provision to reserves including \$2.5 million for Strategic Property Fund, \$2 million for future Asset Renewal requirements and \$2 million for Municipal Growth including Fishermans Bend.
- 3.3.10 Intention to lease seven properties as required by section 115 of the Act as outlined in this report.
- 3.4 Notes additional community investments including:
 - 3.4.1 An annual budget allocation of \$10,000 for Christmas decoration and lights at St Kilda Town Hall.
 - 3.4.2 One-off \$40,000 for both temporary and permanent activations at Dundas Place Reserve.
- 3.5 Notes continuing targeted support to the Community through:
 - 3.5.1 One-off rate waivers up to a maximum of \$750 on application up to 50 per cent of general rates and charges to the Chief Financial Officer in cases of extreme financial hardship.
 - 3.5.2 Increasing the Council-funded pensioner rates rebate by 5 per cent to \$210 in 2023/24 – the City of Port Phillip is one of the few councils that offers this scheme in addition to the State Government rebate.
 - 3.5.3 An extension of the funding agreement for Launch Housing to employ a dedicated assertive outreach service for rough sleepers for a further two years at \$110,000 per annum. This role is critical to supporting Port Phillip Zero and community safety and amenity
 - 3.5.4 A one-off \$40,000 funding for greater food support within the municipality. This is to respond to the greater demand for food relief to enable the purchase of additional food.

PART 3

- 3.6 Releases the draft amended Council Plan 2021-2031, inclusive of the Community Vision, Municipal Health and Wellbeing Plan, draft (10-year) Financial Plan, draft Revenue and Rating Plan, and the draft Budget 2023/24, amended to reflect any changes made through this resolution, for community consultation (Attachments 1, 2 and 3).
- 3.7 Receives and hears feedback and submissions from the public at the Council meeting on 07 June 2023, commencing 6.30 pm at the St Kilda Town Hall, prior to considering adoption of the amended Council Plan 2021-31, including Budget 2023/24 at the Special Council Meeting on 20 June 2023 commencing 6.30 pm at the St Kilda Town Hall.
- 3.8 Authorises the CEO to make amendments to the draft amended Council Plan 2021-2031 including the draft Budget 2023/24 to reflect any changes through this resolution, and to make minor editorial adjustments to the document to prepare for publication and distribution.



4. KEY POINTS/ISSUES

- 4.1 Council adopted the Council Plan 2021-31, which sets out a 10-year vision and five strategic directions for the City, with a four-year focus on the specific actions Council will undertake to work towards achieving this vision. The Council Plan also incorporates the Municipal Health and Wellbeing Plan, 10-year Financial Plan and annual Budget.
- 4.2 Integration of Council's planning, budgeting and resource allocation ensures strong alignment between the Council's strategic priorities, and its services, programs and projects.

Parameters for review of Council Plan and Budget 2023/24

- 4.3 In December 2022, officers presented a report to Council to provide an update on changes in our strategic and operating environment and to seek approval of the 10-Year Financial Outlook and the parameters for the review of the Council Plan and development of the Budget 2023/24.
- 4.4 This is year three of the Council Plan which includes several core strategies in place. The key focus is to execute on these core strategies. Adjustments to the Council Plan have generally limited to updated assumptions, better information, changes in the operating environment, and Council decisions since the Plan was adopted.

Updates to Council Indicators

- 4.5 Council indicators provide a snapshot of our annual performance. They are reviewed annually to ensure targets are realistic, adjusted to correct ambiguous descriptions, and add with new indicators that support the picture of our performance as a Council.
- 4.6 Since 2022/23 we have included the frequency, each indicator is measured to provide clarity over when we will be reporting on them in the monthly CEO Report, Quarterly Report and Annual Report.
- 4.7 For 2023/24, the following indicators have been added:
 - a) Percentage of investment in fossil-free institutions
 - b) Street cleaning audit compliance
 - c) Number of Council Plan initiatives that are on track
 - d) Percentage of audit actions completed on time
 - e) Proportion of projects on track
- 4.7.2 The following indicator has been removed as the LGPRF 'Council decisions made at meetings closed to the public' result in similar outcomes:
 - a) Council decisions made at meetings open to the public.

Our Financial Strategy

- 4.8 The review of the Council Plan 2021-2022 year 3 and draft Budget 2023/24 is supported by our 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 our priorities.

- 4.9 Over the next 10 years, we will face many challenges that require strong financial leadership. Key among these challenges will be cost increases above rates capping. Without action, the 10-year Financial Plan forecasts a cumulative \$76 million funding gap.
- 4.10 We closely monitor the affordability of services and recognise ongoing community concerns about the financial impost of rates and the cost of other essential services. As such, we are not planning to apply for a rate increase above the rates cap over the life of the 10-year Financial Plan.
- 4.11 We plan to balance future budgets and close the financial gap by adjusting the following strategic levers:

Strategic Lever 1: Delivering efficiency and cost savings

- 4.12 The community's expectation for better value in Council service delivery has been reflected in Council's decision-making. Council has recently launched several initiatives to ensure that its services are delivered in the most efficient and effective manner possible.
- 4.13 These initiatives include a one-off Councillor led Cost Review Program, the ongoing successful drive for efficiency savings, resulting in operational savings of \$2.1 million (\$1.1 million ongoing and \$1 million one-off in the portfolio) adding to the \$3.8 million of permanent savings delivered since Budget 2021/22 and \$12.6 million delivered over the four budgets of the previous Council. Cumulative savings since the introduction of rates capping in 2016/17 are more than \$91 million.
- 4.14 Over the period of the financial plan, we will target the delivery of efficiency savings equivalent to 1 per cent of operating expenditure (less depreciation) per annum. This is expected to reduce our cost base by a cumulative \$76 million over the 10-year period and will be key to addressing the rates cap challenge of the same amount.
- 4.15 Key initiatives to deliver these savings include a service review program, a commitment to better practice procurement and asset management, the sale of surplus properties, and investment in business process and system improvement and innovation through our Clever Port Phillip Program and day to day operations.

Strategic Lever 2: Appropriate use of borrowings and reserves

- 4.16 We have no debt other than some finance lease liabilities as part of our financing strategy. There are no plans to borrow beyond this in the 10-year Financial Plan.
- 4.17 However, we will consider borrowings for property acquisitions, large capital works or operating projects that provide intergenerational community benefit, and initiatives that deliver sufficient revenue streams to service the debt. Borrowings will not be used to fund ongoing operations.



- 4.18 We will maintain general reserves at levels sufficient to ensure operational liquidity. Reserves may be built up over time to part-fund large capital works or appropriate operating projects where this is considered more efficient than the use of debt.
- 4.19 The 10-year Financial Plan includes the use of general reserves as an internal source of borrowing for projects that pay for themselves over the long-term such as energy efficient street lighting upgrades on major roads. We are increasing our use of Open Space Contributions to fund our recently adopted Public Space Strategy.
- 4.20 The 10-year Financial Plan also includes a progressive build-up of the St Kilda Marina Reserve funded from significantly increased rental returns following the successful leasing process to ensure funds are available to maintain the foreshore precinct over the long term. We expect negative balances in the short to medium term reflecting Council's contribution to addressing soil contamination when Council reclaimed the land.

Strategic Lever 3: Careful management and prioritisation of expenditure

- 4.21 We undertake a rigorous and robust budget setting process each year including a line-by-line review of operating budgets and proposed projects to ensure alignment with strategic priorities and best value. Performance is monitored closely throughout the year with forecasts updated monthly and reported to the public through the monthly CEO report.
- 4.22 In addition to the disciplined budget setting and expenditure monitoring, the strategy in the 10-year Financial Plan makes provision for \$5.3 million per annum for operating projects (some years may be higher where the benefits justify increased investments or due to external funding).
- 4.23 Our focus on improved asset management sees investments prioritised on those assets most in need of intervention rather than assets in relatively good condition. This translates to an increase in spending on buildings and drainage over the 10-year period of the plan partially offset through a reduction in road and footpath renewal budgets. Asset management plans guide this investment. There is a focus on ensuring that these plans are reviewed and inform renewal activity.

Strategic Lever 4: Setting fair and appropriate user charges

- 4.24 The annual budget process includes a thorough review of user charges to ensure they remain affordable, fair, and appropriate. Council takes the position that those who directly benefit from and/or cause expenditure should make an appropriate contribution to the service, balanced by the capacity of people to pay.
- 4.25 The draft Budget 2023/24 includes adjustments to Waste Charges. This aligns with the user-pays principle for the private benefits/direct waste services such as kerbside collection for properties who have exclusive use of a bin, kerbside services that are shared (such as with Multi-Unit Developments), broader communal waste services such as drop-off points, hard waste collections and Resource Recovery Centre operations. It is a tiered pricing structure that



recognises the convenience of kerbside collection service compared to communal services shared by residents or the broader community. Pricing for bin sizes and rebates have been reviewed and proposed changes to ensure a fairer outcome.

- 4.26 The 10-year Financial Plan assumes high-level planning for future increases linking Council user charges (other than waste) to the rates cap (based on forecast inflation) plus 0.25 percentage points. This reflects the nature of our cost base (higher than CPI) and reduces our reliance on rates income. The application and impact of this policy setting will be reviewed annually to ensure affordability and fairness. For draft Budget 2023/24 fees and charges have generally increased by 3.75 per cent unless it made sense not to.
- 4.27 In determining whether default increases should apply we conducted benchmarking of fees and charges with surrounding municipalities and relevant industries. For draft Budget 2023/24 this resulted in no increase to Port Melbourne Town Hall fees to encourage utilisation.
- 4.28 Where possible for private benefit services such as childcare, we aim for service cost recovery. As such childcare fees are proposed to increase by 4.6 per cent in 2023/24, to recover the direct cost of the service while ensuring compliance with National Competition Policy, noting the significant increase in the Government Childcare Subsidy in 2023/24 will see lower out of pocket for families.

Revenue and Rating Plan

- 4.29 Council rates will be levied according to the updated Rating Strategy (endorsed 29 June 2022). As a result, our Revenue and Rating principles include:
 - 4.29.1 Rates are levied in accordance with a ratepayer's capacity to pay as measured by the Capital Improved Value (CIV) of property owned within the municipality. Rates levied are therefore directly proportional to the CIV of individual properties.
 - 4.29.2 Higher differential rates will be set for commercial and industrial properties than residential properties due to their greater capacity to pay based on taxation benefits and higher rental yields as well to maintain fairness and consistency in the distribution of rates over time.
 - 4.29.3 Consistent with our rating principle to manage the impacts of change, any major differential rating changes will be gradual taken into consideration the annual general property valuation and demographic changes as part of the budget development process. A 1 per cent reallocation from residential to non-properties will take place in 2023/24 which is in line with the rating strategy and is much lower than reallocation that would have taken place if based on the 2023 general revaluation.
 - 4.29.4 A Tiered Waste Service Charge structure set for all rateable assessments to recover the cost of waste services that are direct and or private benefits (such as kerbside collections, communal food garden and glass recycling, hard waste collection, and Resource Recovery



Centre operations). Key changes to the waste charge in 2023/24 include:

- a) Maintains the Default Waste Charge to recover the cost of kerbside bins collection, Multi-Unit Dwelling Kerbside FOGO, Communal FOGO & Glass Hubs, Hard & Green Waste, and Resource Recovery Centre Operations. The is set at \$198.20, increased by \$22 due to contract indexation & tender pricing, State landfill levy increasing above inflation, and new services including MUD FOGO and Communal Hubs.
- b) Maintains a tiered waste charge for Single-Unit Development Kerbside FOGO to be set \$66 reflecting the annual cost of FOGO bin collection. This recognises the differences between a kerbside collection and communal services and supporting a user-pays approach.
- c) The Default Waste Charge will include the cost of MUDs FOGO and Communal FOGO. A separate charge for MUDs FOGO is not recommended as this increases the complexity and administration with the rollout of MUDs FOGO which is critical to achieving Council's landfill diversion targets. MUDs FOGO will have shared common bin(s) which are more similar to Communal FOGO at a much lower cost per individual property than the service for SUDs.
- d) The One-occupancy rebate for car-spaces and storage areas will be replaced with the following adjustments:
 - Default Waste Charge will not apply to residential car-spaces and storage areas for simplicity and lower cost of administration.
 - Commercial car-spaces and storage areas will be set at 10 per cent of the Default Waste Charge in recognition of the incidental waste generated from commercial activities. Note this does not apply to commercial carpark operations that generate sufficient income to support the full Default Waste Charge.

4.29.5 Special rates and charges will be used where a specific benefit or service can be identified for certain ratepayers and only following consultation with the affected ratepayers.

4.29.6 Rates concessions are available for recreational land and pensioners. The City of Port Phillip is one of only a few councils that provide a pensioner rate rebate in addition to the Victorian Government pensioner rate rebate.

4.29.7 Self-funded retirees are entitled to request a deferral of their rates indefinitely at a discounted interest rate. Persons experiencing financial hardship may also, subject to application and financial assessment, access this benefit.



- 4.30 Non-rate revenue is underpinned by the following assumptions:
- 4.30.1 Universal services are funded from the broadest forms of income – rates and parking revenue.
 - 4.30.2 User fees are reviewed annually as part of the budget process. A general increase of the rates cap plus 0.25 per cent is proposed in line with our financial strategy.
 - 4.30.3 Fees for subsidised services provided by Council in a market, such as childcare and aged care, will be based on a clearly articulated policy position. To achieve equitable outcomes, these services will be funded through a mix of user charges, government grants and rates.
 - 4.30.4 Specific individual regulatory services such as, but not limited to, animal licences, parking permits and planning permits will be funded, where possible, through user charges (some may be set by statute) and otherwise through rates.
 - 4.30.5 Council will pursue grants where possible. Being an inner metropolitan council and with a relatively sound financial position, we are unlikely to see a significant boost to grants revenue. Advocacy is a key focus in seeking to access grants where relevant.
 - 4.30.6 Developer contributions (cash or land) are currently set at 8 per cent of site value for Fishermans Bend Urban Renewal Area and 5 per cent for the rest of the municipality. This is an important source of funding for investments in parks and foreshore open space assets. Due to risk of funding shortfalls for the development of Fishermans Bend, additional provision of \$9 million will be set aside in the Municipal Growth Fund over the 10 years.
 - 4.30.7 In accordance with our Property Policy, rent will be charge at market value for commercial properties. Peppercorn (minimum) rent may be charged to community groups that use Council properties to deliver
 - a) community services aligned with Council's goals and priorities;
 - b) significant community benefit to the City;
 - c) have no capacity to generate income.
 - 4.30.8 We will invest the community's funds in accordance with the Act and our Investment Policy. Our investments with Authorised Deposit Institutions will balance the objectives of capital preservation, maintenance of liquidity, investment return targets and corporate social responsibility. We aim to achieve average yield at the Bank Bill Swap Rate plus 50 basis points.

Targeted Financial Assistance

- 4.31 We recognise the impact municipal rates and other charges have on financially disadvantaged sections of the community. In addition to our commitment to keeping rates affordable we offer a range of assistance:



- 4.31.1 A Council-funded pensioner rebate (maximum) of \$210 in 2023/24 increasing by 5 per cent from \$200 – the City of Port Phillip is one of the few councils that offers this scheme in addition to the State Government rebate.
- 4.31.2 An option for self-funded retirees to defer their rates indefinitely at 5 per cent interest for the 2023/24 (half the official penalty interest rate set by the Victorian Government).
- 4.31.3 One-off waiver of a maximum of \$750 on application up to 50 per cent of general rates and waste charges to the Chief Financial Officer in cases of extreme financial hardship.
- 4.31.4 Providing a 50 per cent waiver of the general rate for housing accommodation that provides reduced rentals for elderly persons of limited means.
- 4.31.5 Support for residents and ratepayers experiencing hardship through rate deferrals and payment arrangements.
- 4.31.6 An extension of the funding agreement for Launch Housing to employ a dedicated assertive outreach service for rough sleepers for a further two years at \$110,000 per annum. This role is critical to supporting Port Phillip Zero and community safety and amenity.
- 4.31.7 A one-off \$40,000 funding for greater food support within the municipality. This is to respond to the greater demand for food relief to enable the purchase of additional food.
- 4.31.8 Additional \$50,000 funding for the Early Education Grants program (total \$206,000) to support vulnerable families not eligible for Commonwealth Childcare subsidy to access additional days of childcare

Monitoring our financial sustainability

4.32 We use the Victorian Auditor General’s financial sustainability indicators to monitor our financial sustainability. Our financial strategy is designed to ensure an overall low risk rating over the period of the plan unless we 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, we are forecasting that Council will achieve an overall risk rating of low throughout the 10-year period.

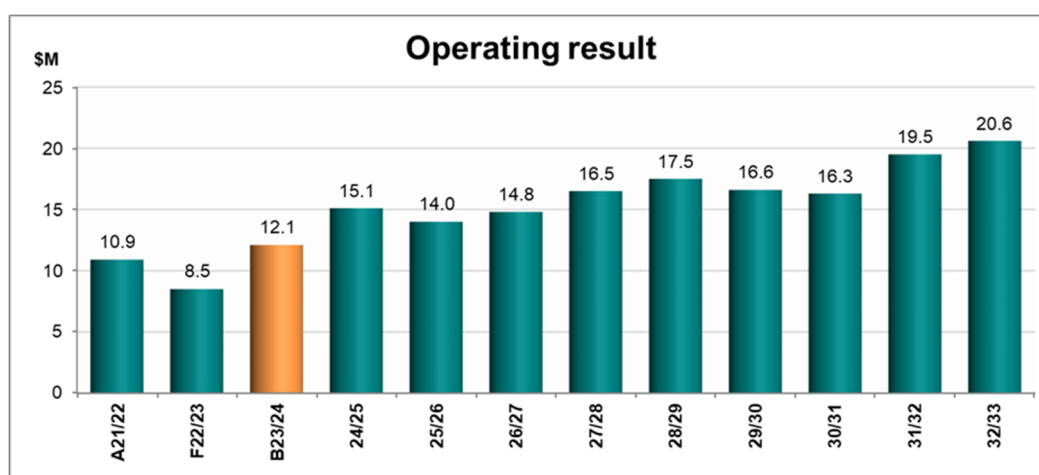
Indicator	Indicator Targets	Forecast Projections										
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Net Result %	Greater than 0%	3.4%	6.2%	5.6%	5.1%	5.2%	5.7%	5.8%	5.4%	5.2%	6.0%	6.1%
Adjusted underlying result	Greater than 5%	0.1%	3.1%	1.6%	1.4%	1.6%	2.5%	2.6%	2.7%	3.1%	3.3%	3.5%
Working Capital	Working Capital Ratio >100%	376%	326%	280%	224%	196%	201%	210%	219%	226%	233%	239%
Internal Financing	Net cashflow from operations to net capital expenditure >100%	163%	76%	75%	76%	86%	120%	125%	126%	124%	122%	122%
Indebtedness	Indebtedness ratio <40%	1.2%	1.3%	1.6%	1.5%	1.5%	1.5%	1.4%	1.4%	1.4%	1.4%	1.4%
Capital Replacement	Capital to depreciation >150%	146%	301%	290%	261%	230%	169%	162%	156%	156%	164%	165%
Infrastructure Renewal Gap	Renewal & upgrade to depreciation >100%	112%	210%	196%	134%	187%	137%	131%	127%	127%	133%	133%
Overall Financial Sustainable Risk Rating		Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low



The draft Budget 2023/24 at a glance

Operating result

- 4.33 Achieving an operating surplus is a key component of our financial strategy. It provides capacity to renew our \$3.6 billion worth of community assets, meet debt repayment obligations, and manage the impact of financial risks materialising.
- 4.34 The draft Budget 2023/24 expects a \$12.1 million operating surplus, which is \$3.6 million higher than the Forecast 2022/23 of \$8.5 million with expenditure projected to increase by \$7.8 million compared to a revenue increase of \$11.4 million.



- 4.35 The operating results are heavily impacted between years 2021/22 and 2022/23 due to the impact of significant operating portfolio deferrals to future years. This is a temporary timing issue related to portfolio delivery. Operating surpluses will be needed to fund the growing project portfolio caused by population growth and inflation.

Operating Revenue

- 4.36 Total revenue is proposed to increase by \$11.4 million or 4.6% on Forecast 2022/23 from \$249.0 million to \$260.4 million. This is primarily related to:
- An increase in parking revenue of \$2.8 million based on the continued recovery from COVID-19 impacts including increased parking utilisation.
 - A net increase in rates revenue of \$3.1 million related to the 3.5% rates cap and property growth, partially offsetting the one-off rates rebate. Waste charges budgeted at cost recovery increased by \$1.1 million reflecting the contract inflation & new tender pricing, State landfill levy increasing above inflation, and new waste services (MUDs FOGO and Communal Hubs).
 - An increase in fees and charges of \$2.1 million allowing for both increased utilisation of council services and 3.75 per cent average increase.
 - A one-off increase in capital grants of \$1.4 million mainly for the EcoCentre redevelopment updated for timing of project delivery.

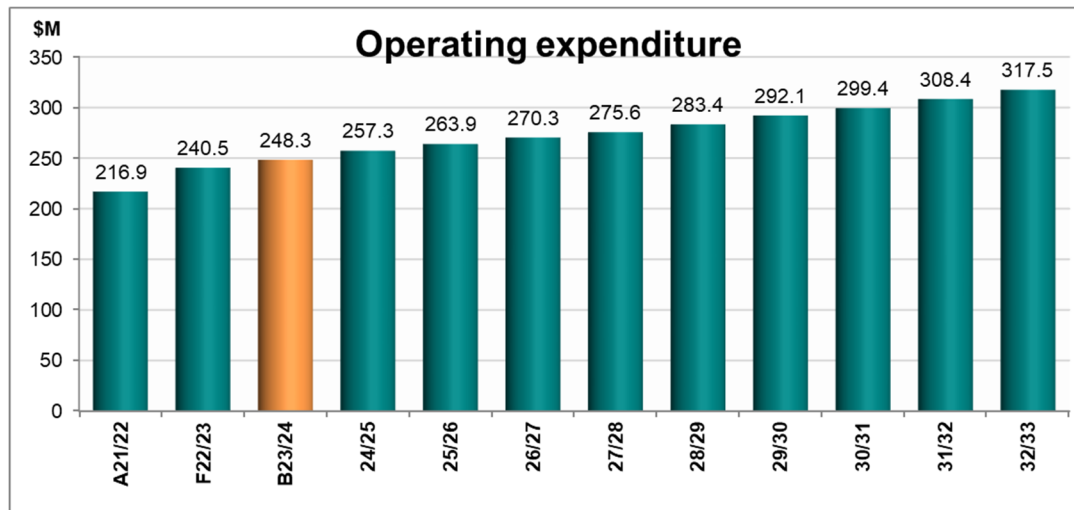


- An increase in investment earnings of \$2.5 million due to improved investment performance (RBA increasing cash rate).
- A reduction in Open Space Contributions by \$1 million based on lower development activity.

Operating expenditure

4.37 Budget 2023/24 operating expenditure totals \$248.3 million which is a net increase on forecast 2022/23 by \$7.8 million or 3.2 per cent from \$240.5 million. The primary drivers for the increase on forecast 2022/23 include:

- An increase in employee costs of \$6.7 million (\$5.6 million budget on budget) due to 3.1% Enterprise Agreement increase, Superannuation Guarantee rate increase from 10.5% to 11%.
- Inflation budgeted at 4.5% (1.0% above rates cap)
- \$1.5 million of contracted operating expenditure re-classified as lease repayments due to underlying right-of-use assets in contract
- Ongoing efficiency savings of \$1.1 million, which partially offsets the expenditure increase.
- \$87k reduction to the Cultural Development Fund – Projects stream (funding for individual artistic/creative projects) from \$187,000 to \$100,000 as an outcome of the Cost Review Process 2022.

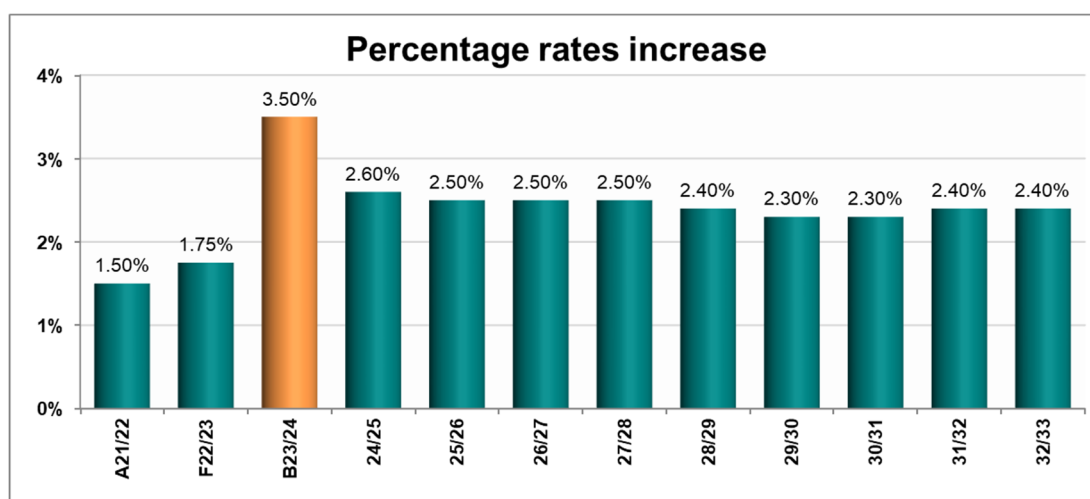


4.38 The steady growth in operating expenditure in future years is largely driven by new waste services (FOGO and glass recycling), inflation (around 2.5 per cent per annum), service demand increases associated with population growth (around 0.5 to 1.3 per cent per annum), and the operating expenditure impact of new and improved assets (for example depreciation increase of 4 per cent per annum). This is partially offset by Council’s commitment to efficiency and cost savings (1 per cent per annum).



Rates – percentage increase

- 4.39 The draft Budget 2023/24, which funds a \$65.3 million capital portfolio program and maintains or improves existing service levels, includes a 3.50 per cent rates increase, consistent with the Victorian Government rates cap. The Victorian Government had set the rates cap at 3.50 per cent which is lower than their forecast inflation of 4 percent. Updated forecast is at 4.5 per cent which is 1 per cent greater than the rates cap.
- 4.40 Draft Budget 2023/24 addressed the lower than inflation rates cap through a continued strong focus on prudent financial management, careful prioritisation and commitment to productivity and efficiency. Future rate increases are based on forward projections of inflation consistent with past decisions made by the Minister of Local Government for setting the rates cap.



Proposed fees and charges

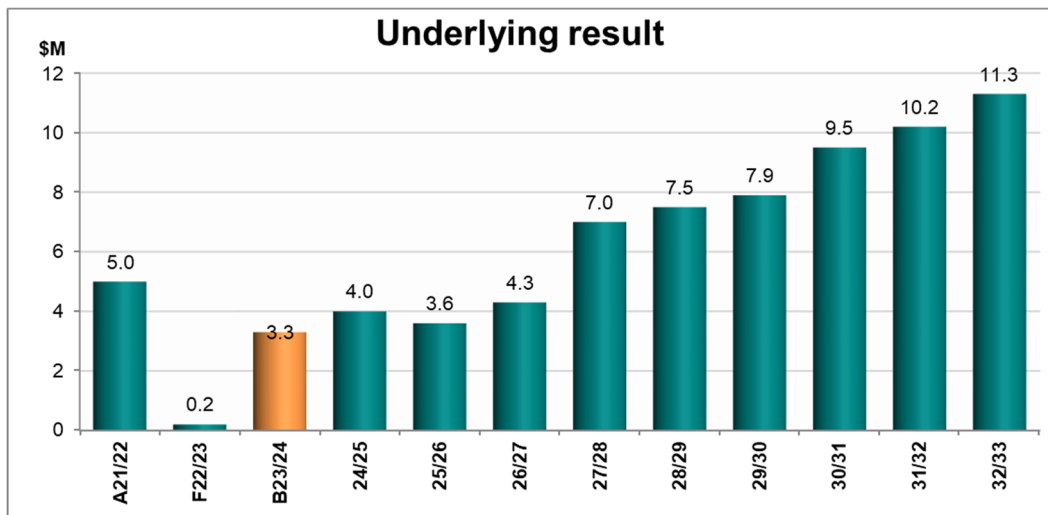
- 4.41 In most cases, our fees and charges for 2023/24 are proposed to increase by 3.75 per cent. This approach is consistent with our financial strategy, and community feedback, which supported increasing user charges for some services. There will be variances where minor rounding equates to larger or smaller percentages.
- 4.42 Statutory fees set by the Victorian Government will be set during the financial year.
- 4.43 The complete schedule of proposed fees and charges is contained within the draft Council Plan 2021-31 Year 3 document.

Underlying result

- 4.44 The adjusted underlying result excludes capital related revenue is used to assess our ability to generate surplus in the ordinary course of business excluding non-recurrent capital grants and contributions to fund capital expenditure from net result.
- 4.45 The underlying result varies significantly due to our reliance on external funding/contributions to fund our infrastructure asset works in the short term due

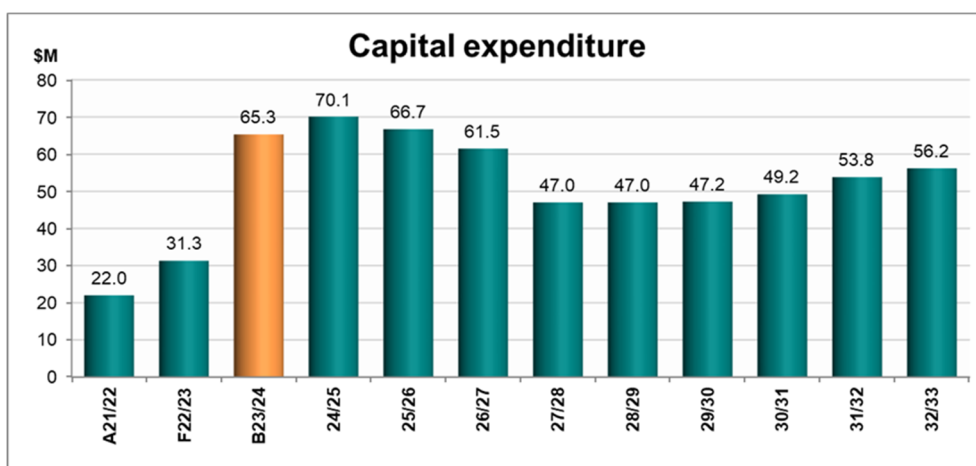


to significant challenges in delivering our portfolio. For instance, Opens Space Contributions are collected, held in reserve to fund our Public Space Strategy.



Capital expenditure

- 4.46 Budget 2023/24 capital works expenditure of \$65.3 million has increased to address the reductions and deferrals over the last three years caused by the COVID-19 pandemic and sector wide shortages.
- 4.47 Capital works expenditure in 2023/24 totals \$65.3 million, out of a total \$71.1 million program. The \$6 million gap represents the component of the capital program budget expected to be treated as operating expenditure, such as community engagement, feasibility studies and landscaping works.

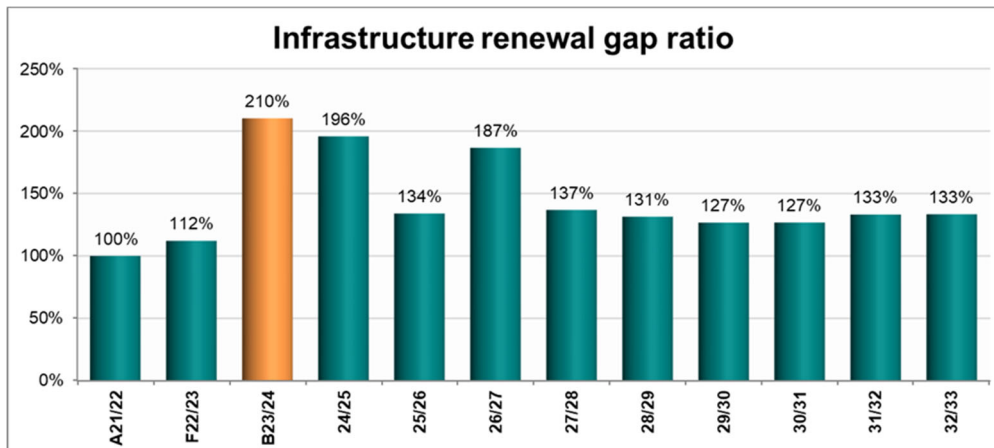


- 4.48 Over the period of the financial plan, Council provides for appropriate levels of capital expenditure to ensure existing assets are maintained and improved whilst also investing in growth driven assets. The target of at least 150 per cent of depreciation is expected to be achieved.



Infrastructure renewal gap

4.49 The infrastructure renewal gap ratio 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.

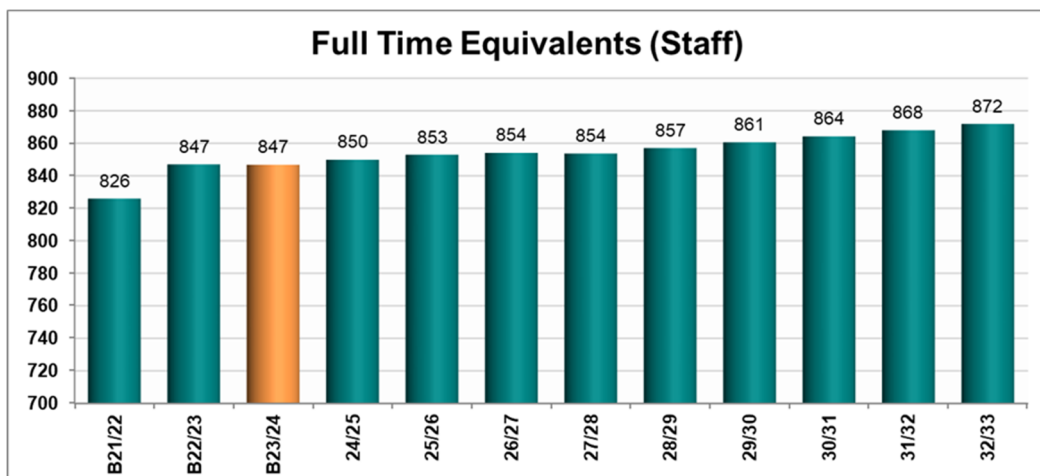


4.50 Draft Budget 2023/24 renewal and upgrade expenditure in the capital portfolio have increased in order to address the reduction in 2019/20 to 2022/23 caused by COVID-19 pandemic and construction sector wide delays.

4.51 Over the period of the financial plan, Council intends to stay above 100 per cent, which shows commitment to not only maintaining but upgrading existing assets.

Council staff

4.52 Council employees are our most essential resource, enabling the delivery of a broad range of services. For Budget 2023/24, we are proposing minimal change to total FTE. Draft Budget includes new FTEs mostly for project delivery, compliance & safety, service demand increases, and cost neutral (conversion of casual/agency budget, reprioritised within the organisation, and revenue generating). We have included new targets to factor temporary vacancies/staff turnover in 2023/24 (such as aged care services).





4.53 Over the period of the financial plan, officers expect the growth in FTEs to increase marginally up to 1.3 per cent to service projected population growth. This is offset by investment in technology 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. Noting FTEs will increase with increased utilisation such as Childcare.

Property Leases

4.54 In accordance with section 115 of the Act, Council intends to lease the following properties on the terms listed as follows:

Property Address	Permitted Use	Commencing Rent (Excl. GST)	Lease Term
17 Eildon Road, St Kilda	Childcare Centre	\$104.00 (if demanded)	Up to 5 years
46 Tennyson St, Elwood	Childcare Centre	\$104.00 (if demanded)	Up to 5 years
39 The Avenue, Balaclava	Childcare Centre	\$104.00 (if demanded)	Up to 5 years
3/1A St Vincent Place, Albert Park	Bowls and associated club activities	\$480.00	5 years
38 Blessington St, St Kilda	Environmental Education Facility	\$104.00	Up to 2 Years
Office, 147 Liardet Street Port Melbourne	Office	Market Rent	Up to 6 Years
Level 1, 200 Bank Street South Melbourne	Office	Market Rent	Up to 6 Years
55A Blessington Street	Environmental Education Facility	\$104.00	Up to 10 years

5. CONSULTATION AND STAKEHOLDERS

5.1 Development of the Council Plan 2021-31 (Year 3) and Budget 2023/24 will involve community consultation on proposed changes compared to the Council adopted Council Plan 2021-31 (Year 2) and Budget 2022/23.

5.2 The community consultation process is planned for 20 April 2023 to 17 May 2023 and aims to seek feedback on:

5.2.1 the reduced funding to the Cultural Development Fund (Projects) from \$187,000 to \$100,000

5.2.2 proposed changes to the waste charges following its review including:

- a) The Default Waste Charge will include the cost of MUDs FOGO as this will reduce the complexity, the administration and cost of rolling out MUDs FOGO.
- b) Maintaining a tiered waste charge for SUDs FOGO Kerbside at lower charge of \$66 which reflects the cost of FOGO bins collection and recognises the service convenience of kerbside collection.



- c) Default Waste Charge will not apply to residential car spaces and storage areas for simplicity, achieve fairness and reduce administration.
 - d) Commercial car spaces and storage areas will be charged a waste charge at 10% of the Default Waste Charge in recognition of the incidental waste generated from increased commercial activities
- 5.2.3 changes to the draft Budget 2023/24, which include 3.5 per cent general rates increase, one-off 3.5 per cent general rates rebate in 2023/24, fees and charges increase, and project investments
- 5.2.4 changes to Council indicators.
- 5.3 Although previously consulted with our community about the transition to fortnightly garbage collection for all single-unit dwelling (SUDs) and multi-unit dwellings (MUDs) that receive a kerbside Food and Garden Organics (FOGO) service, this Council Plan and Budget community consultation process will provide an update that the transition will start from January or February 2024 instead of mid-2023.
- 5.4 The community consultation process will encourage feedback via:
- 5.4.1 an online survey on the [Council Plan and Budget | Have Your Say Port Phillip](#) webpage with the option of paper-based survey
 - 5.4.2 pop-ups conversations around the municipality.
- 5.5 On 7 June 2023, a hearing on the community feedbacks is scheduled to provide our community members the opportunity to speak to their submitted feedbacks.

6. LEGAL AND RISK IMPLICATIONS

- 6.1 The Local Government Act 2020 requires Council to undertake an annual review of the Council Plan and to develop an annual Budget, for adoption by 30 June. The Act also requires Council to engage with our community on these proposed changes and the draft budget in accordance with Council's Community Engagement Policy.
- 6.2 Preparation and release of the draft Council Plan 2021-31 (and Budget 2023/24) for public comment as recommended is consistent with these legislative requirements.
- 6.3 The financial and non-financial tables supporting the draft Budget 2023/24 and draft Financial Plan have been prepared in accordance with regulations laid down by the Local Government (Planning and Reporting) Regulations 2020.
- 6.4 Officers will be reviewing 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.

Financial Risks

- 6.5 Some of the key financial risks faced by Council include (a complete schedule can be found in Attachment 2: Council Plan and Budget Volume 2):



- 6.5.1 The funding and financing plan for Fishermans Bend remains uncertain and is a responsibility of the Victorian Government (as such this is an advocacy priority for Council). There may be a large funding gap between the infrastructure desired at Fishermans Bend and what can be funded. A failure to appropriately budget for the costs of running and looking after new assets in Fishermans Bend is also a potential risk.
 - 6.5.2 Works are progressing to test key sites to quantify the likely financial impact of soil contamination. Projects included in the 10-year plan assume high level estimates of soil contamination.
 - 6.5.3 Rate capping. The 10-year Financial Plan assumes rate capping based on inflation. Since its introduction, the Minister for Local Government has prescribed rates based on forecast inflation, which have been lower than actual inflation. Further, in 2023/24 the rates cap was set lower than inflation which included a 0.5% cost of living factor – the risk of future adjustments has increased with this development. Every 0.1 per cent lower than the ESC methodology equates to a \$0.13 million reduction per annum in revenue.
 - 6.5.4 A more subdued property development market may result in rates revenue growing at a lower rate than projected; around 0.5 to 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. This may also indirectly impact user fees and statutory fees including statutory planning, street occupation permits, road closures, skip bins etc.
 - 6.5.5 Current MAV WorkCover Scheme wind-up and residual liability will have to be met over the short to medium term.
 - 6.5.6 The possibility of a future unfunded defined benefits superannuation call (which if it eventuates will be funded from reserves in the first instance and then repaid over time).
 - 6.5.7 Future reductions in funding from other levels of government or increases in cost shifting. Key changes include the significant increase to the EPA landfill levy, congestion levy, growing compliance and regulations related to Council Assets, Swimming Pool Regulations, Electrical Line Clearance and proposed Aged Care Reforms.
 - 6.5.8 Not realising targeted efficiency savings.
 - 6.5.9 A major, unexpected, asset renewal/upgrade challenge (for which Council maintains an asset renewal reserve).
- 6.6 Notwithstanding these risks, our sound financial position with low levels of borrowing and healthy reserves balance enable us to respond to these financial risks in the 10-year period if they arise. If necessary, we can also apply to the ESC for an above rates cap increase.



7. FINANCIAL IMPACT

- 7.1 Direction 5 of the Plan “Well Governed” highlights the importance ‘a *financial sustainable, high performing and community focused organisation*’ to underpin delivery of the direction and outcomes defined in the Plan.
- 7.2 As outlined under Financial Strategy in this report, this Plan operates within the rates cap and maintains financials sustainability while investing in assets.
- 7.3 Any resource implications of proposed adjustments to the draft Council Plan have been represented in the Financial Plan (10-year) and draft Budget 2023/24.

8. ENVIRONMENTAL IMPACT

- 8.1 The strategic direction, Sustainable Port Phillip is a key outcome for our City with a sustainable future, where our community benefits from living in a bayside city that is cleaner, greener, cooler and more beautiful.
- 8.2 In our long-term challenge, Climate change and the environment, we aim to reduce our own emissions and prepare our City and community for a changing environment. This requires investment in our assets, changing how we deliver our services and working with our community and partners to mitigate and adapt to climate change.
- 8.3 This focus aims to underpin Council’s resolution of calling a climate emergency. We are building our first *Climate Emergency Plan*.
- 8.4 There are several additional investments designed to improve environmental outcomes including:
 - Ongoing Waste Transformation Program as outlined in the Don’t Waste It! Waste Management Strategy which includes new waste services such as FOGO and Glass recycling
 - Elwood Foreshore Stage 1 (which includes greater climate resilience of infrastructure)
 - enhanced drainage cleaning to mitigate impacts of flooding
 - fully funded Public Space Strategy
 - investment in high-cost engineering solutions to improve electrical line clearance compliance while reducing the impact on tree canopy coverage
 - continuing our annual Greening Port Phillip Program and developing a new Urban Forest Strategy and Street Tree Planting Program in 2023/24
 - Greater focus on climate resilience and environmental sustainability in asset management as outlined in the draft *Enterprise Asset Management Plan*.

9. COMMUNITY IMPACT

- 9.1 If implemented, the reduction to the Cultural Development Fund (Projects) will reduce the opportunity available for our community to generate and participate in arts, cultural and heritage activities in our neighbourhood and precincts.



- 9.2 The delayed in transition to fortnightly garbage collection is likely to generate different community opinions, which could include:
 - 9.2.1 not supporting the delay because delaying food waste diversion from landfill is seen as delaying improvement to our environmental impact
 - 9.2.2 relief that there is additional time to decide whether to upsize existing waste bins, especially for households that are eligible for a free bin upsize.
- 9.3 Funding to improve access for girls and women at sporting facilities including J L Murphy and Lagoon Reserve in line with our Fair Access Policy (under development).
- 9.4 Recent Enterprise Agreement addresses gender equity with additional entitlements such as enhanced parental leave, superannuation paid on unpaid parental leave and other additional benefits in childcare and aged care with a large female workforce.
- 9.5 Some community members may believe that Council is not providing value if their suggested initiatives or services are not included in the 2023/24 Budget.

10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 10.1 The proposed amended Council Plan 2021-31 for year three, when adopted, will replace the current version of the plan.

11. IMPLEMENTATION STRATEGY

11.1 TIMELINE

- 11.1.1 Assuming Council resolves to release the draft Council Plan 2021-31 for public consultation at this meeting, the following will occur:

19 April 2023	Draft Council Plan 2021-31 (Year Three) and Budget 2023/24 presented for Council to consider releasing for community consultation
20 April to 17 May 2023	Consultation period on the Draft Council Plan 2021-31 (Year Three) and Budget 2023/24 and engagement findings presented to Council.
7 June 2023	Hearing of community feedback on the Draft Council Plan 2021-31 (Year Three) and Budget 2023/24
20 June 2023	The updated Council Plan 2021-31 (Year Three) and Budget 2023/24 presented at a Special Meeting of Council to consider for adoption.



11.2 COMMUNICATION

- 11.2.1 Release of the draft Council Plan 2021-31 for community consultation will be promoted on Council's website via Council's communication channels, including Divercity, Have Your Say and social media. Documents will also be available at St Kilda and Port Melbourne town halls and our libraries.

12. OFFICER DIRECT OR INDIRECT INTEREST

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

ATTACHMENTS

1. Draft Council Plan and Budget Volume 1
2. Draft Council Plan and Budget Volume 2
3. Draft Council Plan and Budget Volume 3
4. Updates to Council Plan 2021_2031 Year 3