



**COUNCIL PLAN AND BUDGET 2020/21 - DIRECTION  
SETTING (REVISED IN CONSIDERATION OF THE IMPACT  
OF COVID-19 PANDEMIC)**

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**STEVEN ROSS, MANAGER ORGANISATIONAL PERFORMANCE**

**1. PURPOSE**

- 1.1 To provide an update on changes in our strategic and operating environment and to seek approval of the updated 10-Year Financial Outlook and the parameters for the review of the Council Plan and development of the Budget 2020/21 in consideration of the impact of Covid-19 pandemic.

**2. EXECUTIVE SUMMARY**

- 2.1 The integrated Council Plan 2017-27, which includes the Strategic Resource Plan, the Municipal Public Health and Wellbeing Plan, a financial strategy, 10-year financial plan and annual budget was adopted on 21 June 2017, updated on 20 June 2018 and 19 June 2019. It sets a 10-year direction for the City, with a four-year focus on the specific actions Council will undertake to work towards achieving this direction.
- 2.2 Integration of Council's planning, budgeting and resource allocating ensures strong alignment between Council's strategic priorities, and its services, programs and projects. Progress to deliver the plan is monitored and regularly reported in the CEO Report and in the annual report.
- 2.3 Officers regularly monitor changes in our external and internal operating environment to ensure our priorities and resources will effectively deliver on the Council Plan outcomes and we are effectively managing our strategic risks.
- 2.4 As part of this review of our operating environment, officers review and update the 10-Year Financial Outlook (the Outlook) each year in December. The objective of the Outlook is to:
  - 2.4.1 Test the long-term financial implications of the current forecasts in revenue and expenditure.
  - 2.4.2 Set clear direction and parameters for the development of the annual budget.
- 2.5 The last review of the Outlook was reported in December 2019. However, in response to the significant financial impact and risks associated with COVID-19, officers have completed an interim review of the Outlook and are proposing several changes.
- 2.6 Key changes to the Outlook include:



- 2.6.1 A 2% rates cap as announced by Minister of Local Government in December 2019.
- 2.6.2 Whilst we have addressed the \$75.6 million rates cap challenge in our 10-Year Financial Plan (10-YFP) from Customer Experience Program benefits and other enterprise efficiency savings, an additional \$71m rates cap challenge is identified in the revised base case based on the latest financial outlook.
- 2.6.3 The \$32 million impact to our financial position due to the Covid-19 Pandemic has been included in the Outlook. Tight fiscal controls have been put in place to address this deficit such as all vacant positions put on hold, reduce controllable expenditure including a zero-base budgeting exercise to be completed, contracts to be reviewed. We have found \$23m to date with more to be found in the remainder of 2019/20 and in the development of Budget 2020/21.
- 2.6.4 A \$16m reduction in the project portfolio over 2019/20 and 2020/21 including (see attachment 1):
- A \$7m reduction in improvement and growth projects – with a mix of scope reductions and deferrals to future years.
  - A \$9m reduction in renewal programs such as kerb & channel, footpath, road renewals – largely deferral to future years to ensure our existing asset base is maintained appropriately.
- 2.6.5 Decrease in Full time equivalent (FTE) over the Outlook. Current 883 FTEs in 2019/20 has been reduced to 834 for 2020/21 as vacant positions are being disestablished. Further works in progress including executive overhead and the extensive zero-base review of staff requirements. We expect some further reductions in FTE as part of the draft Budget Development but some of this will likely to be temporary reductions.
- 2.6.6 Service reduction options to be developed for considering by Council on the 17 June meeting as part of the budget process subject to normal consultation. This is necessary as Council is required to find \$5.2 million of permanent ongoing savings over the next 3 financial years to address the rates capping challenge over the 10-year outlook.
- 2.6.7 Increase in waste services expenditure including recycling sector disruption costs, updated waste service contract renewals for landfill tipping and kerbside collections, provision for Advanced Waste Treatment to divert waste, the recently announced landfill levy increase of 91% over the next three financial years, and provision for the implementation of Food Organic and Garden Organic (FOGO). This contributes over \$64 million to the rates cap challenge over the 10-year outlook.
- 2.6.8 \$3.4 million of ongoing efficiency savings and non-rates revenue increases have been included in the Outlook for next financial year. This takes the total efficiency savings over the last 7 years to \$16.8m.



- 2.6.9 Provision for a defined superannuation shortfall call of \$11 million to be funded from a drawdown on general reserve and repaid over the Outlook period.
- 2.6.10 Other factors include a forecast reduction in CPI, lower interest income, the freezing of 2020/21 statutory fees, and parking fine revenue shortfall because of continued issues with Fines Victoria's collection of unpaid parking infringements and court fines.
- 2.7 To address the issues identified in the revised Outlook the following high-level parameters are proposed to inform the development of Budget 2020/21:
- 2.7.1 Operating within the rates cap framework. This will see a 2% increase in 2020/21 as previously endorsed by Council, with the proceeds of the increase used to:
- Fund the significant above rates cap increases in waste management and recycling costs and other above CPI cost increases.
  - Increase support for ratepayers, businesses and community members who need it the most.
- 2.7.2 Maintaining a cumulative cash surplus of \$1 million for contingencies in consideration of the Covid-19 pandemic and our operating environment. A contingency plan to be developed should a further deterioration to our financial position occurs. This include further reduction controllable expenditure and service levels; pause or reduce Fishermans Bend growth fund allowance; refinance rather than repay the \$7.5 million debts due in 2021/22, draw-down on non-statutory reserves; and borrowings in alignment with our financial strategy (eg for intergenerational assets) (\$75m capacity).
- 2.7.3 Achievement of additional temporary savings of \$9 million in Budget 2020/21, which will include further reducing controllable and discretionary expenditure; strategic review and reprioritisation of service levels based on a principled approach; advocating to other tiers of government for financial support in response to COVID-19, further delaying portfolio spend if required.
- 2.7.4 Achievement of ongoing savings of \$5.2 million over the next 3 financial years in addition to the \$75.6 million of savings already embedded in the 10-YFP.
- 2.7.5 Maintaining an overall low risk rating on the Victorian Auditor General Office's Financial Sustainability Indicators over the medium to long-term including ensuring appropriate investment in maintaining, growing and improving our assets.
- 2.7.6 Setting fair and appropriate user charges while ensuring affordability is appropriately considered. Deferring consideration of a waste and amenity levy for a future Council noting this will likely be necessary in the long-term to achieve financial sustainability if the current rates capping framework continues.
- 2.7.7 Development of a range of temporary, well targeted and impactful relief and recovery measures in response to COVID-19 to be funded within the rates cap



and savings targets identified above – including where appropriate reprioritisation of existing grants and funding programs.

- 2.8 Council does not control a large portion of our income and expenditure. Out of the \$2.6 billion of expected total income in the Outlook, \$1.7 billion or 65% are rate revenue and statutory fees which are capped or set by the Victorian Government. The rates capping challenge is equivalent to approximately 16% of controllable income.
- 2.9 Out of the \$2.6 billion of expected total expenditure in the Outlook, 20% or \$531 million are to be spent on maintaining and renewing our \$3.2 billion of community assets. 19% or \$506 million are on service contracts with little scope to reduce costs (some degree of discretion on future service levels with community consultation). The rates capping challenge is equivalent to approximately 9% of controllable expenditure.
- 2.10 The development of Budget 2020/21 needs to consider the significant impact of Covid-19 on Council's financial position, our community and our staff. The draft Budget 2020/21 is expected to be presented at the 17 June 2020 Council meeting.

### 3. RECOMMENDATION

That Council:

- 3.1 Endorses the changes to the 10-Year Financial Outlook and parameters for Budget 2020/21, noting the significant challenge of Covid-19, rates capping, the impact of the Recycling Victoria policy on waste services and the rates cap gap.
- 3.2 Notes the expected \$32m impact of Covid-19 on revenue across 2019/20 and 2020/21 and that inclusion of \$23m of offsetting savings in the 10-Year Financial Outlook including \$16m in project portfolio deferrals and scope reductions (as summarised in Attachment 1) and \$7m in operating expenditure savings.
- 3.3 Notes that in addition to the \$75m of efficiency savings already built into the 10-Year Financial Plan that Council must address an \$71m funding gap over the 10-year period comprising the residual impacts of Covid-19 (\$9m), the waste and recycling crisis (\$63m), and an expected defined benefits superannuation shortfall (\$11m).
- 3.4 Notes that Officers will seek to address the short-term funding deficit and as much as possible of the long-term deficit as part of development of the Budget 2020/21 including a detailed review of operating expenditure, identification of service reduction options, further reductions to the project portfolio, and strategic use of reserves.
- 3.5 Endorses consultation on the following initial service reduction proposals (as summarised in Attachment 2) totalling \$0.9 million per annum or \$10m over the 10-year Outlook to assist in bridging the funding gap:
  - Cessation of the Program Activity Centre Pressure Washing Service
  - Cessation of funding for the South Port Community Legal Service
  - Reduced Assist Counter service at Port & South Melbourne
  - Reducing maintenance of VicRoads Assets by Council



- Reduced spend on Diversity magazine and moving this to a digital platform
  - Freeze Community Grants Program at 2018/19 levels
  - Cease the Neighbourhood Grants program
  - Reduce the number of memberships to external bodies
- 3.6 Notes that to fully address the rates cap challenge over the long-term will require the consideration of a waste and amenity levy by a future Council and/or significant further reductions in other services to maintain financial sustainability.
- 3.7 Notes the updated timeframe for development of the Budget 2020/21 in accordance with the extended timeframes permitted by the State Government due to the impacts of Covid-19 and the proposed community engagement approach.
- 3.8 Delegates authority to the CEO or their delegate to update the 10-Year Financial Outlook document and to reflect any changes made by Council at tonight's meeting for final publication.

#### 4. KEY POINTS/ISSUES

##### 4.1 Background

- 4.1.1 The integrated Council Plan 2017-27, which includes the Strategic Resource Plan, the Municipal Public Health and Wellbeing Plan, a financial strategy, 10-year financial plan and annual budget was adopted on 21 June 2017, updated on 20 June 2018 and 19 June 2019. It sets a 10-year direction for the City, with a four-year focus on the specific actions Council will undertake to work towards achieving this direction.
- 4.1.2 Integration of Council's planning, budgeting and resource allocating ensures strong alignment between Council's strategic priorities, and its services, programs and projects
- 4.1.3 The integrated plan ensures Council can effectively respond to the opportunities and challenges the municipality faces in a way that enhances Port Phillip as a place to live, work and visit.
- 4.1.4 Progress to deliver the plan is monitored and regularly reported in the CEO Report and in the annual report.
- 4.1.5 Consideration of our strategic risk profile, representing the key internal and external risks that may significantly impact operations and achievement of Council's objectives, was included in development of the Council Plan.
- 4.1.6 Officers regularly monitor changes in our external and internal operating environment to ensure our priorities and resources will effectively deliver on the Council Plan outcomes and we are effectively managing our strategic risks.
- 4.1.7 This report considers changes in the external and internal environment that have occurred since the plan was adopted. This information will inform and



set the parameters for the review of the Council Plan, including the Strategic Resource Plan and development of the Budget 2020/21.

4.1.8 As part of this review of our operating environment, officers review and update the 10-Year Financial Outlook (the Outlook) each year. The objective of the Outlook is to:

- Test the long-term financial implications of the current forecasts in revenue and expenditure.
- Set clear direction and parameters for the development of the annual budget.

4.1.9 The annual review of the 10-Year Financial Outlook usually takes place in December each year. The last review was reported in December 2019. However, in response to the significant financial impact and risks associated with COVID-19, officers have completed an interim review of the outlook and are proposing several changes.

## 4.2 Our operating environment

4.2.1 In December 2019, officers referred to the seven enduring challenges that our municipality faces (population growth, urbanisation, transport and parking, legislative and policy influences, climate change, economic conditions and the rapid evolution of technology).

4.2.2 These remain important challenges for our city and will continue to influence financial planning and budgeting decisions.

4.2.3 However, 2020 has presented challenges unlike anything our City, state or nation has faced in generations.

4.2.4 The COVID-19 pandemic has had significant impact on our local businesses, community organisations, ratepayers and residents. Service closures, self-isolation, restrictions on travel and gatherings, and physical distancing have had a financial impact on our community with large financial and economic losses, increases in under and unemployment, and business failures.

4.2.5 The Federal and Victorian government should be commended for their leading roles in reducing and managing the impacts of the COVID-19 pandemic in terms of the general health and wellbeing of our community.

4.2.6 Council has also had a role to play in supporting local businesses, local community organisations, ratepayers and residents through these tough times. On 25 March 2019, we announced a \$2.5 million (updated forecast \$2.95m) emergency relief package to support those most affected in our community, including many of our traders. The package includes:

- Interest-free deferral on rates payments for ratepayers in financial hardship and eligible small business.
- Rent waivers for Council commercial and community tenants and licensees, including stallholders at South Melbourne Market.



- Fee waivers for footpath trading permits and Food Act registrations.
- 4.2.7 We are also providing up to \$500,000 repurposed from our social housing fund for services supporting people experiencing homelessness.
- 4.2.8 However, Council too has been affected by these changes. Several community services provided by Council have had to close such as libraries, our community centres, playgroups and senior citizen services. Other services have been impacted such as food and home-based care services, maternal child & health, customer service centres, open space and recreation centres, and arts facilities.
- 4.2.9 We have also had a significant reduction in our revenue streams. Officers forecast a \$12.7 million reduction in revenue from what was budgeted in 2019/20, led by reduced parking revenue (\$7.5 million), property related income (\$2.2 million) and child care revenue (\$1.7 million). Reduced revenue streams are also expected to flow into 2020/21.
- 4.2.10 The pace at which we can deliver projects has also been affected with some projects delayed while we work out a way to engage with the community in a digital environment, there have been upstream delays with our suppliers, as well as a general loss of productivity.
- 4.2.11 While revenue and service provision has declined in certain areas, a significant proportion of our costs remain fixed, with staff salaries and contracts equating to 73% of our operating costs excluding depreciation.
- 4.2.12 This has also coincided with increasing costs, including a higher landfill levy, and cost shifting from other tiers of government, which is estimated to cost around \$4.5 million. The Local Government Bill also recently received Royal Assent and has both resourcing and financial implications on Port Phillip and the wider local government sector. In the meantime, we are also heading towards local government elections in October 2020.
- 4.2.13 To continue to provide critical services and infrastructure, we are currently undertaking an extensive review of all costs and strategically reprioritising expenditure based on the following principles:
- Reprioritisation must be effective in providing the intended relief and increasing community capacity to withstand and recover from the pandemic and other future shocks.
  - Reprioritisation should be targeted towards those that need it most and not duplicate support provided by others.
  - Council must ensure financial sustainability.
  - Reprioritisation of activities and services should be aligned to the Council Plan priorities, transparent, defensible, and distributed fairly based on the role of Council, support available from others, risk, and cost.
- 4.2.14 Based on these principles, priority will be given to activities that:
- Meet legal and/or contractual requirements.



- Are essential to keeping our community safe, with a focus on the most vulnerable, in the response stage.
- Are essential to manage risk, including risk to Council's long-term financial sustainability (e.g. priority asset maintenance & renewal).
- Are essential to helping our community move from response to recovery as quickly as possible.
- Are essential to preparing the Council administration for the recovery stage, including business continuity and retaining and building new capacity to start up again.

4.2.15 In December 2019, officers noted that Council has a relatively sound financial position in the short term, which means we have been able to accommodate priorities and manage emerging risks, but that over the medium and long term, fundamental changes to the way Council operates will be required to meet the rates cap challenge. The financial impact of the COVID-19 pandemic has accelerated that requirement to fundamentally change the way Council operates and remain financially sustainable.

4.2.16 The extensive review of our operating costs is in train and on track to be completed and reflected in time for the release of the draft Budget for 2020/21.

#### 4.3 The 10-Year Financial Outlook

4.3.1 A number of assumptions have been updated in the Outlook since the adoption of the 10-YFP in June 2019. The significant changes include:

- A 2% rates cap was announced by the Minister in December 2019.
- A forecast reduction in Consumer Price Index (CPI).
- A forecast reduction in investment yield.
- Fines Victoria System and Collection issues to continue for another 2 financial years.
- Provision for Food Organic and Garden Organic implementation in 2022/23.
- Increase in landfill levy from \$65.90 to \$125.90 per tonnes, an increase of 91% of \$60 over the next three financial years.
- A forecast reduction in development activities and subsequent lower population & property growth.
- \$16 million of Portfolio project reduction in the short-term (2019-2021) to be increased in the out-year to ensure our asset base are maintained. This include \$9 million of renewal projects (kerb & channel, footpath and road renewals) and \$7 million of non-essential projects reduced/deferred to future years.





- A reduction in staff requirements. 10-YFP included a decrease from 883 FTE to 868 in 2020/21. This has been reduced further to 846 FTEs in the Outlook. Further reductions targeted part of the budget process.
- 4.3.2 Given the uncertainty of the Covid-19 impact both in the short and medium term, analysis on two alternative scenarios has been completed; a base case using the Department of Treasury & Finance (DTF)’s historical inflation projections between 1.75% to 2.5% range and a more pessimistic economic environment.
- 4.3.3 The accumulated rates capping challenge under the base case is quantified at \$147 million or \$180 million if a pessimistic scenario is used.
- 4.3.4 The Outlook under the two scenarios are outlined in the table below.

	2020/21	2021/22	2022/23	2023/24	2029/30
<b>Base case – Historical DTF inflation projections (1.75% to 2.5%)</b>					
Rate increase	2%	1.75%	1.75%	2%	2.20%
Accumulated rates capping challenge	(\$9m)	(\$9m)	(\$13m)	(\$26m)	(\$147m)
<b>Scenario 2 - Rates cap with a pessimistic economic environment</b>					
Rate increase	2%	1.50%	1.50%	1.75%	2.25%
Accumulated rates capping challenge	(\$10m)	(\$13m)	(\$20m)	(\$36m)	(\$180m)

- 4.3.5 The full impact of funding and financing in FBURA has not been included due to uncertainty around the quantum and timing of capital investments and consequential operational and infrastructure servicing expenditure (whole of life costing). The uncertainty is further accentuated by the impact of Covid-19 to the Victorian Government’s finances. The Outlook includes financial outcomes from known proposals and works agreed with the Victorian Government.
- 4.3.6 The establishment of a sustainable model for the governance and funding of FBURA is a priority. There is particular concern that Council must have a role in decision making for FBURA to influence outcomes and to ensure that the project is financially sustainable and does not become a financial burden on our ratepayers now and into the future.
- 4.3.7 Council officers are working collaboratively with the FBURA Taskforce towards a robust Funding and Financing Strategy to achieve the vision for Fisherman’s Bend and operate within financially sustainable targets.
- 4.3.8 The Outlook has retained some of the assumptions and funding allocations included in the Strategic Resource Plan, which will form the starting point for the Budget 2020/21. The key assumptions include:



- Non-rate revenue to increase by rate cap plus 0.25% to reduce reliance on rates funding whilst still keeping fees affordable. This is a global assumption – individual fees and charges will be reviewed and consulted on as part of the Budget 2020/21 – some may be more or less. The fee increase will help fund hardship support which is more effective and targeted than global fee freeze/reduction.
- Expenditure increase by the consumer price index. Discretionary fees will be reviewed and find savings where possible.

4.3.9 The projected financial result for the 2019/20 financial year is based on current information. However, it should be noted that there are inherently a number of budget risks that will need to be managed throughout the remainder of the 2019/20 year.

#### 4.4 Responding to the Rates Capping Challenge and Recycling Crisis

4.4.1 Depending on the situation (rate capping methodology and budgetary risk items), Council has required fundamental changes to the way Council operates, as a 'business as usual' approach will not be sufficient to meet the rates capping challenge. The 10-Year Financial Plan includes a \$75.6 million rates cap challenge which we plan to close the rates cap gap by adjusting the following strategic levers:

- **Delivering efficiency and cost savings** – Opportunities to further reduce Council's cost base without impacting service levels (such as efficiencies identified through improvements in processes, procurement, sale of surplus properties, and project planning and delivery).
- **Setting fair and appropriate user charges** - Opportunities to ensure that user fees and charges reflect the benefit that individual community members receive (that is, rates funding is not unreasonably subsidising services that provide private benefit). The application and impact of this policy setting will be viewed annually to ensure affordability and fairness.
- **Careful management and prioritisation of expenditure** – Service delivery options, including fundamental changes to the way services are currently delivered and consideration of service level reductions in areas of lower strategic priority.
- **Appropriate use of borrowings and reserves** – A prudent and fiscally responsible approach towards the use of new debt for strategic property acquisitions, funding community capital works that will provide inter-generational community benefit and work that deliver revenue streams to repay debt. Reserves will be used where appropriate to invest in one-off new or improved assets where this is considered more efficient than the use of debt.

4.4.2 The Outlook has seen the rates capping challenge increased by \$71 million to \$147 million (noting \$75m is anticipated to be addressed through efficiency



savings). Officers believe to address this additional challenge other options will need to be considered including:

- **Future consideration of a Waste and Amenity Levy** – Costs relating to waste services are expected to escalate materially above the rates cap. Recently announced the Victorian Government is their Recycling Victoria Policy which will have a material financial impact to the Outlook. The cost of FOGO and the 91% landfill levy increases over 3 financial years from \$65.90 to \$125.90 per tonne means approximately \$64 million of the rates capping challenge is from waste services. While the introduction of waste and amenity to at least partially fund this was initially considered for consultation, with the impacts of COVID-19 it proposed that this is deferred to a future Council.
- **Service prioritisation and delivery** – further difficult decisions on service prioritisation and delivery will be required to maintain financial sustainability.

4.4.3 Our strategy is not to apply to the Essential Services Commission for a variation to the rates cap over the life of the Outlook unless there are sound justifications (i.e. large funding gap for FBURA).

#### 4.5 Parameters for Council Plan and Budget 2020/21

4.5.1 The Outlook provide context for setting high-level future expenditure and revenue flows based on Council's current policy settings and will be the baseline for the review of the Council Plan and the development of Budget 2020/21.

4.5.2 To address the issues identified in the revised Outlook the following high-level parameters are proposed to inform the development of Budget 2020/21:

- I. Operating within the rates cap framework. This will see a 2% increase in 2020/21 as previously endorsed by Council, with the proceeds of the increase used to:
  - Fund the significant above rates cap increases in waste management and recycling costs and other above CPI cost increases.
  - Increase support for ratepayers, businesses and community members who need it the most.
- II. Maintaining a cumulative cash surplus of \$1 million for contingencies in consideration of the Covid-19 pandemic and our operating environment. A contingency plan to be developed should a further deterioration to our financial position occurs. This include further reduction controllable expenditure and service levels; pause or reduce Fishermans Bend growth fund allowance; refinance rather than repay the \$7.5 million debts due in 2021/22, draw-down on non-statutory reserves; and borrowings in alignment with our financial strategy (eg for intergenerational assets) (\$75m capacity).



- III. Achievement of additional temporary savings of \$9 million in Budget 2020/21, which will include further reducing controllable and discretionary expenditure; strategic review and reprioritisation of service levels based on a principled approach; advocating to other tiers of government for financial support in response to COVID-19, further delaying portfolio spend if required.
- IV. Achievement of ongoing savings of \$5.2 million over the next 3 financial years in addition to the \$75.6 million of savings already embedded in the 10-YFP.
- V. Maintaining an overall low risk rating on the Victorian Auditor General Office's Financial Sustainability Indicators over the medium to long-term including ensuring appropriate investment in maintaining, growing and improving our assets.
- VI. Setting fair and appropriate user charges while ensuring affordability is appropriately considered. Deferring consideration of a waste and amenity levy to be considered by future Council.
- VII. Development of a range of temporary, well targeted and impactful relief and recovery measures in response to COVID-19 to be funded within the rates cap and savings targets identified above – including where appropriate reprioritisation of existing grants and funding programs.

## 5. CONSULTATION AND STAKEHOLDERS

- 5.1 At the time that this report was written, the community have been invited to participate in two virtual town hall meetings supported with Q&A sessions to set financial context for developing the draft Budget 2020/21.
- 5.2 The two sessions to be held are 4 May 2020 and 18 May 2020. All questions raised and answers are to be made available on our Have Your Say site within three business days.
- 5.3 While the budget is being developed, the Q&A sessions will remain open so people can continue to submit questions.
- 5.4 The updated Council Plan and draft Budget 2020/21 is now proposed to be endorsed by Council for public release on 17 June 2020. Community engagement will commence from 19 June 2020 through to and including 17 July 2020.
- 5.5 Officers are proposing to conduct online focus groups during the statutory consultation period to gather feedback on draft Budget including changes to services levels and delivery of projects, and test options and alternatives. The focus groups will be limited to 10-12 participants and it is intended that each focus group has representation that widely reflects our community.
- 5.6 An online survey and submission form will also be available on our Have Your Say site for the wider community to participate.



- 5.7 Officers are proposing for Council to formally receive written submissions and hear presentation at a meeting on 5 August 2020, before adopting the updated Council Plan and Budget 2020/21 on 19 August 2020.

## 6. LEGAL AND RISK IMPLICATIONS

- 6.1 Council has a strong focus on continually improving the efficiency and effectiveness of its service delivery, a rates capping framework that unreasonably restricts rate revenue may result in councils being forced to reduce the scope of services valued by the community, or to assume an inappropriate level of financial risk.
- 6.2 The revised timeframe for engaging the community on the updated Council Plan and draft Budget 2020/21 and the adoption of the budget are consistent with the extended timeframe that was granted by the Minister for Local Government.

## 7. FINANCIAL IMPACT

- 7.1 The Outlook includes the \$32 million financial impact of Covid-19 and a potential \$11 million defined superannuation shortfall call eventuating. Officers have identified approximately \$23 million of portfolio and operating savings to date, and we are currently undertaking an extensive review of all costs and strategically reprioritising expenditure based on principles to address the funding deficit in 2020/21.
- 7.2 \$0.9 million of early service level reductions have been identified including Cessation of Program Activity Centre Pressure Washing Service, Parks Maintenance of VicRoads Assets, Funding Cessation of South Port Community Legal Service, Reduced Assist Counter service at Port & South Melbourne, Reduced Diversity spend, Annual Community Grants Program to set at 2018/19 level & Removal of the Neighbourhood Grants program and Reduced Organisational Membership.
- 7.3 The Outlook outlines a rates capping challenge of \$147 million. \$75 million is to be found from Customer Experience program and other initiative savings embedded in our 10-Year Financial Plan. \$9 million of temporary savings are required to address the funding deficit in 2020/21. \$5.2 million of ongoing savings are required over the next 3 financial years – Officers believe options will need to be considered including service level reductions and the consideration of a waste and amenity levy by future Council.
- 7.4 The approach to managing the rates capping challenge include adjusting the four strategic levers and the need to consider a waste and amenity levy by future council.

## 8. ENVIRONMENTAL IMPACT

- 8.1 Direction 2 of the Council Plan '*We are connected and it's easy to move around*' specifies outcomes that would see sustainable travel choices and a built environment that is not dominated by cars.
- 8.2 Direction 3 of the Council Plan '*We have smart solutions for a sustainable future envisages the creation of a city* a city which will significantly reduce its environmental footprint over time, through a greener environment, lower carbon emissions, adaptation to climate change, reduced reliance on potable water and reducing waste to landfill.



## 9. COMMUNITY IMPACT

- 9.1 Direction 1 of the Council Plan '*We embrace difference, and people belong*' supports outcomes related to enhancing community wellbeing and social inclusion. Direction 4 of the Plan '*We are growing and keeping our character*' ensures the city remains liveable as it grows and that the identity of Port Phillip and its neighbourhoods is protected and reinforced. Direction 5 of the Plan '*We thrive by harnessing creativity*' envisages a *City where arts, culture and creative expression is part of everyday life*.
- 9.2 Council has a role in supporting local businesses, local community organisations, ratepayers and residents through these tough times. On 25 March 2019, we announced a \$2.5 million (updated forecast \$2.95m) emergency relief package to support those most affected in our community, including many of our traders as highlighted under 4.1.6.
- 9.3 Council also repurposed the \$0.5 million social housing fund for services supporting people experiencing homelessness.
- 9.4 Further support will be considered in the Budget 2020/21 process to ensure our community is supported through these tough times.
- 9.5 To address the funding deficit, some early service reductions have been identified. Officers believe the impact to the community will be minimal. That said Council encourages the community to have their say during the consultation process.

## 10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 10.1 This report sets the direction for Council's annual review of the Council Plan, the Strategic Resource Plan and development of the 2020/21 budget.
- 10.2 Council's Risk Policy requires Council to consider a summary of strategic risks, controls and improvement actions at the commencement of the annual planning process.
- 10.3 The 10-Year Financial Outlook provide context for the development of the Strategic Resource Plan. It quantifies the impact of rates capping and identifies the financial levers for responding to the rates cap gap and other challenges.

## 11. IMPLEMENTATION STRATEGY

### 11.1 TIMELINE

11.1.1 Key dates in the annual planning process 2020/21 are:

- 17 June 2020 – release date for the draft updated Council Plan and Budget for 2020/21.
- 19 June to 17 July 2020 – public exhibition period of the draft updated Council Plan and Budget 2020/21. Community members will be invited to review the document and make public submissions. This is consistent with the minimum statutory period of at least 28 days.

## ORDINARY MEETING OF COUNCIL– 06 MAY 2020



- 5 August 2020 – Council meeting to formally receive submissions and hear oral submissions.
- 19 August 2020 – Adoption of the updated Council Plan and Budget 2020/21. The Minister for Local Government has agreed an extension date for the adoption of the Budget 2020/21 to 31 August 2020.

### 11.2 COMMUNICATION

- 11.2.1 The 10-Year Financial Outlook provide context for setting high-level future expenditure and revenue flows based on Council’s current policy settings and will be the baseline for the review of the Council Plan and the development of Budget 2020/21.
- 11.2.2 Overall, Council has a relatively sound financial position in the short term, which means we have been able to accommodate priorities and manage emerging risks. However, over the medium and long term, fundamental changes to the way Council operates will be required to meet the rates cap challenge.

## 12. OFFICER DIRECT OR INDIRECT INTEREST

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

**TRIM FILE NO:** 16/02/238

**ATTACHMENTS**

1. Attachment 1 - Portfolio Reductions
2. Attachment 2 - Service Level Reductions