

## FAQ - Budget 2020/21

### **How much is the expected income and expenditure for 2020/21**

The expenditure for the draft Budget 2020/21 is \$231 million cash expenditure, comprising \$205 million operational expenditure and \$26 million capital expenditure.

Budgeted expenditure is greater than the total income of \$221 million by \$10 million (cash shortfall).

Net reserve drawdown of \$15 million (\$23 million drawdown and \$8 million replenishment) to fund projects including the following drawdowns – \$8 million of project deferrals (funded by prior year underspends), \$8 million for CXP with benefits in future years to replenish and \$2 million open space contributions.

Taking into account the \$15 million net reserve drawdown, the draft Budget 2020/21 will result in a cash surplus of \$5 million for the year.

We forecast a cumulative cash deficit in 2019/20 of \$4m, which will be carried forward to 2020/21.

The budgeted **cumulative cash surplus** will be \$0.99 million (\$5m less \$4m).

Cash operating expenditure	(\$205m)
Cash capital expenditure	(\$26m)
<b>Total cash expenditure 2020/21</b>	<b>(\$231m)</b>
Total income	\$221m
Cash shortfall (total income less total expenditure)	(\$10m)
Drawdown on reserves	\$15m
<b>Cash surplus for 2020/21</b>	<b>\$5m</b>
Carried forward cash deficit from 2019/20	(\$4m)
<b>Cumulative cash surplus 2020/21</b>	<b>\$0.99m</b>

### **What is the impact of the zero per cent rate increase?**

The draft budgeted average rates for 2020/21 is \$1,798 and the average residential rates is \$1,625 including a 2 per cent rates cap increase on total rates income. This represents an average increase of \$35 for all rates and \$32 for residential rates – which is about 67 cents a week and 62 cents a week respectively.

The 2 per cent increase provides an additional \$2.7m of rates income to fund our valuable community services and assets. A 0% rates increase in 2020/21 would be equivalent to a cumulative loss of approximately \$30 million of rates' revenue over a 10-year financial plan.

The 10-year financial plan already has a \$72 million rates cap challenge on top of assumed efficiency savings of \$75 million. A 0% rates increase will add to this challenge increasing the need for reductions in service levels and/or new charges to maintain financial sustainability.

### **What has been the financial impact of COVID-19 and how have we addressed it?**

The expected financial impact of COVID-19 on revenue across 2019/20 and 2020/21 is \$32m.

The draft budget 2020/21 addresses the funding deficit with:

- \$4.9m of efficiency savings (adding to the \$13m found over the last six budgets),

- \$1.3m of service level reductions,
- \$16m of project portfolio reductions (largely deferred to future years)
- \$11m reduction in operating expenditure.

#### **What is Council's rates cap challenge?**

Council endorsed the 10-year Financial Outlook (Outlook) in May 2020, which had a rates cap challenge of \$147 million. This was an increase of \$72 million since the adopted 10-Year Financial Plan largely due to the waste and recycling disruptions and cost increases.

The Outlook included a strategy to address this funding challenge with:

- \$75 million to be found from ongoing efficiency savings and CX program benefits
- the remaining \$72 million to be addressed through service level reductions and/or a future waste charge.

The draft Budget 2020/21 includes additional efficiency savings (total \$4.9 million) and \$1.3million of service level reductions. The residual funding challenge inclusive of the savings and service level reductions is \$40 million to be addressed by future budgets.

#### **How does targeted support compare to a general rates decrease (no increase)**

One of the key principles for providing support to the community is it is well targeted.

As highlighted earlier, a zero rates increase will not be impactful nor well targeted as the average ratepayer will receive \$35 discount and \$32 for an average residential ratepayer – which is about 67 cents a week and 62 cents a week respectively.

Our \$4.2m economic and social support package, which is greater than the rates cap increase of \$2.7m, will be targeted to those parts of the community most impacted by Covid-19 pandemic.

We have also targeted several initiatives towards stimulus and recovery measures to enable people and business to reconnect with our public spaces and commercial precincts and return to normal social activities.

Once-off supports are financially affordable as they do have a compounding impact to our future revenue, whereas a zero rates increase is a permanent ongoing reduction to our rates income base. The cumulative impact is equivalent to \$30m over the 10-year financial plan period.

#### **What amendment can we make at Budget adoption (19 August Meeting)?**

It is a requirement for Council to engage the community when making decisions for the annual budget. Therefore, any new material changes should be raised and included in the draft budget prior to community consultation.

In terms of materiality, we provide the following guideline:

Legislative Material change:

- Increases to rate in the dollar
- New borrowing
- Downward movement in financial sustainability rating (e.g. low to medium risk)

Changes that are most likely to be material but need further consideration:

- Movement from cash surplus to deficit (a material change to Council's financial position)

- Material change in service levels (so not to seriously disadvantage those impacted without their say/submission)

### Efficiency savings

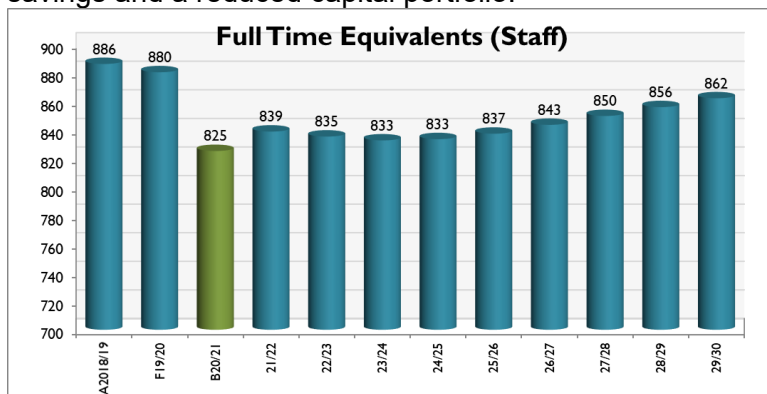
Draft budget 2020/21 includes efficiency savings of \$4.9 million. This adds to the \$13 million of savings delivered over the previous six years.

Efficiency savings include:

- \$0.7m of early Customer Experience Program benefits, creating a more efficient enterprise
- \$1 million of benefits from the implementation of Paystay, including increased use of paid parking, and lower maintenance and coin collection expenditure.
- \$0.7m from Child Services – active management of staff/responding to service levels (lower agency and backfill), holiday charge for long day-care consistent with private sector, and targeted efficiency of Maternal Child Health
- \$0.2m from Senior Officers' pay freeze
- \$0.5m from targeted statutory planning efficiency and optimisation of planning fee structure (second consent and time extensions)
- \$0.8m disestablishment of positions absorbed within existing resources include one General Manager (consulting on proposed new organisation design which may include additional savings)
- \$0.2m from targeted support for department training with new policy
- other minor efficiency savings.

### Staff movements

Council employees are our most essential resource, enabling the delivery of a broad range of services. For Budget 2020/21, we are proposing a net decrease of 55 full-time equivalent staff based on lower demand, part-year recommencement of council services, efficiency savings and a reduced capital portfolio.



We expect 21 of these positions will be required in 2021/22 as the capital program and service demand ramp up again following COVID-19.

One Family Assertive Outreach Worker has been added to support families experiencing vulnerability to access early years education services.

If the Eco-Centre is brought forward an additional Project Manager role will likely be required.

### How does City of Port Phillip compare to other councils?

Each council has a different operating context such as its asset base and condition, geography, demographic mix, service priorities, operating models (in-house vs contracted services), and population growth.

In Port Phillip, some these differences include:

- the highest reported number of homeless persons among our neighbouring councils, therefore we provide funding to support affordable housing and provide homelessness support services
- a large food and retail market (South Melbourne Market)
- five council-run children centres and a number of council-supported community-run centres.
- a community transport service (Port Phillip and Yarra are the only councils in Victoria that provide this)
- two staffed adventure playgrounds
- 15 community centres – one of the most in Victoria
- being a popular tourist destination, we allocate a significant budget annually to manage the influx of visitors over summer
- investing in festivals including St Kilda Festival, St Kilda Film Festival and Live n' Local so that we can be a 'Creative and Prosperous City'.
- rolling out the Customer Experience Program including replacement of ageing assets/end-of-life core systems. This is not ongoing. We expect this program will be repaid over the next 10 years through financial savings achieved by the program
- an in-house street-cleaning service, which shows as employee expenditure instead of contract expenditure for most other councils. We also offer a higher level of beach cleaning.

Services	Income (\$,000s)	Expenditure (\$,000s)	FTEs
Social housing and indigenous support	-	1,242	5
Long day care	9,585	8,569	86
Summer Management	-	550	3
South Melbourne Market	6,843	7,616	11
Festivals	866	4,106	14
Customer Experience program	-	9,649	2
Adventure Playground	8	840	8
Parking services	29,836	15,252	39
In-house beach cleaning		912	7
In-house street cleaning	-	4,550	46

#### Can we repay our \$7.5 million debt?

Council borrowed \$7.5 million via a bond issuance organised by the Local Government Funding Vehicle over a seven-year tenure and interest rates of 4.65%. As this is via a bond issuance, Council cannot repay earlier – scheduled in 2021/22.

## Council Plan 2017-27

#### Why is Council updating the Council Plan 2017-27

Each year we review the Council Plan to align it to adopted core strategies and the recent mid-year review of progress on the priorities under each strategic direction, and in response to changes to our operating environment.

As 2020/21 represents the fourth and final year of this Council Plan, proposed changes to our Council Plan priorities, measures and targets have been minimal.

However, this year has presented challenges unlike anything our City has faced in generations. The COVID-19 pandemic has had a 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.

We have also had a significant reduction in our revenue streams – a forecast \$32 million reduction in revenue between April 2020 and the end of June 2021 from what was budgeted in 2019/20.

To address the rates capping challenge, respond to the \$32 million financial impact and risks associated with COVID-19 pandemic and other risks such as the impact of the Recycling Victoria policy on waste services, we have applied careful prioritisation of spend to ensure we support ratepayers, businesses and community members who need it the most.

As a result, there are a number of proposed changes to services, our project portfolio and fees and charges.

Details on the proposed changes are in the updated Council Plan section entitled 'Changes to this plan'.

### **What are the Council Plan's Strategic Direction and how were they developed?**

The Council Plan was developed following extensive community engagement conducted in early 2017. The plan sets out what we want to achieve for Port Phillip by 2027, and how we will support the current and future health and wellbeing of our City. Council adopted the Council Plan 2017-27 on 21 June 2017.

The six Strategic Directions outlined in the Council Plan 2017-27 are:

1. we embrace difference, and people belong
2. we are connected and it's easy to move around
3. we have smart solutions for a sustainable future
4. we are growing and keeping our character
5. we thrive by harnessing our creativity
6. our commitment to you

### **Have the Strategic Directions changed?**

The six Strategic Directions outlined in the Council Plan 2017-27 have not changed.

### **How were the changes to the Council Plan 2017-27 identified?**

Each year we conduct a review of our Council Plan to align it to adopted core strategies, the recent mid-year review of progress on the priorities under each strategic direction, and in response to changes to our operating environment.

### **What is the Economic and Social Recovery program?**

The draft Budget 2020/21 funds \$4.2 million for an Economic and Social Recovery program that builds on the \$2.8 million emergency relief package for 2019/20, providing assistance to those who need it most. It supplements rather than duplicates Victorian or Federal government assistance and was informed following a business forum on 2 June, in which 125 businesses participated. The program aims to:

- provide relief from rates, rents and Council fees and charges
- reactivate public space
- support land use and statutory planning
- reduce red tape
- support businesses, volunteer sector, social connections and community resilience
- respond to affordable housing and homelessness.

Details on the Economic and Social Recovery program are in the updated Council Plan section entitled 'Changes to this plan'.

### **What changes have been made to the Council Plan 2017-27**

To address the \$32 million financial gap due to the COVID-19 pandemic, there are a small number of temporary and permanent service level reductions in this draft Budget 2020/21.

Additionally, careful prioritisation of spend within capital and operating portfolio and the projected spend in 2020/21 has decreased from \$61 million (excluding land purchases) to \$47 million, consisting of a mix of reduced scopes in programs and project deferrals with increased investments in the following years to ensure our asset base and responses to our strategies are maintained over the medium and long-term.

In most cases, our fees and charges for 2020/21 are proposed to increase by 2.25 per cent (with variances where minor rounding equates to larger or smaller percentages). This approach is consistent with our financial strategy. There will be variances where minor rounding equates to larger or smaller percentages.

There are some exceptions where we believe a larger increase (on non-material items) is fair and reasonable. Due to the significant impact of the COVID-19 pandemic to our community, any material fee structure changes have been deferred to a future budget year.

Additionally, some fees are proposed to increase by 2.25 per cent but will be supported with targeted measures such as waivers and deferrals. In other cases, no fee increase is proposed for 2020/21.

Details on the proposed changes are in the updated Council Plan section entitled 'Changes to this plan'.

### **Has the community contributed feedback to the draft Budget 2020/21?**

Prior to the development of the draft Budget 2020/21, Council engaged the community between 13 February and 7 March 2020 on significant changes in the waste and recycling industries and the increasing cost of managing waste – at a much higher rate than our annual rate-capped revenue – and the need to find ways to deliver waste services to our community that meet rising industry costs and help us meet our environmental targets.

We asked for feedback on trialling new waste services, such as food organics and garden organics and separated glass recycling services, as well as introducing a waste and amenity levy, which would be a payment in addition to Council rates to cover some, or all, the costs incurred by Council to deliver waste, recycling and cleansing services.

Of the 301 community members who participated:

- 282 (94 per cent) were willing to supporting Council trialling new approaches and services to reduce recycling contamination and improve how we're managing waste.
- 256 (85 per cent) supported FOGO and/or separated glass being introduced permanently, 25 supported other services and 20 supported no services.
- 166 (55 per cent) preferred a Waste and Amenity Levy to fund the increasing costs, while 44 (15 per cent) preferred service reductions. Another 89 responses preferred other funding mechanisms such as use of efficiency savings or neither a levy or a reduction in services (that is, a non-specific response).

Although there is some community support for a waste and amenity levy to support funding the increasing cost of managing waste, the draft Budget 2020/21 does not propose a levy to partially or fully fund waste (including recycling) and amenity services. Council noted on 6 May 2020 that to fully address the rates cap challenge over the long-term, it 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.

On 6 May 2020, Council endorsed consultation through online forums on a selection of service level reduction proposals to assist in bridging the funding gap:

- discontinuing pressure washing service for activity centres
- reducing Council maintenance of VicRoads assets
- reducing ASSIST Counter Service at Port Melbourne and South Melbourne town halls
- discontinuing funding for South Port Community Legal Service
- discontinuing Divercity as a print publication and moving to an online version
- maintaining annual Community Grants program at \$280,000 and discontinuing 'quick response' Neighbourhood Grants program.

Forum topic	Page views	Page visitors	Number of forum comments from community	Poll contributions	% in favour of proposal
Pressure washing	231	210	15	42	76%
VicRoads assets	203	174	14	30	47%
ASSIST counter hours	241	197	14	44	68%
Southport Community Legal Centre	1,587	1,208	147	351	6%
Diversity magazine	263	230	28	60	94%
Community and Neighbourhood Grants	484	375	30	46	59%

Following community feedback, it is proposed that the above service level reduction options are implemented from 1 July 2020 apart from:

- the proposal to discontinue funding for South Port Community Legal Service. The funding for this service has been incorporated into the draft Budget 2020/21.
- the proposal to discontinue the 'quick response' Neighbourhood Grants program. Instead the Council Plan includes a suspension of this initiative for one-year, reinstating funding from 2021/22.
- the proposal to reduce ASSIST Counter Service at Port Melbourne and South Melbourne town halls. Instead the Council Plan includes a reduced service for one-year, with officers to complete a review before 1 July 2021 to assess the impact of the change on community members who do not have online access to our services

### **I provided input into the Council Plan 2017-27 last year. Why am I being asked again?**

Each year we conduct a review of our Council Plan and develop an annual Budget. Changes arise from these reviews as we update information and this is an opportunity for the community to provide feedback on these changes.

### **Where can I view the updated Council Plan 2017-27 and draft Budget 2020/21?**

The updated Council Plan 2017-27, including the draft Budget 2019/20, is available on Council's [website](#).

Copies are also available for inspection at our Emerald Hill, Port Melbourne and St Kilda libraries.



## **How can I provide feedback on the updated Council Plan 2017-27 and draft Budget 2020/21?**

The draft changes to the Council Plan 2017-27 are currently available to view on this [website](#). Community members may provide feedback on the changes in one of the following ways:

Complete the online submission on our [Have Your Say](#) web page.

Email [helpdeskabpp@portphillip.vic.gov.au](mailto:helpdeskabpp@portphillip.vic.gov.au)

By mail addressed to:  
Chief Executive Officer  
Port Phillip City Council  
Private Bag No 3  
St Kilda VIC 3182

Submissions must be received by no later than 5 pm Friday 17 July 2020.

Any person who has made a written submission, or their representative, is invited to speak at their submission at the ordinary Meeting of Council on Wednesday 5 August 2020, commencing 6.30 pm at the St Kilda Town Hall. If a physical meeting cannot take place, the meeting will be held online.

Council will meet to consider adoption of the updated Council Plan 2017-27, including the Budget 2019/20, at the Ordinary Meeting of Council on Wednesday 19 August 2020, commencing 6.30 pm at the St Kilda Town Hall Council Chamber. If a physical meeting cannot take place, the meeting will be held online.

## **What is a formal submission and what should I put in it?**

A submission is a formal way an individual, community group or organisation can give Council their feedback. Not all projects or community engagement processes require Council to provide a formal submission process. Section 223 of the *Local Government Act 1989* requires Council to invite people to make submissions on the Council Plan and annual budget.

In this instance, Council must formally receive and hear from those who wish to speak to their submission before giving consideration to the submissions ahead of the adopting the updated Council Plan and proposed annual budget. Council are legislated by the *Local Government Act 1989* to respond to each individual or organisation that makes a submission.

In your submission you might want to address what you think we should change in the Council Plan 2017-27 and/or annual Budget and why. You could also focus on a particular area of the Council Plan 2017-27 or item of expenditure.

**Can I make a formal submission to Council on the updated Council Plan 2017-27 and/or the draft Budget 2020/21**

Yes. In accordance with the Section 223 of the *Local Government Act 1989* the public are invited to make submissions on the updated Council Plan 2017-27 and/or the draft Budget 2019/20.

**How will my details be used by Council?**

Your information is protected through our privacy policy. Our privacy statement is below.

**Privacy statement**

Any comments made via this feedback form may be published and used as part of a Council report. However, Council will not publish any personal details collected as part of this form. For more information about Council's Privacy Policy contact the Privacy Officer via ASSIST on (03) 9209 6777 or email [assist@portphillip.vic.gov.au](mailto:assist@portphillip.vic.gov.au)

**How will my feedback on the updated Council Plan 2017-27 and draft Budget 2020/21 be used?**

The feedback collected through the online survey and submissions will be analysed and collated into a report requesting Council to adopt the final version of the Council Plan.

All submitters will receive a personalised response to their submission signed by the Mayor.

**Will there be more changes to the Council plan 2017-27?**

This represents the final year of this Council Plan. For the new Council, who will be elected in October 2020, one of the first considerations for them will be to develop new Council Plan.

**When will the updated Council Plan 2017-27 and Budget 2020/21 be finalised?**

The documents will be considered for adoption at the Ordinary Meeting of Council on Wednesday 19 August 2020.

**Will I be able to read the final Council Plan 2017-27 and Budget 2020/21?**

Yes, the updated Council Plan 2017-27 and Council Budget 2020/21 will be made publicly available on the City of Port Phillip's website and physical copies will be available for viewing at our Emerald Hill, Port Melbourne and St Kilda libraries.