

Management report to Council

Agenda item 6.1a

10 Year Financial Plan

Council

Presenter: Phu Nguyen, Chief Financial Officer

28 June 2016

Purpose and background

1. The purpose of this report is to endorse the 10 Year Financial Plan.

Key issues

2. The Council's first 10 Year Financial Plan was endorsed by Council in June 2015 and was informed by the People's Panel recommendations.
3. This second iteration of the 10 Year Financial Plan builds on the first with further enhancements. This includes improved long range planning for capital works and improved data with updated assumptions on revenue and expenditure.
4. The proposed 2016-17 Annual Plan is the first year of the 10 Year Financial Plan.
5. The 10 Year Financial Plan will be regularly monitored and updated on a regular basis to reflect the changing internal and external environment.

Recommendation from management

6. That Council endorses the 10 Year Financial Plan contained in Attachment 2 of the management report.

Attachments:

1. Supporting Attachment (page 2 of 61)
2. 10 Year Financial Plan (page 3 of 61)

Supporting Attachment

Legal

1. Whilst there are no direct legal implications arising from the recommendation from management, legal advice will be provided as required in respect to the implementation of the plan.

Finance

2. The financial implications of the 10 Year Financial Plan are discussed throughout the document.

Conflict of interest

3. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a direct or indirect interest in relation to the matter of the report.

Stakeholder consultation

4. The first 10 Year Financial Plan involved an extensive community engagement process including a budget simulator on Participate Melbourne, face-to-face engagement pop-ups across the city, two stakeholder workshops and three small targeted discussion groups.
5. The wider engagement aimed to reach a diverse audience including community members and organisations, businesses, advisory groups, residents groups, special interest groups, CALD communities, Aboriginal and Torres Strait Islanders, young people and children.
6. The wider engagement process was aimed at informing the 43 member Panel when formulating their recommendations on the Council 10 Year Financial Plan.
7. The information from the broad consultation has informed the development of the original 10 Year Financial Plan and this second iteration that builds on the first version.

Environmental sustainability

8. The 2016-17 Annual Plan and Budget and 10 Year Financial Plan included consideration of sustainability initiatives and with funding provided as detailed in the respective documents.

10 YEAR FINANCIAL PLAN

2016-2026



CITY OF MELBOURNE

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MESSAGE FROM LORD MAYOR ROBERT DOYLE AND COUNCILLOR STEPHEN MAYNE

This 10 Year Financial Plan will safeguard the city's growth, prosperity and liveability into the future.

It will secure our competitive advantage as a premier location for business and knowledge sectors to thrive, creating opportunities for our community, investing in our city and providing world class infrastructure.

The City of Melbourne is responsible for managing a multi-billion business. The net worth of the Council is forecast to increase significantly from \$3.9 billion to \$5.5 billion by 2026 as a result of capital investment in infrastructure. Expenditure on key programs and services is forecast at \$4.6 billion over the next decade.

Over the next 10 years we will spend \$1.4 billion on capital works: the city's largest ever program of infrastructure investment. A major component of this investment will be increased open space and ongoing renewal and maintenance of the city's existing assets.

Underlying surpluses will be a feature every year throughout our ten-year plan. These surpluses will be directed towards funding important capital infrastructure.

We have commenced work on the biggest project in Council's history: the Queen Victorian Market Renewal Project which will revitalise the market and preserve it for future generations.

Prudent financial management of our resources, strategic investment in our operational and capital expenditures will ensure that Council continues to support a vibrant economy.

According to industry experts Melbourne is on the precipice of a second wave of investment and prosperity. This 10 Year Financial Plan ensures that we make the strategic investments our city needs to make income gains, jobs gains, and social and environmental benefits even greater than those produced in the last decade.

We commend the 10 Year Financial Plan.

OVERVIEW

The City of Melbourne municipality covers the central city and 16 inner city suburbs. More than 128,000 people call the municipality home and a further 724,000 people visit the central city every day for work and recreation. The City of Melbourne is the central precinct for Greater Melbourne and a thriving residential, entertainment, cultural and educational precinct. The city is experiencing a rapidly growing population as more people seek it as a destination for business, residence, work, study and social opportunities.

As a local government authority, the City of Melbourne strives to achieve the community's vision for Melbourne to be a bold, inspirational and sustainable city. This is outlined in Future Melbourne, the community plan created with the public to guide how the city should evolve to 2020. The City of Melbourne's support for this vision is set out in the Council Plan 2013–2017, including the priorities that shape its program of work and the planned outcomes during the Council's four-year term.

A refresh of Future Melbourne is well progressed and is being developed with the community to shape and set the City's agenda for the next decade.

FAST FACTS



37.7 km²
AREA



16
SUBURBS



486ha
PARKLAND

62,090
DWELLINGS
AT 30 JUNE
2014

844,000[^]
WEEKDAY
POPULATION
INCLUDING
RESIDENTS

579,000[^]
WEEKEND
POPULATION
INCLUDING
RESIDENTS

438,972[^]
EMPLOYMENT



121^{}**
LANGUAGES



26,323^{*}
RESIDENTIAL
STUDENT
POPULATION

116,431^{^^}
RESIDENTIAL
POPULATION

138^{}**
CULTURAL
BACKGROUNDS

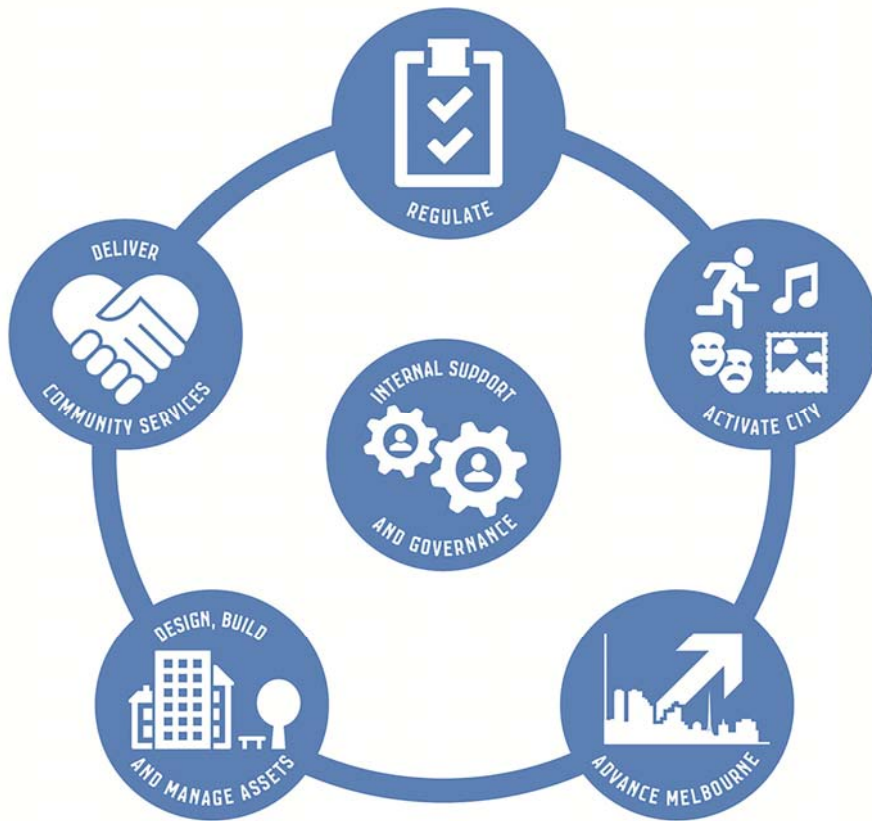
Come in We're
OPEN
18,221
BUSINESSES
AT 30 JUNE
2014

*2010 **2011 ^2012 ^^2013

10 YEAR FINANCIAL PLAN 2016–2026

1. Our services

Our diverse services can be grouped under the following six headings.



10 YEAR FINANCIAL PLAN

2016–2026

2. Future opportunities and challenges

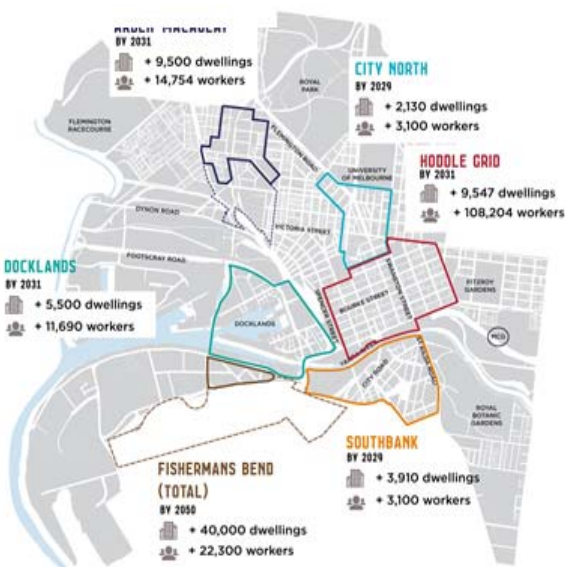
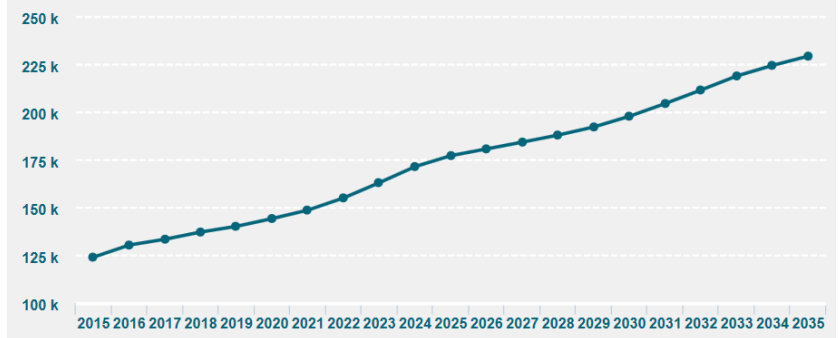
The city has identified key trends and challenges that will impact our services, our infrastructure and the way services are delivered to the community over the next decade. Opportunities will also arise from these changes and it is important we are agile enough to leverage these to our advantage.

Growth

Melbourne is the fastest growing municipality in Australia with unprecedented population growth expected over the next decade and beyond. Since 2001 its residential population has doubled to more than 122,000. This is expected to grow to almost 200,000 by 2031. Daily users of the city are expected to increase by 23 per cent by 2024.

Future Population

By 2035, the population of City of Melbourne is expected to reach 229,503. This is 85% higher than the population in 2015.



Six new growth areas have been identified across the city and plans are in place to accommodate forecast population and jobs growth as well as the necessary infrastructure to deliver community services within these new hubs.

The flow on effect of this growth for the City of Melbourne is significant. This will not only increase demand for services and infrastructure but require a re-think in the types of services and how they are delivered. It also comes at a time when capacity within the city is limited. The cost of inner city land and development continues to rise, with the availability of unused public land scarce and acquisition opportunities limited.

City of Melbourne's demand for services and pressure on our asset base will also be challenged as the sheer volume of daily users steadily increases and renewal funds potentially redirect to the growth areas.

10 YEAR FINANCIAL PLAN

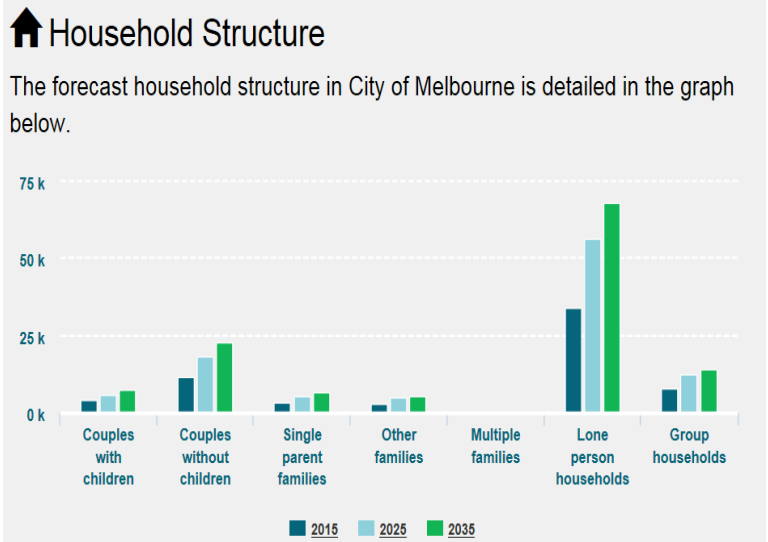
2016-2026

Changing demographic

In addition to increases in the numbers of residents and city users, over the next 15 years the demographic profile of Melbourne will also change and with it the service and asset needs of our community.

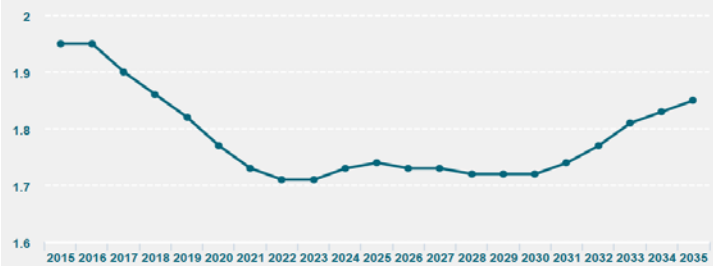
The greatest change comes from the number of families with children moving into the municipality. By 2031 this number is expected to have increased by 70 per cent to 23,820.

Another leap will be in the number of one-person households in the city, rising from 18,765 in 2011 to 43,607 by 2031.

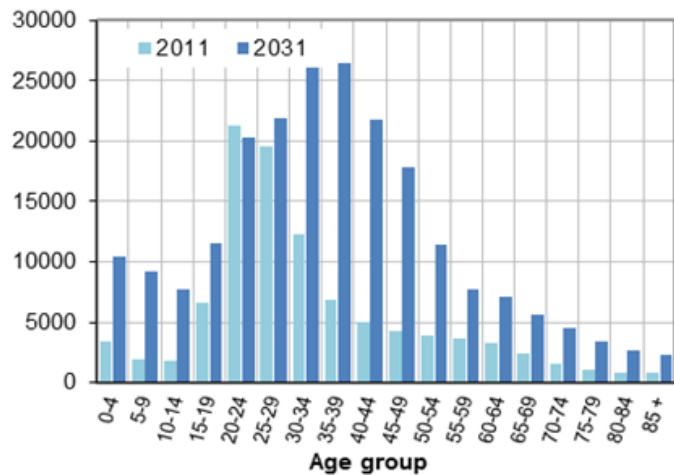


Household Size

The household size is the average number of residents living in an occupied dwelling in City of Melbourne. The current household size is 1.95, and is expected to decrease to 1.85 in the long term.



These two residential groups have different service needs and expectations of living in the city. Be it access to playgrounds and childcare facilities or late-night entertainment and affordable student housing.



The City of Melbourne actively gathers and uses widespread demographic data in its planning for the future.

Climate change

Melbourne's climate is changing dramatically. We are already experiencing the effects of climate change and by 2025 we can expect more very hot days, more frequent and longer droughts, higher sea levels and more flood storm surges.

Most of our infrastructure was designed, built and maintained based on the premise that the future climate will be similar to that experienced in the past. This is no longer the case. The potential risks to City Of Melbourne infrastructure caused by climate change are significant.

Since 2009, the City of Melbourne has implemented a Climate Adaptation Strategy. It plays a major role in how we plan, design, develop and maintain our assets. This strategy has informed the investment in climate-resilient assets, such as the upgrade of drainage infrastructure and underground stormwater collection tanks in Fitzroy Gardens and Birrarung Marr, and the adaptation of other infrastructure to mitigate potential future climatic damage.

Adaptation has also let us take advantage of opportunities presented by new technologies. For example, cool roofs, permeable paving and "smart water tanks" that receive information that a rain event is coming and empty themselves prior to the rain falling, reducing the impact of localised flooding.

Agile decision-making, based on sound evidence, is important in this quickly changing environment, especially with constant advances in technology. It is vital that we leverage opportunities to ensure the most efficient climate-adapted assets are in place to meet the city's future service needs.

Technology

Technological advance is rapid with disruptive digital technologies shaping and reshaping the way the city operates. These changes will impact the way the City of Melbourne thinks about and delivers services. They will also fundamentally alter the way the community engages with government.

These changes pose a significant challenge to the organisation in keeping pace but also represent a phenomenal opportunity to re-think and design how services can be delivered into the future.

Data is increasingly the link between the built form, the community and City of Melbourne. Data analysis, informs many of our asset decisions, such as strategic planning and long-term capital works programs.

The rise of new Internet technologies promoting cloud-based services, the Internet of Things, real-world user interfaces, the use of smart phones and smart meters, networks of sensors and Radio Frequency Identification Devices (RFIDs) - all open new ways to exchange information, collaborate and collectively solve problems.

For example, sensor data-management platforms are online database services that allow sensor owners to feed their sensor data into a storage system and developers to draw on that data to build their own applications.

Advanced data systems, processes and analysis capability will enable the City of Melbourne to better understand the current performance of the city and its assets and model what will be required in the future. This data will also allow the community to more fully participate in asset prioritisation and decision-making.

10 YEAR FINANCIAL PLAN

2016–2026

Economic uncertainty

Being a global capital city means that changes in the external global and national economies have an impact on our residents, our businesses, our students and our broader community.

This affects a very broad range of factors that make Melbourne one of the world's most liveable cities including, tourism, education, economic development and employment.

The city needs to maintain a healthy financial position not just to be prudent but to ensure it has the balance sheet to respond in an agile manner and play a role in supporting the local economy in times of need.

COMMUNITY ENGAGEMENT

The development of a long term financial plan represents good business practice and is undertaken by many organisations. What was unique about the city's approach to the first 10 Year Financial Plan and continues to shape this iteration was the breadth and depth of community engagement.

3. Engaging with the community

The views of Melburnians have helped shape a number of significant projects for our city, including the long-term plan for the future direction of city life, *Future Melbourne*, the redevelopment of Swanston Street and our Urban Forest Strategy.

Developing a 10 year plan requires input from a diverse group of informed people with experience and vision. Melbourne's first 10 Year Financial Plan was a big challenge, with a lot at stake. Community engagement for the ten-year plan took place though July – November 2015 and shaped the first ever 10 year plan and this subsequent iteration of the plan.

We engaged the community in two ways – via our first ever People's Panel (Citizen's Jury), a group of 43 randomly selected Melburnians, and through broader community engagement, to canvas a wide range of community views.

Anyone could engage online, using an online budget simulator that provided information about the City's operating costs, capital works and more than 30 service areas. We also engaged the community through discussions groups, workshops and eight 'pop-up' engagement hubs.

The findings of the broader community engagement were reported to the People's Panel who could also request information and presentations from Council and independent experts. This group met over six full Saturdays to question and critique the ten year planning process before deliberating and making their recommendations to Council.



10 YEAR FINANCIAL PLAN

2016–2026

4. The People's Panel

As well as broad community consultation, more than 6500 invitations were sent to randomly selected businesses and households, inviting people to join a people's panel. Six hundred people responded, keen to make recommendations for the City of Melbourne's decade-long financial plan.

Forty-three people who reflected the city's demographics – residents, rate payers, businesses and students – were selected by an independent organisation. We wanted to hear ideas for change from well-informed and enthusiastic people, who think about the city through their own experience, to provide guidance to Council.

The People's Panel had unprecedented access to information and data, community feedback and expert opinion, including demographer Bernard Salt and climate scientist Professor Graeme Pearman. Information gathered from the community online budget simulator was also presented to the people's panel.

The panel members were given a set of principles as a guide to their deliberations. The values included: to be specific, realistic and forward thinking and for their ideas to be sustainable, achievable, relevant to the challenges and to add value to the city. They were also supported to ask questions and expand their thinking.

The members of the panel were guided about major projects planned over the next 10 years, including operational expenditure, the return on investment for different services, comparative information from other top-ranked cities on finances and outcomes, and the Council's role and responsibility versus the Victorian Government.

As well as proposing areas to spend on, the panel was also asked to consider the levels of funding and how to achieve the money to maintain City of Melbourne responsibilities. Funding discussions ranged from lifting rates, borrowing money, selling assets or a combination of several strategies.

5. Outcomes

The panel met six times between August and October, before making its 11 recommendations to Council on November 17. Suggestions included proposing rate rises each year of up to 2.5 per cent above inflation, more spending on mitigating and adapting to climate change, extra bike paths, selling "non-core" properties, reducing new capital works and pressing the Victorian Government for a higher tax on developers.

The panel determined that the City of Melbourne allocated increased funding for its plans to address climate change to maintain liveability. This included recommendations for tree coverage, strategies for waste management and recycling and educational programs.

Other recommendations included reducing the size of the city's property portfolio and releasing capital, a funding analysis of the Queen Victoria Market development, use of conservative debt finance to fund special projects and major asset renewal. The panel also suggested a range of issues that the City of Melbourne could advocate for, including transport, public open space and greater control of developments.

10 YEAR FINANCIAL PLAN 2016–2026

The City of Melbourne, the final decision maker, considered the panel's views in developing the first 10 Year Financial Plan and it has continued to shape this iteration.

The People's Panel report is included in full in this document in appendix 3.



10 YEAR FINANCIAL PLAN INTRODUCTION

This is the second iteration of the 10 Year Financial Plan and builds on the first version through improved long range planning for capital works and updated assumptions based on changes to the external and internal environment.

The city's 10 Year Financial Plan identifies its current and projected financial capacity to continue delivering high quality services, facilities and infrastructure while identifying critical new capital investment to support the city's increasing population and responding to the city's challenges.

Developing a 10 Year Financial Plan is dependent and relies upon a number of key assumptions. Over time, assumptions will change based on the evolving internal and external environment. The 10 Year Financial Plan will be actively monitored with regular revision to reflect changes.

Subsequent versions will continue to be enhanced as our approach to long term planning and modelling matures with more sophisticated data and information. The 2016-17 Annual Plan and Budget is the first "base" year of the 10 Year Financial Plan. The People's Panel recommendations played an important role in informing this iteration of the 10 Year Financial Plan as well as the 2016-17 Annual Plan and Budget.

In this plan the major revenue and expense categories are explained and include:

- 1) Key assumptions – based on available data and professional judgement.
- 2) Sensitivity analysis – to demonstrate the financial implications of deviations from key assumptions.
- 3) Strategies – to identify specific actions that will be undertaken.
- 4) References to the People's Panel recommendations – where a specific recommendation was made.

FINANCIAL HIGHLIGHTS OF THE 10 YEAR FINANCIAL PLAN

✓ Underlying surpluses every year throughout the plan – This will be directed towards funding important capital infrastructure to support the future growth of the municipality. While the plan projects operating surpluses, the city will also require borrowings to fund necessary infrastructure.

✓ A 10 year capital works program that accommodates infrastructure for identified growth areas, increased open space and the renewal of the Queen Victoria Market, the largest capital investment in Council's history while providing for ongoing renewal and maintenance of the city's existing assets. The projected capital works over 10 years is \$1.4 billion and will be the city's largest ever program of infrastructure investment.

- ✓ A commitment to deliver ongoing efficiencies at 1 per cent per annum compounded over the life of the plan resulting in \$170 million in savings for the community.
- ✓ The net worth of the Council reflected through the balance sheet to increase significantly from \$3.9 billion to \$5.5 billion as a result of capital investment in infrastructure.

KEYS TO SUCCESS

- The organisation's ability to deliver on identified strategies in the plan.
- Regular review and updating of the plan and an organisational agility to adapt to changes.
- Taking advantage of further opportunities as and when they arise over the life of the plan to generate additional cash surpluses that will enable repayment of borrowings over time.

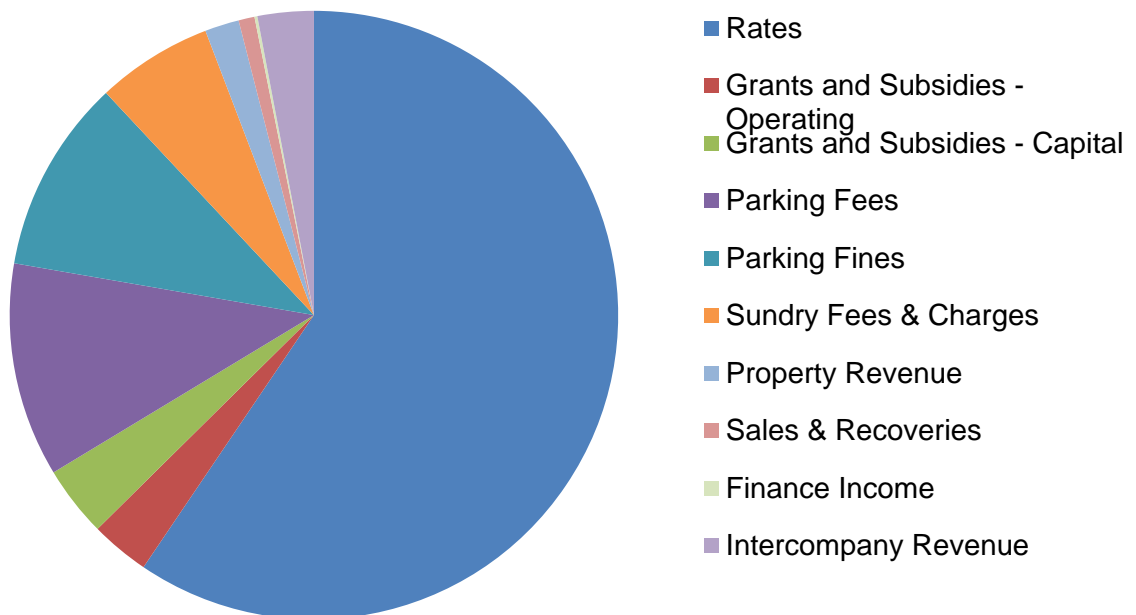
RISKS

- The actual outcomes differ adversely from the key assumptions underpinning the plan, particularly assumptions around the future growth in the city.
- Unforeseen significant global or local economic or climate related events adversely affecting the city's operations and or infrastructure.
- Failure to prioritise and maintain discipline over spending within allocated resources.

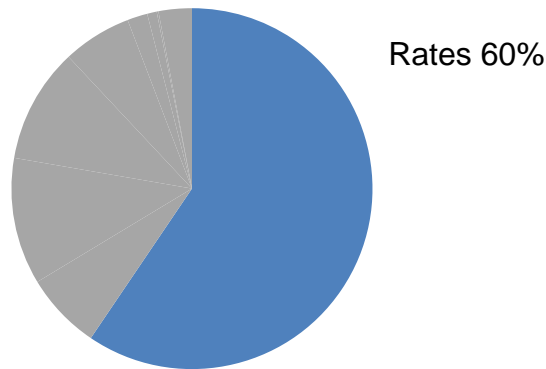
REVENUES

This section outlines Council's major revenue sources based on the 2016-17 Annual Plan and Budget.

2016- 17 Revenue



Rates



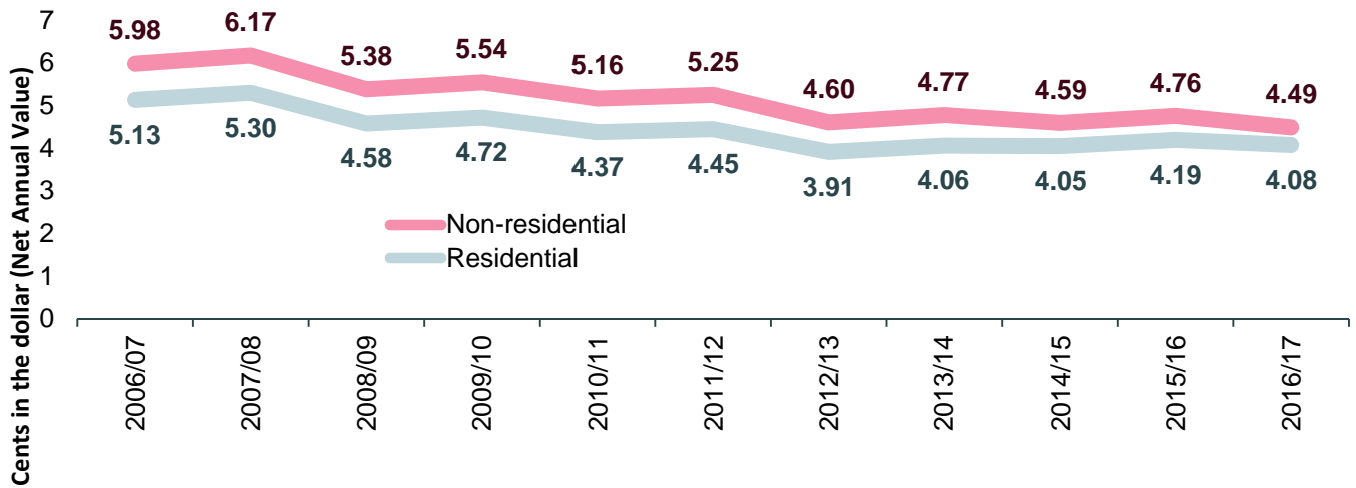
Context

In 2016-17 rates income is budgeted at \$257 million and accounts for 59.8 per cent of total revenue. Of this revenue, 63 per cent is derived from non-residential properties (businesses) and 37 per cent from residential properties. Over time, as more residential developments have been completed, the proportion of revenue from residential properties has increased; this trend is expected to continue.

The amount a rates payable by individual properties is calculated by determining the Net Annual Value (NAV) and multiplying by the rate “cents in the dollar”. The city has two differential rates one for residential properties and one for non-residential properties (businesses).

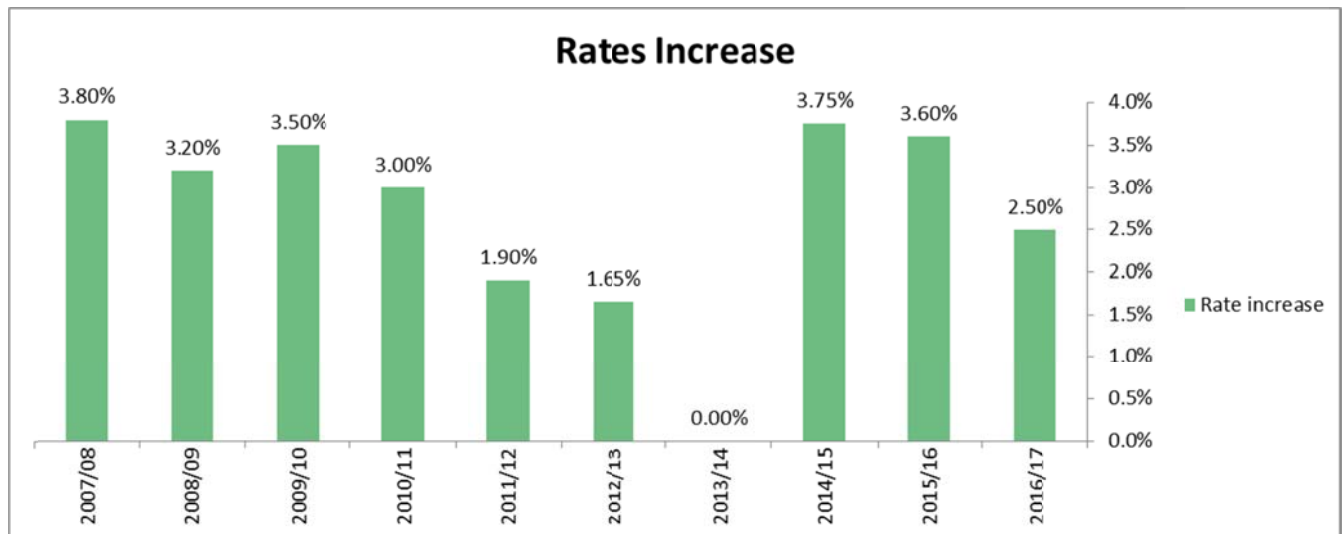
The average residential rate per assessment in 2016-17 is \$1,181, and \$7,552 for businesses.

A historical trend of the Council's rate in the dollar is included below.



In simple terms, the graph highlights that the amount of rates paid as a proportion of a property's value has diminished significantly over time or, in other words, the growth in amount of rates paid has not kept pace with property prices. This reflects the city's endeavours to keep rates as low as possible while ensuring the needs of the community are met.

Historical rate decision graph



The graph above reflects the annual decisions by Council on rates over the last decade. The city's cumulative increases over this period would be the lowest across all Councils in Victoria. The rate increase for the 2016-17 budget was 2.5% in line with the State Government's rate cap.

The Victorian Government introduced a rates capping policy for all Victorian Councils for the first time in 2016-17.

The 10 Year Financial Plan takes a conservative approach to the assumption of future annual rate increases to align with the Victorian Government's announced policy position on rates capping.

The Council reserves the right to explore, decide and implement rate decisions that differ from the assumptions in the plan and that is in line with the new framework developed by the Essential Services Commission.

While the annual decision on rates has a material impact on the city's finances, the growth in the overall rate base through supplementary rates is also of importance. . The rates revenue projections for the next 10 years reflect continued growth in development. To this end, the city expects approximately 6,000 new dwellings per annum to be completed on average over the life of the plan.

Key Assumptions

- Annual rate increase from the 2016-17 onwards assumed at Consumer Price Index (CPI).
- Growth in supplementary rates revenue with an average of approximately 6,000 dwellings being completed every year reflecting population growth and the development information through the City's development activity monitor.

Sensitivity Analysis

If the annual decision on rates by Council is 1 per cent above/below the assumption used, this would generate or reduce revenue by \$130 - \$135 million over the life of the plan.

If the modelling on developments coming online is 15 per cent higher/lower per annum than the assumption, this would generate or reduce revenue by approximately \$10 million over the life of the plan.

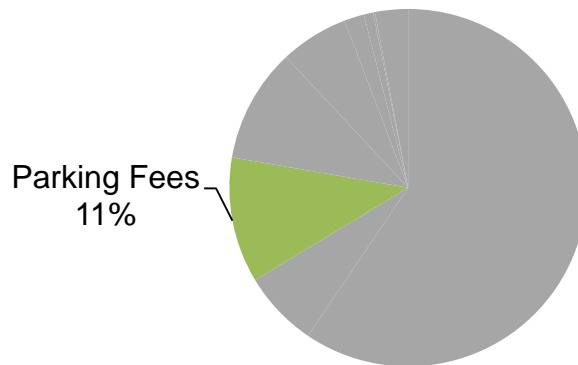
Strategy

- 1) To have an agreed position on whether or not to seek a rate exemption for 2017-18 and beyond by 31 December 2016.

Relevant People's Panel recommendation

The People's Panel 2014 acknowledges that rate rises are required in order to meet both operating and capital budget requirements. The panel recommends that rates be increased by CPI plus up to 2.5% per annum for the next 10 years.

Parking Fees



Context

In 2016-17 total parking fees is budgeted at \$46.1 million and accounts for 10.7 per cent of total revenue. The vast majority (84 per cent) is derived from parking meters with the other sources being parking fees from Council owned car parks and tow away fees.

Across the municipality, there are more than 200,000 parking bays with the majority being private or commercial car parks. Of the total parking bays, there are approximately 12,000 Council metered parking bays, 22 per cent of which are located in the Central Business District (CBD) and 68 per cent outside the CBD.

On average, the CBD metered bays generate \$7,000 per annum. The non CBD bays generate \$2,400 per annum on average. Over the last three years, there has been a reduction (on average) of more than 200 metered bays per annum across the municipality.

This reflects the city's efforts to support more sustainable modes of transport including public transport, cycling, car share and pedestrian footpath widening.

The projections in the plan reflect "peak parking revenue" for the city, while acknowledging cars still play an integral, important and valid mode of transport in the city. While the number of Council metered bays is expected to diminish this reflects a modest proportion of overall parking bays still available.

Key Assumptions

- A reduction of 1,500 metered bays over the life of the plan.
- A modest increase in parking fee prices once every four years.
- Current occupancy levels to remain stable over the life of the plan.
- Meter uptime to remain stable at above 99.0 per cent

Sensitivity Analysis

For every additional CBD bay removed lost revenue is \$7,000 per annum

For every additional non CBD bay removed lost revenue is 2,400 per annum.

If the meter uptime increases or reduces by 1 per cent then this results in approximately \$0.4 million per annum.

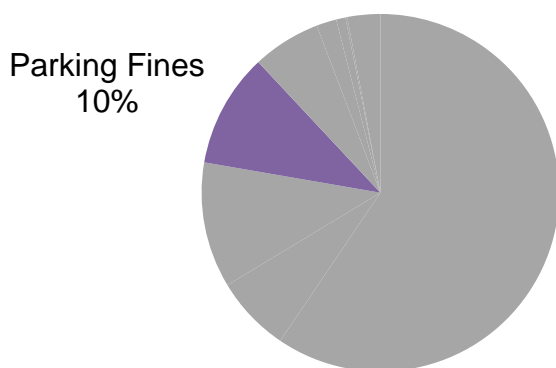
Strategy

Maintain meter uptime through appropriate interventions as necessary.

Relevant People’s Panel recommendation

The People's Panel 2014 recommends that the City of Melbourne advocate increasing parking rates and taxes to reduce car usage and congestion in the CBD.

Parking Fines



Context

In 2016-17 total parking fines is budgeted at \$42.6 million and accounts for 9.9 per cent of total revenue

In 2011, Council introduced in-ground sensors (IGS) technology for marked parking bays. This has been effective in increasing compliant behaviours by the public with sign plated times. Prior to IGS more than 19 per cent of vehicles overstayed the sign plated time limit. In 2016, this is projected to be approximately 11% and represents a significant improvement in parking behaviours over time.

The city has also commenced implementing technologies that make it easier for motorist to pay with the introduction of “PayStay”.

The collective impact of efforts means that it's easier than ever for the public to comply with parking regulations. Therefore, an overall improved compliance rate is expected to continue over the life of the plan

The other key influence on revenue is the value of the parking infringements which is determined by the number of penalty units and associated price. The penalty unit price is determined by the Victorian Government.

Assumptions

- The non-compliance rate to be within 9-11 per cent over the life of the plan.
- The value of the penalty unit price to be increased by CPI annually over the life of the plan.

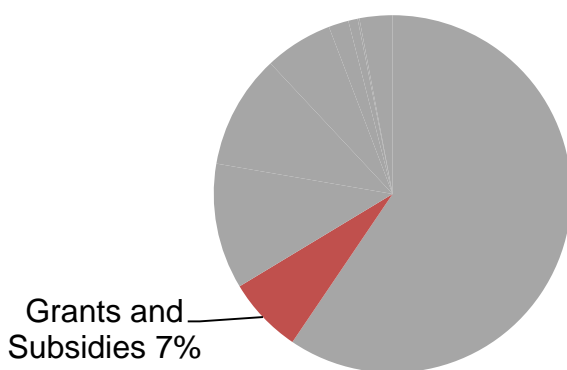
Sensitivity Analysis

A 0.5 per cent change in the non-compliance rate with all other variables (including no CPI increase Penalty Unit Rates) held constant results in a net increase/decrease of approximately \$1.4 million per annum.

Strategy

- 1) Reduce reliance on parking fine revenue over time.
- 2) Continue to have a productive and effective workforce.

Grants and Subsidies



Context

Grant and subsidies revenue in 2016-17 is budgeted at \$29.1 million or 6.8 per cent of total revenue.

The city receives both subsidies and grants for operating programs and capital projects.

The more significant operating grants are received in the area of Community Services for programs to be delivered by the city the areas of home and community care, preschool, support services for families, maternal and child health, libraries and aged and disability services. The major subsidy provided is for child care benefit payments from the Federal Government.

Capital grants are provided for specific capital projects and vary depending on the merit of the project.

The funding from other levels of governments assists in the costs of delivering important community services and critical infrastructure which would otherwise be extremely difficult to deliver, and in some cases, not possible.

Assumptions

- The level of grant funding is forecast to be stable and indexed by CPI over the 10 Year Financial Plan.

Sensitivity Analysis

No indexation (CPI) for ongoing grant and subsidy revenue would reduce revenue by approximately \$15 million over the life of the plan.

Strategy

- 1) Continue to advocate for ongoing grant funding for important community services.
- 2) Make application for specific grants based on the merits of individual operating and capital projects.

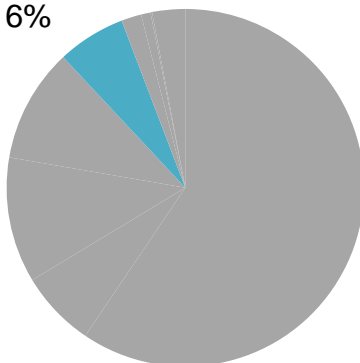
Relevant People's Panel recommendations

The People's Panel 2014 recommends the City of Melbourne advocate for increased services to the elderly, indigenous, vulnerable, homeless, disabled and to the youth support services.

The People's Panel 2014 recommends the City of Melbourne maintain the provision of all its community services to at least current service levels over the next 10 years

Sundry Fees and Charges

Sundry Fees and
Charges 6%



Context

Sundry fees and charges in 2016-17 is budgeted at \$26.9 million or 6 per cent of total revenue

The significant categories within sundry fees and charges are recreation centre fees at \$3.5 million, planning and building fees at \$6.2 million and childcare fees at \$3.4 million. Collectively, these areas account for 49 per cent of sundry fees and charges.

The city reviews its fees and charges at regular intervals and at least annually. This ensures pricing remains at appropriate levels.

In the areas where Council provides a service that is also provided by the private sector such as childcare services and recreational centres, the market for these services will have a significant role in the pricing. In other areas where Council plays a statutory role, the fee often represents a cost recovery model or a fee charged in accordance with statutory requirements.

Assumptions

- Fees and charges overall to increase in line with CPI over the life of the 10 Year Financial Plan.

Sensitivity Analysis

The program specific nature of pricing for individual areas makes sensitivity analysis difficult. In areas where there is market competition, a change in pricing will also result in a change in demand for services and therefore total revenue. The changes in demand and market conditions, is considered at the time of setting an appropriate price.

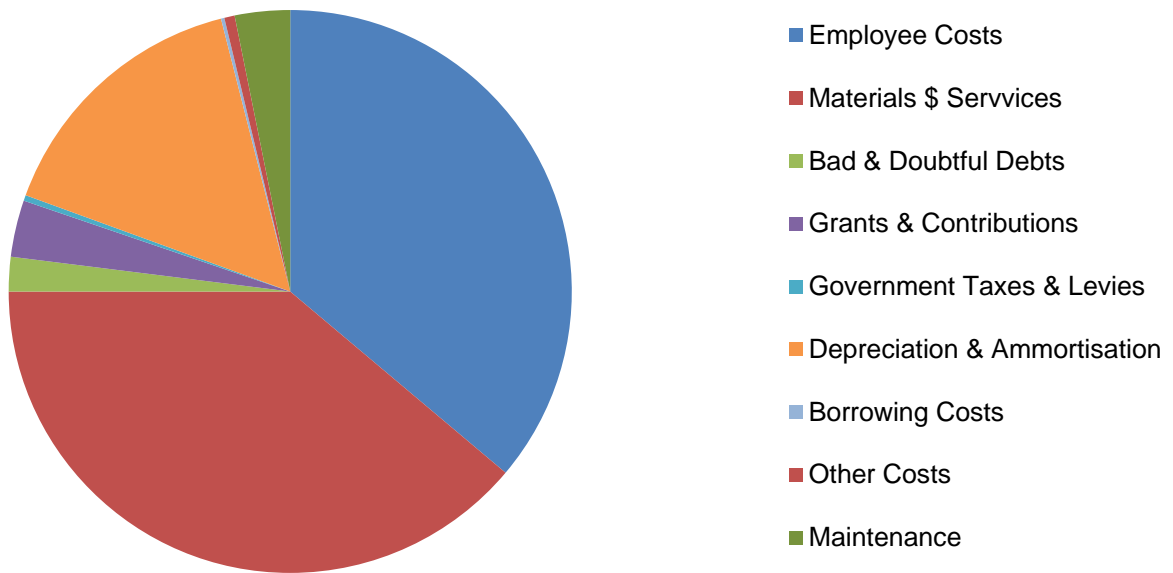
Strategy

- 1) Fees and charges continue to be reviewed at regular intervals and at least annually to ensure appropriate pricing for the relevant market.

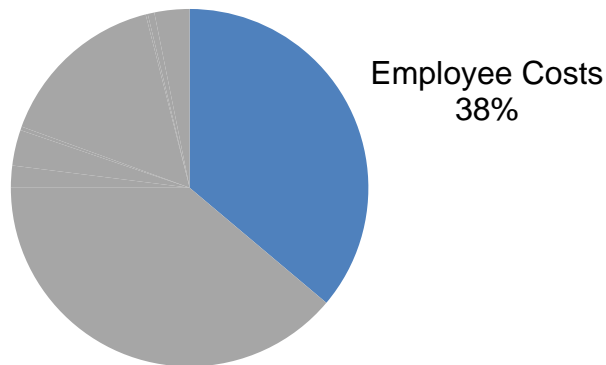
EXPENSES

This section outlines Council's major expenses based on the 2016-17 Annual Plan and Budget.

2016-17 Expenses



Employee Costs



Context

Total employee expense in 2016-17 is budgeted at \$151.7 million or 37.9 per cent of the total expenses.

Employees are an integral part of the success of the City. The majority of Council services and programs are delivered through our staff.

Since 2001 the City's residential population has doubled to over 116,000. This is expected to grow to almost 200,000 by 2031. Daily users of the city are expected to increase by 23 per cent by 2024.

The growth in population will result in an increase in demand for services. A modest increase in staff numbers is anticipated to accommodate this significant growth.

To manage costs pressures, the city must continually look at improved ways of delivering services to its community.

The City's current Enterprise Agreement with staff will expire on 30 June 2016. The outcomes from the Enterprise Agreement will be reflected in subsequent versions of the 10 Year Financial Plan and is a key determinant of employee cost increases.

Assumptions

- Total employee expenses to increase on average by 4.5 per cent per annum including an allowance for modest growth in staff numbers as a result of significant projected population growth.

Sensitivity Analysis

A 1 per cent difference per annum from the assumption equates to approximately \$80 - \$85 million over the life of the plan.

Strategy

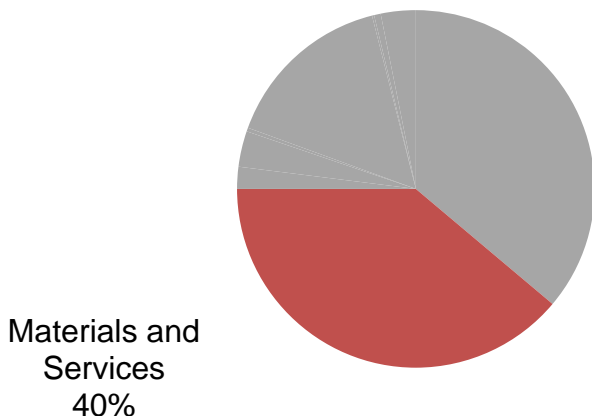
- 1) Achieve equitable and sustainable Enterprise Agreement outcomes.
- 2) Continue with an ongoing program of improvement
- 3) Improved service planning, prioritisation and reviews to ensure future services meet the needs of the city.

People's Panel recommendation

While not specific to employee costs the following People's Panel recommendation is relevant.

The People's Panel recommended an overall productivity improvement of 1 per cent per annum compounding.

Materials and Services



Context

Total materials and services in 2016-17 are budgeted at \$160.8M or 40.2 per cent of the total expenses.

The most significant expense category within materials and services are contract costs at \$105.7 million or 66 per cent of total materials and services.

Where the private sector is better positioned to deliver Council services on its behalf, contractors are engaged. The Council's most significant contracted services are for civil infrastructure, waste management, street cleaning and property maintenance.

Under the Victorian Local Government Act all service contracts over \$150,000 must be tendered to ensure competitive outcomes. In addition to legislative requirements, the City has its own procurement framework which has been independently certified and meeting the quality assurance requirements under AS/NZS ISO 9001:2008. In 2015-16 the organisation changed its approach to procurement activities to a centre led category management model which has delivered further savings to the community.

Financial outcomes is a key consideration in procurement activities, however, the city also seeks to leverage off other non-financial benefits contained in its procurement policy. These include supporting sustainability outcomes in the form of social sustainability and environmental sustainability. The policy direction also seeks to achieve outcomes that benefit Aboriginal and Torres Strait Islander communities and local business where applicable.

Assumptions

- The city's major contracts include "rise and fall" provisions which determine the entitlements under the contract following the competitive procurement activity. The other major driver of contract costs will be growth in the municipality resulting in increased volumes under the contract.
- Total contract costs are assumed to increase by an average of 3.5 per cent per annum over the life of the plan including an allowance for growth in contract costs as a result of significant projected population growth.
- The other material components of materials and services include administration costs and professional services. These are assumed to increase by CPI over the life of the plan.

Sensitivity Analysis

A 1 per cent difference per annum from the assumption on contractors equates to approximately \$55 - \$60 million over the life of the plan.

People's Panel recommendation

While not specific to total materials and services, the following People's Panel recommendation is relevant.

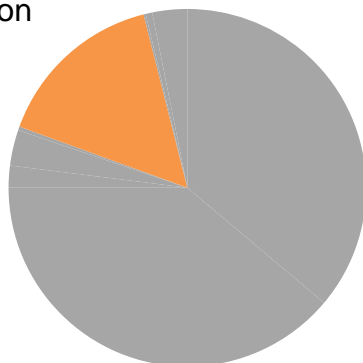
The People's Panel recommended an overall productivity improvement of 1 per cent per annum compounding.

Strategy

- 1) Continue to deliver better procurement outcomes from the centre led category management model.
- 2) Aggregate spend to drive better value where possible.
- 3) Review Council's procurement policy on an annual basis.
- 4) Improved service planning and reviews to ensure future services meet the needs of the city.

Depreciation and Amortisation

Depreciation and
Ammortisation
16%



Context

Cities by their nature have significant asset bases. The City of Melbourne’s infrastructure assets including roads, footpaths, buildings, drains, parks, laneways, wharves and marinas account for more than 90 per cent of total assets which currently exceed \$3.8 billion.

Depreciation represents the consumption of these assets in delivering services to the community. While depreciation is a “non cash” expense, ongoing renewal and maintenance of these assets is important. Therefore the non cash depreciation expense is directed towards asset renewal and new capital works.

Ensuring there is adequate investment annually to maintain the city’s assets is important to ensure early intervention to avoid future cost escalation. This regular annual investment in existing assets maintains the public amenity in the short term and protects the condition of assets for future generations.

Assumptions

- Depreciation is projected to increase in line with the increasing asset base at approximately 4.6 per cent annually over the life of the 10 Year Financial Plan.

Sensitivity Analysis

If there is an increase in the capital works program above and beyond what is planned this will directly flow through to depreciation. The level of increased depreciation depends on the type of asset.

Strategy

- 1) Continue to implement the asset management strategy.
- 2) Consider the total cost of ownership when new capital works proposals are put forward.

10 YEAR CAPITAL WORKS PROGRAM

The increase in infrastructure needs to support a growing population has been a major consideration in the development of the 10 Year Financial Plan. Over the next decade the plan identifies the need to invest \$1.4 billion in infrastructure to ensure Melbourne remains a global liveable city.

The plan identifies a step change investment in three key areas to support the growing population, maintain liveability and renew the Queen Victoria Market for future generations. In addition to this, it is equally important to ensure existing assets and infrastructure is maintained at appropriate levels to service the community's needs.

The major components of the 10 Year Capital works program is outlined below:

Business as usual (BAU) – Funding for minor new works and ongoing renewal of the city's existing asset base.

Major Projects and growth – Funding of infrastructure that will support and encourage development of growth areas across the municipality and identified major projects. These include:

The renewal of the Queen Victoria Market

Arden Macaulay

Community Infrastructure

City Library

Flood Mitigation Works

Harbour Esplanade

North Melbourne Arts Precinct - Stage Two & Three

Princes Bridge Bluestone Repair works

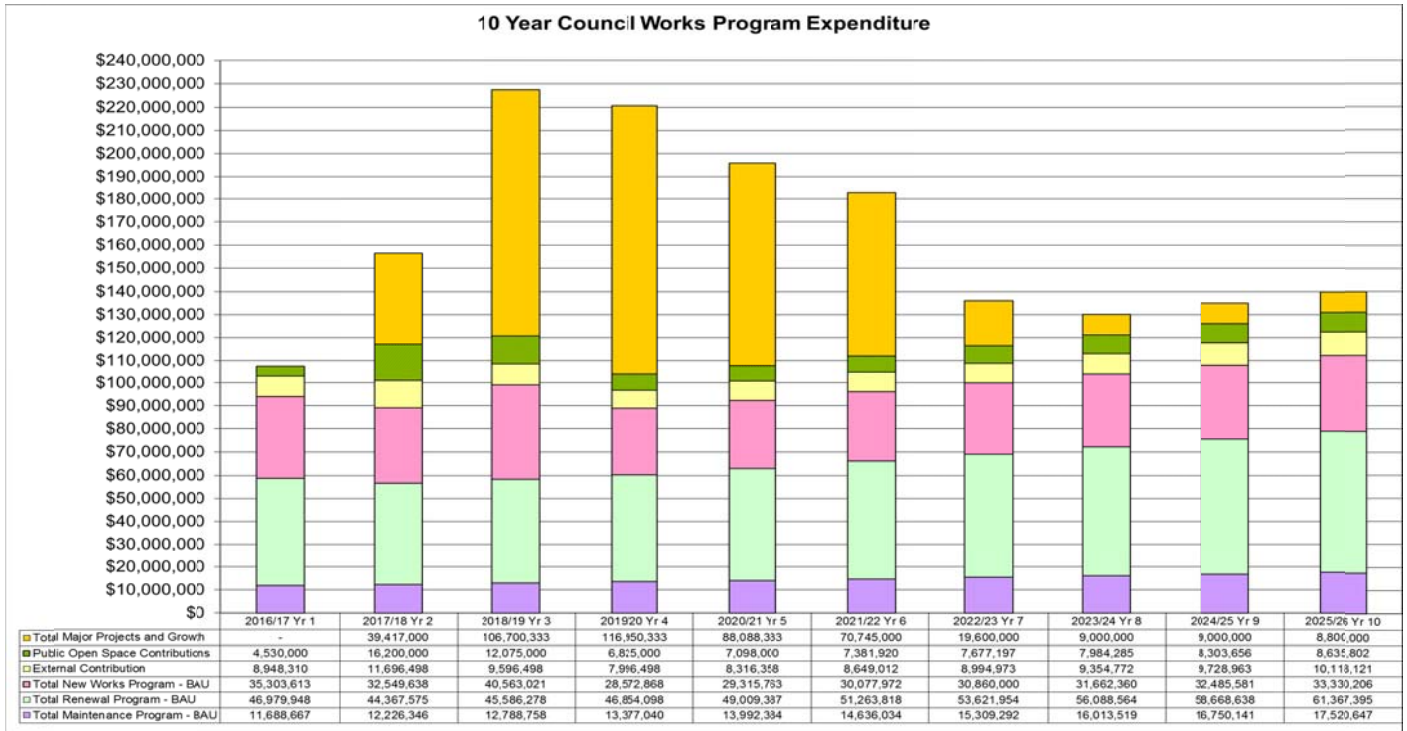
QVM renewal

Street Lighting Renewal (LED rollout -New Upgrade)

Town Hall Precinct

It should be noted that while the projects have been identified the Council has not yet approved funding allocations for all projects. The projects will be subject to approval as part of the normal budget process and subject to available Council funding.

Open Space – Funding to deliver more open spaces and deliver the Council's Open Space Strategy.



Strategy

- 1) Continue to implement the asset management strategy to optimise spend on renewal of existing assets.
- 2) Continue to refine the 10 Year Capital works program for inclusion in subsequent versions of the 10 Year Financial Plan.
- 3) Continue to deliver cost effective methods of delivering open space in the municipality.
- 4) Prioritise any new identified capital investment within available resources.
- 5) Access borrowings to fund infrastructure that will generate an appropriate return or prevents rapidly increasing costs.

APPENDIX 1 – FINANCIAL STATEMENTS

INCOME STATEMENT

	2016-17 Budget \$'000s	2017-18 Plan \$'000s	2018-19 Plan \$'000s	2019-20 Plan \$'000s	2020-21 Plan \$'000s	2021-22 Plan \$'000s	2022-23 Plan \$'000s	2023-24 Plan \$'000s	2024-25 Plan \$'000s	2025-26 Plan \$'000s
INCOME STATEMENT										
REVENUE										
Rates and charges	257,341	272,303	288,025	303,267	319,917	335,170	350,091	365,428	381,101	397,213
Statutory fees and fines -Parking fines	42,641	41,369	41,110	40,924	40,717	40,898	40,654	40,388	40,101	39,792
Statutory fees and fines - Other	10,057	8,379	8,588	8,803	9,023	9,248	9,479	9,716	9,960	10,209
User fees - Parking fees	46,098	52,034	51,468	50,902	50,335	55,268	54,702	54,135	53,569	58,502
User fees - Other	17,070	19,088	19,565	20,054	20,556	21,069	21,596	22,136	22,689	23,257
Grants - operating	9,482	9,719	9,962	10,211	10,466	10,727	10,995	11,270	11,552	11,841
Grants - capital	8,748	15,929	13,895	12,219	12,857	13,311	13,780	14,268	14,772	15,296
Contributions - monetary	10,884	16,500	15,175	11,825	7,098	7,381	7,677	7,984	8,303	8,635
Net gain on disposal of property, infra, pla	920	920	920	920	920	920	920	920	920	920
Other income	26,925	22,118	24,438	22,152	26,395	25,133	29,401	28,167	32,460	31,249
TOTAL REVENUE	430,167	458,359	473,146	481,277	498,284	519,125	539,295	554,412	575,427	596,914
EXPENDITURE										
Employee benefit expense	151,660	158,485	165,617	173,070	180,858	188,997	197,502	206,390	215,678	225,384
Materials and services	160,838	165,033	167,479	169,565	171,914	172,566	175,010	177,538	180,152	180,957
Bad and doubtful debts	5,604	5,744	5,888	6,035	6,186	6,341	6,499	6,662	6,828	6,999
Depreciation and amortisation	61,164	63,880	66,857	69,902	73,175	76,484	79,933	83,540	87,403	91,390
Borrowing Costs	1,310	2,272	5,295	6,752	6,953	7,371	7,862	7,369	6,646	5,740
Other expenses	6,445	3,827	2,578	4,260	4,962	5,072	5,193	5,299	5,393	5,500
Grants and contributions	12,987	13,311	13,644	13,985	14,335	14,693	15,060	15,437	15,823	16,218
TOTAL EXPENDITURE	400,007	412,552	427,357	443,569	458,383	471,523	487,059	502,234	517,923	532,188
Surplus For The Year	30,160	45,807	45,789	37,708	39,901	47,602	52,236	52,178	57,503	64,726
less Capital Contributions	(15,948)	(28,653)	(25,200)	(20,077)	(15,889)	(16,524)	(17,185)	(17,873)	(18,587)	(19,331)
Underlying Surplus / (Deficit)	14,212	17,154	20,589	17,631	24,012	31,078	35,051	34,305	38,916	45,395

The plan projects underlying surpluses in each and every year over the life of the plan. The underlying surpluses generate cash which enables the delivery of the 10 year capital works program.

BALANCE SHEET

	2016-17 Budget \$'000s	2017-18 Plan \$'000s	2018-19 Plan \$'000s	2019-20 Plan \$'000s	2020-21 Plan \$'000s	2021-22 Plan \$'000s	2022-23 Plan \$'000s	2023-24 Plan \$'000s	2024-25 Plan \$'000s	2025-26 Plan \$'000s
ASSETS										
Current Assets										
Cash and cash equivalents	34,794	3,552	12,822	11,906	17,235	14,559	19,423	18,701	280	13,405
Trade and other receivables	23,710	23,489	23,345	23,684	23,873	24,211	24,376	24,540	24,701	24,860
Other assets	7,088	7,319	7,327	7,327	7,327	7,329	7,333	7,336	7,337	7,337
Total Current Assets	65,592	34,360	43,494	42,917	48,435	46,099	51,132	50,577	32,318	45,602
Non Current Assets										
Investment in subsidiaries and trust Property, infrastructure, plant and equipment	32,316	32,084	32,084	32,084	32,084	32,084	32,084	32,084	32,084	32,084
Investment property	3,750,496	3,936,682	4,194,870	4,449,587	4,612,389	4,834,426	5,011,641	5,183,442	5,360,206	5,542,049
Intangible assets	199,444	199,444	199,444	199,444	199,444	199,444	199,444	199,444	199,444	199,444
Total Non Current Assets	3,994,090	4,180,043	4,438,231	4,692,949	4,855,750	5,077,788	5,255,003	5,426,803	5,603,568	5,785,410
TOTAL ASSETS	4,059,682	4,214,403	4,481,725	4,735,865	4,904,186	5,123,887	5,306,135	5,477,380	5,635,885	5,831,012
LIABILITIES										
Current Liabilities										
Trade and other payables	59,344	60,803	63,100	65,304	67,670	69,359	71,863	74,453	77,132	79,087
Trust funds and deposits	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Provisions	28,178	29,447	30,772	32,156	33,603	35,116	36,696	38,347	40,073	41,876
Total Current Liabilities	93,522	96,250	99,872	103,460	107,274	110,475	114,559	118,801	123,205	126,963
Non Current Liabilities										
Provisions	7,462	7,797	8,148	8,517	8,898	9,299	9,717	10,154	10,611	11,089
Interest-bearing loans and borrowing	30,000	30,000	137,000	232,000	232,000	270,000	259,000	232,000	182,000	157,000
Total Non Current Liabilities	37,462	37,797	145,148	240,517	240,898	279,299	268,717	242,154	192,611	168,089
TOTAL LIABILITIES	130,984	134,047	245,020	343,977	348,172	389,774	383,276	360,955	315,816	295,052
NET ASSETS	3,928,698	4,080,356	4,236,705	4,391,888	4,556,014	4,734,114	4,922,859	5,116,425	5,320,069	5,535,960
Equity										
Accumulated surplus	1,862,969	1,908,775	1,954,564	1,992,271	2,032,174	2,079,776	2,132,012	2,184,190	2,241,693	2,306,419
Reserves	2,065,729	2,171,581	2,282,141	2,399,617	2,523,840	2,654,338	2,790,847	2,932,235	3,078,376	3,229,541
TOTAL EQUITY	3,928,698	4,080,356	4,236,705	4,391,888	4,556,014	4,734,114	4,922,859	5,116,425	5,320,069	5,535,960

The total net worth of Council as reflected through net assets is projected to increase from \$3.9 billion to \$5.5 billion by 2026.

CASH FLOW STATEMENT

	Budget 2016-17 \$'000s	Plan 2017-18 \$'000s	Plan 2018-19 \$'000s	Plan 2019-20 \$'000s	Plan 2020-21 \$'000s	Plan 2021-22 \$'000s	Plan 2022-23 \$'000s	Plan 2023-24 \$'000s	Plan 2024-25 \$'000s	Plan 2025-26 \$'000s
Cash Flows from Operating Activities										
Rates and charges	252,530	262,703	276,464	287,973	303,759	318,219	332,579	348,181	364,358	381,141
Statutory fees and fines	52,699	49,748	49,698	49,727	49,740	50,146	50,133	50,104	50,061	50,001
User fees	63,168	71,122	71,033	70,956	70,891	76,337	76,298	76,271	76,258	81,759
Grants - Operating	9,482	9,719	9,962	10,211	10,466	10,727	10,995	11,270	11,552	11,841
Grants - Capital	8,748	15,929	13,895	12,219	12,857	13,311	13,780	14,268	14,772	15,296
Contributions - Monetary	10,884	16,500	15,175	11,825	7,098	7,381	7,677	7,984	8,303	8,635
Interest received	883	1,370	482	494	507	519	532	546	559	573
Dividends received	4,000	5,062	5,189	5,319	5,451	5,588	5,727	5,871	6,017	6,168
Trust funds and deposits taken	4,300	0	0	0	0	0	0	0	0	0
Other receipts	22,042	26,686	29,767	27,339	29,476	28,291	32,638	31,485	35,861	34,736
Net GST refund/payment	(650)	(650)	(650)	(650)	(656)	(656)	(656)	(656)	(656)	(656)
Employee cost	(149,186)	(156,881)	(163,941)	(171,319)	(179,028)	(187,084)	(195,503)	(204,301)	(213,495)	(223,103)
Materials and services	(161,993)	(163,573)	(165,182)	(167,361)	(169,548)	(170,877)	(172,506)	(174,948)	(177,474)	(179,003)
Other payments	(28,619)	(23,412)	(20,763)	(19,673)	(17,899)	(18,104)	(18,251)	(19,397)	(20,786)	(22,736)
Net Cash provided by/(used in) operating activities	88,288	114,323	121,129	117,060	123,115	133,799	143,443	146,679	155,331	164,653
Cash Flows from Investing Activities										
Payments for property, infrastructure, plant and equipment	(95,322)	(144,213)	(214,484)	(207,144)	(111,754)	(168,023)	(120,638)	(113,952)	(118,027)	(122,067)
Proceeds from Sale of property, infrastructure, plant and equipment	920	920	920	920	920	920	920	920	920	920
Net Cash provided by/(used in) investing activities	(94,402)	(143,293)	(213,564)	(206,224)	(110,834)	(167,103)	(119,718)	(113,032)	(117,107)	(121,147)
Cash Flows from Financing Activities										
Inflows/(Outflows) from borrowings	30,000	0	107,000	95,000	0	38,000	(11,000)	(27,000)	(50,000)	(25,000)
Borrowing Costs	(1,310)	(2,272)	(5,295)	(6,752)	(6,953)	(7,371)	(7,862)	(7,369)	(6,646)	(5,740)
Net Cash provided by/(used in) financing activities	28,690	(2,272)	101,705	88,248	(6,953)	30,629	(18,862)	(34,369)	(56,646)	(30,740)
Net increase/(decrease) in cash and cash equivalents	22,576	(31,242)	9,270	(916)	5,329	(2,676)	4,863	(722)	(18,421)	12,765
Cash and cash equivalents at beginning of the financial year	12,218	34,794	3,552	12,822	11,906	17,235	14,559	19,423	18,701	280
Cash and cash equivalents at end of the financial year	34,794	3,552	12,822	11,906	17,235	14,559	19,423	18,701	280	13,045

APPENDIX 2 – 10 YEAR FINANCIAL PLAN ALIGNMENT WITH PEOPLE’S PANEL RECOMMENDATION

The following information is an extract of the recommendation’s from the People’s Panel report and commentary on the alignment with the 10 – Year Financial Plan. The full People’s Panel report is included in Appendix 3.

	PEOPLE'S PANEL RECOMMENDATION	PLAN ALIGNMENT WITH RECOMMENDATION	COMMENT
1	Rates		
1.1	<p><i>The People's Panel 2014 acknowledges that rate rises are required in order to meet both operating and capital budget requirements. The Panel recommends that rates be increased by CPI plus up to 2.5% p.a for the next 10 years.</i></p> <p>The People's Panel took into consideration:</p> <ul style="list-style-type: none"> • It is recognised that due to an expected rapid growth in population, substantial new infrastructure is required. • The desired responses to climate change also require funding. • The new infrastructure primarily benefits the new population. It is therefore inappropriate for existing ratepayers to bear the full costs when there are means by which the costs may be shared, such as increased developer contributions or debt funding. 	No	<p>The Victorian State Government introduced a rates capping policy for all Victorian Councils this year. The Council has applied the State government rate cap of 2.5% for 2016-17.</p> <p>The 10 Year Financial Plan takes a conservative approach to the assumption of future annual rate increases to align with the State Government’s announced policy position on rates capping.</p> <p>The Council reserves the right to explore, decide and implement rate decisions that differ from the assumptions and that is in line with the framework developed by the Essential Services Commission.</p>

	PEOPLE'S PANEL RECOMMENDATION	PLAN ALIGNMENT WITH RECOMMENDATION	COMMENT
2	Environment, Sustainability and Climate Change		
2.1	<p><i>The People's Panel 2014 recommends that as a matter of priority the City of Melbourne allocate the necessary (increased) funding to its plans to address climate change, so as to protect our existing assets, systematically reduce our carbon footprint (pro rata), maintain the liveability within the city and provide leadership on this issue within the municipality.</i></p> <p><i>We want the City of Melbourne to be bold, creative and innovative in terms of (but not limited to):</i></p> <ul style="list-style-type: none"> • Tree coverage • Drainage • Solar panels • Vertical gardens • Community gardens • Nature strip gardens • Educational programs • New technologies • Strategies for waste management and recycling 	Yes.	<p>The 2016-17 Annual Plan and Budget is the first (base) year of the 10 Year Financial Plan. The 2016-17 Annual Plan and Budget included increased accelerated funding for the replacement of the City's Light Emitting Diode (LED) lighting program.</p> <p>In 2015, the Council secured funding of \$30 million from the CEFC to deliver a range of sustainability initiatives that will deliver both financial and environmental benefits.</p>

	PEOPLE'S PANEL RECOMMENDATION	PLAN ALIGNMENT WITH RECOMMENDATION	COMMENT
3	Activate City		
3.1	<i>The People's Panel 2014 recommends that the City of Melbourne maintain the same high standard and quality level of service to activate the City of Melbourne. This encompasses marketing of City of Melbourne, events and activation of spaces.</i>	Yes	The 2016-17 Annual Plan and Budget is the first (base) year of the 10 Year Financial Plan. The 2016-17 Annual Plan and Budget provides funding to maintain the same high standard and quality of service to activate the City of Melbourne. There are no plans to reduce the level of funding for activation activities in the 10 Year Financial Plan.

	PEOPLE'S PANEL RECOMMENDATION	PLAN ALIGNMENT WITH RECOMMENDATION	COMMENT
4	Asset Portfolio		
4.1	<i>The People's Panel 2014 recommends the City of Melbourne review the property asset portfolio and sell non-core assets. The aim is to reduce the size of the property portfolio and release capital.</i>	Yes	A review of the property portfolio has been undertaken and will be presented to Council for consideration.
4.2	<p><i>The People's Panel 2014 recommends City of Melbourne retains CityWide.</i></p> <p>The People's Panel 2014 took into consideration:</p> <ul style="list-style-type: none"> • This is a positive revenue income stream above the rate of interest that City of Melbourne would have to pay if it went to the market for borrowings. • CityWide provides essential services and that should not be outsourced. • Over the long run, we believe the City of Melbourne can actually improve the efficiency of such services. • A review of the operations of CityWide within the next year and setting minimum efficiency guidelines and stringent cleanliness standards that are assessed annually in order to promote operational efficiency and increase Return on Investment. 	Yes	The 10 Year Financial Plan does not include the sale of Citywide and assumes an ongoing profitable return.

	PEOPLE'S PANEL RECOMMENDATION	PLAN ALIGNMENT WITH RECOMMENDATION	COMMENT
5	Queen Victoria Market Redevelopment		
5.1	<p><i>The People's Panel 2014 recommends funding should be considered in covering the cost of the QVM development subject to a realistic feasibility on the rate of return and improved end value in terms of social, economic and environmental outcomes.</i></p> <p>The People's Panel 2014 took the following into consideration:</p> <ul style="list-style-type: none"> • Concern about the high indicative cost of the QVM redevelopment relative to the benefits. • Concern about City of Melbourne funds being redirected from other services toward the QVM redevelopment. 	Yes	A funding and financing strategy for the Queen Victoria Market renewal project has commenced and a revised business case will be prepared.

	PEOPLE'S PANEL RECOMMENDATION	PLAN ALIGNMENT WITH RECOMMENDATION	COMMENT
6	Borrowing		
6.1	<p><i>The People's Panel 2014 recommends that debt finance may be used to finance growth infrastructure, special projects and major asset renewal where prompt action can prevent rapidly escalating costs. However, the overall debt levels should be constrained so as to maintain an AA credit rating or better.</i></p> <p>The People's Panel took into consideration:</p> <ul style="list-style-type: none"> • The combination of inflationary effects, a rapidly growing ratepayer base and an excellent credit rating, provide ideal conditions to support debt funding, within commercially sensible gearing limits. • There may be very good rationale to adopt a position which results in a somewhat lower (from AAA to AA) credit rating, and it is unwise to overly restrict the City of Melbourne's freedom of action. • For the growth infrastructure, costs are effectively delayed, so that debt repayments are met by the enlarged ratepayer base, and not by the original group. • Additionally, appropriate debt funding will permit the city to construct high quality assets that constrain the associated maintenance costs of future years. • Debt should be restricted for special projects, and is inappropriate for operational expenditures. 	Yes	<p>The Council has a facility of up to \$75 million. Part of the borrowings enabled the seamless settlement of the Munro site as part of the QVM renewal.</p> <p>There is also capacity to use further borrowings to fund infrastructure projects during the year. Over the long term the plan projects borrowings will be required and directed towards funding of infrastructure that supports growth, reduces escalating infrastructure costs or special projects that generate a return above borrowings costs.</p>

	PEOPLE'S PANEL RECOMMENDATION	PLAN ALIGNMENT WITH RECOMMENDATION	COMMENT
7	Bike Lanes and Footpaths		
7.1	Bicycle Lanes		
7.1.1	<p><i>The People's Panel 2014 recommends that more bicycle lanes with physical barriers should be installed in the City of Melbourne by reducing car lanes, removing on-street car parking bays, and introducing some one-way streets within the next 5 years. Elizabeth Street, St Kilda Road, Southbank Riverbank, and Grattan Street should be given priority.</i></p> <p>The People's Panel 2014 took into consideration:</p> <ul style="list-style-type: none"> • A more efficient usage of roads by increasing the bicycle to car utilization ratio and by reducing the congestion on public transport. <p>The People's Panel 2014 had a minority report on this recommendation as follows:</p> <ul style="list-style-type: none"> • Introducing further one way streets in Melbourne could constrict the flow of pedestrians and traffic; impede day to day activity and business. 	Yes	<p>Council has allocated an additional \$1.5 million in the 2016-17 Annual Plan and Budget to deliver and co-contribute to bicycle improvement projects identified in Council's Bicycle Plan. This will enable the identified works in the Bicycle Plan to be completed. The 10 Year Financial Plan provides for a reduction of 1500 on-street car parking bays as Council continues to support more sustainable modes of transport.</p>

	PEOPLE'S PANEL RECOMMENDATION	PLAN ALIGNMENT WITH RECOMMENDATION	COMMENT
7.1.2	<p>The People's Panel 2014 noted a minority report that the City of Melbourne builds large bicycle shelters at entry points to the CBD to increase the number of cyclists converting to pedestrian traffic. Close to the boat sheds across from Flinders Street Station, Carlton Gardens, and near La Trobe Street in Docklands should be considered as possible locations.</p> <p>The People's Panel 2014 took into consideration:</p> <ul style="list-style-type: none"> • Encouraging more people to be able to use bicycles as a viable form of transport when engaging with the city. • The need to prevent cyclists from padlocking bicycles to undesignated places and consequently reducing and disrupting footpath access for pedestrians. 		
7.2	Footpaths		
7.2.1	<p><i>The People's Panel 2014 recommends increasing CBD footpath accessibility within the next 5 years by increasing footpath width and ease of access by removing obstructions, such as relocating parking options for motorcycles, ensuring businesses are complying with space regulations, and customers don't block ease of movement while waiting. Elizabeth Street and Swanston Street should be prioritized.</i></p>	Yes	<p>This recommendation from the People's Panel is consistent with work that is currently and will continue to be undertaken by the City on a regular and ongoing basis. The specific actions are addressed in the City's Walking Plan, Road Safety Plan and also undertaken as part of the renewal works for streetscape upgrade works.</p>

	PEOPLE'S PANEL RECOMMENDATION	PLAN ALIGNMENT WITH RECOMMENDATION	COMMENT
8	Advocacy		
8.1	<i>The People's Panel 2014 recommends that the City of Melbourne advocate to improve public transport and infrastructure within the City of Melbourne.</i>	Advocacy recommendation	The City is constantly working with Public Transport Victoria, VicRoads and public transport service providers such as Yarra Trams and bus operators such as Transdev to provide improved infrastructure necessary to improve public transport services to and within the City. These improvements include the facilitation of level access tram stops along all tram routes, the installation of bus lanes on heavily trafficked bus routes, on-street bus terminals and night-rider bus terminals, the installation of on-street taxi ranks, including Safe City night time taxi ranks and civil works adjacent to CBD and inner city railway stations that are designed to increase the capacity and safety of the increasing number of passengers using the train network.
8.2	<i>The People's Panel 2014 recommends that the City of Melbourne advocate increasing the number of mainstream public primary and secondary schools within the City of Melbourne to meet population growth demand.</i>	Advocacy recommendation	In November 2014 the Council adopted a position to establish an inner city forum to advocate for the provision of primary and secondary schools in the city to meet a projected shortfall in capacity. An inner city regional forum has been convened, that includes the Department of Education and Early Childhood Development. Council will continue to advocate for the provision of primary and secondary schools through the inner city forum.

	PEOPLE'S PANEL RECOMMENDATION	PLAN ALIGNMENT WITH RECOMMENDATION	COMMENT
8.3	<i>The People's Panel 2014 recommends that the City of Melbourne advocate increasing parking rates and taxes to reduce car usage and congestion in the CBD.</i>	Advocacy recommendation	The 10 Year Financial Plan assumes a reduced reliance on parking revenue over time and assumes 1500 less parking bays across the City. The plan also allows for modest parking rate increases once every four years.
8.4	<i>The People's Panel 2014 recommends that the City of Melbourne increase the minimum standard requirements for new public open space for high growth areas to 10% of land value.</i>	Advocacy recommendation	The Council adopted Melbourne Planning Scheme Amendment C209 on the 26 May 2015. The contribution rates in the amendment were 7.06% for the high growth areas and 5.2% for all other areas in the municipality.
8.5	<i>The People's Panel 2014 recommends that the City of Melbourne lobby State Government within the next 12 months for greater control of developments and developer contributions.</i>	Advocacy recommendation	The City of Melbourne has advocated over some time for a review of the Melbourne Planning Scheme requirement that any application which proposes a gross floor area greater than 25,000m ² , that the Minister for Planning is the Responsible Authority. This requirement has existed since 1994 and was recently modified to substitute the Metropolitan Planning Authority for the Minister in relation to the Lorimer precinct of the Fishermans Bend Urban Renewal Area. In addition, there are a number of specific locations within the City of Melbourne where the Minister for Planning is the sole responsible authority, regardless of development size. Because all of these requirements are part of the Melbourne Planning Scheme, they can be changed by, and only by, the Minister for Planning. Council will continue to engage with the Minister for Planning on this matter.

	PEOPLE'S PANEL RECOMMENDATION	PLAN ALIGNMENT WITH RECOMMENDATION	COMMENT
8.6	<i>The People's Panel 2014 recommends that the City of Melbourne must increase the Developer Contribution to closer align with Sydney and Brisbane in order to increase their contribution towards the funding of infrastructure and community services.</i>	Advocacy recommendation	The Council continues to seek equitable contributions from developers to support growing infrastructure needs in response to strong population growth.

	PEOPLE'S PANEL RECOMMENDATION	PLAN ALIGNMENT WITH RECOMMENDATION	COMMENT
8.7	<i>The People's Panel 2014 recommends that the City of Melbourne advocate to have control all building planning and permission processes transferred to the City of Melbourne especially in relation to the policy of developments above 25,000 square metres.</i>	Advocacy recommendation	The City of Melbourne has advocated over some time for a review of the Melbourne Planning Scheme requirement that any application which proposes a gross floor area greater than 25,000m ² , that the Minister for Planning is the Responsible Authority. This requirement has existed since 1994 and was recently modified to substitute the Metropolitan Planning Authority for the Minister in relation to the Lorimer precinct of the Fishermans Bend Urban Renewal Area. In addition, there are number of specific locations within the City of Melbourne where the Minister for Planning is the sole responsible authority, regardless of development size. Because all of these requirements are part of the Melbourne Planning Scheme, they can be changed by, and only by, the Minister for Planning. Council will continue to engage with the Minister for Planning on this matter.

	PEOPLE'S PANEL RECOMMENDATION	PLAN ALIGNMENT WITH RECOMMENDATION	COMMENT
8.8	<p><i>The People's Panel 2014 recommends the City of Melbourne advocate for increased services to the elderly, indigenous, vulnerable, homeless, disabled and to the youth support services.</i></p> <p>The People's Panel took into consideration:</p> <ul style="list-style-type: none"> • Protecting existing community service levels to prevent a reduction in the quality of services the community currently receives as the population increases in the future. • The needs of our ageing population are met in future years, eg. aged care facilities and home care. 	Advocacy recommendation	<p>The City of Melbourne has a sound understanding of the issues facing the groups noted in this recommendation. Through our Family and Children's, Homelessness and Disability Advisory Committees we are able to remain informed of current service gaps as well as policy reforms at both the state and federal level. Together with the Council to Homeless Persons (the peak body for Victorian homelessness services) we are leading a project to better coordinate homelessness services and identify funding gaps in the next 12 months. Our relationship with the state government and the MAV allows us to keep a watching brief regarding the proposed reforms to aged care and how they may impact on our service users when fully implemented. City of Melbourne also convenes the Melbourne Youth Services Forum as well as the Melbourne Safe Community Committee, both forums have identified the need for more resources to deliver a coordinated after hours response for young people in the central city at night and on weekends. Our Reconciliation Action Plan and Indigenous Heritage Action Plan both include an extensive range of actions focussed on recognise, protect and promote indigenous people in the city. City of Melbourne is engaged with Traditional Owners in the implementation of all projects that further the cause of reconciliation. The Council will continue to support advocacy in these important areas.</p>

	PEOPLE'S PANEL RECOMMENDATION	PLAN ALIGNMENT WITH RECOMMENDATION	COMMENT
9.1	<p><i>The People's Panel 2014 recommends the City of Melbourne maintain the provision of all its community services to at least current service levels over the next 10 years</i></p> <p>The People's Panel took into consideration:</p> <ul style="list-style-type: none"> • Protecting existing community service levels to prevent a reduction in the quality of services the community currently receives as the population increases in the future. 	Yes	<p>The 2016-17 Annual Plan and Budget is the first (base) year of the 10 Year Financial Plan. The 2016-17 Annual Plan and Budget provides for sufficient funding to maintain the provision of all its community services to at least current service levels. There are no plans to reduce the level of funding for community services in the 10 Year Financial Plan.</p>

	PEOPLE'S PANEL RECOMMENDATION	PLAN ALIGNMENT WITH RECOMMENDATION	COMMENT
10	Operational Efficiency		
10.1	<p><i>The People's Panel 2014 recommends the City of Melbourne should continue to implement the LEAN program for operational efficiencies. This should have a target reduction in expenditure equal to an annually compounding of at least 1% efficiency dividend 2015-2024 (inclusive) based on the previous year's performance.</i></p> <p>The People's Panel took into consideration:</p> <ul style="list-style-type: none"> • This shows trust in the staff of the City of Melbourne that they know what they are doing and know how to best improve their roles and departments. • A desire to promote operational efficiencies rather than have job retrenchments. 	Yes	A 1% efficiency dividend per annum (compounded) has been built into the 10 Year Financial Plan. Over the life of the plan this equates to \$170 million in savings. The 2016-17 Annual Plan and Budget provided for an underlying costs below projected CPI, reflecting the commitment to ongoing efficiencies.

	PEOPLE'S PANEL RECOMMENDATION	PLAN ALIGNMENT WITH RECOMMENDATION	COMMENT
11	Capital Works		
11.1	<p><i>The People's Panel 2014 recommends the City of Melbourne reduces expenditure on new capital works by 10% over the 10 year budget period.</i></p> <p>The People's Panel took into consideration:</p> <ul style="list-style-type: none"> • A projected budget deficit. • An ambitious expenditure program. 	Yes	The level of capital works program has been refined, prioritised and reflected in the 10 Year Financial Plan.

**APPENDIX 3 - 10 YEAR FINANCIAL PLAN PEOPLE'S PANEL
REPORT**

**CITY OF MELBOURNE
10 Year Financial Plan
People's Panel Report**

8 November 2014

The Panel's Decision Making Principles

1. SMART (Specific, Measurable, Achievable, Realistic, Timely)
2. Sustainable
3. Forward thinking
4. Adds value to Melbourne; best for the city
5. Relevant to the remit and the four challenges
6. A 'considered' recommendation that is aware of the implications for people

What we want Melbourne to look like in the future

The People's Panel 2014 vision for Melbourne 2025 is:

- It continues to be one of the world's most liveable cities.
- Recognised internationally for its successes in sustainability and response to climate change.
- It is easily accessible and accommodating for residents from all walks of life.
- It remains a welcoming and vibrant university city that provides a range of services specific to its student population.
- Maintains its distinct and celebrated sports, cultural and food precincts.
- Manages, expands and maintains its infrastructure and facilities to ensure it remains a commercial and service industry hub for the nation.

1 Rates

1.1 The People’s Panel 2014 acknowledges that rate rises are required in order to meet both operating and capital budget requirements. The panel recommends that rates be increased by CPI plus up to 2.5% pa for the next 10 years.

The People’s Panel took into consideration:

- It is recognised that due to an expected rapid growth in population, substantial new infrastructure is required.
- The desired responses to climate change also require funding.
- The new infrastructure primarily benefits the new population. It is therefore inappropriate for existing ratepayers to bear the full costs when there are means by which the costs may be shared, such as increased developer contributions or debt funding.

2. Environment, Sustainability and Climate Change

2.1 The People’s Panel 2014 recommends that as a matter of priority the City of Melbourne allocate the necessary (increased) funding to its plans to address climate change, so as to protect our existing assets, systematically reduce our carbon footprint (pro rata), maintain the liveability within the city and provide leadership on this issue within the municipality.

We want the City of Melbourne to be bold, creative and innovative in terms of (but not limited to):

- Tree coverage
- Drainage
- Solar panels
- Vertical gardens
- Community gardens
- Nature strip gardens
- Educational programs
- New technologies
- Strategies for waste management and recycling

3. Activate City

3.1 The People’s Panel 2014 recommends that the City of Melbourne maintain the same high standard and quality level of service to activate the City of Melbourne. This encompasses marketing of City of Melbourne, events and activation of spaces.

4. Asset Portfolio

4.1 The People’s Panel 2014 recommends the City of Melbourne review the property asset portfolio and sell non-core assets. The aim is to reduce the size of the property portfolio and release capital.

4.2 The People’s Panel 2014 recommends City of Melbourne retains Citywide.

The People’s Panel 2014 took into consideration:

- This is a positive revenue income stream above the rate of interest that City of Melbourne would have to pay if it went to the market for borrowings.
- Citywide provides essential services and that should not be outsourced.
- Over the long run, we believe the City of Melbourne can actually improve the efficiency of such services.
- A review of the operations of Citywide within the next year and setting minimum efficiency guidelines and stringent cleanliness standards that are assessed annually in order to promote operational efficiency and increase Return on Investment.

5. Queen Victoria Market Redevelopment

5.1 The People’s Panel 2014 recommends funding should be considered in covering the cost of the QVM development subject to a realistic feasibility on the rate of return and improved end value in terms of social, economic and environmental outcomes.

The Peoples Panel 2014 took the following into consideration:

- Concern about the high indicative cost of the QVM redevelopment relative to the benefits.
- Concern about City of Melbourne funds being redirected from other services toward the QVM redevelopment.

6. Borrowing

6.1 The People’s Panel 2014 recommends that debt finance may be used to finance growth infrastructure, special projects and major asset renewal where prompt action can prevent rapidly escalating costs. However, the overall debt levels should be constrained so as to maintain an AA credit rating or better.

The People’s Panel took into consideration:

- The combination of inflationary effects, a rapidly growing ratepayer base and an excellent credit rating, provide ideal conditions to support debt funding, within commercially sensible gearing limits.
- There may be very good rationale to adopt a position which results in a somewhat lower (from AAA to AA) credit rating, and it is unwise to overly restrict the City of Melbourne’s freedom of action.
- For the growth infrastructure, costs are effectively delayed, so that debt repayments are met by the enlarged ratepayer base, and not by the original group.
- Additionally, appropriate debt funding will permit the city to construct high quality assets that constrain the associated maintenance costs of future years.
- Debt should be restricted for special projects, and is inappropriate for operational expenditures.

7. Bike Lanes and Footpaths

7.1 Bicycle Lanes

7.1.1 The People’s Panel 2014 recommends that more bicycle lanes with physical barriers should be installed in the City of Melbourne by reducing car lanes, removing on-street car parking bays, and introducing some one-way streets within the next 5 years. Elizabeth Street, St Kilda Road, Southbank Riverbank, and Grattan Street should be given priority.

The People’s Panel 2014 took into consideration:

- A more efficient usage of roads by increasing the bicycle to car utilization ratio and by reducing the congestion on public transport.

The People’s Panel 2014 had a minority report on this recommendation as follows:

- Introducing further one way streets in Melbourne could constrict the flow of pedestrians and traffic; impede day to day activity and business.

7.1.2 The People’s Panel 2014 noted a minority report that the City of Melbourne builds large bicycle shelters at entry points to the CBD to increase the number of cyclists converting to pedestrian traffic. Close to the boat sheds across from Flinders Street Station, Carlton Gardens, and near La Trobe Street in Docklands should be considered as possible locations.

The People’s Panel 2014 took into consideration:

- Encouraging more people to be able to use bicycles as a viable form of transport when engaging with the city.
- The need to prevent cyclists from padlocking bicycles to undesignated places and consequently reducing and disrupting footpath access for pedestrians.

7.2 Footpaths

7.2.1 The People’s Panel 2014 recommends increasing CBD footpath accessibility within the next 5 years by increasing footpath width and ease of access by removing obstructions, such as relocating parking options for motorcycles, ensuring businesses are complying with space regulations, and customers don’t block ease of movement while waiting. Elizabeth Street and Swanston Street should be prioritized.

8. Advocacy

8.1 The People’s Panel 2014 recommends that the City of Melbourne advocate to improve public transport and infrastructure within the City of Melbourne.

8.2 The People’s Panel 2014 recommends that the City of Melbourne advocate increasing the number of mainstream public primary and secondary schools within the City of Melbourne to meet population growth demand.

8.3 The People’s Panel 2014 recommends that the City of Melbourne advocate increasing parking rates and taxes to reduce car usage and congestion in the CBD.

8.4 The People’s Panel 2014 recommends that the City of Melbourne increase the minimum standard requirements for new public open space for high growth areas to 10% of land value.

8.5 The People’s Panel 2014 recommends that the City of Melbourne lobby State Government within the next 12 months for greater control of developments and developer contributions.

8.6 The People’s Panel 2014 recommends that the City of Melbourne must increase the Developer Contribution to closer align with Sydney and Brisbane in order to increase their contribution towards the funding of infrastructure and community services.

8.7 The People’s Panel 2014 recommends that the City of Melbourne advocate to have control all building planning and permission processes transferred to the City of Melbourne especially in relation to the policy of developments above 25,000 square metres.

8.8 The People’s Panel 2014 recommends the City of Melbourne advocate for increased services to the elderly, indigenous, vulnerable, homeless, disabled and to the youth support services.

The People’s Panel took into consideration:

- Protecting existing community service levels to prevent a reduction in the quality of services the community currently receives as the population increases in the future.
- The needs of our ageing population are met in future years e.g. aged care facilities & home care.

9. Community Services

9.1 The People’s Panel 2014 recommends the City of Melbourne maintain the provision of all its community services to at least current service levels over the next 10 years.

The People’s Panel took into consideration:

- Protecting existing community service levels to prevent a reduction in the quality of services the community currently receives as the population increases in the future.

10. Operational Efficiency

10.1 The People’s Panel 2014 recommends the City of Melbourne should continue to implement the LEAN program for operational efficiencies. This should have a target reduction in expenditure equal to an annually compounding of at least 1% efficiency dividend 2015–2024 (inclusive) based on the previous year’s performance.

The People’s Panel took into consideration:

- This shows trust in the staff of the City Of Melbourne that they know what they are doing and know how to best improve their roles and departments.
- A desire to promote operational efficiencies rather than have job retrenchments.

11. Capital Works

11.1 The People’s Panel 2014 recommends the City of Melbourne reduces expenditure on new capital works by 10% over the 10 year budget period.

The People’s Panel took into consideration:

- A projected budget deficit
- An ambitious expenditure program