

10 YEAR FINANCIAL PLAN

2015–2025



CITY OF MELBOURNE

10 YEAR FINANCIAL PLAN 2015–2025

TABLE OF CONTENTS

MESSAGE FROM LORD MAYOR ROBERT DOYLE AND COUNCILLOR STEPHEN MAYNE	3
OVERVIEW	5
COMMUNITY ENGAGEMENT	12
10 YEAR FINANCIAL PLAN INTRODUCTION	16
REVENUES	18
EXPENSES	28
10 YEAR CAPITAL WORKS PROGRAM.....	34
APPENDIX 1 - FINANCIAL STATEMENTS	36
APPENDIX 2 - 10 YEAR FINANCIAL PLAN ALIGNMENT WITH PEOPLE'S PANEL RECOMMENDATION.....	39
APPENDIX 3 -PEOPLE'S PANEL REPORT	55

10 YEAR FINANCIAL PLAN

2015–2025

MESSAGE FROM LORD MAYOR ROBERT DOYLE AND COUNCILLOR STEPHEN MAYNE

This 10-Year Financial Plan will deliver on Melbourne City Council's vision for our city's growth, prosperity and liveability.

It will secure our competitive advantage as a top global city: as a premier location for business and knowledge sectors to expand and thrive; it increases our expenditure on core services and creates opportunities for our community.

Melbourne is the fastest growing municipality in Australia with unprecedented population growth expected over the next decade and beyond. Since 2001 our 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.

We are home to six growth areas that will accommodate this growing population and the required jobs that go with it. They are the Hoddle Grid, Arden Macaulay, City North, Docklands, Southbank and Fishermen's Bend.

With growth comes opportunity and we need to be agile enough to leverage these opportunities to our advantage. We will need to do things smarter and more efficiently.

We have developed this plan with that growth in mind and have consulted widely with our residents and businesses about what it should include through community consultation and, for the first time, a People's Panel which is like a citizen's jury. This plan includes the People's Panel's recommendations and our responses to them.

On behalf of the City of Melbourne I would like to congratulate the members of the Panel for their passion and drive in exploring all options to keep Melbourne one of the best cities to live, work and play.

The City of Melbourne is responsible for managing a multi-billion business. The net worth of the Council is forecast to increase significantly from \$3.8 billion to \$5.8 billion by 2025 as a result of capital investment in infrastructure. Expenditure on key programs and services is forecast at \$4.5 billion over the next decade.

Underlying surpluses will be a feature every year throughout our ten-year plan. These surpluses will be directed towards funding important capital infrastructure to support our swelling municipality, particularly in growth areas.

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.

Next year, we will commence 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.

We are predicting to save \$163 million with our commitment to deliver ongoing efficiencies at 1 per cent per annum compounded over the next 10 years.

10 YEAR FINANCIAL PLAN

2015–2025

Council commends the 10 Year Financial Plan and all those participated in its development. It is a responsible plan that protects our services, protects our ratepayers and safeguards the city's growth.

10 YEAR FINANCIAL PLAN

2015–2025

OVERVIEW

The City of Melbourne municipality covers the central city and 16 inner city suburbs. More than 122,000 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.

In 2015-16 Future Melbourne will be refreshed 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



116,431^{^^}
RESIDENTIAL
POPULATION

26,323^{*}
RESIDENTIAL
STUDENT
POPULATION

138^{}**
CULTURAL
BACKGROUNDS



18,221
BUSINESSES
AT 30 JUNE
2014

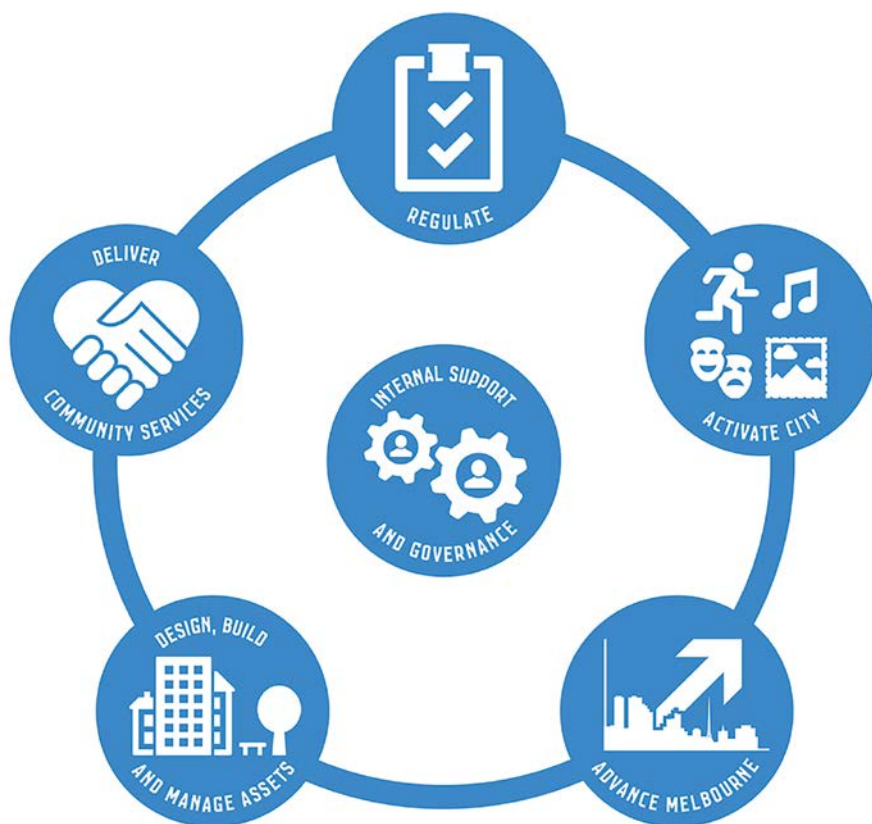
*2010 **2011 ^2012 ^^2013

10 YEAR FINANCIAL PLAN

2015–2025

1. Our services

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



10 YEAR FINANCIAL PLAN 2015–2025

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.

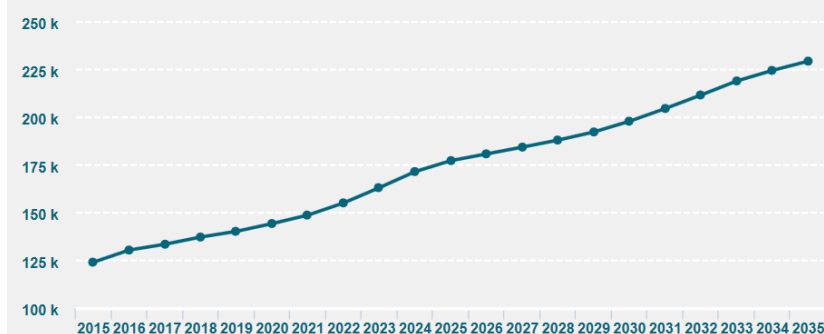
Growth

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.

Six new growth areas have been identified across the city and plans are in place to accommodate forecast

Future Population

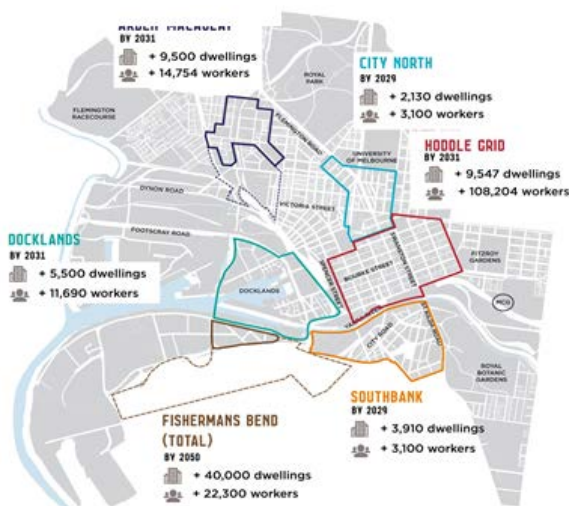
By 2035, the population of City of Melbourne is expected to reach 229,503. This is 85% higher than the population in 2015.



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 2015–2025

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.

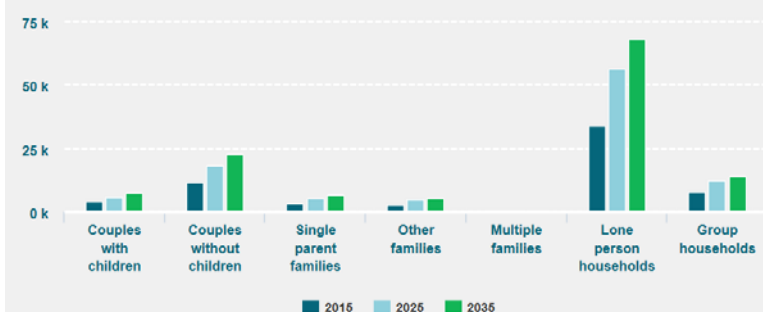
The greatest change comes from the number of families with children moving into the municipality. By 2031 this number is expected to have increased by 70 per cent to 23,820.

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.



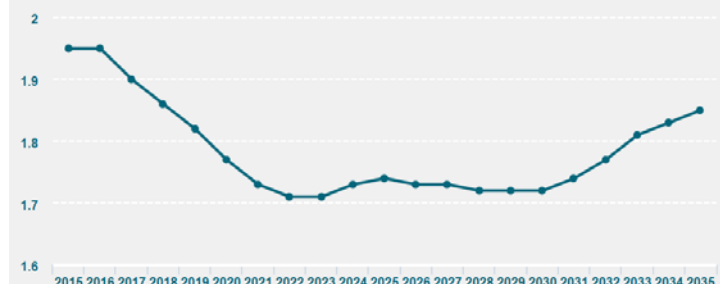
Household Structure

The forecast household structure in City of Melbourne is detailed in the graph below.



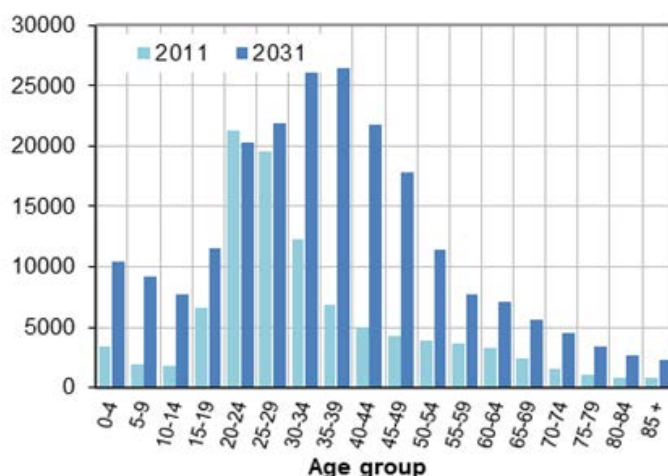
Household Size

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.



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

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.



10 YEAR FINANCIAL PLAN

2015–2025

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.

10 YEAR FINANCIAL PLAN

2015–2025

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.

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.

10 YEAR FINANCIAL PLAN

2015–2025

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 was the breadth and depth of community engagement which has informed and influenced the 10-Year Financial Plan.

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 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.

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

2015–2025

4. The People's Panel

As well as broad community consultation, more than 6,500 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 (Dependent on Council review)

The panel met six times between August and October last year, 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

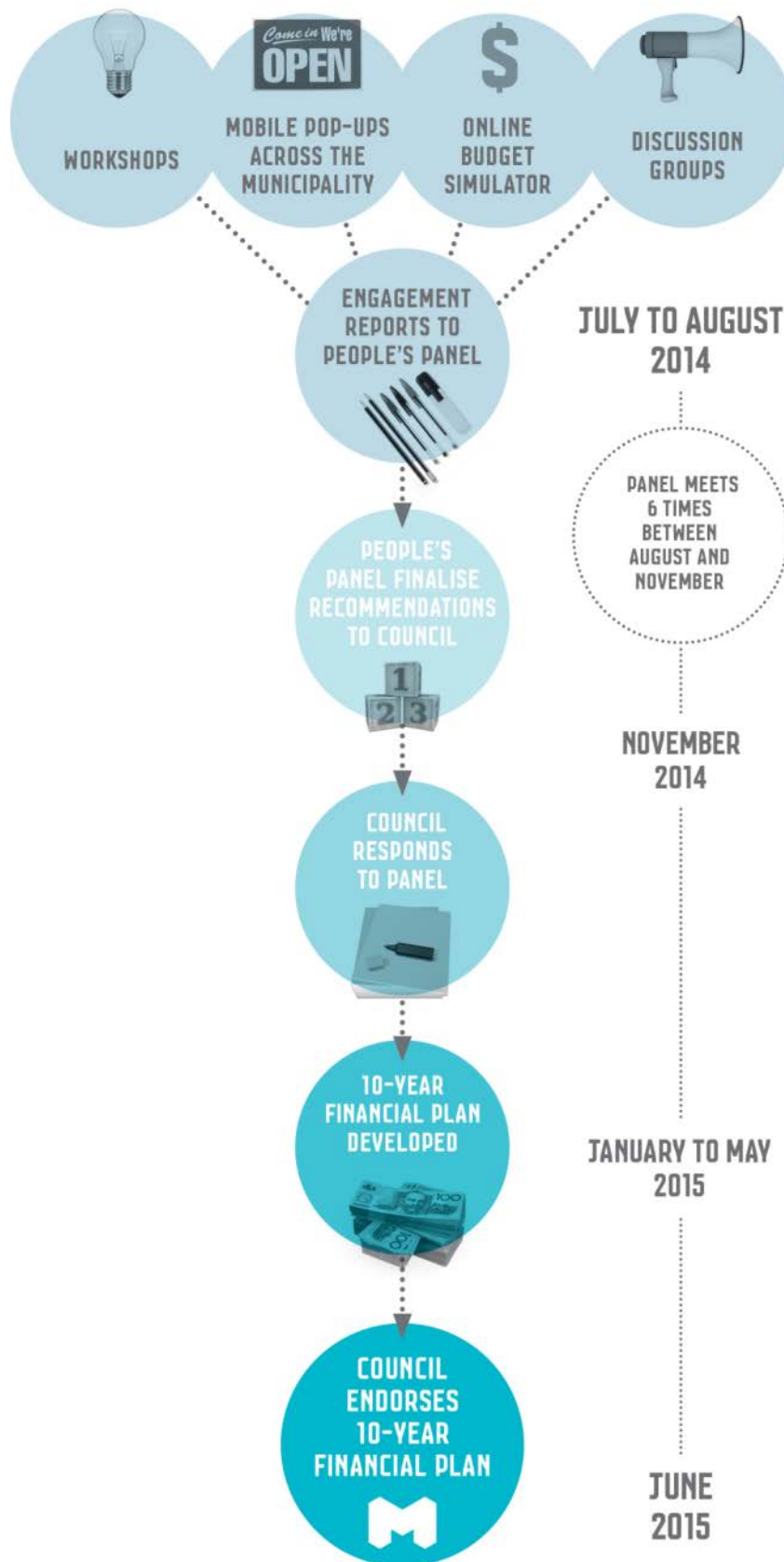
2015–2025

The City of Melbourne, the final decision maker, considered the panel's views in developing this 10 Year Financial Plan.

The People's Panel report is included in full in this document in appendix 3, with an account of each recommendation and explanation of if, how, and the extent to which, each recommendation could be acted upon in appendix 2.



TIMELINE



10 YEAR FINANCIAL PLAN INTRODUCTION

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.

This is the city's first ever 10-Year Financial Plan. Subsequent versions will be enhanced as our approach to long term planning and modelling matures with more sophisticated data and information. The 2015-16 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 both the 10 Year Financial Plan as well as the 2015-16 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 \$163 million in savings for the community.

10 YEAR FINANCIAL PLAN

2015–2025



The net worth of the Council reflected through the balance sheet to increase significantly from \$3.8 billion to \$5.8 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

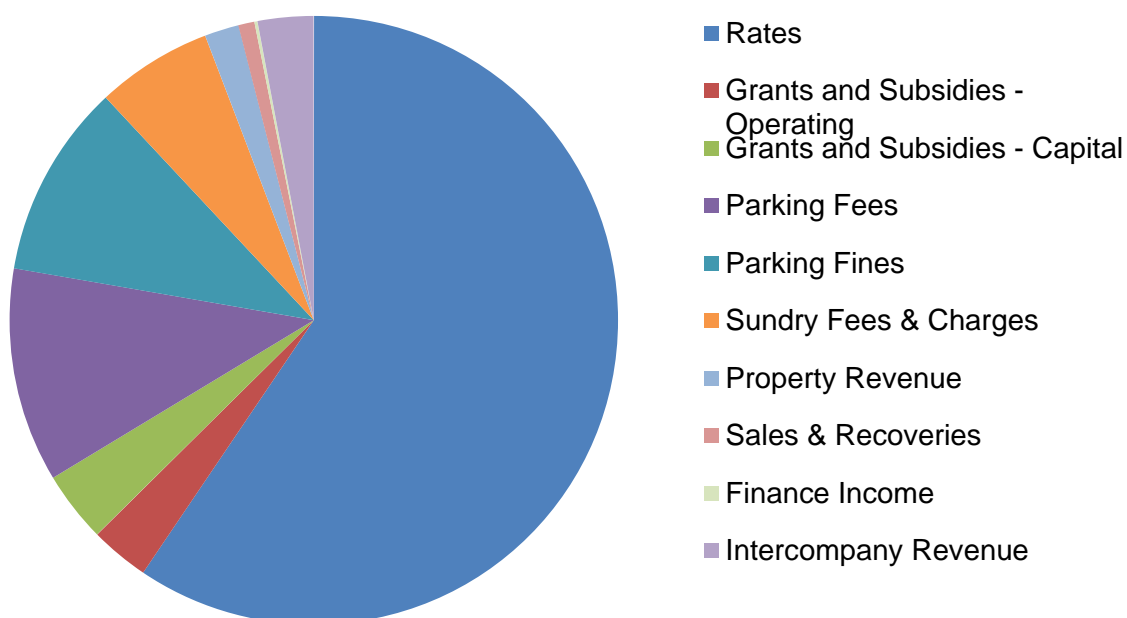
- The actual outcomes differ adversely from the key assumptions underpinning the plan, particularly assumptions around the future growth in the city.
- Unforeseen significant global or local economic or climate related events adversely affecting the city's operations and or infrastructure.
- Failure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

10 YEAR FINANCIAL PLAN 2015–2025

REVENUES

This section outlines Council's major revenue sources based on the 2015-16 Annual Plan and Budget.

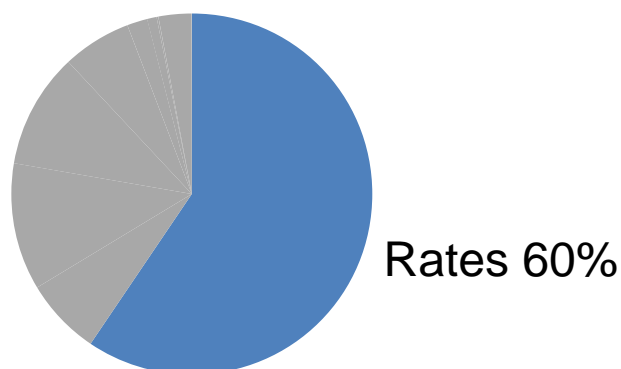
2015- 16 Revenue



10 YEAR FINANCIAL PLAN

2015–2025

Rates revenue



Context

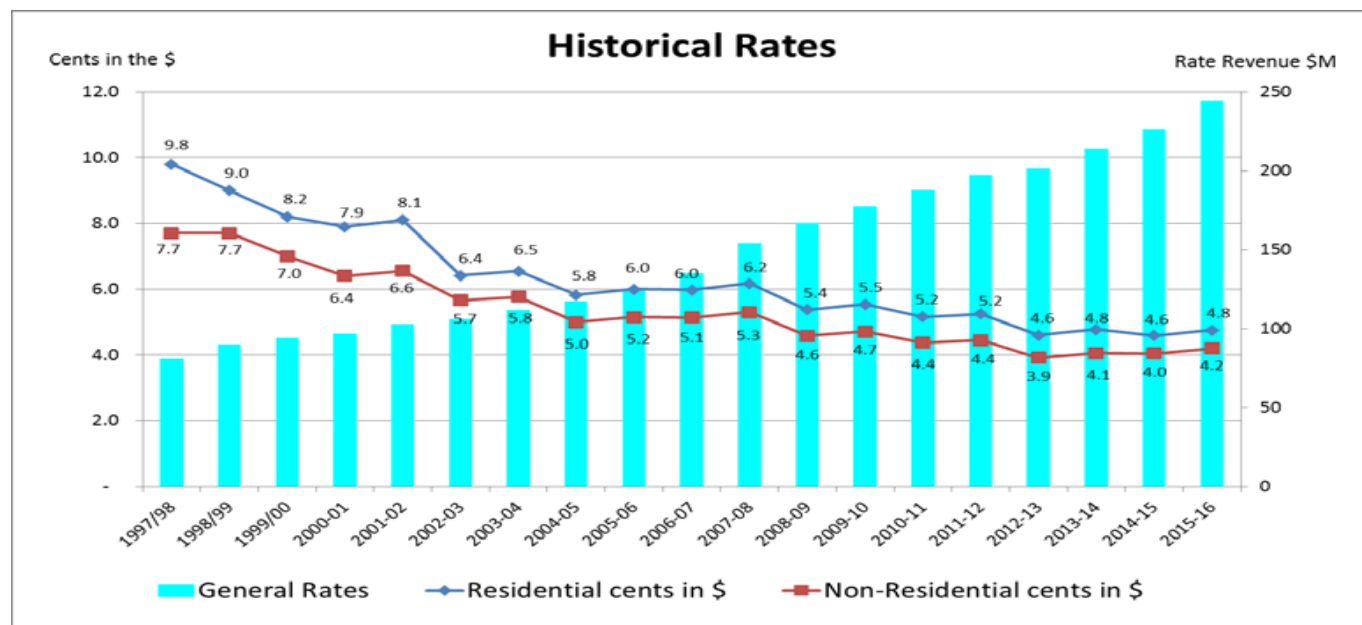
In 2015-16 rates income is budgeted at \$243 million and accounts for 59.6 per cent of total revenue. Of this revenue, 66 per cent is derived from non-residential properties (businesses) and 34 per cent from residential properties. Over time, as more residential developments have been completed, the 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 rates per assessment in 2015-16 is \$1,047, and \$7,122 for businesses.

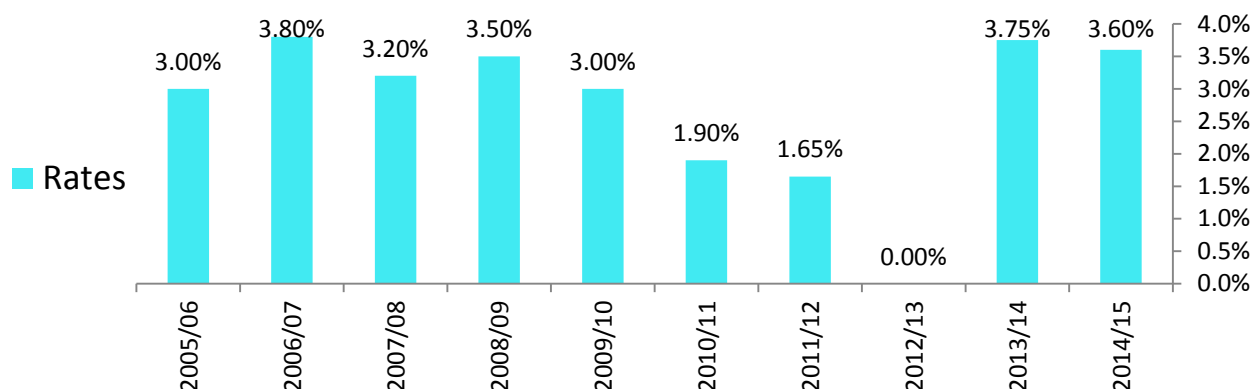
10 YEAR FINANCIAL PLAN 2015–2025

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 2015-16 budget was 3.6%.

10 YEAR FINANCIAL PLAN

2015–2025

The Victorian Government has announced its intention to introduce a rates capping policy for all Victorian Councils from 2016-17. Prior to its introduction, the Victorian Essential Services Commission has been appointed to provide advice on an appropriate framework and to consult broadly with Councils, government agencies and peak bodies.

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 any new proposed framework to be developed by the Essential Services Commission. It is pre-emptive to model any other outcome until the Essential Services Commission framework is known.

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).

*Based on the Victorian Government's projections for CPI between 2016-17 to 2018-19 which was 2.75 per cent for 2016-17 and 2.5 per cent in 2017-18 and 2018-19. The city has assumed CPI at 2.5 per cent thereafter being the mid-point of the Reserve Bank of Australia's target inflation range.

- 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.

Council Strategy

- 1) Develop a rating strategy having considered the framework from the Essential Services Commission on rates capping. The strategy to also identify rating mechanisms that enable the City to fund future infrastructure associated with a rapidly growing municipality.

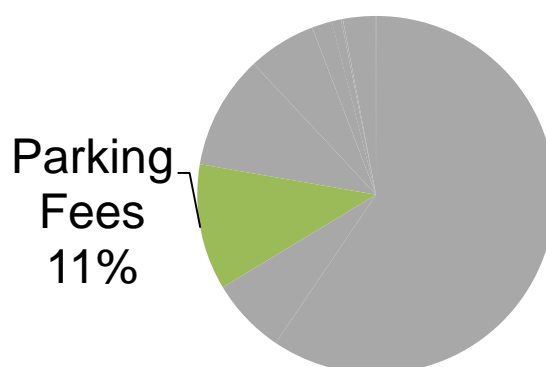
10 YEAR FINANCIAL PLAN

2015–2025

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 2015-16 total parking fees is budgeted at \$46.6 million and accounts for 11.4 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.

10 YEAR FINANCIAL PLAN

2015–2025

Assumptions

- A reduction of 900 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

Explore the use of technology for a more dynamic pricing model based on demand and supply.

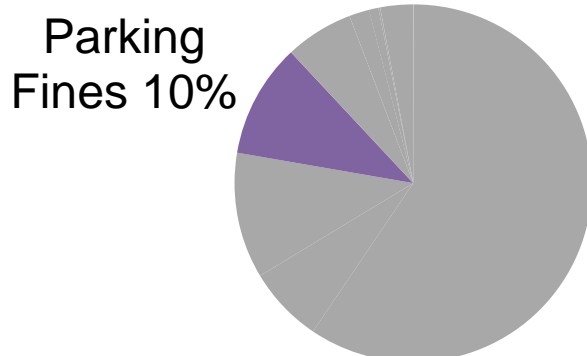
Maintain meter uptime through appropriate interventions as necessary.

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.

10 YEAR FINANCIAL PLAN 2015–2025

Parking Fines



Context

In 2015-16 total parking fines is budgeted at \$42.2 million and accounts for 10.3 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.

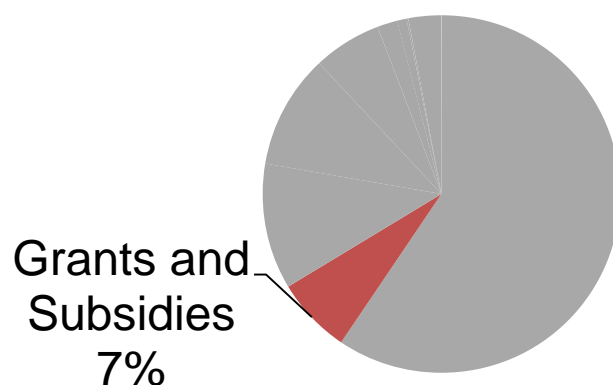
10 YEAR FINANCIAL PLAN

2015–2025

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 2015-16 is budgeted at \$28.2 million or 6.9 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.

10 YEAR FINANCIAL PLAN

2015–2025

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

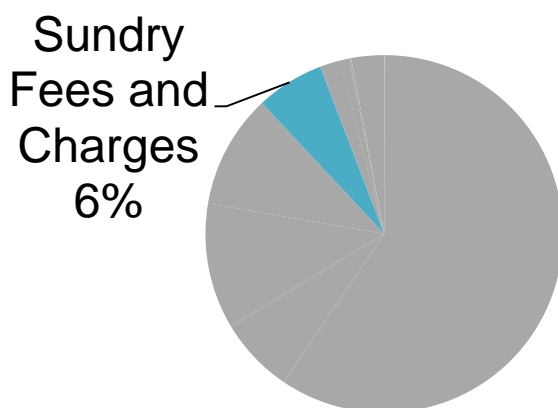
- 1) Continue to advocate for ongoing grant funding for important community services.
- 2) Make application for specific grants based on the merits of individual operating and capital projects.

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



Context

Sundry fees and charges in 2015-16 is budgeted at \$25.3 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 \$5.5 million and childcare fees at \$3.2 million. Collectively, these areas account for 50 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.

10 YEAR FINANCIAL PLAN

2015–2025

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 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.

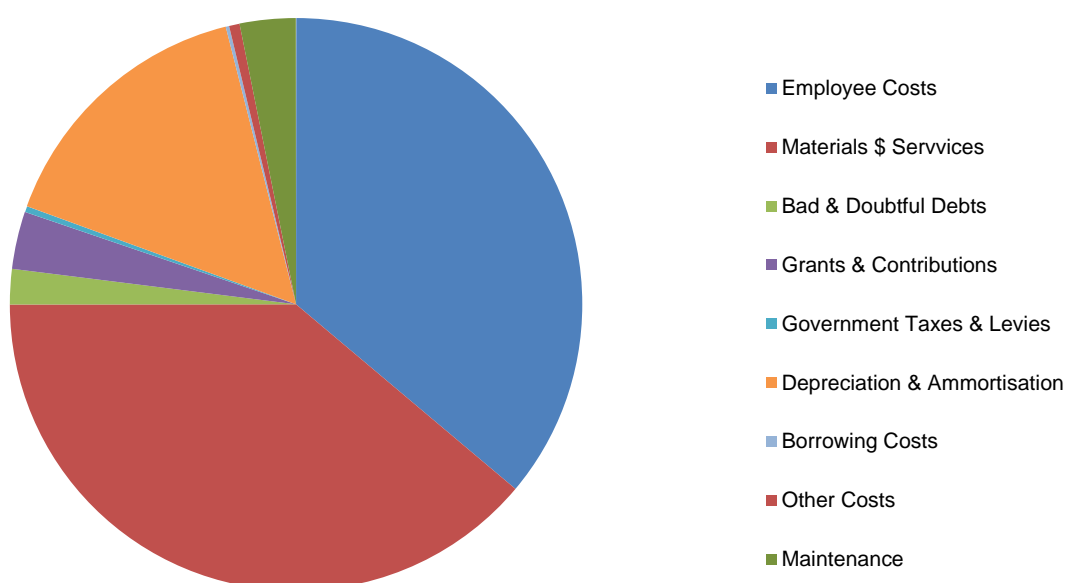
Strategy

- 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 2015-16 Annual Plan and Budget.

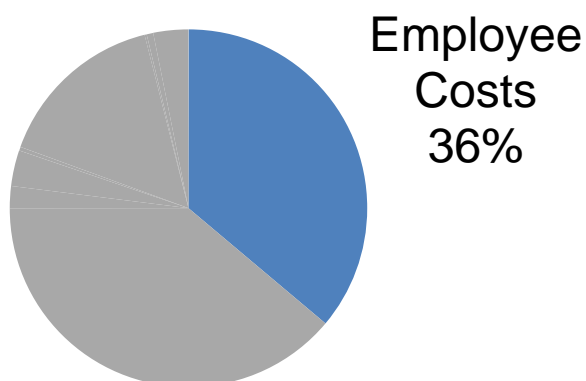
2015-16 Expenses



10 YEAR FINANCIAL PLAN

2015–2025

Employee costs



Context

Total employee expense in 2015-16 is budgeted at \$139.4 million or 36.1 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 (approximately 15 per annum) to accommodate this significant growth. The assumed increase in employee costs in the forward projections is lower than budgeted increases in prior years.

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 the 30 June 2016, the outcomes from the Enterprise Agreement will be reflected in subsequent versions of the 10 Year 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.

10 YEAR FINANCIAL PLAN

2015–2025

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.

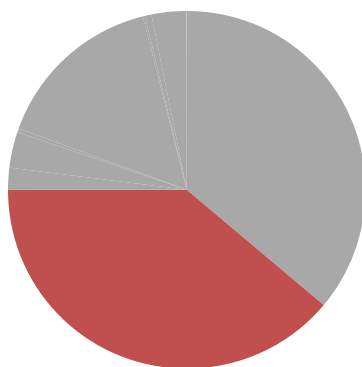
People's Panel recommendation

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

Materials
and
Services
39%



Context

Total materials and services in 2015-16 is budgeted at \$149.9M or 38.9 per cent of the total expenses.

The most significant expense category within materials and services are contract costs at \$104.5 million or 70 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.

10 YEAR FINANCIAL PLAN

2015–2025

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.

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 3.7 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.

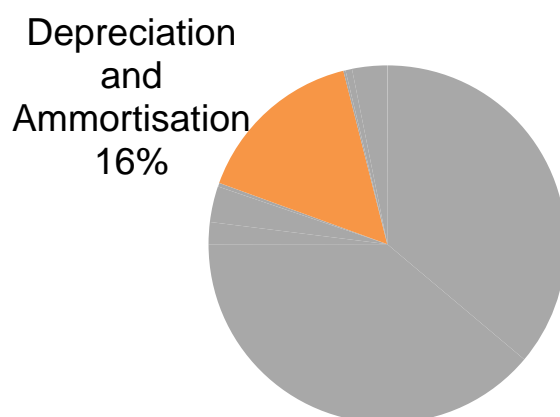
Strategy

- 1) Review and consult on a smarter approach to procurement that will reduce risk, deliver better financial outcomes and achieve more consistent sustainability objectives.
- 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.

10 YEAR FINANCIAL PLAN

2015–2025

Depreciation and amortisation



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.

The Council will release an asset management strategy to outline Council's approach to asset management.

Assumptions

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

10 YEAR FINANCIAL PLAN

2015–2025

Strategy

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

10 YEAR FINANCIAL PLAN

2015–2025

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 (\$840 million) – Funding for minor new works and ongoing renewal of the city's existing asset base.

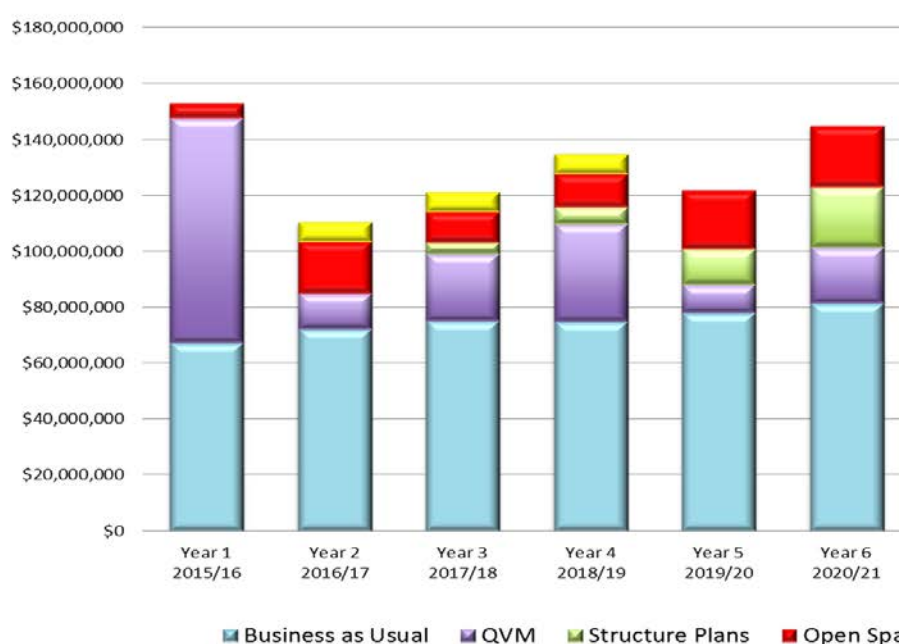
Queen Victoria Market renewal (up to \$250M) – Funding for the city's largest ever investment.

Structure Plans (\$150 million) – Funding of infrastructure that will support and encourage development of growth areas across the municipality.

Open Space (\$166 million) – Funding to deliver more open spaces and deliver the Council's Open Space Strategy.

Digital transformation (\$20 million) – Investment in technology to improve services and service delivery for the community.

10 Year Council Works Program - Expenditure



10 YEAR FINANCIAL PLAN

2015–2025

Strategy

- 1) Implement an asset management strategy to optimise spend on renewal of existing assets.
- 2) 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) Review the property asset portfolio to recycle and or sell non-core assets.
- 5) Prioritise any new identified capital investment within available resources.
- 6) Access borrowings to fund infrastructure that will generate an appropriate return or prevents rapidly increasing costs.
- 7) Develop a funding and financing strategy for the renewal of the Queen Victoria Market following completion of the Masterplan.
- 8) Refresh the ICT strategy and identify how best to deliver further technology transformation.

10 YEAR FINANCIAL PLAN

2015–2025

APPENDIX 1 – FINANCIAL STATEMENTS

INCOMES STATEMENT

	Budget 2015-16 \$'000	Plan 2016-17 \$'000	Plan 2017-18 \$'000	Plan 2018-19 \$'000	Plan 2019-20 \$'000	Plan 2020-21 \$'000	Plan 2021-22 \$'000	Plan 2022-23 \$'000	Plan 2023-24 \$'000	Plan 2024-25 \$'000
INCOME STATEMENT										
REVENUE										
Rates	243,601	254,834	266,913	278,876	289,257	302,498	314,946	328,760	341,336	355,944
Grants and Subsidies - Operating	12,841	13,193	13,523	13,862	14,208	14,563	14,928	15,301	15,684	16,075
Grants and Subsidies - Capital	15,393	21,414	23,330	24,264	30,053	30,867	31,711	32,583	33,484	34,417
Parking Fees	46,593	46,360	48,861	48,629	48,047	47,466	49,618	49,037	48,456	47,874
Parking Fines	42,233	42,655	43,082	43,513	43,513	43,513	43,513	43,513	43,513	43,513
Sundry Fees & Charges	25,272	25,967	26,615	27,282	27,965	28,663	29,380	30,115	30,870	31,643
Property Revenue	7,427	7,632	7,823	8,019	8,219	8,424	8,635	8,851	9,072	9,299
Sales & Recoveries	3,487	5,956	3,538	6,006	3,589	6,059	3,642	6,114	3,699	6,171
Finance Income	652	792	1,490	903	465	477	489	501	513	526
Intercompany Revenue	12,190	12,406	12,607	12,812	13,025	13,243	13,466	13,695	13,930	14,170
TOTAL REVENUE	409,688	431,209	447,782	464,166	478,341	495,772	510,328	528,469	540,557	559,632
EXPENDITURE										
Employee Costs	139,429	145,704	152,261	159,113	166,273	173,755	181,574	189,745	198,284	207,207
Materials & Services	149,898	156,717	153,132	155,107	160,876	164,780	165,022	167,191	169,411	173,681
Bad & Doubtful Debts	7,656	7,863	8,075	8,293	8,517	8,747	8,983	9,226	9,475	9,731
Grants & Contributions	12,533	12,878	13,200	13,530	13,868	14,215	14,570	14,934	15,307	15,690
Government Taxes & Levies	1,287	1,323	1,356	1,390	1,425	1,461	1,498	1,535	1,573	1,612
Depreciation & Amortisation	59,749	62,498	65,372	68,379	71,525	74,815	78,257	81,857	85,622	89,560
Borrowing Costs	746	750	1,114	1,627	1,941	750	1,459	1,818	2,330	2,838
Other Costs	2,299	2,362	2,425	2,484	2,556	2,624	2,874	2,767	2,841	2,919
Maintenance	12,205	12,715	13,300	13,911	14,551	15,221	15,921	16,653	17,419	18,220
TOTAL EXPENDITURE	385,803	402,810	410,235	423,834	441,532	456,368	470,158	485,726	502,262	521,458
Net Gain or Loss on disposal of assets	920	920	920	920	920	920	920	920	920	920
Result from Ordinary Activities	24,805	29,319	38,468	41,253	37,729	40,325	41,090	43,663	39,215	39,094
Less Capital Contributions	(15,393)	(21,414)	(23,330)	(24,264)	(30,053)	(30,867)	(31,711)	(32,583)	(33,484)	(34,417)
Underlying Surplus / (Deficit)	9,412	7,905	15,138	16,989	7,676	9,458	9,379	11,080	5,731	4,677

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.

10 YEAR FINANCIAL PLAN

2015–2025

BALANCE SHEET

	Budget 2015-16 \$'000	Plan 2016-17 \$'000	Plan 2017-18 \$'000	Plan 2018-19 \$'000	Plan 2019-20 \$'000	Plan 2020-21 \$'000	Plan 2021-22 \$'000	Plan 2022-23 \$'000	Plan 2023-24 \$'000	Plan 2024-25 \$'000
CURRENT ASSETS										
Cash	12,218	50,537	30,735	3,005	1,789	8,271	3,626	5,652	5,916	4,018
Current Receivables	23,853	24,267	24,350	24,909	25,117	25,354	25,586	25,834	26,074	26,336
Other Current Assets	3,900	3,900	3,900	3,900	3,900	3,900	3,900	3,900	3,900	3,900
Total Current Assets	39,971	78,704	58,985	31,814	30,806	37,525	33,113	35,386	35,890	34,253
NON CURRENT ASSETS										
Investments	32,316	32,316	32,316	32,316	32,316	32,316	32,316	32,316	32,316	32,316
Fixed Assets	3,835,366	3,946,321	4,129,494	4,329,956	4,553,527	4,765,647	5,055,817	5,338,409	5,639,600	5,950,509
Total Non Current Assets	3,867,682	3,978,637	4,161,810	4,362,272	4,585,843	4,797,963	5,088,133	5,370,725	5,671,916	5,982,825
TOTAL ASSETS	3,907,653	4,057,342	4,220,795	4,394,086	4,616,649	4,835,487	5,121,246	5,406,111	5,707,806	6,017,078
CURRENT LIABILITIES										
Creditors	(68,199)	(69,708)	(69,786)	(70,626)	(71,475)	(73,135)	(73,237)	(74,159)	(75,103)	(76,917)
Current Provisions	(26,306)	(27,472)	(28,690)	(29,963)	(31,294)	(32,684)	(34,136)	(35,655)	(37,241)	(38,899)
Total Current Liabilities	(94,505)	(97,180)	(98,476)	(100,589)	(102,769)	(105,818)	(107,374)	(109,814)	(112,344)	(115,817)
NON CURRENT LIABILITIES										
Noncurrent Provisions	(6,860)	(7,169)	(7,491)	(7,828)	(8,181)	(8,549)	(8,933)	(9,335)	(9,756)	(10,195)
Borrowings					(15,000)	(15,000)	(50,000)	(70,000)	(100,000)	(125,000)
Total Non Current Liabilities	(6,860)	(7,169)	(7,491)	(7,828)	(23,181)	(23,549)	(58,933)	(79,335)	(109,756)	(135,195)
TOTAL LIABILITIES	(101,365)	(104,348)	(105,968)	(108,417)	(125,949)	(129,367)	(166,307)	(189,149)	(222,099)	(251,011)
NET ASSETS	3,806,288	3,952,994	4,114,828	4,285,669	4,490,700	4,706,120	4,954,939	5,216,962	5,485,707	5,766,067
EQUITY										
Reserves	(1,973,479)	(2,090,865)	(2,214,232)	(2,343,820)	(2,511,122)	(2,686,219)	(2,893,946)	(3,112,307)	(3,341,837)	(3,583,102)
Accumulated Funds	(1,808,004)	(1,832,809)	(1,862,128)	(1,900,596)	(1,941,849)	(1,979,577)	(2,019,902)	(2,060,992)	(2,104,655)	(2,143,870)
(Surplus)/Deficit	(24,805)	(29,319)	(38,468)	(41,253)	(37,729)	(40,325)	(41,090)	(43,663)	(39,215)	(39,094)
NET EQUITY	(3,806,288)	(3,952,994)	(4,114,828)	(4,285,669)	(4,490,700)	(4,706,120)	(4,954,939)	(5,216,962)	(5,485,707)	(5,766,067)

The total net worth of Council as reflected through net assets is projected to increase from \$3.8 billion to \$5.8 billion by 2025.

10 YEAR FINANCIAL PLAN 2015–2025

CASH FLOW STATEMENT

	Budget 2015-16 \$'000	Plan 2016-17 \$'000	Plan 2017-18 \$'000	Plan 2018-19 \$'000	Plan 2019-20 \$'000	Plan 2020-21 \$'000	Plan 2021-22 \$'000	Plan 2022-23 \$'000	Plan 2023-24 \$'000	Plan 2024-25 \$'000
CASH INFLOWS/(OUTFLOWS) FROM OPERATING ACTIVITIES										
Receipts										
Rates, Fees and Charges	346,929	355,190	370,821	382,809	393,269	406,216	421,144	434,694	447,039	461,394
Grants and Other Contributions	28,234	34,607	36,853	38,126	44,261	45,430	46,639	47,884	49,168	50,492
Interest Received	652	792	1,490	903	465	477	489	501	513	526
Other (Including Sales and Recoveries)	36,936	40,206	38,535	41,769	40,138	43,413	41,823	45,143	43,597	46,959
Payments										
Employee Cost	(138,080)	(144,229)	(150,720)	(157,503)	(164,590)	(171,997)	(179,737)	(187,825)	(196,277)	(205,110)
Materials and Services	(176,859)	(182,124)	(180,909)	(183,099)	(189,870)	(194,018)	(196,908)	(199,391)	(202,767)	(207,388)
Financial Cost	(9,955)	(10,225)	(10,500)	(10,777)	(11,073)	(11,371)	(11,857)	(11,993)	(12,316)	(12,650)
Net Cash Provided by Operating Activities	87,856	94,216	105,570	112,229	112,599	118,150	121,594	129,012	128,957	134,223
CASH INFLOWS/(OUTFLOWS) FROM INVESTING ACTIVITIES										
Proceeds from Sale of Property, Plant & Equip	1,520	57,520	1,520	1,520	1,520	36,520	1,520	1,520	1,520	1,520
(Payments) Receipts for Property, Infrastructure, Plant and Equipment	(154,475)	(112,667)	(125,778)	(139,853)	(128,394)	(147,438)	(161,299)	(146,689)	(157,883)	(159,803)
Net Cash Provided by Investing Activities	(152,955)	(55,147)	(124,258)	(138,333)	(126,874)	(110,918)	(159,779)	(145,169)	(156,363)	(158,283)
CASH INFLOWS/(OUTFLOWS) FROM FINANCING ACTIVITIES										
Repayment of borrowings - Current	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)
Proceeds from borrowings	40,000	40,000	40,000	40,000	55,000	40,000	75,000	60,000	70,000	65,000
Borrowing Costs	(746)	(750)	(1,114)	(1,627)	(1,941)	(750)	(1,459)	(1,818)	(2,330)	(2,838)
Net Cash Provided by Financing Activities	(746)	(750)	(1,114)	(1,627)	13,059	(750)	33,541	18,182	27,670	22,162
Net increase/decrease in Cash held	(65,845)	38,319	(19,802)	(27,731)	(1,216)	6,482	(4,645)	2,026	264	(1,898)
Cash at beginning of the Financial Year	78,062	12,218	50,537	30,735	3,004	1,788	8,271	3,626	5,652	5,915
Cash at end of the Financial Year	12,218	50,537	30,735	3,004	1,788	8,271	3,626	5,652	5,915	4,017

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 has announced its intention to introduce a rates capping policy for all Victorian Councils from 2016-17. Prior to its introduction, the Victorian Essential Services Commission has been appointed to provide advice on an appropriate framework and to consult broadly with Councils, government agencies and peak bodies. 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 any new proposed framework to be developed by the Essential Services Commission. It is pre-emptive to model any other outcome until the Essential Services Commission framework is known.</p>

10 YEAR FINANCIAL PLAN

2015–2025

	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 2015-16 Annual Plan and Budget is the first (base) year of the 10 Year Financial Plan. The 2015-16 Annual Plan and Budget included increased accelerated funding for the City's Light Emitting Diode (LED) lighting program with \$1.6 million to upgrade street and park lights. There was also an increase and acceleration in the solar program with \$0.80 million allocated for solar panels on facilities right across the municipality including our Multicultural Hub, Carlton Baths and North Melbourne recreation Centre. Flood mitigation and increased funding for drain renewals was also included at \$3.9 million. The City will look at further opportunities in the near future to further accelerate the LED and solar programs for the municipality.</p>

10 YEAR FINANCIAL PLAN

2015–2025

	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 2015-16 Annual Plan and Budget is the first (base) year of the 10 Year Financial Plan. The 2015-16 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.

10 YEAR FINANCIAL PLAN

2015–2025

	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	The 2015-16 Annual Plan and Budget includes the following action. "Review the complete real estate portfolio and make recommendations on future portfolio rationalisation". This will be delivered in 2015-16
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 Plan does not include the sale of Citywide and assumes an ongoing profitable return.

10 YEAR FINANCIAL PLAN

2015–2025

	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	<p>The 2015-16 Annual Plan and Budget includes the following action.</p> <p>"Complete and implement the financing and funding strategy for the Queen Victoria Market renewal project".</p>

10 YEAR FINANCIAL PLAN

2015–2025

	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 2015-16 Annual Plan and Budget is the first (base) year of the 10 Year Financial Plan. The 2015-16 Annual Plan and Budget included provisions to borrow up to \$75 million, part of the borrowings will enable the seamless settlement of the Munro site as part of the QVM renewal. 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>

10 YEAR FINANCIAL PLAN

2015–2025

	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 \$2.50 million in the 2015-16 Annual Plan and Budget to deliver and co-contribute to bicycle improvement projects identified in Council's Bicycle Plan 2012-2016. This will enable the identified works in the Bicycle Plan to be completed. The 10 Year Plan provides for a reduction of 900 on-street car parking bays as Council continues to support more sustainable modes of transport.</p>

10 YEAR FINANCIAL PLAN

2015–2025

	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>

10 YEAR FINANCIAL PLAN

2015–2025

	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. It is proposed that advocacy for schools will now be considered as a key Council action for 2015-16. Council will continue to advocate for the provision of primary and secondary schools through the inner city forum.

10 YEAR FINANCIAL PLAN

2015–2025

	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 Plan assumes a reduced reliance on parking revenue over time and assumes 900 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. This will be submitted to the Minister for Planning for approval.
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 Lormimer precinct of the Fishermens 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.

10 YEAR FINANCIAL PLAN

2015–2025

	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	<p>Planning scheme amendment C208 looked at introducing developer contributions for growth areas in the City. This was not supported by an independent panel.</p> <p>The Planning and Environment Amendment (Infrastructure Contributions) Bill 2015 was introduced into the Assembly of the Victorian Parliament in early June 2015. Minister Wynne made this comment in the second reading speech:</p> <p>The bill enables the new system to be used anywhere in Victoria. However, initially the new system will be used in greenfield growth areas and strategic development areas, in both metropolitan and non-metropolitan areas, followed by Melbourne's CBD. Greenfield growth areas include areas on the periphery of urban areas that will accommodate urban growth. Strategic development areas are sites or precincts that provide development opportunities close to public transport and other infrastructure.</p> <p>Officers are currently seeking an expert/legal opinion as to whether the objections the panel had to Amendment C208 would be overcome or mitigated by the provisions in the Bill. This information will be provided soon. Officers will also provide comparisons with the similar contributions provisions operating in Sydney at the same time.</p>

10 YEAR FINANCIAL PLAN

2015–2025

	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 Lormimer precinct of the Fishermens 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.

10 YEAR FINANCIAL PLAN

2015–2025

	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 and is currently in the process of drafting the new Reconciliation Action Plan 2015-17. The Council will continue to support advocacy in these important areas.</p>

10 YEAR FINANCIAL PLAN

2015–2025

	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 2015-16 Annual Plan and Budget is the first (base) year of the 10 Year Financial Plan. The 2015-16 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>

10 YEAR FINANCIAL PLAN

2015–2025

	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	<p>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 \$163 million in savings. The 2015-16 Annual Plan and Budget provided for an underlying costs increase well below CPI, reflecting the commitment to ongoing efficiencies.</p>

10 YEAR FINANCIAL PLAN

2015–2025

	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 reduced by 11% 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

10 YEAR FINANCIAL PLAN

2015–2025

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