

C o m m i t t e e r e p o r t t o C o u n c i l	Agenda item 5.1
Panel recommendations on the 10 Year Financial Plan	Council
	25 November 2014

Committee Future Melbourne (Finance)

Presenter Phu Nguyen, Chief Financial Officer

Purpose

1. The purpose of this report is to seek a formal response to each of the recommendations contained in the Peoples Panel Report.

Consideration at Committee

2. As a result of consideration at Committee, the following part of the recommendation endorsed by the Future Melbourne Committee was dealt with under delegation:

 “8. That the Future Melbourne Committee receives the People’s Panel Report (refer Attachment 2 of the management report)”

The remaining part of the recommendation is presented to Council for approval below.

Recommendation

3. That Council provides a formal response to each of the recommendations contained in the report.

Council Report Attachment:

1. Special Future Melbourne Committee, Agenda item 3.1, 17 November 2014

Report to the Future Melbourne (Finance and Governance) Committee

People's Panel recommendations on the 10 Year Financial Plan

17 November 2014

Presenter: Phu Nguyen Chief Financial Officer

Purpose and background

1. The purpose of this report is for Committee to formally receive the People's Panel Report (refer Attachment 2) on the Council's 10 Year Financial Plan.
2. At the May 2014 Council meeting, the community engagement process for the 10 Year Financial Plan was endorsed. Central to the process was the establishment of the People's Panel (the Panel) which was to be informed and complemented by a broader community engagement process.
3. The Panel met over six assemblies between 23 August 2014 and 8 November 2014 at which it received three reports from the broader community engagement process. The Panel requested information from management and other subject matter experts via presentations, question and answer sessions as well as various ad-hoc information requests. At assembly five, held on 25 October 2014, the Panel undertook some dialogue with Councillors on issues identified as important considerations.
4. At the Councillor Forum meeting on 11 November representatives of the Panel presented the attached report to Councillors for discussion.

Key issues

5. Melbourne is growing and changing and the next decade will bring increased demand on Council's services, as well as opportunities. The Panel was asked how can Melbourne remain one of the most liveable cities in the world while maintaining a strong financial position into the future?
6. The Panel was tasked with making recommendations to Council on its spending and revenue priorities for the next 10 years as part of the community engagement process on the 10 Year Financial Plan.
7. A formal response to each of the recommendations is expected to be provided by Council at the Council meeting on 25 November 2014.

Recommendation from management

8. That the Future Melbourne Committee receives the People's Panel Report (refer Attachment 2 of the management report) and requests that Council, at its meeting on 25 November 2014, provides a formal response to each of the recommendations contained in the report.

Attachments:

1. Supporting Attachment
2. People's Panel Report on the 10 Year Financial Plan

Supporting Attachment

Legal

1. There are no direct legal implications from the recommendation contained in this report.

Finance

2. The report highlights a number of financial recommendations for Council's consideration.

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 ten year financial plan community engagement process commenced with a broad 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 People's Panel when formulating their recommendations on the Council ten year financial plan. The People's Panel recommendations are to be considered by Council.

Environmental sustainability

7. There is one specific recommendation in the report with regards to environmental sustainability and a number of references through other recommendations to sustainability initiatives.

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