Fact Sheet 2: Financial facts about Service Plus

What are the financial shortfalls for Service Plus?

There are financial shortfalls for all 12 components of *Service Plus*.

From our detailed financial planning we know that **over the next decade the cost to deliver our current services at their existing levels will grow by 50% but our income is projected to grow more slowly than it has in the past. Income will grow by only 31%.**

This shortfall in funds for existing services will begin to emerge in 2011/12.

The total costs for ***Service Plus*** and the shortfalls are:

Service Plus Component	Total Cost over 12 years to 2022	Shortfall over 12 years to 2022
Component 1 – To maintain existing services	Almost $1.4 billion	$125 million or 9%
Components 2 to 12 – To add all requested enhancements	$0.2 billion	$99 million or 46%
Total All 12 Components	**Almost $1.6 billion**	**$224 million or 14%**

The annual shortfalls start in 2012 at about $4 million. By 2022 the annual shortfall will reach $20 million. **The average shortfall over the 12 years to 2022 for existing services (without enhancements) is approximately $10 million per annum.**

What choices do you have about investing in Service Plus?

We have three main choices about our investment in *Service Plus*. All come with very different costs and benefits.

Choice	What's involved?	What's the benefit?
1. Invest in ***Service Plus*** in full.	We will be able to maintain our existing services and **add the enhancements**.	**We move steadily towards the vision** and targets of *Waverley Together 2*
2. Invest in ***Service Plus*** in part.	We will be able to maintain our existing services but **without the enhancements**.	**We move only slightly towards the vision** and targets of *Waverley Together 2*
3. Not invest in ***Service Plus***.	We will need to **reduce or delete services** equal to an average value of $10 million per annum.	**We move away from the vision** and targets of *Waverley Together 2*

What's the comparative total cost of each choice?

The vast majority of expenditures in *Service Plus* are for basic essentials. They are expenditures that won't go away. Some are even long overdue, like investments in renewal of vital infrastructure and assets. Waverley Council has been investing more and more in these services in recent years but there is still more investment needed. **The more we delay these**

extra investments, the more they will eventually cost and the quicker we will slip away from the vision.

Because of the non-discretionary nature of the majority of the services, **the cost of each investment choice in *Service Plus* is different in both the short term and the long term.**

- **The choice with the highest short term cost has the lowest long term cost.**
- **And the choice with the lowest short term cost has the highest long term cost.**

This produces a singular effect. It means that:

- **the largest package of services** – all 12 components of *Service Plus* – **is the cheapest package overall**; and
- **the smallest package** – reduction of services – **is the dearest**.

Choice	What's the short term cost?	What's the long term cost?
1. Invest in ***Service Plus*** in full.	**Costs the most in increased rates** and user charges.	**Costs the least in the long term** by avoiding cost increases that come from delays in inevitable expenditure.
2. Invest in ***Service Plus*** in part.	Also costs the community in increased rates and user charges, but not quite so much as a full investment in ***Service Plus***.	**Increases the long term cost** by delaying investment in services and assets. Shifts the burden to the next generation.
3. Not invest in ***Service Plus***.	**Costs the least in increased rates** and user charges.	**Costs the most in the long term** by increasing bills for inevitable restoration of lost services and asset renewal.

Note: Choice no. 3 – not investing in *Service Plus* also carries the highest cost of associated social breakdown, environmental and economic decline and sub-optimal governance, planning and decision making.

What would it cost you to fund Service Plus by rates?

Service Plus could be funded to varying extents by various means. See Fact Sheet 3. But the most reliable least impact way to fund ***Service Plus*** is to raise rates. If ***Service Plus*** were to be funded by raising rates, the extra cost to households would vary depending on land values. **Rates would need to rise each year for seven years by the following amounts and then taper off with the normal lower increases at around CPI for another four years.**

Maximum residential rate rises each year as flat increases over seven years						
Land value bracket	% of households in bracket	Maximum annual rates 2010/11	Service Plus Component 1		Service Plus All 12 Components	
			Averaged rise each year		Averaged rise each year	
			Weekly rates	Yearly rates	Weekly rates	Yearly rates
Up to $341,850	50%	$387	$0.80	$42	$1.33	$69
$341,851 to $500,000	11%	$566	$1.18	$61	$1.94	$101
$500,001 to $633,000	6%	$716	$1.49	$78	$2.46	$128
$633,001 to $800,000	11%	$905	$1.88	$98	$3.10	$161
$800,001 to $884,000	3%	$1,001	$2.08	$108	$3.43	$178
$884,001 to $1,000,000	4%	$1,132	$2.35	$122	$3.88	$202
$1,000,001 to $1,500,000	9%	$1,698	$3.53	$184	$5.82	$303
$1,500,001 to $2,000,000	4%	$2,264	$4.71	$245	$7.76	$403