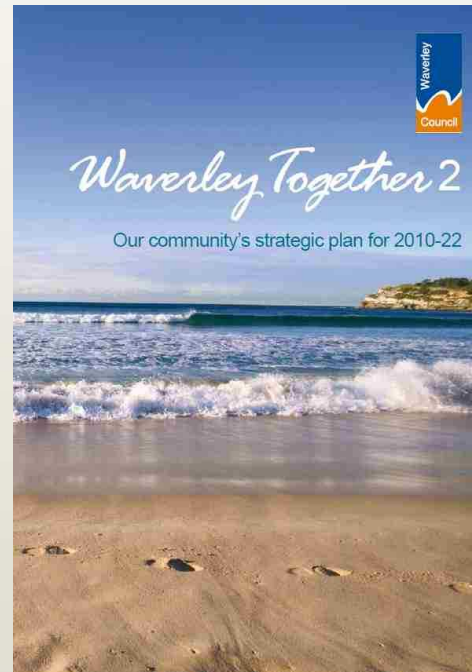


Funding the Future



Information Night
October 2010



Planning for the future

- As of 2009 all NSW councils are required by law to develop and implement long term plans for the future of their communities.
- The plans are meant to express the entirety of the community's aspirations for their lifestyle, not just those priorities that a local council may be able to satisfy.
- Councils are also required to develop viable **Resourcing Strategies** to ensure the targets of the plans can be met.



Waverley Council's planning is fully compliant with the legislated requirements.

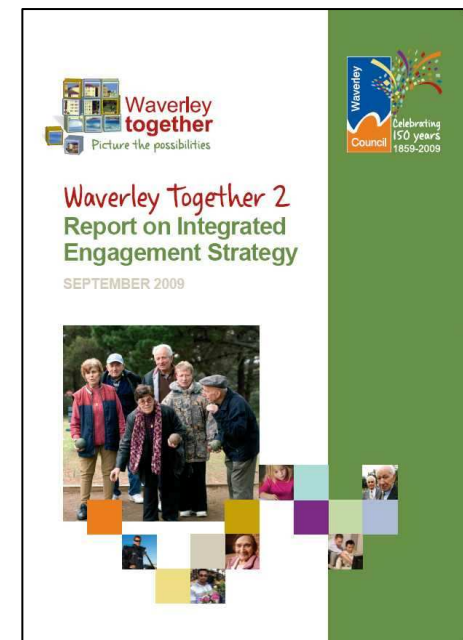
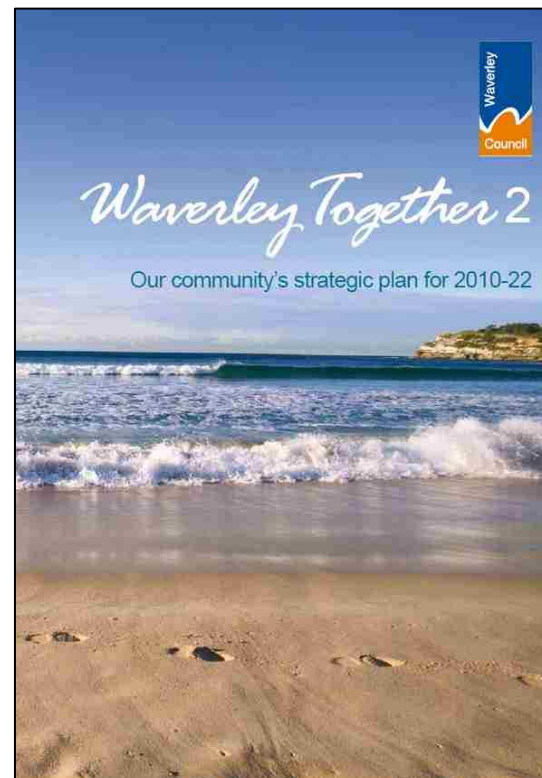


View all our plans by clicking on this link on the front page of our website



Waverley Together 2

- Adopted February 2010
- Based on views expressed to us in our major community engagement strategy in 2009
- Contains a faithfully rendered Vision of the lifestyle our community wants by 2022
- Contains well framed targets – a stretch but not pie in the sky



Vision for Life in Waverley by 2022



1. We are safe
2. We are reconciled with and value our indigenous past
3. Connections within families and between generations can remain unbroken
4. We are inspired and able to renew our physical and spiritual wellbeing
5. Everyone is welcomed to participate positively in community life
6. We can express our essential selves through our traditions, our arts, our cultures, and our lifestyles
7. We act together as a compassionate society
8. The beauty of our beaches, cliffs and coastal lands endures
9. The architectural landscape is cared for and developed at a human scale and design is sensitive to the natural, historical and social contexts
10. Vital services are fully accessible
11. Scarce resources are conserved and fairly shared
12. Local economic prosperity provides opportunity for all
13. As a local community we have the courage to take a leading place in achieving the environmental aims of a global society, and
14. We are confident our leaders will reflect thoughtfully on our views and best interests when making decisions for our future

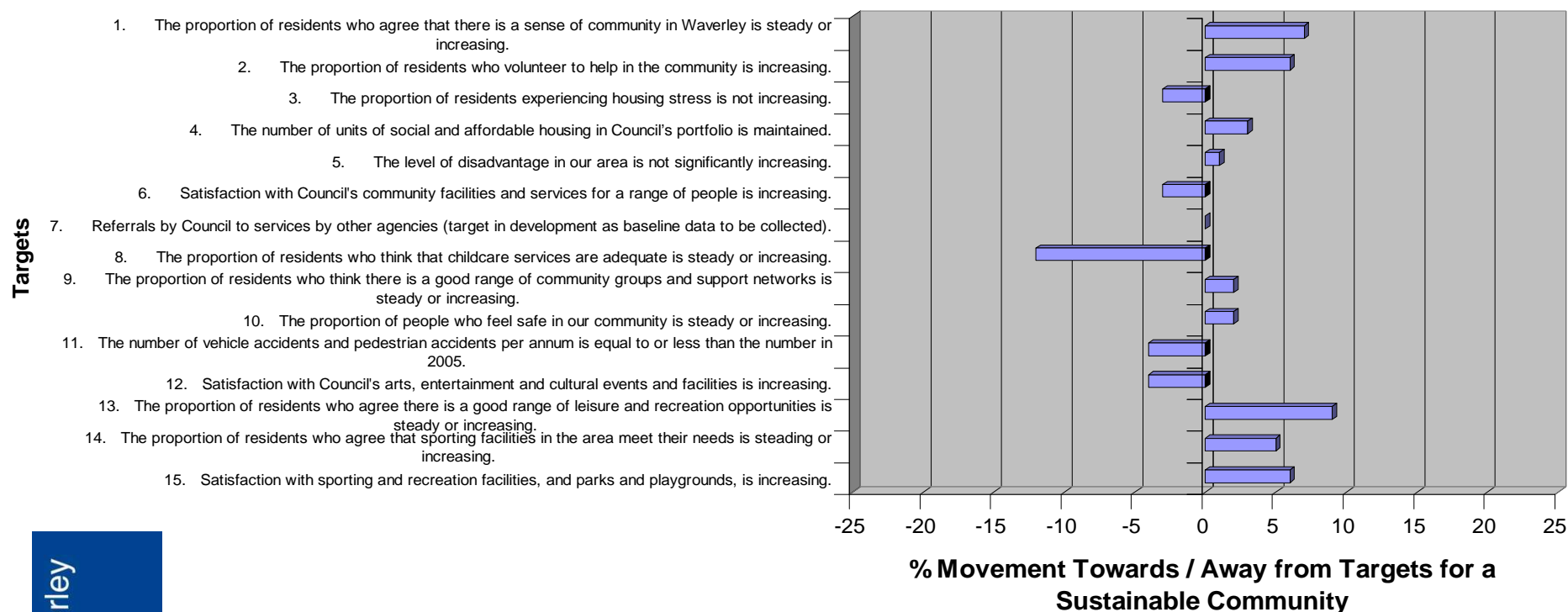


Tracking performance and value

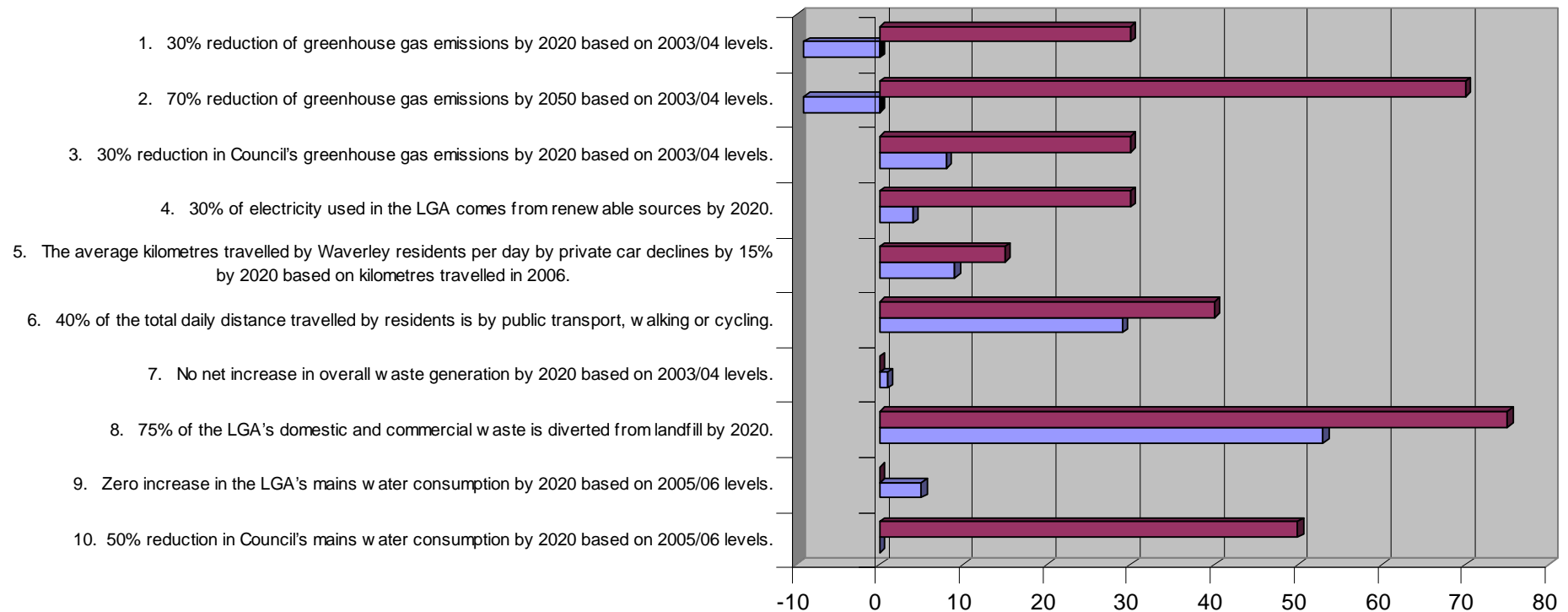
- The plan has a 12-year time frame
- Regular reporting will enable you to monitor the progress made by each successive elected Council towards the targets
- This reporting will help us understand whether strategies are working and adjust them if need be
- It will also help you understand whether your money is being effectively spent to deliver you a better lifestyle



Waverley Together 2 - Performance on Targets for a Sustainable Community · Example of Possible Reportable Results by 2012



Waverley Together 2 - Performance on Targets for a Sustainable Environment - Example of Possible Reportable Results by 2012



Getting there by 2022

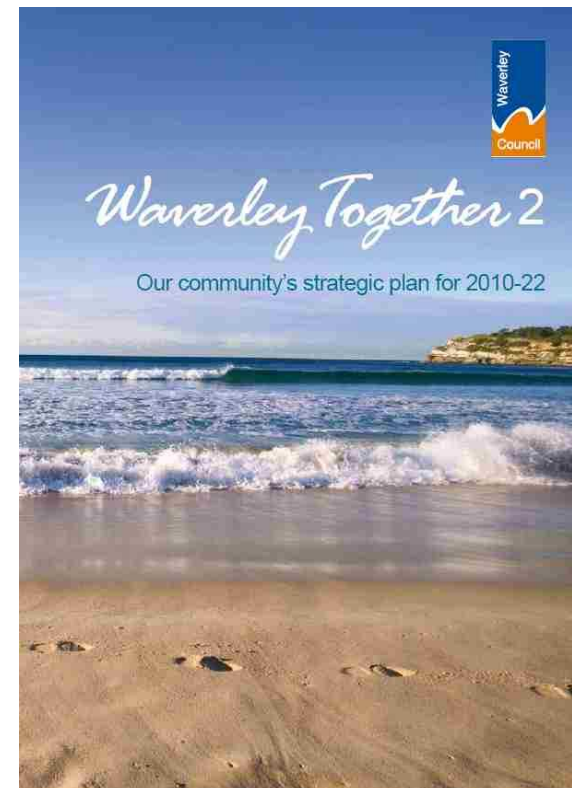
- *Waverley Together 2* contains 33 specially designed strategies aimed at achieving the 60 targets of the vision
- All 148 of Council's current services are vital to implementation of the strategies
- In 25 out of 33 strategies we will need to use partnerships between Council and other players to maximise our chances of hitting the targets
- Increasing outputs from Council's services will maximise movement towards the targets
- Diminishing outputs from Council's services will mean substantial movement away from the targets



There is a financial shortfall for our services and hence our ability to meet the targets

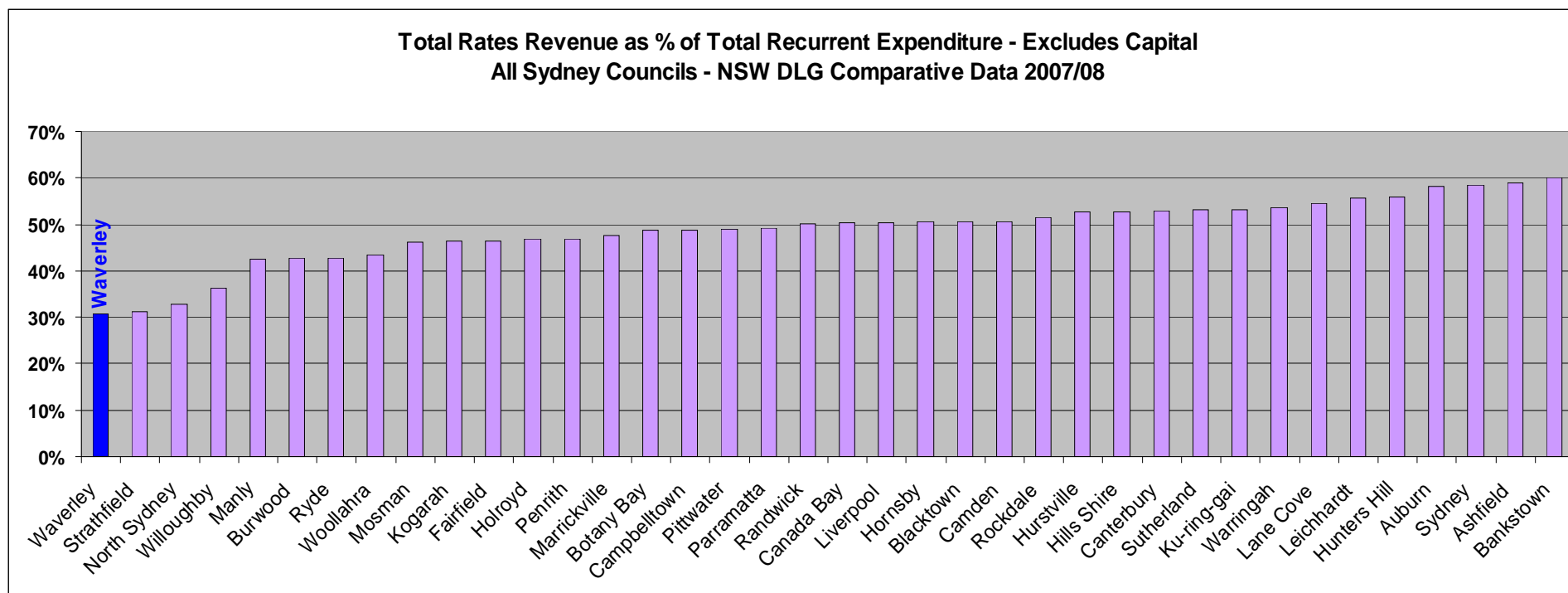
Expected shortfalls

- **For existing services:**
 - \$125 million over 12 years
 - **\$10 million pa or 10% pa on average**
- **For requested enhancements to services:**
 - \$99 million over 12 years
- **Total shortfall:**
 - \$224 million over 12 years
 - **\$18 million pa on average**



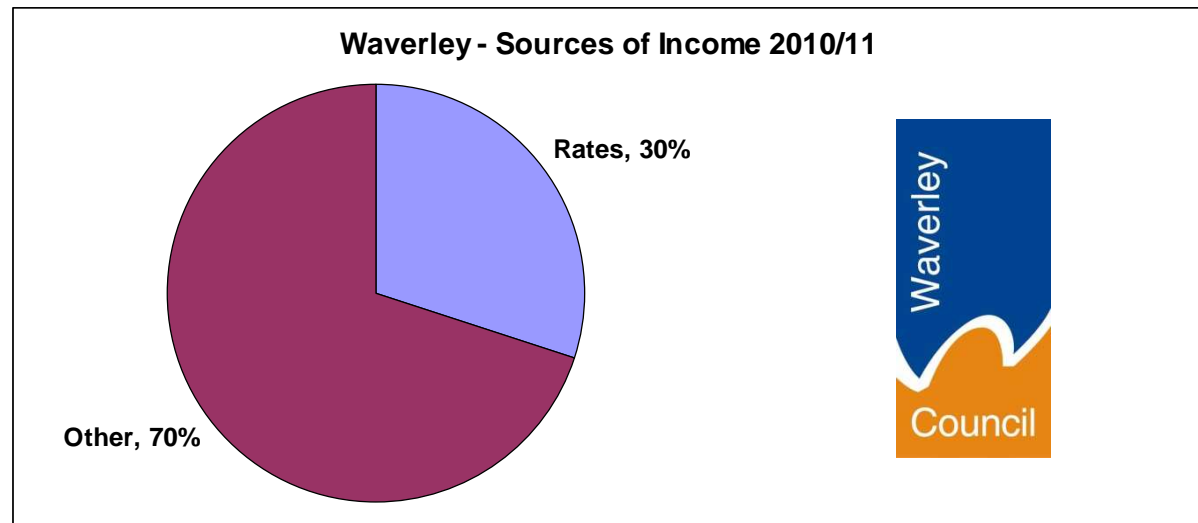
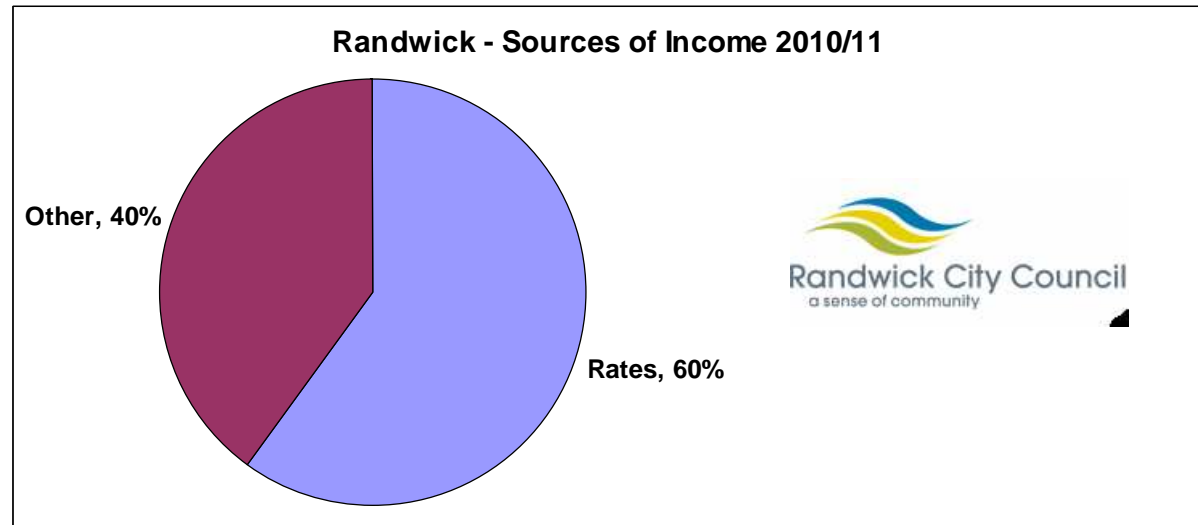
Other financial issues

- We also have issues with reliability of income
- Heavy dependence on variable income
- Relatively low dependence on the most reliable income – rates
- Income from rates in 2010/11 is funding less than 28% of services



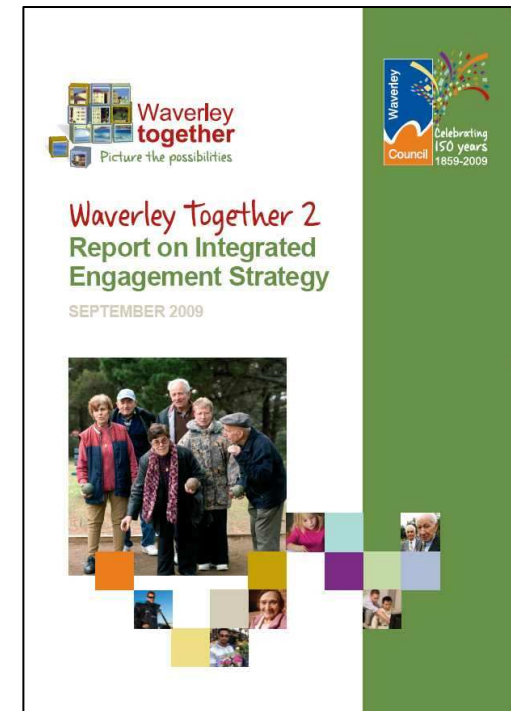
Financial sustainability

- DLG has advised that a sustainable revenue structure for a city council should include a minimum of 50% of revenue from stable sources – ie., rates to protect service continuity



Escalating demand

- We have very strong demands for service:
 - Waverley is a very aspirational community
 - All Council's services are regarded as very important
 - To date residents have rejected the idea of cutting services to balance the budget
 - Instead they have asked for enhancements to services



The issue in a nutshell

- Continuous growth in demand for services

Plus

- Transfer of costs from other levels of government – \$6M pa

Plus

- Expected slowing of growth in income from 2012 onwards

=

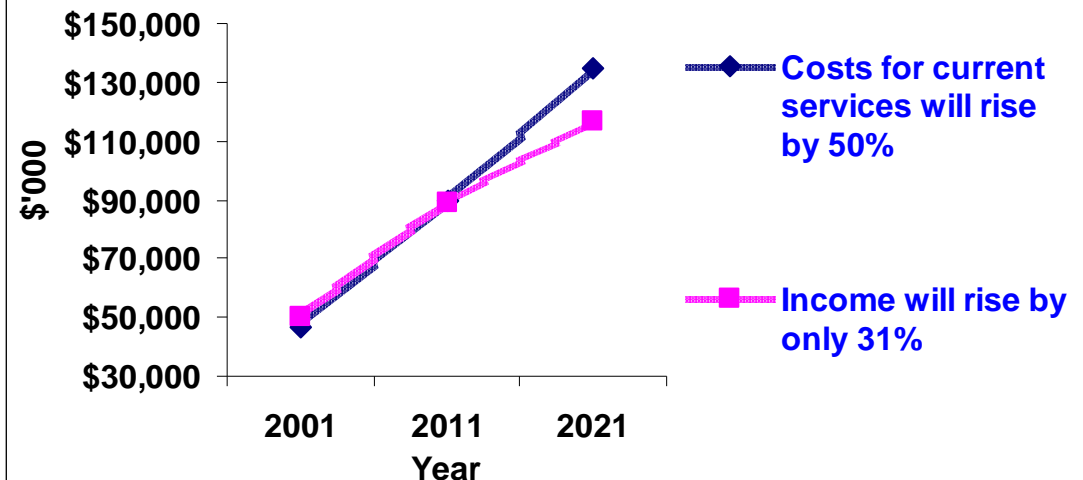
- Emerging shortfalls

Today Waverley Council delivers

148 services in 22 main service categories

Over 40 of these services didn't exist 12 years ago and another 76 have been significantly expanded

A widening gap between costs for current services and income in the next ten years



What are our choices?

- All choices are open at the moment
- We can:
 - **enhance services** and maximise our chances of meeting the vision and targets of *Waverley Together 2*, or
 - **maintain the services we have but without enhancements** and diminish our chances of meeting the vision and targets, or
 - **reduce services** and move away from the vision and targets



What are our choices?

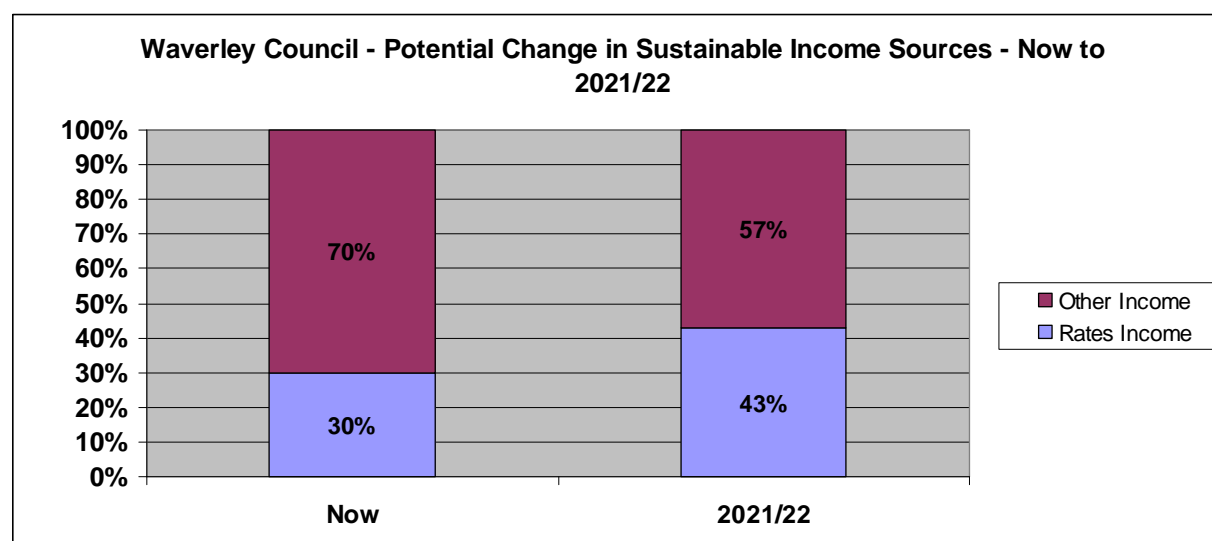
- **If we don't wish to cut services** we can:
 - ***pursue efficiencies*** in addition those already achieved
 - ***raise variable income*** from sources such as parking and businesses in addition to already assumed increases in this income
 - ***raise capital income*** from asset sales additional to those we've already assumed
 - ***raise commercial business income*** where we can capitalise further on existing assets
 - ***raise rates***
 - ***try different combinations*** of all of the above



Feasibility and effectiveness

- Raising rates is the only option capable of bridging the financial shortfall on its own
- All other options would need to be implemented **as parts of a combination** as none of them could solve the shortfalls if implemented individually
- No option fully solves the problems of long term financial unsustainability – at least in the next ten years

- *Raising rates will address the shortfall but it won't solve problems with high levels of unreliable income*



Upsides and downsides

- Every option has an upside and a downside:
 - *efficiencies*
 - *raising variable income*
 - *raising capital income*
 - *raising commercial business income*
 - *raising rates*
 - *cutting services*



Funding services by rates

The Waverley community said ...

	Weekly rate rise for the average household
<i>We don't want to cut existing services and we're happy with some services at their current service levels</i>	\$1.49
<i>But ... we'd like service enhancements in:</i>	
✓ recreation, health and wellbeing	\$0.07
✓ artistic and cultural expression	\$0
✓ access to public places	\$0.41
✓ access to transport	\$0.01
✓ access to services especially for the aged	\$0.01
✓ access to affordable child care	\$0
✓ cleaning and greening of the spaces we share	\$0.12
✓ streetscapes	\$0.03
✓ restful local neighbourhoods	\$0.03
✓ the environment with increased protection from global warming and preservation of natural resources and ecosystems	\$0.20
✓ community engagement and long term planning	\$0.09
Total	\$2.46

If **Service Plus** were to be entirely funded by rates:

- **65% of householders would pay less than the above**
- **50% would pay significantly less – they would pay about half the above**



*Shaded mauve means it will eventually be inevitable

Funding services by rates

- If **Service Plus** were to be entirely funded by rates:
 - these increases would need to be repeated for 7 years – cumulative
- So in 7 years:
 - rates would be 70% higher than they are now for existing services,
 - rates would be 120% higher than they are now for existing services with added enhancement

The Waverley community said ...

	Weekly rate rise for the average household
<i>We don't want to cut existing services and we're happy with some services at their current service levels</i>	\$1.49
<i>But ... we'd like service enhancements in:</i>	
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✓ community engagement and long term planning	\$0.09
Total	\$2.46

*Shaded mauve means it will eventually be inevitable



Raising rates

↑ Upsides:

- It's the cheapest option in the long term
 - The fullest **Service Plus** package funded by the largest suggested rate rise is the cheapest package overall
- Increases can be small and slow – relative to other options
- Has the capacity to solve the whole shortfall over time
- Spreads cost most fairly between generations
- Improves the financial sustainability of Council – improves continuity of reliable income
- Minimises or avoids steep rises in user charges, eg., beach parking permit fees
- Delivers the vision and targets of *Waverley Together 2* most cost-effectively

↓ Downsides:

- Affordability, particularly for those paying higher rates on fixed incomes
- Somewhat inflexible - must be applied as a uniform % increase rather than a uniform \$ increase for all
- Tax based approach rather than user pays – perception we're subsidising visitors



Raising variable income

- Biggest source of variable income is parking income:
 - On-street parking fees
 - Beach parking permit fees
 - Parking fines
- These would need to increase substantially to cover the shortfall
 - On-street parking fees – would need to rise by 140%
 - Beach parking permits fees – would need to cease but this would cover <20% of the shortfall
 - Parking fines – would need to rise by 140%
- Other variable sources include:
 - Grants – currently <6% of total income and falling – increases very unlikely
 - developer charges – currently <2% of total – may rise slightly
 - commercial business income – some slight potential here



Raising variable income

↑ Upsides:

- Reduces pressure for a rate rise somewhat
- Useful wherever it curbs excessive demand for scarce resources

↓ Downsides:

- Increases in parking income need to be very steep to solve the shortfall
- Affordability, particularly for service users on fixed incomes
- High negative impacts on local businesses
- Comparatively inefficient means of income collection
- Not reliable through time – worsens the financial sustainability of Council
- Distinctly disliked by residents (eg., beach parking permit fees and parking meters)
- Expectation of grant income for recurrent expenditures is unrealistic



Selling assets

↑ Upsides:

- Very good means of raising funds for reinvestment in capital upgrades
- Improves the financial sustainability of Council if funds raised are reinvested in projects which will yield better social, environmental or financial returns

↓ Downsides:

- Inappropriate for use as a source of funds for annual operations costs
- “Sells the farm to buy the morning tea”
- Allows this generation to consume capital assets at the expense of the next
- Worsens the financial sustainability of Council if it results in net loss of assets or reduction of returns
- Often subject to disagreement depending on the asset proposed for sale – hence quite unreliable for planning purposes



Raising commercial income

Examples – off-street parking and cemetery businesses

↑ Upsides:

- Reduces pressure for a rate rise somewhat
- Maximises user pays approach quite effectively
- Establishes best return on investments and assets
- Useful wherever it curbs excessive demand for scarce resources
- Improves the financial sustainability of Council

↓ Downsides:

- Limits to the additional revenue that can be generated
- Expanding commercial businesses is often subject to disagreement depending on the business involved – hence reasonably unreliable for planning purposes



Improving efficiency

↑ Upsides:

- Reduces pressure for a rate rise somewhat
- May provide up to 1% savings pa or help us raise service levels without extra cost
- Improves the financial sustainability of Council
- The best efficiency opportunities are those identified by research on improving efficiency of resource consumption by the community
- These cut community costs rather than Council costs – but overall the savings to the community can be significant

↓ Downsides:

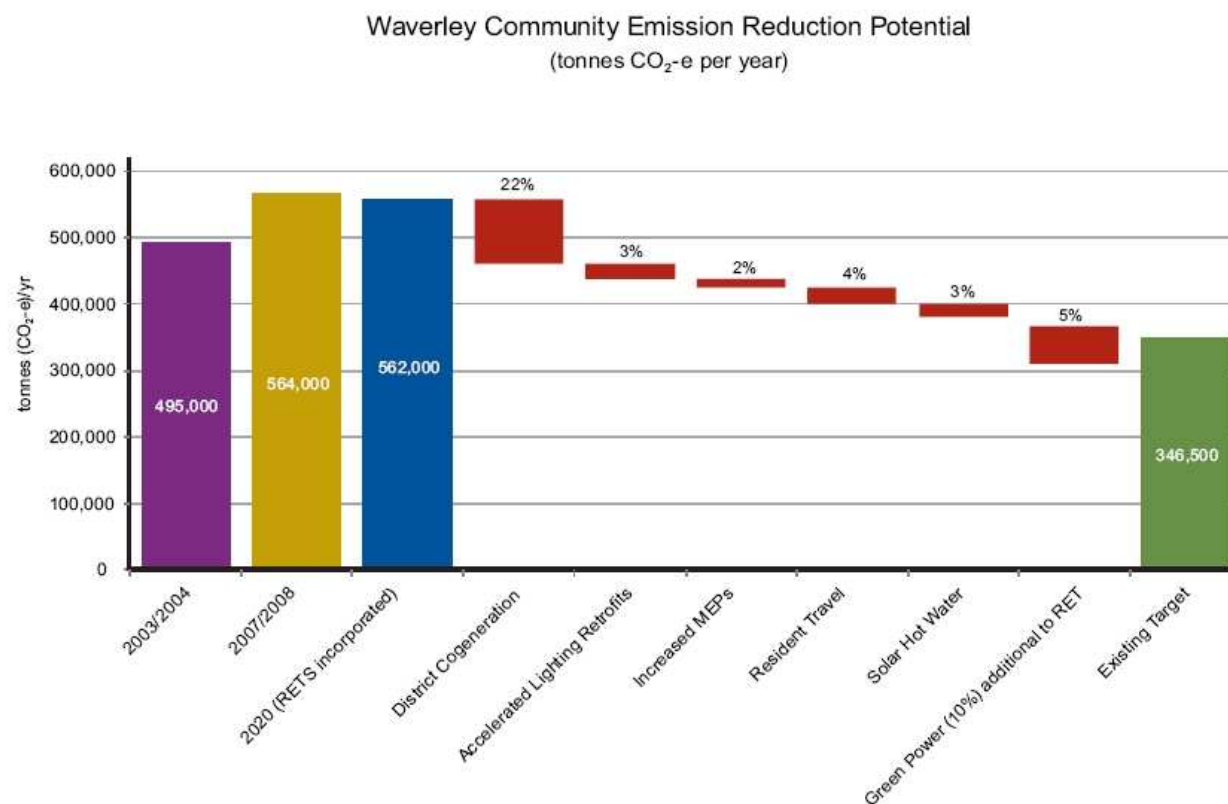
- Nil except that it can't solve the entire shortfall
- A 1% pa productivity increase doesn't solve a 10% pa shortfall



Improving efficiency

- Ground-breaking modelling has allowed Council to pinpoint investment opportunities in our own buildings and right across the Waverley LGA in business and residential premises and activities that will:

- maximise emission reductions for the lowest possible cost, and
- save both Council and the community in future energy bills



Cutting services

↑ Upsides:

- Forestalls a rate rise above the cap – for a while

↓ Downsides:

- Increases long run costs
- Very likely to result in quite steep rate rises later instead of small ones now
- More expensive in the long run than investment in the full **Service Plus** package
- You still pay more but get substantially less
- More likely to increase or introduce inefficiencies than improve efficiency
- Often won't save much if the service being cut is partly or wholly supported by grants
- Sometimes won't save anything at all. eg cutting child care or affordable housing
- Has the biggest negative impact on long term financial sustainability
- Hurts the most vulnerable
- Fails to deliver on targets of *Waverley Together 2* – moves in opposite direction



How will the decision be made?

- In December the councillors will consider:
 - community views on values and affordability
 - financial information
 - upsides and downsides of options
 - the minimum necessary service levels
 - their obligations under the Local Government Act
 - the least-cost way to achieve the most
 - the risks and costs of cutting services back and the savings to be made from cuts (if any)
- Then they will make a decision **somewhere between**:
 - submitting an application to the State Government for a rate rise, or
 - raising rates in line with rate capping and cutting services by \$10M pa on average to balance the budget

