

# Fact Sheet 11: Waverley Council's Income & Expenses

## *What does Waverley Council earn and spend now?*

In our adopted budget for 2010/11 we have foreshadowed:

▪ Operating income of	—	<b>\$89.598 million</b>
▪ Operating expenditure of	—	<b><u>\$82.253 million</u></b>
▪ An expected operating surplus of	—	<b>\$7.345 million</b>

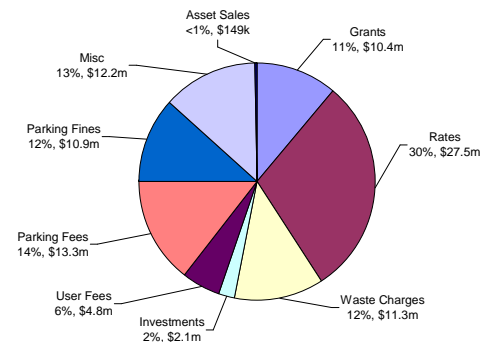
However, a capital expenditure program of \$16.647 million is also foreshadowed. This is expected to be financed by a combination of the above operating surplus, various grants and contributions, and reserves built from surpluses in previous years to produce **a net budget surplus for 2010/11 of \$54,318.**

## *Where does Waverley Council's income come from?*

Waverley Council has a very high dependence on variable income and a very low dependence on reliable income – rates – compared to other councils.

In the last ten years we have become heavily dependent on income from parking fees and fines. In 2010/11 it is expected that we will earn almost as much from parking as we do from rates.

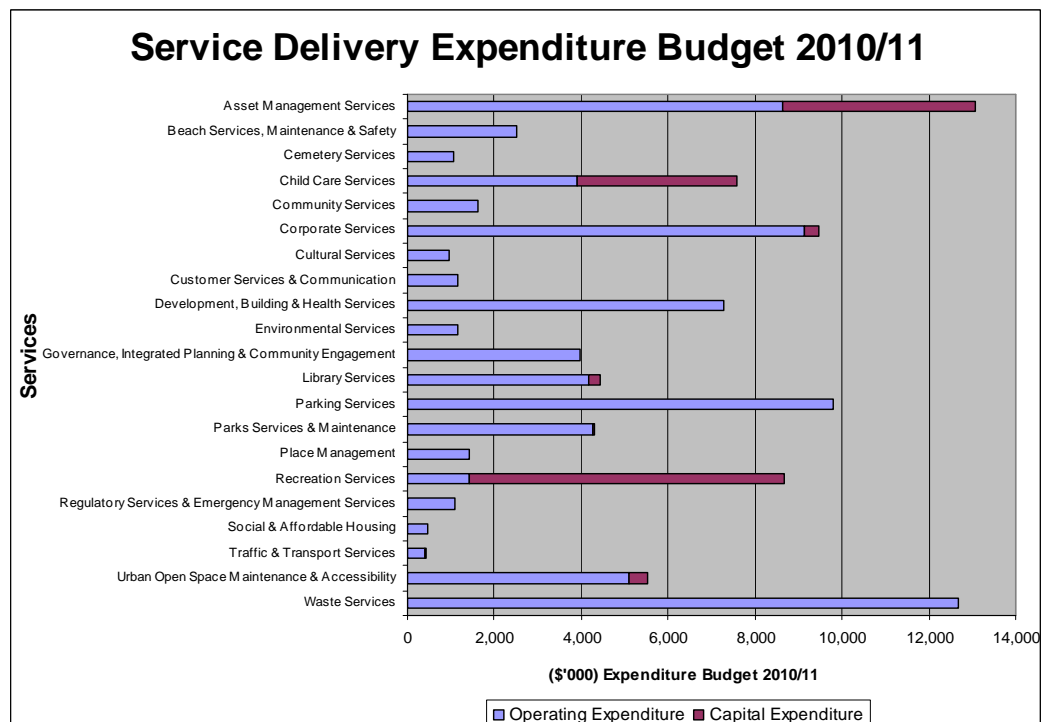
**Total Budget Income - Capital and Operating - 2010/11**



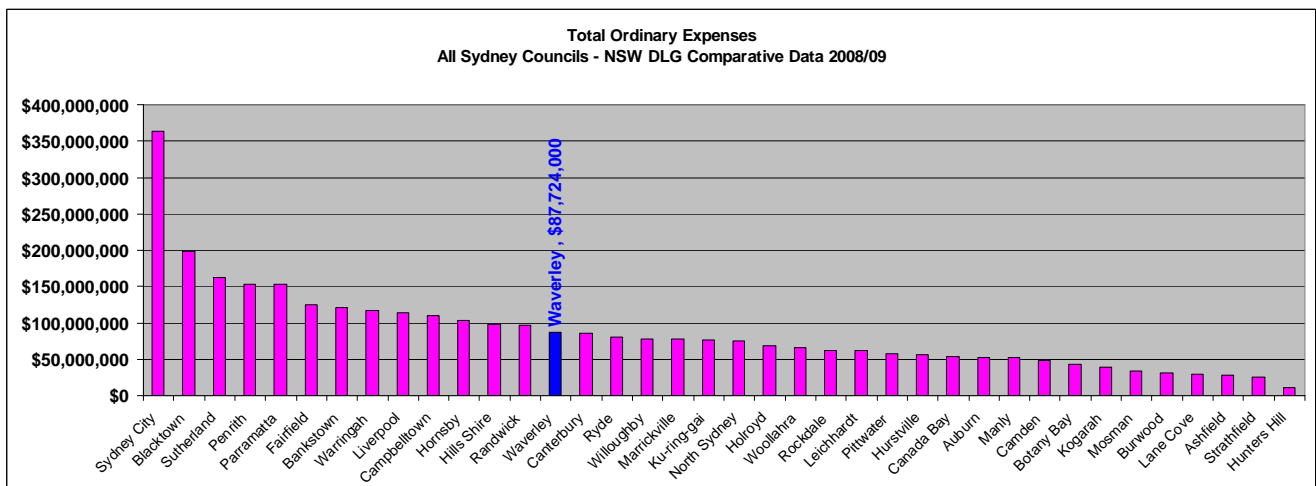
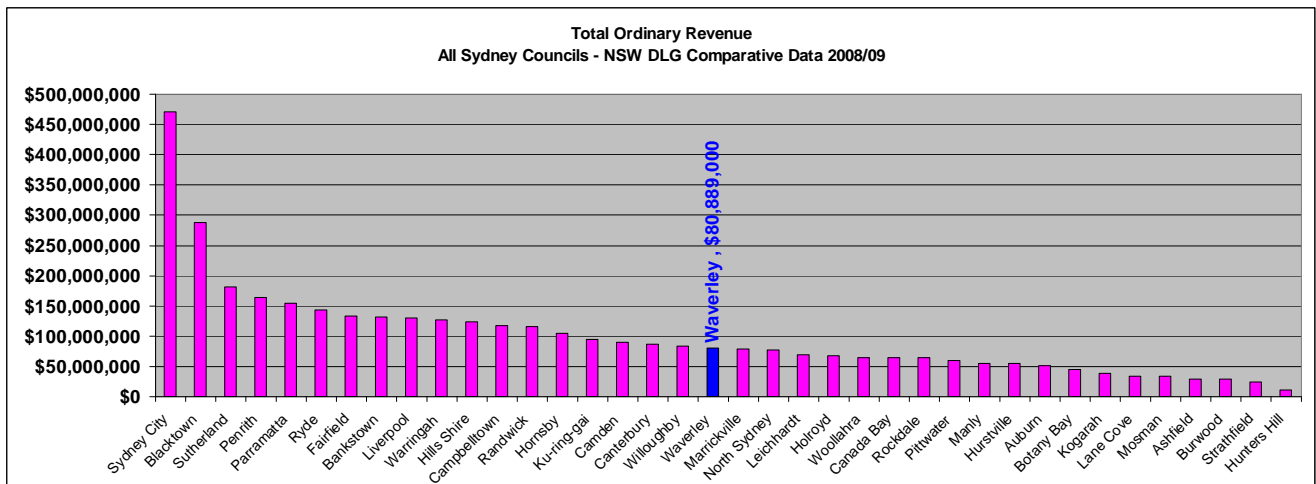
## *What are Waverley Council's expenses?*

Waverley Council currently delivers 148 services in 22 main service categories.

Expected expenses for these services in 2010/11 are shown at right.

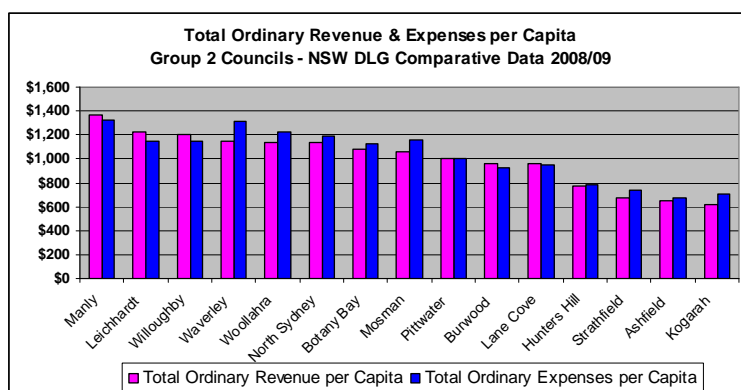


## How do Waverley Council's revenues and expenses compare with other city councils?



## What is Waverley Council's income and expenditure per head of population?

Waverley Council's income per capita as per the 2008/09 DLG Comparative Data for Councils was \$1,146. There are 92 councils with higher revenue per capita than Waverley and 52 with lower revenue per capita. In our own group of councils (Group 2 Urban Medium) we have the 4<sup>th</sup> highest income per capita out of the 15 councils in the Group and the 2<sup>nd</sup> highest expenses per head.



The average total operating revenue per capita of Group 2 Councils in 2008/09 was \$999.

Waverley's revenue per capita was \$1,146 or 14% above the average for Group 2.

Larger city councils – Group 3 Urban Large – can provide services at lower cost per capita due to their significantly higher populations.

## *Does Waverley Council spend more than it earns?*

The above graph indicates that several councils appear to spend more than they earn per capita. However, the expenses shown above include depreciation expenses for assets. This is a “non-cash expense” accounted for by all councils and it is the cause of the apparent “over-expenditure” for nine of the councils in the graph. If the depreciation expense for Waverley were deleted for 2008/09 the financial result would present as a surplus. In short, we haven’t spent more than we have earned.

Service expenditure patterns in 2008/09 were not abnormally high and over-spending on services is not the cause of the apparent shortfall in the graph. The Council was declared financially sound for the year by its external auditors. Budgets are always set and monitored to ensure spending on services remains within income limits. This will continue.

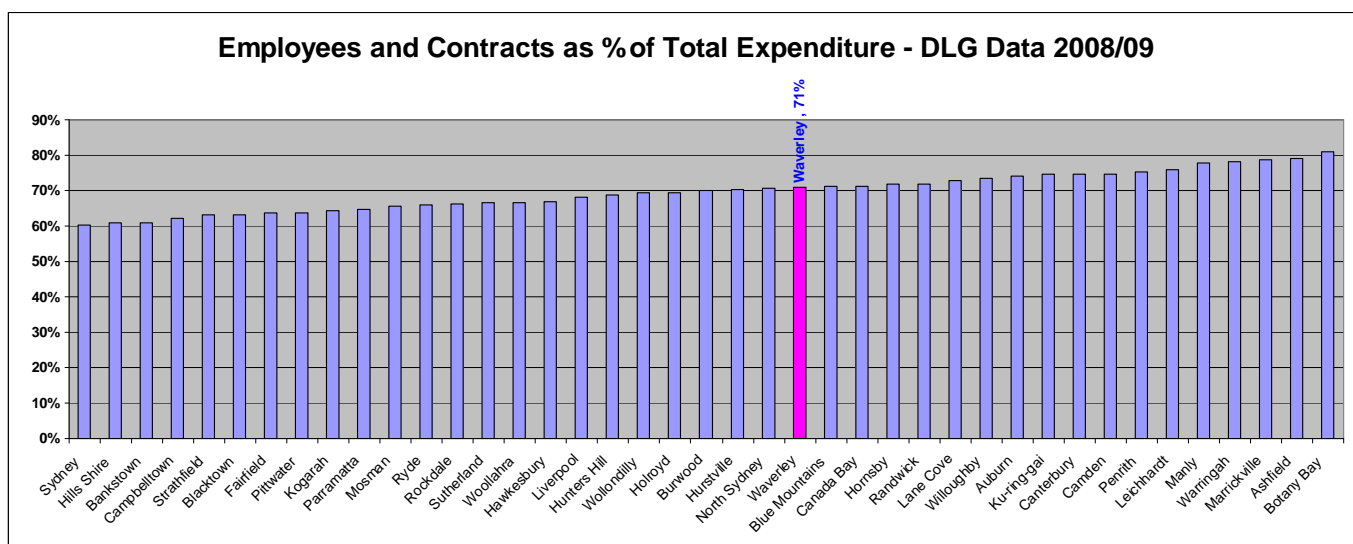
## *What is Waverley Council's biggest expense?*

Labour is Waverley Council's, and every council's, biggest expense. At Waverley Council we rely more heavily than most other councils on directly employed staff for labour. We rely less heavily than most other councils on contract labour. In 2010/11:

- Costs for directly employed labour are budgeted at \$50.017 million.
- Costs for contract labour and materials are budgeted at \$14.673 million.

## *How does Waverley Council's total labour cost compare to other councils?*

The NSW Division of Local Government (DLG) provides comparative data on labour costs, contractor and materials costs, and total expenses of all NSW councils. Using these data we can get a picture of total labour costs for each council as a proportion of their total expenditure. Analysis shows that when costs for directly employed staff and contract labour are added together that Waverley Council could be said to be in the middle of the range in terms of how much of our total funds are spent on labour and materials each year. This analysis may shed some light on the relative efficiency of labour as it does reflect on total cost of labour as a percent of total output. Caution should be exercised, however, as councils can have very different expenditure profiles and may encounter a range of quite different and unavoidable non-labour expenses.



## *What savings could be made by efficiency improvements?*

Over the last 10 years Waverley Council has been able to achieve on average just under 1% per annum improvements in productivity – total output per unit of labour. It would be expected that this level of efficiency improvement could be replicated in the future to produce savings for ratepayers or to deliver increases in output of about 1% per annum for no extra cost.

Labour costs, however, have been significantly affected since the Global Financial Crisis due to the decline of returns for superannuation funds. Some superannuation funds are calling on councils and compulsorily requiring them to provide additional contributions to cover these losses. This is beyond Council's control and it can be expected that it will hamper Waverley Council's capacity to show improved output per unit of labour for some years.

### *What savings could be made by cutting services?*

Pressure on ratepayers may be relieved by reducing service levels or deleting entire services. However, if a service is largely funded by non-rates income, the potential saving to ratepayers from service reduction or deletion may not be as big as expected. To assess the magnitude of a saving that may arise from reducing or deleting a service it is necessary to look not just at the total cost, but at the total net cost. In some cases this may be low or even zero, which means that deletion of the service would result in low or zero savings for ratepayers.

The table below may be useful as a guide in understanding the savings that may be made on rates bills for ratepayers by reducing or deleting a service. Where a service has a high proportion of support from non-rates income, the saving to be made by reducing or deleting the service is proportionally reduced. Ratepayers may weigh the benefits lost against the financial saving to be made.

**Please note: Waverley Council is facing a shortfall for existing services over the next 12 years of \$125 million or an average of \$10 million a year. This means that if you wish to use the table to determine services that should be deleted to balance the budget you need to consider deleting services which add up to about \$10 million in savings.**

Service Category	Total Expenditure 2009/10	% Funded by Rates Income	% Funded by Non-Rates Income	Source of the Non-Rates Income	Max savings to be made by deletion of service
Asset Management Services	\$15,320,136	59%	41%	User charges, rents, grants, developer contributions & reserves	\$8,986,862
Beach Services, Maintenance & Safety	\$2,520,722	84%	16%	Rentals, filming fees & vendor/trading permits	\$2,124,546
Cemetery Services	\$2,114,812	0%	100%	User fees	\$0
Child Care Services	\$4,125,471	0%	100%	State/Federal funding & user fees	\$0
Community Services	\$1,596,365	54%	46%	User fees, grants & contributions	\$861,463
Corporate Support Services	\$10,459,531	51%	49%	Interest on investments, grants, user fees, rebates & insurance recovery	\$5,304,742
Cultural Services	\$976,103	60%	40%	User fees, hall hire & grants	\$586,557
Customer Services & Communication	\$1,704,146	99%	1%	User fees	\$1,685,718
Development, Building & Health Services	\$7,940,161	42%	58%	Interest on investments, user fees, fines, developer contributions	\$3,312,231
Environmental Services	\$1,165,585	91%	9%	Grants & contributions	\$1,055,818
Governance, Integrated Planning & Community Engagement	\$3,140,494	99%	1%	User fees	\$3,097,370
Library Services	\$4,149,478	89%	11%	Rents, fines, user fees grants & contributions	\$3,682,875
Parking Services	\$9,455,471	0%	100%	Parking fees	\$0
Parks Services & Maintenance	\$4,730,257	93%	7%	User fees, rents & grants	\$4,376,491
Place Management	\$1,376,722	40%	60%	Sponsorship fees, rents, grants & contributions	\$550,078
Recreation Services	\$1,503,522	91%	9%	Rents, hall hire, contributions & grants	\$1,374,175
Regulatory Services & Emergency Services*	\$1,431,153	3%	97%	Fines, user fees, footpath lease fees, hoarding fees & contributions	\$40,004
Social & Affordable Housing	\$566,645	0%	100%	Rents	\$0
Traffic & Transport Services	\$757,653	83%	17%	Grants	\$627,516
Urban Open Space Maintenance & Accessibility	\$5,545,164	98%	2%	Grants & contributions	\$5,448,673
Waste Services	\$12,629,194	0%	100%	Domestic Waste Charge, user charges, interest & rebates	\$0

\* Emergency Services is normally listed as a separate service. Due to its very small cost, however, it has been combined with Regulatory Services in this analysis.

**Note:** Some services such as Parking Services, Cemetery Services and Social & Affordable Housing, and Commercial Waste are generally more than fully funded by non-rates income. They make a positive contribution to Council's overall funding position, albeit in some cases marginal. In these cases their deletion would result in increased pressure on ratepayers.