



Independent Pricing and Regulatory Tribunal

Mosman Municipal Council's application for a special variation for 2015-16

under section 508(2) of *Local Government Act 1993*

Local Government — Determination
May 2015



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The Tribunal members for this review are:

Dr Peter J. Boxall AO, Chairman

Ms Catherine Jones

Mr Ed Willett

Inquiries regarding this document should be directed to a staff member:

Tony Camenzuli (02) 9113 7706

Jessica Boddington (02) 9113 7788

Independent Pricing and Regulatory Tribunal of New South Wales

PO Box K95, Haymarket Post Shop NSW 1240

Level 15, 2-24 Rawson Place, Sydney NSW 2000

T (02) 9290 8400 F (02) 9290 2061

www.ipart.nsw.gov.au

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1 Determination

The Independent Pricing and Regulatory Tribunal of NSW (IPART) is responsible for setting the amount by which councils may increase their general income, which mainly comprises income from rates. Each year we determine a standard increase that applies to all NSW councils, based on our assessment of the annual change in their costs and other factors. This increase is known as the rate peg.

Under the *Local Government Act 1993* (the Act) councils may apply to us for a special variation that allows them to increase their general income by more than the rate peg. These increases may be for either an increase in a single year (section 508(2)) or successive increases for up to seven years (section 508A).

IPART assesses these applications against criteria in Guidelines set by the Office of Local Government (OLG).¹ Box 1.1 explains the Guidelines for 2015-16.

Mosman Municipal Council (Mosman Council) applied for a special variation in 2015-16 of 13.0%, to remain permanently in the rate base.² We have assessed the council's application, and decided to allow the special variation as requested. We made this decision under section 508(2) of the Act.

Box 1.1 Special Variation Guidelines for 2015-16

IPART assesses applications for special variations using criteria in the *Guidelines for the preparation of an application for a special variation to general income for 2015/2016*, issued by the Office of Local Government.

The Guidelines emphasise the importance of the council's Integrated Planning and Reporting (IP&R) processes and documents to the special variation process. Councils are expected to engage with the community about service levels and funding when preparing their strategic planning documents. The IP&R documents (eg, Delivery Program and Long Term Financial Plan) must contain evidence that supports a council's application for a special variation.

¹ Office of Local Government, *Guidelines for the preparation of an application for a special variation to general income for 2015/2016*, October 2014 (the Guidelines).

² Mosman Municipal Council, *Special Variation Application – Part A, 2015-16* (Mosman Council, *Application Part A*), Worksheet 4.

1.1 Our decision

We determined that Mosman Council may increase its general income in 2015-16 by 13.0%, including the rate peg of 2.4% that is available to all councils (see Table 1.1). This increase will replace a 5.0% levy for environmental works that will expire on 30 June 2015 (and was previously scheduled to expire in June 2017). The special variation can be retained in the council's general income base permanently.

We have attached conditions to this decision, including that the council uses the income raised from the special variation for purposes consistent with those set out in its application.

Table 1.1 sets out our decision and Box 1.2 summarises these conditions.

Table 1.1 IPART's decision on Mosman Municipal Council's application for a special variation in 2015-16

Component	%
Increase to fund financial sustainability, asset maintenance and renewal	10.6
Rate peg	2.4
Total increase	13.0

Box 1.2 Conditions attached to Mosman Municipal Council's approved special variation

IPART's approval of Mosman Municipal Council's application for a special variation in 2015-16 is subject to the following conditions:

- ▼ The council uses the additional income from the special variation for the purposes of improving financial sustainability, asset maintenance and renewals, as outlined in the council's application and listed in Appendix A.
- ▼ The council reports in its annual report for each year from 2015-16 to 2024-25 on:
 - the actual revenues, expenses and operating balance against the projected revenues, expenses and operating balance, as outlined in the Long Term Financial Plan (LTFP) provided in the council's application, and summarised in Appendix B
 - any significant variations from its proposed expenditure as forecast in the current Long Term Financial Plan and any corrective action taken or to be taken to address any such variation
 - expenditure consistent with the council's application, and the reasons for any significant differences from the proposed expenditure, and
 - the outcomes achieved as a result of the actual program of expenditure.
- ▼ The council reports in its financial statements (currently in Special Schedule 9) on its compliance with the special variation and these conditions.

We note the council will be reducing its general income for 2015-16 by \$801,660 (the value of the expiring special variation). This reduction must take place before the council's general income is increased in 2015-16 in accordance with IPART's determination.

2 What did the council request and why?

Mosman Council requested a special variation of 13.0% in 2015-16, comprising two components:

- ▼ a 10.6% increase to ensure financial sustainability, fund asset maintenance and reduce infrastructure backlogs, and
- ▼ the rate peg of 2.4%.³

³ Mosman Council, *Application Part A*, Worksheet 4 and Mosman Council, *Application Part B*, p 4.

In addition, the council has applied for early expiry of an existing special variation, named the Community Environmental Contract (CEC) levy. This expiring levy was originally approved for 5.0% above the rate peg to fund environmental works in 2000-01, and was subsequently renewed in 2009-10 for a period of eight years.⁴

Under the proposed special variation, the council's adjusted permissible general income would increase from \$16.7 million in 2014-15 to \$18.9 million in 2015-16. The council applied to permanently incorporate this increase into its general income base.

The council estimates that its requested increase of 10.6% above the rate peg would generate \$1.8 million in additional revenue in 2015-16 and \$20.3 million over 10 years.⁵

The primary purpose of the additional revenue is to help the council eliminate operating deficits (before capital revenue) over the 10 years to 2024-25, whilst increasing infrastructure maintenance of key assets. At the same time, this additional revenue will be used to clear its current infrastructure backlogs of \$8.6 million (valued at 3.6% of the written-down value of council's assets).⁶

Specifically, the council indicated that it intends to spend the additional special variation income on:

- ▼ \$2.9 million for asset maintenance, and
- ▼ \$17.4 million for asset renewal.⁷

The majority of this funding will be targeted towards road-related assets, although buildings, marine structures, parks and storm water drainage will also receive funding. More detail on the council's proposed program of expenditure to 2024-25 is provided in Appendix A.

⁴ The council erred in describing the renewal year and duration of the CEC levy on p 4 of its Application Part B. Source: Mosman Council, *Application Part B, Attachment 11: Past Instruments of Approval*.

⁵ Mosman Council, *Application Part A, Worksheet 6*.

⁶ Mosman Council, *Application Part B, p 20*.

⁷ Mosman Council, *Application Part A, Worksheet 6*.

3 How did we reach our decision?

We assessed Mosman Council's application against the criteria in the Guidelines. In making our assessment we also considered the council's most recent IP&R documents, as well as a range of comparative data about the council, set out in Appendix C.⁸

Mosman Council has applied on the basis of its adopted IP&R documents, in particular the *Community Strategic Plan (CSP) 2013-2023, Revised 2013-2017 Delivery Program, Long Term Financial Plan (LTFP) 2015-2025* and *Asset Management Plans*.

We found that Mosman Council's application met the criteria. In particular, we found that:

1. The purpose of the proposed revenue is articulated and reflects community priorities. The need to ensure financial sustainability is demonstrated in the council's IP&R documents.
2. The council provided evidence that the community is aware of the need for, and extent of, the rate rise and that it has considered the community's capacity and willingness to pay the proposed rate rises.
3. The impact of the proposed rate rises on ratepayers is moderate and reasonable given the purpose of the special variation. The council has taken into account residential ratepayers' willingness and capacity to pay. Whilst the council did not analyse the capacity of businesses to pay, average business rates are significantly lower than comparable and neighbouring councils.
4. The council provided evidence that the relevant IP&R documents have been exhibited and adopted.
5. The council reported significant productivity savings in past years, but has not quantified planned operating savings during the period of the special variation.

Table 3.1 summarises our assessment against the criteria. Section 3.1 discusses our findings against criterion 1 in more detail.

⁸ See Appendix C. Mosman Council is in OLG Group 2, which is classified as 'Urban Small or Medium Metropolitan Developed', with a population up to 70,000. The group comprises 14 councils, including Manly Council, Woollahra Municipal Council, North Sydney Council and The Council of the Municipality of Hunter's Hill.

Table 3.1 Summary of IPART’s assessment of Mosman Municipal Council’s application for a special variation against the criteria in the Guidelines

Criterion	IPART findings
<p>1. The need for and purpose of a different revenue path for the council’s General Fund (as requested through the special variation) is clearly articulated and identified in the council’s IP&R documents, including its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvas alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan by including scenarios both with and without the special variation.</p>	<p>The council’s revised IP&R documents clearly explain the need for and purpose of the SV and show that:</p> <ul style="list-style-type: none"> ▼ it is consistent with community priorities ▼ it is intended to clear the council’s current \$8.6m infrastructure backlog, whilst achieving higher levels of asset maintenance, and ▼ without the funds, the council predicts operating deficits between 1% and 3% over the next 10 years. With the requested SV, slight operating surpluses of approx. 1% are projected from 2015-16. <p>TCorp observed in 2012 that the council’s financial position was ‘weak’ but considered its outlook ‘positive’. Whilst the council recorded operating surpluses in 2013 and 2014, it expects to record a deficit in the current year.</p> <p>The council has explored alternative revenue options, including applying for additional grant funding and increasing user charges.</p>
<p>2. Evidence that the community is aware of the need for and extent of a rate rise. The IP&R documentation should clearly set out the extent of the General Fund rate rise under the special variation. The council’s community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure an opportunity for community awareness and input to occur.</p>	<p>The council demonstrated that it had made the community aware of the need for and extent of the rate increase. It consulted on three possible rating options in October and November 2014, including a base case that incorporated early expiry of the 5% CEC levy in 2015-16.</p> <p>The council used a variety of methods to engage with the community, including mail-outs and feedback cards sent to all ratepayers, media releases, a dedicated website with online survey and discussion forum, and a public meeting chaired by the Mayor. Public material generally expressed the dollar annual impacts across rating categories that could be expected with each of the three scenarios.</p> <p>Council received a total of 902 submissions, with community sentiment mixed. Of 884 votes recorded for a preferred rating option, a slight majority (35.75%) favoured the 13% rate rise, with 30.65% voting against any SV and 33.6% favouring an 8% increase. IPART received three submissions against the proposal.</p>
<p>3. The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. The IP&R processes should:</p> <ul style="list-style-type: none"> ▼ clearly show the impact of any rises upon the community ▼ include the council’s consideration of the community’s capacity and willingness to pay rates, and ▼ establish that the proposed rate 	<p>The council has considered affordability and capacity to pay. The impact of the SV on ratepayers is reasonable, given:</p> <ul style="list-style-type: none"> ▼ residents have an average personal income almost triple that of NSW (\$142,773 compared with \$49,070 in 2011) ▼ the LGA holds a SEIFA ranking of 152 (the second-highest in NSW) ▼ average rates are comparable to adjoining and similar councils, despite being higher than the OLG Group 2 and NSW average, and ▼ council’s outstanding rates ratio is low, at 1.55% in 2013-14.

Criterion	IPART findings
increases are affordable having regard to the local community's capacity to pay.	<p>The council considers that the community has a willingness to pay for higher rates. Results of a 2014 community survey indicated 62% of respondents were at least 'somewhat supportive' of paying \$2 more per week (an amount which is roughly equivalent to the proposed residential rate increases).</p> <p>While council did not analyse the capacity of businesses to pay, annual business rates (\$2,594) in 2012-13 were substantially lower than for Woollahra (\$3,459), Manly (\$4,088), Lane Cove (\$4,188), and the average of Group 2 (\$4,243).</p> <p>The council has an effective hardship policy for pensioners and a debt recovery policy for other ratepayers. The latter includes provision for payment plans.</p>
4. The relevant IP&R documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general revenue.	<p>The council adopted the CSP in June 2013. A revised Delivery Program and LTFFP (setting out base and SV cases) were exhibited between December and January 2015. The council adopted these plans on 3 February 2015.</p>
5. The IP&R documents or the council's application must explain the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.	<p>The council has undertaken a diverse range of cost-saving initiatives in the past, including:</p> <ul style="list-style-type: none"> ▼ a 2013 review of its community bus service, resulting in savings of \$36,000 pa ▼ reducing the number of council vehicles from 40 in 2000 to 10 in 2014, saving \$120,000 pa, and ▼ fostering energy initiatives such as installing solar panels, yielding savings over \$84,000 pa. <p>TCorp noted that it has also been proactive in seeking efficiencies through joint procurement via the Shore Regional Organisation of Councils (SHOROC), with estimated savings of \$780,250 for the period 2010-11 to 2013-14.</p> <p>Whilst the council has indicated its intention to realise future efficiencies through joint service delivery agreements and service reviews, it has not quantified any planned operating savings in its LTFFP.</p>

Note: SEIFA is the Socio-Economic Indexes for Areas: refer to Appendix C, Table C.2.

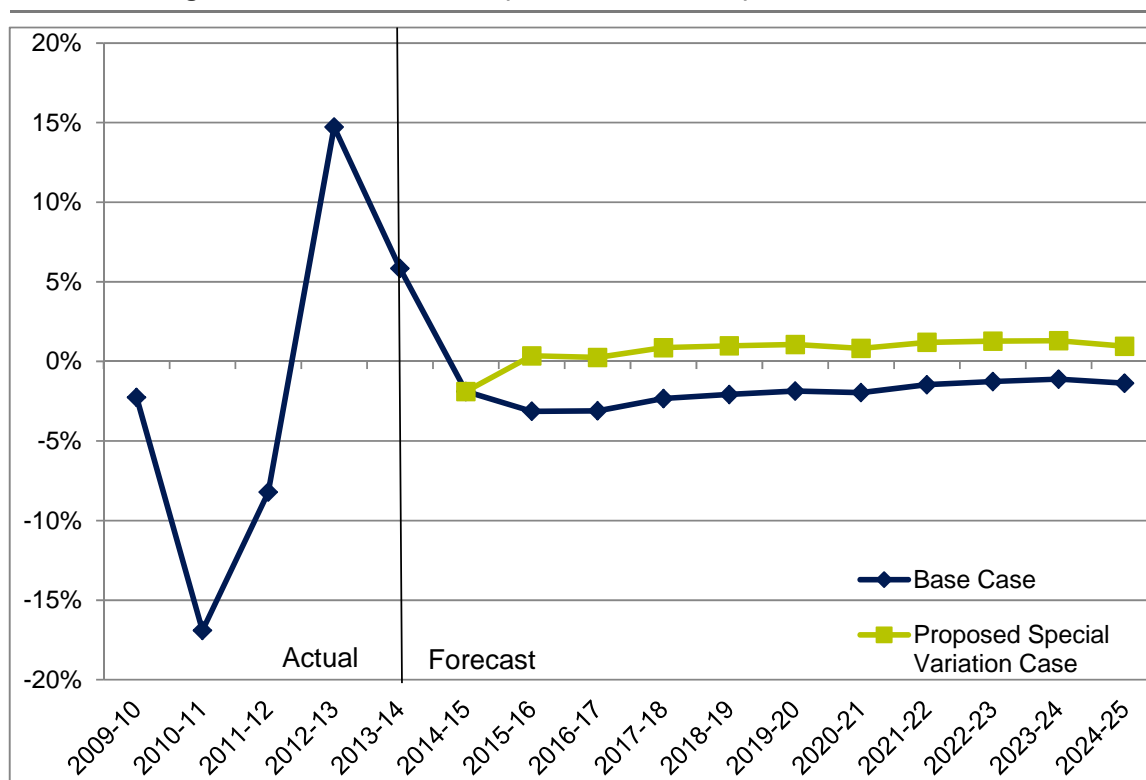
Sources: Mosman Council, *Application Part A and Application Part B; Application Part B, Attachments 2: Revised Delivery Program; 3: LTFFP, 5a: Engagement Materials; 6: Community Engagement Summary; 7: Hardship Policy*; OLG, Unpublished data; NSW Treasury Corporation (TCorp), *Mosman Council Financial Assessment, Sustainability and Benchmarking Report*, September 2012; TCorp, *Financial Sustainability of the NSW Local Government Sector*, April 2013, p 18.

3.1 Need for and purpose of the special variation

Financial sustainability

Figure 3.1 illustrates the council’s operating ratio since 2009-10, as well as its financial projections for the next 10 years. The council has recorded some volatility in recent years, with results declining to a deficit of 16.9% in 2011 due to increased depreciation charges associated with an asset revaluation.⁹ In the past two years, operating results substantially improved.¹⁰ Despite this, the council expects that it will encounter a deficit in 2015, in part due to an increase in employee expenses.¹¹

Figure 3.1 Mosman Municipal Council’s operating ratio excluding capital grants and contributions (2009-10 to 2024-25)



Source: To 2014-15, Mosman Annual Financial Statements, various and IPART calculations. From 2014-15, Mosman Council, Application Part B, Attachment 3a: LTFP 2015-2025, pp 69-81 and IPART calculations.

⁹ Mosman Council, Application Part B, Attachment 4: TCorp report on financial sustainability, p 12.

¹⁰ The operating surplus of 14.7% in 2012-13 was partially due a reversal of prior revaluation decrements, amounting to \$4.6m in recorded annual revenues. Source: Mosman Council, Annual Financial Statements 2013-14, p 30.

¹¹ This increase is the result of a higher budget provision for workers compensation and superannuation expenses. Council has factored an increase of 2.6% for all other employee costs in 2014-15. Source: Mosman Council, Application Part B: Attachment 3: LTFP, p 16.

The council is forecasting operating deficits between 1% and 3% over the next 10 years without a special variation. It has projected that the special variation would enable it to record slight operating surpluses (before capital grants and contributions) of approximately 1% from 2015-16.¹² The additional special variation funding would place the council in a position to increase infrastructure maintenance, and to clear its infrastructure backlog of \$8.6 million.

Our review of assumptions underlying the LTFP indicates that they are risk-averse but not unreasonable. We assess it is possible that the council will achieve higher operating results, in the order of 3% and 4% over the next 10 years. However, this is still a moderate result. If achieved, the council could be able to clear its infrastructure backlog earlier than projected.

Infrastructure Backlog

The council reports a current infrastructure backlog valued at \$8.6 million (or 3.6% of the written-down value of its assets).¹³ In 2014, Mosman council achieved an asset renewal ratio of 137.6%, which exceeded the benchmark set by TCorp at 100%. Similarly, the council exceeded TCorp's benchmark for its capital expenditure ratio in this year by 31%.¹⁴

This suggests that the council has been spending sufficiently (ie, above depreciation, amortisation and impairment) in recent years both to renew existing infrastructure assets and to expand capacity. Despite this, forward modelling completed by the council indicates renewals spending will not be sufficient between 2015 and 2018 without the additional special variation funding.¹⁵

Alternative funding options

The council has indicated its intention to fully repay its current loan portfolio of \$11 million by 2023, regardless of whether the special variation is approved.¹⁶ Offsetting this, it has also outlined plans to establish a continuing annual loans program of \$400,000 from 2016-17, in order to supplement funding for asset renewals and maintenance.¹⁷

¹² Mosman Council, *Application Part B, Attachment 3: LTFP*, p 22.

¹³ Mosman Council, *Special Schedules 2014- Special Schedule No. 7*, p 8 and IPART calculations.

¹⁴ The ratio achieved was 141%, with the benchmark set at 110%.

¹⁵ Mosman Council, *Application Part B, Attachment 3: LTFP*, p 23 and Mosman Council, *Special Purpose Financial Statements 2013-14*, p 8.

¹⁶ Mosman Council, *Application Part B*, p 10.

¹⁷ Mosman Council, *Application Part B, Attachment 3: LTFP*, pp 19-21.

4 What does our decision mean for the council?

Our decision means that Mosman Council may increase its general income in 2015-16 by an estimated \$1.4 million as indicated in Table 4.1.¹⁸ This increase will be permanently incorporated into the council's revenue base. After 2015-16, the council's general income will increase by the annual rate peg unless we approve further special variations.¹⁹

Table 4.1 Permissible general income of Mosman Municipal Council in 2015-16 arising from the special variation approved by IPART

Notional general income 2014-15 (\$)	Adjustment: expiring special variation (\$)	Increase approved (%)	Annual increase in general income (\$)	Adjust-ments: Catch-ups, valuations^a (\$)	Permissible general income 2015-16 (\$)
17,498,370	-801,660	13.0	2,170,572	-1,000	18,866,282

a A valuation objection of \$1,000 claimed in 2014-15.

Source: Mosman Council, *Application Part A*, Worksheets 1 and 4 and IPART calculations.

This extra income is the amount the council requested to enable it to undertake additional operating and capital expenditure, in order to enhance its financial sustainability and clear infrastructure backlogs.

5 What does our decision mean for ratepayers?

We set the allowable increase in general income, but it is a matter for each individual council to determine how it allocates any increase across different categories of ratepayer, consistent with our determination.

In its application, Mosman Council indicated that it intends to keep the rating distribution across categories broadly constant between 2014-15 and 2015-16. It will achieve this by maintaining the council's current share of total rates income from residential and business rates.²⁰ This will result in percentage increases for average residential and business rates that slightly vary from each other.

¹⁸ Mosman Council, *Application Part A*, Worksheets 1 and 4.

¹⁹ General income in future years cannot be determined with precision, as it will be influenced by several factors apart from the rate peg. These factors include changes in the number of rateable properties and adjustments for previous under- or over-collection of rates. The Office of Local Government is responsible for monitoring and ensuring compliance.

²⁰ The council has informed us that in 2014-15, residential rates comprised 90.46% of total rate income whilst business rates comprised 9.54%. In 2015-16, residential rates will comprise 90.47% whilst business rates will comprise 9.53%. Source: Mosman Council, *Application Part B*, p 36 and email communication between Mosman Council and IPART.

The council has calculated that in 2014-15:

- ▼ the average residential rate will increase by 7.7%, or \$97, and
- ▼ the average business rate will increase by 8.7%, or \$243.

Table 5.1 sets out the proposed impact of rate increases on all affected ratepayer categories.

Table 5.1 Indicative increases in average rates under Mosman Municipal Council's approved special variation for 2015-16

Category ^a	Average rate 2014-15 (\$)	Increase (%)	Increase (\$)	Average rate 2015-16 (\$)
Average residential rate	1,256	7.7	97	1,354
Average business rate	2,788	8.7	243	3,031

^a Average rates include all applicable ordinary and special rates rounded to the nearest dollar.

Source: Mosman Council, *Application Part A*, Worksheet 5a.

The percentage increases in average rates are less than the rise in general income of 13.0%. This is because the 2015-16 special variation will substitute the current expiring CEC levy of 5%, which is already being paid by ratepayers.



Appendices

A Expenditure to be funded from the special variation

Table A.1 and Table A.2 show Mosman Council's proposed expenditure of the special variation funds over the next 10 years.

The council will use the additional special variation revenue, above the rate peg, of \$20.3 million over 10 years to 2024-25 to fund:

- ▼ an improvement in the operating balance (excluding capital grants and contributions), of \$17.4 million, and
- ▼ an increase in asset maintenance for buildings, marine structures, parks, roads and stormwater of \$2.9 million (see Table A.1).

At the same time, the improvement in the operating balance will allow \$17.4 million in extra capital expenditure to clear the council's infrastructure backlog over the period from 2015-16 to 2024-25 (see Table A.2).²¹

As a condition of IPART's approval, the council is to indicate in its annual reports how its actual expenditure compares with this proposed program of expenditure.

²¹ Mosman Council, *Application Part A*, Worksheet 6.

Table A.1 Mosman Municipal Council – Income and proposed expenditure over 10 years related to the special variation (\$000)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Special variation income above rate peg	1,770	1,823	1,878	1,934	1,992	2,052	2,113	2,177	2,242	2,309	20,289
Funding for increased operating expenditures (asset maintenance)	251	258	266	274	282	290	299	308	317	327	2,872
Funding for capital expenditure	1,520	1,565	1,612	1,660	1,710	1,762	1,814	1,869	1,925	1,983	17,420
Total expenditure	1,770	1,823	1,878	1,934	1,992	2,052	2,114	2,177	2,242	2,310	20,292

Note: Numbers may not add due to rounding.

Source: Mosman Council, *Application Part A*, Worksheet 6.

Table A.2 Mosman Municipal Council – Proposed 10-year capital expenditure program related to the special variation (\$000)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Buildings	398	286	252	259	266	273	281	289	297	307	2,907
Parks and open spaces	295	286	252	259	266	273	281	289	297	307	2,804
Road related assets	335	430	883	912	942	973	1,004	1,037	1,070	1,085	8,670
Marine	246	282	113	116	118	121	124	128	131	142	1,520
Stormwater	246	282	113	116	118	121	124	128	131	142	1,520
Total capital expenditure	1,520	1,565	1,612	1,660	1,710	1,762	1,814	1,869	1,925	1,983	17,420

Note: Numbers may not add due to rounding.

Source: Mosman Council, *Application Part A*, Worksheet 6.

B Mosman Municipal Council's projected revenue, expenses and operating balance

As a condition of IPART's approval, Mosman Council is to report annually against its projected revenue, expenses and operating balance as set out in its LTFP (shown in Table B.1).

Revenues and operating results in the annual accounts are reported both inclusive and exclusive of capitals and contributions. In order to isolate ongoing trends in operating revenues and expenses, our analysis of the council's operating account in the body of this report excludes capital grants and contributions.

Table B.1 Summary of projected operating statement for Mosman Municipal Council, 2015-16 to 2024-25 (\$000)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-15
Total revenue including capital grants and contributions	43,487	44,707	45,962	47,253	48,581	50,352	51,357	52,802	54,291	55,824
Total expenses	41,560	42,777	43,713	44,894	46,124	47,918	48,705	50,044	51,445	53,092
Operating result from continuing operations	1,927	1,930	2,249	2,359	2,457	2,434	2,652	2,758	2,846	2,731
Net operating result before capital grants and contributions	146	106	380	444	495	395	590	645	679	510

Note: Numbers may not add due to rounding.

Source: Mosman Council, *Application Part A*, Worksheet 7.

C Comparative indicators

Performance indicators

Indicators of council performance may be considered across time, either for one council or across similar councils, or by comparing similar councils at a point in time. Table C.1 shows how selected performance indicators for Mosman Council have changed over the three years to 2012-13.

Table C.1 Trends in selected performance indicators for Mosman Municipal Council, 2009-10 to 2012-13

Performance indicator	2009-10	2010-11	2011-12	2012-13	Average change (%)
FTE staff (number)	166	164	168	168	0.4
Ratio of population to FTE	173	175	175	175	0.4
Average cost per FTE (\$)	80,512	83,652	84,411	86,292	2.3
Employee costs as % operating expenditure (General Fund only) (%)	36.7	34.2	36.4	37.5	
Consultancy/contractor expenses (\$m)	7.9	8.5	10.1	9.9	8.0
Consultancy/contractor expenses as % operating expenditure (%)	21.6	21.0	25.8	25.6	

Note: Except as noted, data is based upon total council operations that include General Fund, Water & Sewer and other funds, if applicable.

Source: OLG, unpublished data.

In Table C.1 we see that:

- ▼ The average population served by each FTE has remained stable at 175 over this period 2010-11 to 2012-13. As Table C.2 illustrates, this is below the average for Group 2 (182) but above the average of 127 across NSW.
- ▼ Consultancy and contractor expenses increased to 25.6% in 2012-13 from 21.6% of council's expenditure in 2009-10. As Table C.2 illustrates, this is significantly higher than the average of 15.1% of expenditure for comparator councils (Group 2), and the NSW average of 10.3%. The council has a long-standing policy of contracting out major works services (including tree lopping, parks and oval maintenance). Over the period of this policy, council's works staff has decreased from over 100 employees to a current roster of 6.²²
- ▼ The trend for employee expenses has likewise been one of positive growth over the period, increasing to 37.5% of ordinary expenditure in 2012-13. Despite this, employee costs are 4.5% below the Group 2 average (42.0%), and exceed the state average (37.1%) by a comparatively small 0.4%.

²² Mosman Council, *Application Part B*, p 50.

General comparative indicators

Table C.2 compares selected published and unpublished data about Mosman Council with the averages for councils in OLG Group 2, and for NSW councils as a whole. Unless specified otherwise, the data refers to the 2012-13 financial year.

Table C.2 Select comparative indicators for Mosman Municipal Council, 2012-13

	Mosman Council	OLG Group 2 average	NSW average
General profile			
Area (km ²)	9		
Population	29,605		
General Fund operating expenditure (\$m)	38.6		
General Fund operating revenue per capita (\$)	1,528	1,184	2,026
Rates revenue as % General Fund income (%)	45.2	51.5	46.8
Own-source revenue ratio (%)	88.7	85.2	71.1
Average rate indicators^a			
Average rate – residential (\$)	1,181	991	712
Average rate – business (\$)	2,594	4,147	2,688
Socio-economic/capacity to pay indicators^b			
Average annual income for individuals, 2011 (\$)	142,773	83,819	49,070
Growth in average annual income, 2006-2011 (% pa)	4.4	4.5	5.2
Ratio of average residential rates 2012-13, to average annual income, 2011 (%)	0.8	1.3	1.5
SEIFA, 2011 (NSW rank: 153 is least disadvantaged)	152		
Outstanding rates and annual charges ratio (General Fund only) (%)	2.2	3.7	6.0
Productivity (labour input) indicators^c			
FTE staff (number)	168	291	294
Ratio of population to FTE	175	182	127
Average cost per FTE (\$)	86,292	84,023	75,736
Employee costs as % operating expenditure (General Fund only) (%)	37.5	42.0	37.1
Consultancy/contractor expenses (\$m)	9.9	9.1	7.8
Consultancy/contractor expenses as % operating expenditure (%)	25.6	15.1	10.3

a Average rates equal total ordinary rates revenue divided by the number of assessments in each category.

b Average annual income includes income from all sources excluding government pensions and allowances.

c Except as noted, data is based upon total council operations including General Fund, Water & Sewer and other funds, if applicable. There are difficulties in comparing councils using this data because councils' activities differ widely in scope and they may be defined and measured differently between councils.

Source: OLG, unpublished data; ABS, *Regional Population Growth, Australia*, August 2013; ABS, *Estimates of Personal Income for Small Areas, 2005-06 to 2010-11*, October 2013; ABS, *Socio-Economic Indexes for Areas (SEIFA) 2011*, March 2013, and IPART calculations.