



COUNCIL ANNUAL REPORTS 2018/19

PART ONE

Council Annual Reports have recently been published. They contain a wealth of information, and I will write a few columns about what they tell us about our councils as part of the series – How to Get the Best Out of Our Councils.

My column on the performance of councils in Orange City Life of 17th October 2019 compared the statistics from the new ‘Your Council’ website and the comparative information provided by the website of the Auditor-General of NSW for Orange City Council and Bathurst Regional Council as they are similar councils. Now the Annual Reports are available it is possible to undertake a more in depth review.

The Annual Reports include reports on performance in delivering the Councils’ strategic plans as well as the financial statements. The Local Government Act requires that a council must prepare a report for that year reporting as to its achievements in implementing its delivery program and the effectiveness of the principal activities undertaken in achieving the objectives at which those principal activities are directed.

It is not clear from either report whether this is being achieved. Bathurst’s report gives more statistics than Orange’s, but it is not clear how the statistics relate to what was planned in the first place in the Delivery Program by either council.

The Bathurst Council Annual Report is easier to follow and assess more overall performance than the Orange one, as it explains the context and the financial performance. The Orange report is piecemeal and hard to follow and separates out financial performance from performance in delivering the strategic plans.

The Bathurst Annual Report provides the comments of the Auditor-General on the Council’s financial performance from pages 17 to 19 whereas for Orange the same report is towards the end of the financial statements on page 82 onwards.

The Financial Statements are easier to compare. The two local government areas have similar sized populations and number of households. Bathurst Regional Council covers a much larger area of 3,818 square kilometres than Orange City Council’s 284 square kilometres. Orange has 410 (full time equivalent) staff and Bathurst has 378.

The ‘Profit and Loss Accounts’ of the two councils are shown below.

	Orange \$M	Bathurst \$M
Income from Continuing Operations		
Rates and annual charges	44	44
User charges and fees	37	24
Interest and investment revenue	5	3
Other revenues	4	5
Operating grants	14	12
Capital grants	19	23
Net gains from the disposal of assets	3	2
	126	113
Expenses from continuing operations		
Employee benefits	38	33
Borrowing costs	1	1
Materials and contracts	30	31
Depreciation	18	26
Other expenses	6	11
Loss from disposal of assets	0	0
	93	102
Net operating result	33	12
Net operating result before capital grants	13	-12

The major differences are:

- Orange made a surplus of \$13 million and Bathurst made a loss of \$12 million.
- Orange raises \$13 million more than Bathurst in user charges and fees. Note 1
- Employee benefits paid to Orange’s 410 staff are \$5 million higher than paid to Bathurst’s 378 staff.
- Orange receives \$2 million more in interest and investment income
- Bathurst received \$2 million more in grants
- Orange’s depreciation charged was \$8 million less than Bathurst’s. Orange has infrastructure, property, plant and equipment valued at \$1,126 million compared with Bathurst’s \$1,299 million.
- Bathurst’s ‘other expenses’ are \$5 million higher than those of Orange. Bathurst pays for advertising of \$1.2 million; contributions to other levels of government (e.g. Fire Brigade) of \$900,000, and subscriptions of almost \$1million, that are not mentioned in Orange’s accounts. Orange’s insurance costs are half those of Bathurst and half of Orange’s 2018 insurance costs.

I am referring above to the consolidated Financial Statements that include all Council activities including businesses.

Bathurst has:

- Waste Management business that made a surplus of \$3 million;
- Sewerage Business that made a profit of \$4 million
- Water business that made a surplus of \$2 million.

Orange runs Water, Sewerage, the Caravan Park and Childcare Centre businesses, which had the following results:

- Water surplus \$3.6 million
- Sewerage surplus \$3.3 million
- Caravan park deficit \$209,000
- Childcare business surplus \$195,000

Note 1 Income comparisons

The following compares the average rates of the two councils and the amount of revenue raised by each:

Rates	Orange \$000s	Bathurst \$000s
Average Residential Rate	1254.39	1,020.04
Income from residential rates	22,935	18,058
Average Business Rate	6,336.15	3,923.89
Income from business rates	7,782	5,537
Average Farmland Rate	1,824.32	1,389.66
Income from Farmland Rates	684	2,069
Average Mining Rate	0	454.55
Income from mining rates	0	10
Less net Pensioner Rebates	-553	-314
Special Rate - Town Improvement	671	0
Total Rates	31,519	25,360

In summary Orange has high rates in comparison to Bathurst and is a relatively expensive place to live and to do business. Orange raises \$6 million more in rates and receives \$13 million more in User Charges and Fees than Bathurst. Orange has a Special Rate Town Improvement rate that raised \$671,000 last year. It is not clear what area the Special Rate Town Improvement rate applies to, and what it pays for. In a recent Notice of Motion Councillor Joanne McRae asked

for a map of businesses/premises subject to special business rates. The Local Government Act requires that during the period of public exhibition of the annual operational plan, the council must have for inspection at its office (and at such other places as it may determine) a map that shows those parts of its area to which each category and sub-category of the ordinary rate and each special rate included in the draft operational plan applies. It would also be helpful if those maps were easily accessible on the Council’s website permanently.

The comparisons of Senior Staff remuneration are interesting. I see that Orange City Council has advertised the position of Director of Development, but not Director Corporate and Commercial. I would have expected the Council and the new Chief Executive Officer to review the organisational structure when there are two Director positions vacant. The senior staff remuneration costs are published in the annual reports. Orange and Bathurst both have a CEO/General Manager and 4 Directors and I have compared them here with Fairfield City Council which has 2 Directors:

Senior Staff Remuneration	Orange	Bathurst	Fairfield
CEO/General Manager	496,664	358,138	463,247
4 Directors	951,721	922,900	2 Directors 565,597
	1,448,385	1,281,038	1,028,844
Population	41,468	42,779	208,468
Area	284.2km2	3,818km2	101.5km2
Staff FTE	410	378	733
Employee benefits	\$38M	\$33M	\$75M
Staff as % of expenditure	41%	32%	45%
Income	\$126M	\$113M	\$200M

The reason I have used Fairfield City Council in Western Sydney for comparison is that I know it well as I was one of the 2 Directors and know how it works. I recall that one of the big issues in discussions about the proposed amalgamations in the Central West was the expected reduction in the cost of senior staff. Clearly, reducing from 2 or 3 General Managers to one is a cost saving.

Some people argued that 2 Directors cannot do the work of 4 Directors, and I do not necessarily agree with that, however, in Fairfield with 2 Directors there was another layer of well paid management (Senior Staff is a specific definition) with 6 Group Managers. I found that having three layers of senior management caused confusion and was inefficient, and frustrating. While ‘Senior Staff’ costs at Fairfield are low, (in comparison to Orange and Bathurst), staffing costs overall are high at 45% of total expenditure in comparison to Orange



I have received feedback that many people find these columns informative and I am happy to receive comments from readers about this column and other issues you would like me to cover so please either contact me at Orange City Life or aes@amandaspaldingconsulting.com