



Harmonised Revenue Policy

Inner West Council

3 Nov 2020



Agenda

- Introduction
- Residential Rate Structure
- Business General Rate structure
- Business Malls Rate Structure
- Business Industrial Rate Structure

Introduction

- From Councillor briefing on 3 Oct 2020 the next steps were to:
 - Select the preferred residential minimum amount- \$710 or \$850
 - The preferred general business minimum amount of \$820 for most subcategories
 - Decide on transfer of \$600k from Business General to Business Malls
 - Inform/consult the community on preferred option

Harmonised rate structure: January – February 2021

- Determine rate structure
- Submit SR minimum rate application

Introduction

- Rates harmonisation deadline 1st July 2021 with:
 - No further extension
 - No transition options currently
 - Compliance with current legislation
- Develop an equitable rating structure that distributes the rates burden fairly across the new LGA
- Balanced with the need to reduce the extent of a sudden, unexpected impact for the majority of ratepayers
(conflicting objectives)
- Maintain rates yield forecast (LTFP)
- Consider rates notice 'bottom line'
 - Rates, DWM, Stormwater

Timetable

Activities	Timetable
Review rate book data 20/21	Completed
Ratepayer impact modelling, options & analysis	Completed
Internal Council workshops/option review	Completed
Council workshops - preferred harmonised option	In progress
Council endorse preferred option & IPART notification	Nov-20
Notify IPART SR minimum rate application	Nov-20
Community engagement (design, engagement, outcomes)	Jan- Feb 21
Council endorse new rating structure	Feb 21
Submit SR minimum rate application	Feb-21
IT system update and testing	Feb-Mar 21
Draft Revenue Policy including harmonised rates	Feb-Mar 21
Revenue Policy public exhibition	Apr-May 21
Rate structure adopted	May-Jun21
Rates issued	Jul-21

Rates income assumptions

Type of Rates	Amount \$'000	Notes
Ordinary Rates - Residential	\$87,063	Ashfield BA \$727; Leichhardt min \$686; Marrickville min \$710
Ordinary Rates Business	\$36,529	Ashfield min \$820; Leichhardt min \$686; Marrickville ad valorem only
Special rates – Town Centres	\$ 269	Ad Valorem only Marrickville
Special Rates – Environmental Levy	\$ 160	Base Amount \$7.90 Ashfield
Total Rates Income 20/21	\$ 124,021	

For the following analysis:

- Special rates Town Centres former Marrickville Council & Environmental levy for former Ashfield have been included.
- Rates categorisation – business to residential assessment

Rates benefits

- Some ratepayers have more access to, make more use of, and benefit more from different council services
- Principle that the ratepayer benefits are the net cost of services allocated to a rating category
- Benefits model compares the rates paid to potential benefits received for each category
- The allocation methodology has two criteria:
 - Direct beneficiary of the service
 - Council-wide benefit

Rates benefit analysis

Description	Assessment Numbers	Land Value \$'000,000	Rate Income for 2019/20 \$'000	Equivalent contribution to benefits \$'000	Ratio Rates: Benefits
Residential	70,797	\$58,521	\$82,580	\$89,132	0.92
Business General	4,584	\$6,225	\$25,499	\$20,294	1.26
Business Industrial	1,237	\$1,873	\$9,826	\$7,638	1.29
Business Mall	4	\$154	\$942	\$1,785	0.53
Total	76,622	\$66,773	\$118,849	\$118,849	

Proposed harmonised rates structure

Rating category	Sub-category	Description	Notes
Residential		All residential properties	
Business	General	All general business properties	
Business	Industrial	4 industrial categories- Marrickville, St Peters, St Peters North, Camperdown	Marrickville Industrial Sub-categories to remain
Business	Airport		
Business	Mall	Major shopping Centre	Marrickville Metro, Ashfield, Market Place and Norton St

Harmonised rate structure options

Options	Residential	Business	Subcategories	Notional Yield
Option 1	No Subcategories Marrickville Minimum \$710	No Subcategories Ashfield Minimum \$820		No Change- SR application for Minimums
Option 2	No Subcategories Base Amount \$590 @ 49.3%	No Subcategories Base Amount \$700 @10.9%		No Change- SR application for Minimums
Option 3	No Subcategories Marrickville Minimum \$710	Subcategories Leichhardt Minimum \$686	Retain Marrickville Airport & Industrials Malls	No Change- SR application for Minimums
Option 4	No Subcategories Leichhardt Minimum \$686	Subcategories Ashfield Minimum \$820	Retain Marrickville Airport & Industrials Mall	No Change- SR application for Minimums
Option 5 Recommended	No Subcategories Minimum \$850	Subcategories Ashfield Minimum \$820 with \$600k transferred to Malls	Retain Marrickville Airport & Industrials Mall	No Change- SR application for Minimums

Residential general income analysis

Former Councils	Land Value '\$ 000,000	Land Value %	Current Income \$'000	Current Income %	Assessment No	Harmonised Income Option 1 \$'000	Harmonised Income Option 1 %	Harmonised Income Option 5 \$'000	Harmonised Income Option 5 %
Ashfield	12,268 M	21%	23,971 K	27%	16,214	18,792 K	22%	19,179 K	22%
Leichhardt	22,933 M	39%	32,688 K	37%	23,552	32,299 K	37%	31,621 K	36%
Marrickville	23,749 M	40%	30,653 K	35%	33,221	36,221 K	41%	36,512 K	42%
Total	58,950 M	100%	87,312 K	100%	72,988	87,312 K	100%	87,312 K	100%

Residential Summary

Option 1

Median residential property value	Median residential rate
\$ 789,000	\$ 1,033
Upper quartile residential property value	Upper quartile residential rate (75th percentile)
\$1,100,000	\$ 1,444
Minimum Residential rate	Proportion of residential ratepayers paying minimum rate
\$ 710	39%
Average Residential rate	No. of residential assessments with increases over \$3.50 per week
\$ 1,195	18,428

Option 5

Median residential property value	Median residential rate
\$ 789,000	\$ 968
Upper quartile residential property value	Upper quartile residential rate (75th percentile)
\$1,100,000	\$ 1,353
Minimum Residential rate	Proportion of residential ratepayers paying minimum rate
\$ 850	44%
Average Residential rate	No. of residential assessments with increases over \$3.50 per week
\$ 1,195	9,851

Residential change by \$ range Inner West Council

Option 1

Residential \$ Rate Increase Range	General # of Assessment	% of Assessment
Below \$-400	4,479	6.1%
\$-400 to \$-200	9,046	12.4%
\$-200 to \$-75	3,012	4.1%
\$-75 to \$0	16,331	22.4%
\$0 to \$75	20,363	27.9%
\$75 to \$200	2,562	3.5%
\$200 to \$400	15,559	21.3%
Above \$400	1,637	2.2%
	72,988	100%

Option 5

Residential \$ Rate Increase Range	General # of Assessment	% of Assessment
Below \$-400	5,912	8.1%
\$-400 to \$-200	6,703	9.2%
\$-200 to \$-75	17,525	24.0%
\$-75 to \$0	1,654	2.3%
\$0 to \$75	921	1.3%
\$75 to \$200	32,799	44.9%
\$200 to \$400	7,139	9.8%
Above \$400	336	0.5%
	72,988	100%

Residential rate change by \$ range by Former Councils

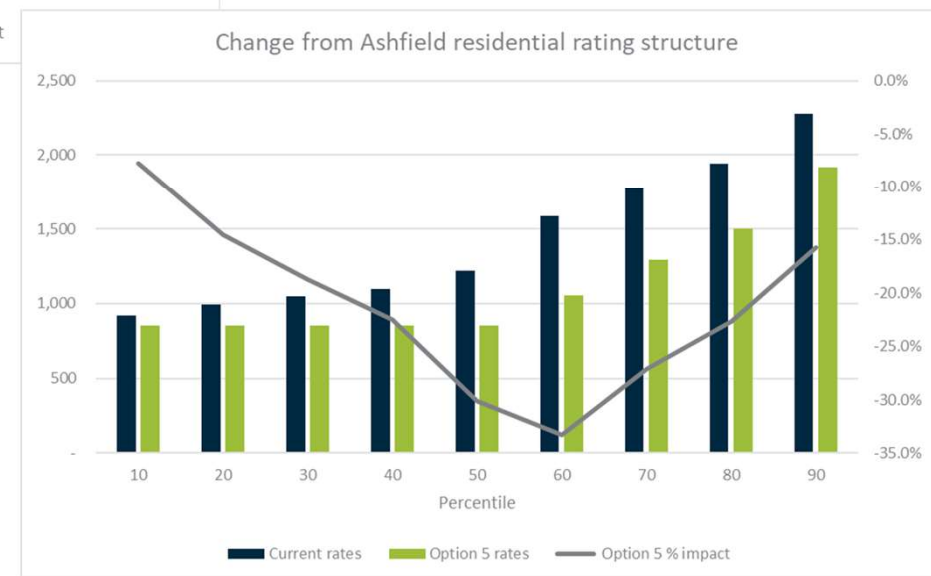
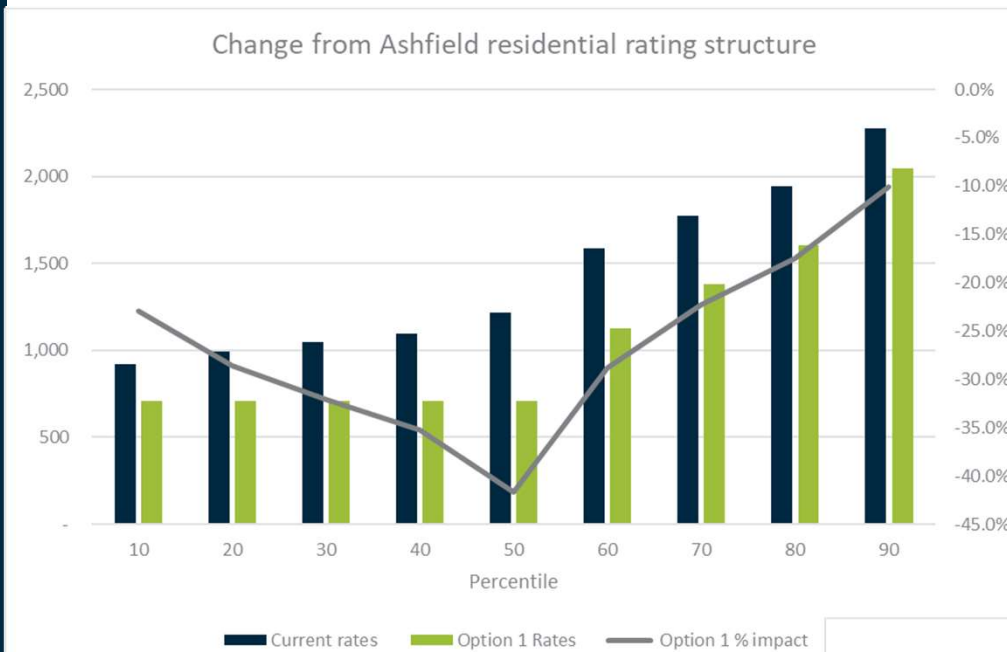
Option1

Former Council	Marrickville		Ashfield		Leichhardt	
\$ Rate Increase Range	# of Assessment	% of Assessment	# of Assessment	% of Assessment	# of Assessment	% of Assessment
Below \$-400	-	0.0%	4,469	27.6%	10	0.0%
\$-400 to \$-200	0	0.0%	9,017	55.6%	29	0.1%
\$-200 to \$-75	0	0.0%	2,423	14.9%	589	2.5%
\$-75 to \$0	1	0.0%	147	0.9%	16,183	68.7%
\$0 to \$75	13,656	41.1%	53	0.3%	6,654	28.3%
\$75 to \$200	2,490	7.5%	41	0.3%	30	0.1%
\$200 to \$400	15,489	46.6%	37	0.2%	33	0.1%
Above \$400	1,584	4.8%	28	0.2%	25	0.1%
	33,221	100%	16,214	100%	23,552	100%

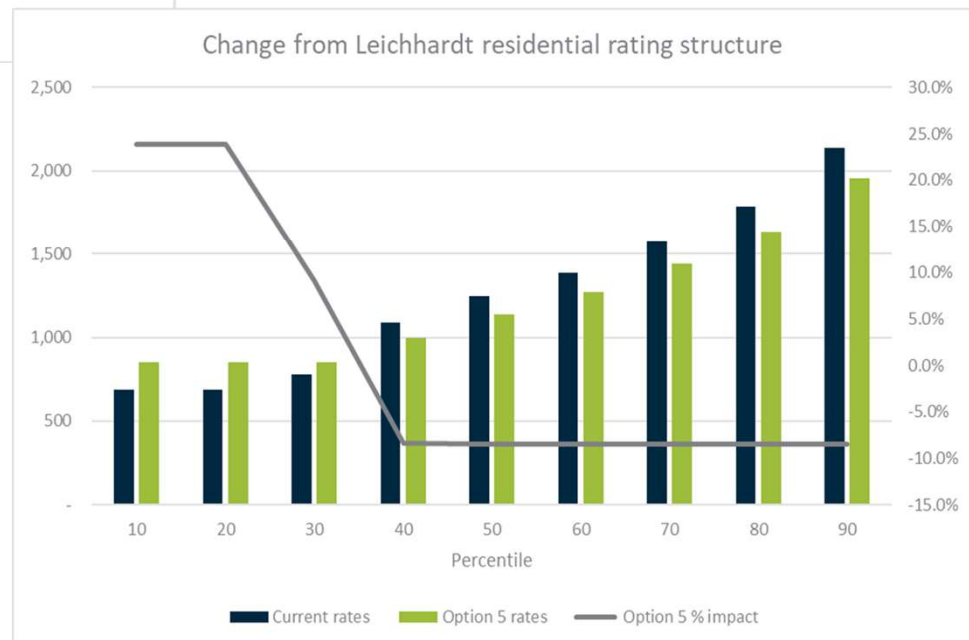
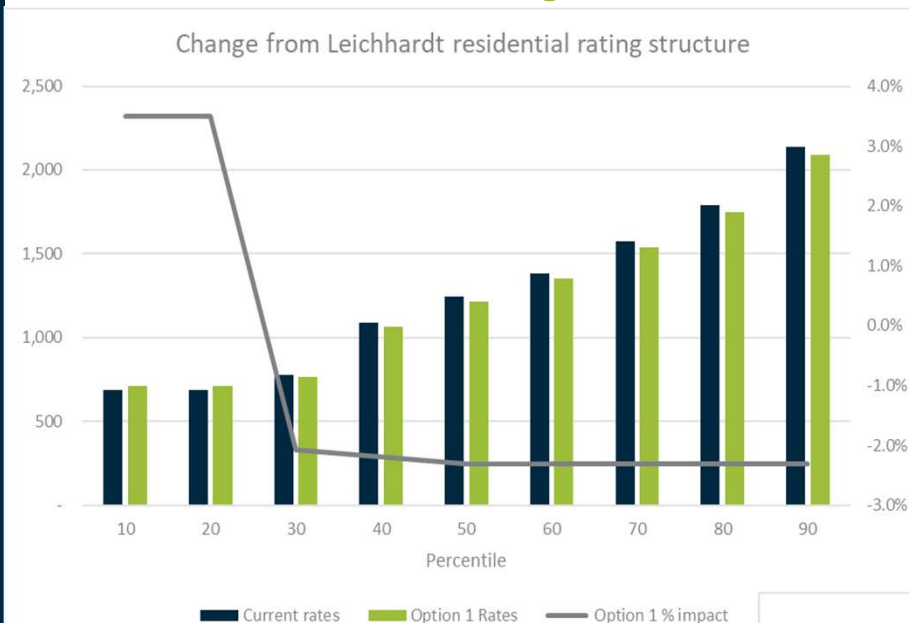
Option5

Former Council	Marrickville		Ashfield		Leichhardt	
\$ Rate Increase Range	# of Assessment	% of Assessment	# of Assessment	% of Assessment	# of Assessment	% of Assessment
Below \$-400	-	0.0%	5,642	34.8%	270	1.1%
\$-400 to \$-200	0	0.0%	5,431	33.5%	1,271	5.4%
\$-200 to \$-75	-	0.0%	3,412	21.0%	14,113	59.9%
\$-75 to \$0	2	0.0%	1,292	8.0%	360	1.5%
\$0 to \$75	1	0.0%	380	2.3%	540	2.3%
\$75 to \$200	25,847	77.8%	23	0.1%	6,929	29.4%
\$200 to \$400	7,098	21.4%	18	0.1%	22	0.1%
Above \$400	273	0.8%	17	0.1%	46	0.2%
	33,221	100%	16,214	100%	23,552	100%

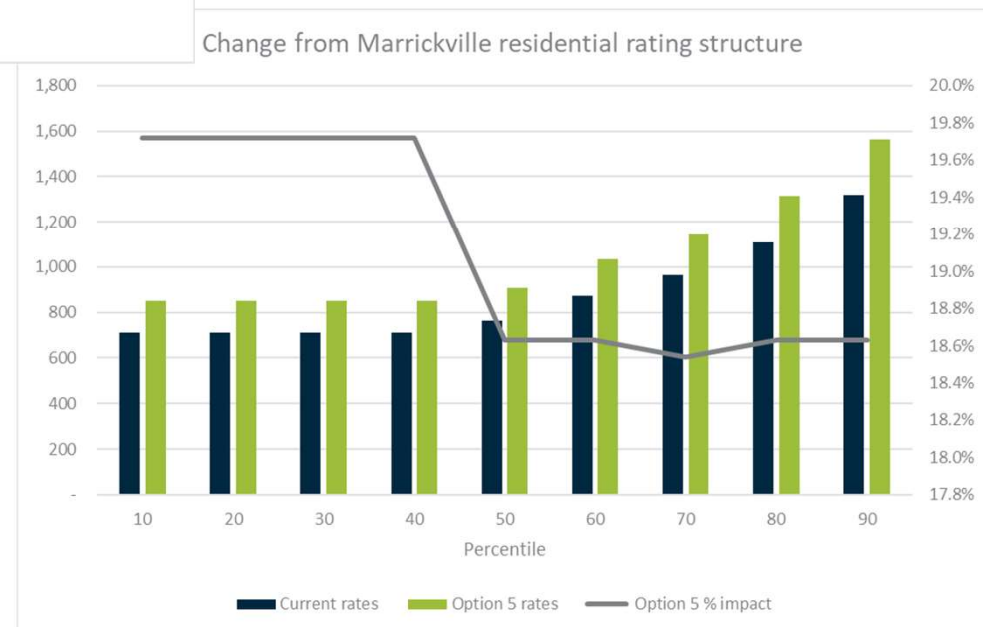
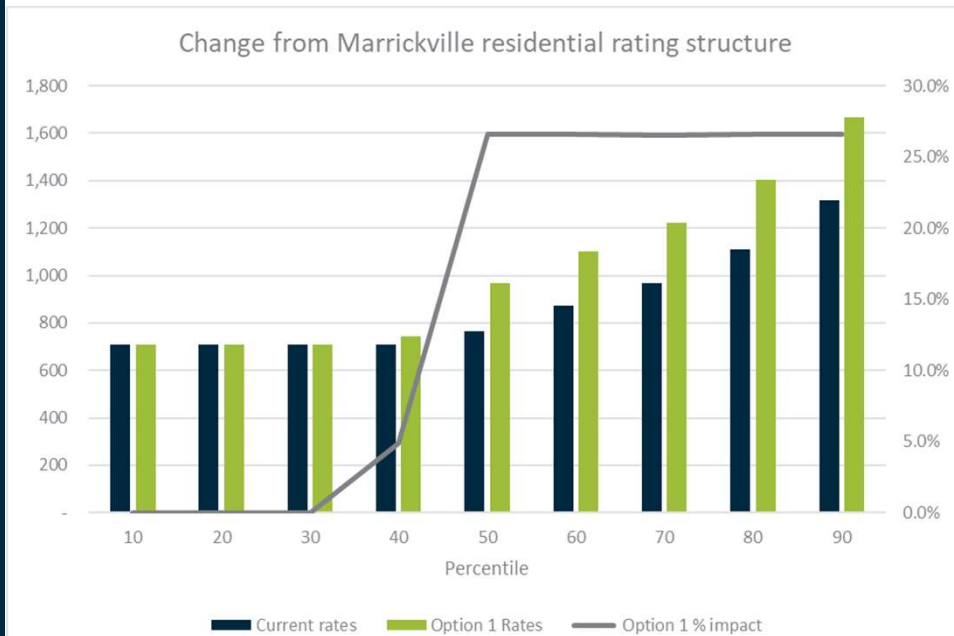
Residential Options 1 & 5 outcomes



Residential Options 1 & 5 outcomes



Residential Options 1 & 5 outcomes



Residential Percentile by Former Councils

	Ashfield	Assessmen	2019 Land values					
		16,214		2020-21 Rates	Option 1 Rates	Yr 1 Change	Option 5 rates	Yr 1 Change
0.1	10th percentile	1,621	191,884	921	710	(211)	850	(71)
0.2	20th percentile	1,621	265,998	994	710	(284)	850	(144)
0.3	30th percentile	1,621	317,364	1,046	710	(336)	850	(196)
0.4	40th percentile	1,621	370,000	1,097	710	(387)	850	(247)
0.5	50th percentile	1,621	500,000	1,217	710	(507)	850	(367)
0.6	60th percentile	1,621	868,000	1,584	1,128	(456)	1,057	(527)
0.7	70th percentile	1,621	1,050,000	1,773	1,378	(395)	1,292	(482)
0.8	80th percentile	1,621	1,230,000	1,942	1,602	(340)	1,501	(441)
0.9	90th percentile	1,621	1,570,000	2,278	2,048	(230)	1,919	(359)
0	Lowest	1,621	1,150	322	710	388	850	528
1	Highest	1,621	13,400,000	13,989	17,592	3,603	16,486	2,496
	Leichhardt	23,552						
0.1	10th percentile	2,355	214,816	686	710	24	850	164
0.2	20th percentile	2,355	345,455	686	710	24	850	164
0.3	30th percentile	2,355	597,442	779	763	(16)	850	71
0.4	40th percentile	2,355	824,000	1,090	1,066	(24)	999	(91)
0.5	50th percentile	2,355	931,000	1,243	1,214	(29)	1,138	(105)
0.6	60th percentile	2,355	1,030,000	1,384	1,352	(32)	1,267	(117)
0.7	70th percentile	2,355	1,180,000	1,572	1,536	(36)	1,439	(133)
0.8	80th percentile	2,355	1,340,000	1,788	1,746	(41)	1,636	(151)
0.9	90th percentile	2,355	1,600,000	2,137	2,087	(50)	1,956	(181)
0	Lowest	2,355	3,750	5	710	705	850	845
1	Highest	2,355	24,200,000	32,525	31,770	(754)	29,773	(2,752)
	Marrickville	33,221						
0.1	10th percentile	3,322	176,878	710	710	-	850	140
0.2	20th percentile	3,322	233,272	710	710	-	850	140
0.3	30th percentile	3,322	303,898	710	710	-	850	140
0.4	40th percentile	3,322	567,000	710	744	34	850	140
0.5	50th percentile	3,322	741,000	765	969	204	908	143
0.6	60th percentile	3,322	840,400	871	1,103	232	1,033	162
0.7	70th percentile	3,322	932,000	967	1,223	256	1,146	179
0.8	80th percentile	3,322	1,070,000	1,110	1,405	295	1,316	207
0.9	90th percentile	3,322	1,270,000	1,317	1,667	350	1,562	245
0	Lowest	3,322	48,323	247	710	463	850	603
1	Highest	3,322	36,500,000	37,853	47,918	10,065	44,905	7,052

All Residential harmonised rates structure

Inner West

Percentile	Assessment	Land values	Current Rates	Option 1 2020-21 Rates	Option 1 change %	Option 5 2020-21 Rates	Option 5 change %
All Residential	72,988						
First Quartile	18,247	301,740	710	710	0.0%	850	19.7%
Median Value		789,000	1,005	1,033	2.8%	968	(3.7%)
Third Quartile	18,247	1,100,000	1,438	1,444	0.4%	1,353	(5.9%)
Maximum Value		36,500,000	37,853	47,918	26.6%	44,905	18.6%

All Residential harmonised rates structure

Inner West

Percentile	Assessment	Land values	2019-20 Rates	Option 1 2020-21 Rates	Option 1 change %	Option 5 2020-21 Rates	Option 5 change %
All Residential	72,988						
10th percentile	7,299	190,237	710	710	0.0%	850	19.7%
20th percentile	7,299	259,470	710	710	0.0%	850	19.7%
30th percentile	7,299	353,074	710	710	0.0%	850	19.7%
40th percentile	7,299	601,200	886	773	(12.7%)	850	(4.0%)
50th percentile	7,299	789,000	1,005	1,033	2.8%	968	(3.7%)
60th percentile	7,299	906,000	1,123	1,187	5.6%	1,112	(1.0%)
70th percentile	7,299	1,030,000	1,312	1,352	3.1%	1,267	(3.4%)
80th percentile	7,299	1,200,000	1,597	1,562	(2.2%)	1,464	(8.3%)
90th percentile	7,299	1,450,000	1,932	1,890	(2.1%)	1,772	(8.3%)
95th percentile	3,649	1,680,000	2,261	2,206	(2.4%)	2,067	(8.6%)
96th percentile	3,649	1,780,000	2,387	2,311	(3.2%)	2,165	(9.3%)
97th percentile	3,649	1,890,000	2,513	2,468	(1.8%)	2,313	(8.0%)
98th percentile	3,649	2,070,000	2,713	2,704	(0.3%)	2,534	(6.6%)
99th percentile	3,649	2,660,000	3,360	3,479	3.5%	3,260	(3.0%)
100th percentile	3,649	36,500,000	37,853	47,918	26.6%	44,905	18.6%

Residential harmonised rates structure

Five options were developed and evaluated. From the outcome analysis it is evident that land value variations between former councils and the 2019 revaluation, significantly impact on all proposed rating structures.

Considering these implications and

- given Council's property profile and continued growth in apartments
- the need to maintain a similar level of rating equity across all property forms and value
- having a simple and easy to understand rating structure
- maximising future rates revenue from growth

From the analysis there are 9800 assessments that will attract an increase greater than \$3.5 week under option 5 whereas under option 1 there are 18,400: Under Option 5 former Ashfield pays a greater portion and so does Marrickville: varying redistribution impacts as shown in the percentile analysis table above

Council to determine minimum amount between \$710 and \$850

Business Mall subcategory

Currently Marrickville Metro is the only Mall subcategory with a proposal to include Ashfield, Market Place and Norton St Malls.

Current Mall Rates					
Former Council	Land Value 2019	Ad valorem	Current rates	% Property Value	% of Rates
Ashfield	51,516,845	0.3739900	192,668	33%	20%
Leichhardt	32,800,000	0.5284400	173,328	21%	18%
Leichhardt	34,700,000	0.5284400	183,369	23%	19%
Marrickville	35,200,000	1.1874488	417,982	23%	43%
	154,216,845		967,347		

From discussions with Council there is a desire to transfer rates income from Business General to Business Mall. Analysed and presented amounts of \$200k, \$400K, \$500K, \$600K & \$800k. There is a view that an amount of \$600k should be transferred. Following is the impact analysis of the \$600k transfer

Business Mall subcategory

\$ 600 k from Business General to Mall allocated based on % Property

Former Council	Land Value 2019	Ad Valorem	Property Value	% % of Rates	Rate Income	\$ Diff with Current
Ashfield	51,516,845	0.763053	33%	25%	393,101	200,433
Leichhardt	32,800,000	0.917503	21%	19%	300,941	127,613
Leichhardt	34,700,000	0.917503	23%	20%	318,373	135,005
Marrickville	35,200,000	1.576511	23%	35%	554,932	136,950
	154,216,845				1,567,347	600,000

Business General Income analysis

Former Councils	Land Value '\$ 000,000	Land Value %	Current Income \$'000	Current Income %	Assessment No	Harmonised Income Option 4 \$'000	Harmonised Income Option 4 %	Harmonised Income Option 5 \$'000	Harmonised Income Option 5 %
Ashfield	1,340 M	22%	4,921 K	20%	830	5,364 K	22%	5,236 K	21%
Leichhardt	2,491 M	40%	12,580 K	50%	1,708	9,895 K	40%	9,658 K	40%
Marrickville	2,394 M	38%	7,544 K	30%	1,917	9,786 K	40%	9,551 K	39%
Total	6,225 M	100%	25,045 K	100%	4,454	25,045 K	0%	24,445 K	100%

Business Summary

Option 4

Median business property value	Median business rate
\$ 888,000	\$ 3,569
Upper quartile business property value	Upper quartile business rate (75th percentile)
\$1,430,000	\$ 6,241
Minimum business rate	Proportion of ratepayers paying minimum
\$ 820	14%
Average business rate	Number of business assessments increasing more than 10.0%
\$ 6,269	2,290

Option 5

Median business property value	Median business rate
\$ 888,000	\$ 3,237
Upper quartile business property value	Upper quartile business rate (75th percentile)
\$1,430,000	\$ 5,363
Minimum business rate	Proportion of ratepayers paying minimum rate
\$ 820	14%
Average business rate	Number of business assessments increasing more than 10.0%
\$ 6,168	2,284

Business General rate change by \$ range Inner West

Option4

Business General		
\$ Rate Increase Range	# of Assessment	% of Assessment
Below \$-800	1,063	23.9%
\$-800 to \$-400	275	6.2%
\$-400 to \$-200	124	2.8%
\$-200 to \$0	213	4.8%
\$0 to \$200	530	11.9%
\$200 to \$400	411	9.2%
\$400 to \$800	1,012	22.7%
Above \$800	826	18.5%
	4,454	100%

Option5

Business General		
\$ Rate Increase Range	# of Assessment	% of Assessment
Below \$-800	1,095	24.6%
\$-800 to \$-400	265	5.9%
\$-400 to \$-200	103	2.3%
\$-200 to \$0	220	4.9%
\$0 to \$200	720	16.2%
\$200 to \$400	342	7.7%
\$400 to \$800	1,067	24.0%
Above \$800	641	14.4%
	4,454	100%

Business rate change by \$ range Former Council

Option4

Former Council	Marrickville		Ashfield		Leichhardt	
\$ Rate Increase Range	# of Assessment	% of Assessment	# of Assessment	% of Assessment	# of Assessment	% of Assessment
Below \$-800	0	0.0%	-	0.0%	1,062	62.2%
\$-800 to \$-400	1	0.1%	1	0.1%	273	16.0%
\$-400 to \$-200	1	0.0%	-	0.0%	123	7.2%
\$-200 to \$0	1	0.0%	157	18.9%	56	3.3%
\$0 to \$200	63	3.3%	275	33.1%	192	11.3%
\$200 to \$400	212	11.0%	199	24.0%	1	0.0%
\$400 to \$800	902	47.1%	110	13.2%	-	0.0%
Above \$800	737	38.5%	88	10.6%	-	0.0%
	1,917	100%	830	100%	1,708	100%

Option5

Former Council	Marrickville		Ashfield		Leichhardt	
\$ Rate Increase Range	# of Assessment	% of Assessment	# of Assessment	% of Assessment	# of Assessment	% of Assessment
Below \$-800	0	0.0%	-	0.0%	1,094	64.1%
\$-800 to \$-400	1	0.1%	1	0.1%	263	15.4%
\$-400 to \$-200	1	0.0%	-	0.0%	103	6.0%
\$-200 to \$0	1	0.1%	165	19.8%	55	3.2%
\$0 to \$200	97	5.1%	431	52.0%	192	11.3%
\$200 to \$400	222	11.6%	120	14.4%	1	0.0%
\$400 to \$800	985	51.4%	82	9.9%	-	0.0%
Above \$800	609	31.8%	32	3.8%	-	0.0%
	1,917	100%	830	100%	1,708	100%

Business General harmonised rates structure

Inner West

Percentile	Assessment	Land values	2019-20 Rates	Option 4 2020-21 Rates	Option 4 change %	Option 5 2020-21 Rates	Option 5 change %
All Business	4,454						
First Quartile	1,114	454,800	1,749	1,739	(0.5%)	1,586	(9.3%)
Median Value		888,000	3,168	3,569	12.7%	3,237	2.2%
Third Quartile	1,114	1,430,000	5,823	6,241	7.2%	5,363	(7.9%)
Maximum Value		56,200,000	296,983	417,982	40.7%	218,397	(26.5%)

Business General harmonised rates structure Inner West

Percentile	Assessment	Land values	2019-20 Rates	Option 4 2020-21 Rates	Option 4 change %	Option 5 2020-21 Rates	Option 5 change %
All Business	4,454						
10th percentile	445	146,904	725	820	13.2%	820	13.2%
20th percentile	445	318,100	1,239	1,258	1.5%	1,167	(5.9%)
30th percentile	445	605,000	2,119	2,240	5.7%	2,115	(0.2%)
40th percentile	445	752,800	2,618	2,952	12.7%	2,750	5.0%
50th percentile	445	888,000	3,168	3,569	12.7%	3,237	2.2%
60th percentile	445	1,050,000	3,874	4,342	12.1%	3,882	0.2%
70th percentile	445	1,259,700	5,003	5,410	8.1%	4,663	(6.8%)
80th percentile	445	1,690,000	6,752	7,370	9.1%	6,257	(7.3%)
90th percentile	445	2,708,768	11,351	12,033	6.0%	10,298	(9.3%)
95th percentile	223	4,080,000	16,937	18,070	6.7%	15,847	(6.4%)
96th percentile	223	4,650,000	19,497	20,256	3.9%	18,031	(7.5%)
97th percentile	223	5,238,800	22,084	24,443	10.7%	20,283	(8.2%)
98th percentile	223	6,607,600	27,464	30,324	10.4%	25,454	(7.3%)
99th percentile	223	8,977,600	39,354	43,023	9.3%	34,887	(11.3%)
100th percentile	223	56,200,000	296,983	417,982	40.7%	218,397	(26.5%)

Business General harmonised rates structure

- Five options were developed and evaluated, with a preference of a minimum structure due to
 - Maintaining a similar level of rating equity across all property forms and value
 - Having a simple and easy to understand rating structure
 - Maximising future rates revenue from growth
- Consider the transfer of \$600k from Business General to Business Malls has been included
- Preferred option should have the least impact on each former council and maintains key rating principles of equity and simplicity.
- The preferred Business General harmonised rates structure is to

Use former Ashfield Council minimum of \$820 and transfer \$600k to Business Mall

Business Mall harmonised rate structure

Business Malls

- Ashfield, Market Place and Norton Street malls have been move from Business Ordinary.
- Level of rates income for Malls has been increased by \$600k with a minimum of \$820.

\$ 600 k from Business General to Mall allocated based on % Property						
Former Council	Land Value 2019	Ad Valorem	% Property Value % of Rates		Rate Income	\$ Diff with Current
Ashfield	51,516,845	0.763053	33%	25%	393,101	200,433
Leichhardt	32,800,000	0.917503	21%	19%	300,941	127,613
Leichhardt	34,700,000	0.917503	23%	20%	318,373	135,005
Marrickville	35,200,000	1.576511	23%	35%	554,932	136,950
	154,216,845				1,567,347	600,000

Transfer \$600k from Business General

Business Industrial and Airport

Business Airport

- The only change to the current structure for harmonisation is a minimum of \$820, therefore the current rate structure and amount of rates levied will not change.

Business Industrial

- Of the 1279 assessments 186 would attract a minimum of \$820, as the majority are strata's. For those minimum assessments Land Values range from \$2,200 to \$181,900.

For Business Industrial no change to current structure, with a future review on the introduction of a minimum rate of \$820.

Use \$820 minimum for Airport subcategory only

Next steps for Council

- Decide on preferred rating structure and minimums
- Decide on reallocation of rates from Business General to Business Malls

Communications

- Inform/consult the community on preferred option

Comments or questions?

Thank You!

