Independent Pricing and Regulatory Tribunal
New South Wales

SPECIAL VARIATION & MINIMUM RATE APPLICATION
CANTERBURY BANKSTOWN COUNCIL
FROM 2021-22

Final Report

May 2021

Disclaimer

ISBN 978-1-76049-489-6

The Independent Pricing and Regulatory Tribunal (IPART)

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Tribunal Members

The Tribunal members for this review are:

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1 Executive Summary

Canterbury Bankstown Council's (the council) operating results, excluding grants, have been in deficit and will continue to decline without additional income. The council is facing a shortfall in the funding that is needed to maintain its infrastructure on an ongoing basis. Additionally, through its strategic planning process, the council has identified additional services and infrastructure that the community supports it delivering.

The council has applied to IPART to permanently increase its general income, through a special variation (SV) of 2.0%, 7.8%, 7.8%, 7.4% and 7.1% (inclusive of the rate peg) starting in 2021-22 and ending in 2025-26. The council has also applied to increase its minimum rates (MR) to $728.18 for residential ratepayers and $794.27 for business ratepayers in 2021-22, with subsequent increases to $850 and $990 for both residential and business ratepayers in 2022-23 and 2023-24 respectively.

IPART has approved the council's application for the SV and MR in full.

Impact on council's income

Purpose

- Improve financial sustainability
- Provide new and enhanced service levels
- Implement Leisure and Aquatic Strategic Plan

$324.3m

Additional income above the rate peg over the next ten years

The additional revenue will allow it to improve its financial sustainability and enhance the level of service it provides to ratepayers, while ensuring its assets such as roads and community facilities are adequately maintained. The income from the SV will also be used to deliver the council's Leisure and Aquatic Strategic Plan which is supported by its ratepayers.

Coinciding with council's application is the rates harmonisation process, where a uniform rating system for all ratepayers will be adopted across the former Canterbury and Bankstown council areas from 1 July 2021. The SV will be applied across all rating categories using the harmonised rates, meaning the percentage increases experienced by ratepayers will not be uniform.

Impact on rates

		2021-22	2022-23	2023-24	2024-25	2025-26
Residential	Bankstown	+2.0%	+4.2%	+7.3%	+6.0%	+5.7%
	Canterbury	+2.0%	+8.0%	+10.2%	+8.0%	+7.8%
Business	Bankstown	+2.0%	+9.4%	+4.1%	+8.8%	+5.6%
	Canterbury	+2.0%	+16.2%	+8.0%	+8.8%	+13.3%

We have assessed the council's MR application against Guidelines issued by the Office of Local Government (OLG) and determined that it met the criteria.

Rationale for increasing minimum rates

The council's MR increase will create a fairer and more equitable rating structure.

Impact on ratepayers

The council has considered the impact of the MR increase through comparisons with other councils and has concluded that the impact on ratepayers is reasonable

Consultation to obtain community views

The council has appropriately communicated the proposed MR increase in its IP&R documents and community consultation. It has also used a wide range of consultation methods to communicate with ratepayers.

We assessed the council's SV application against the Guidelines issued by the OLG and determined that it met the criteria.

Demonstrated

Financial Need

The council has demonstrated its financial need for the SV, as it will not be able to meet OLG financial benchmarks and be financially sustainable in the long term without it. The council has provided evidence that the community supports the additional services and proposed infrastructure upgrades the SV is funding.

Demonstrated

Community awareness

The council used a wide range of consultation methods to communicate the full cumulative impact of the proposed SV for different ratepayers.

Largely demonstrated

Reasonable impact on ratepayers

The council notes that the impact on some ratepayers will be considerable, and has taken affordability into account by setting the SV in the first year to the rate peg only. The impact on ratepayers needs to be balanced against the council's ongoing need to fund the services its ratepayers expect.

Demonstrated

IP&R documentation

The council has appropriately exhibited and adopted its IP&R documents.

Demonstrated

Productivity Improvement and Cost Containment

The council has implemented a range of one-off and ongoing productivity and cost containment strategies.

2 Canterbury Bankstown Council's application

The council has applied for an SV to increase its general income by a cumulative 36.34% over 5 years from 2021-22 to 2025-26, which is inclusive of the rate peg. The proposed SV varies across the period, with annual increases of 2.0%, 7.8%, 7.8%, 7.4% and 7.1% in years 1 through 5. The application is for an increase that remains permanently in the rate base. The council indicated that the increase would be applied across all rating categories.[i]

The council has also applied to increase its MR to $728.18 for residential ratepayers and $794.27 for business ratepayers in 2021-22, with subsequent increases to $850 and $990 for both residential and business ratepayers in 2022-23 and 2023-24. Minimum rates ensure that all ratepayers contribute a minimum amount towards funding the activities and services of the council.

This year, 2021, is the first year that councils that were amalgamated in 2016 can apply for a special variation, due to a NSW Government policy to freeze rates for four years (subsequently extended for another year). All merged councils must also harmonise their rating structure by July 2021. Rates harmonisation is the process of setting and adopting one rating system for all ratepayers. While rates harmonisation does not result in more income for councils, rates for different rating categories may increase or decrease differently.[1]

The council will undertake rates harmonisation to be effective from 1 July 2021.[ii]

2.1 Purpose

The purpose of the proposed SV and MR increase is to:

- improve long term financial sustainability, in particular through reducing unfunded asset renewals
- provide enhanced service levels
- implement the council's Leisure and Aquatic Strategic Plan
- commence the council's rates harmonisation process under the One Rate proposal.[iii]

1 This is because the aim of rate harmonisation is to establish an equitable rate path so that rates for each rating category or sub category are calculated the same way across the new merged council.

2.2 Need

The council identified the need to apply for an SV due to the deterioration in the condition of its $4.8 billion asset portfolio. The council currently has a shortfall of $31 million in the funding that is required to maintain its infrastructure on an annual basis.[iv]

This is in part due to the former Canterbury Council understating its asset renewal requirements by an estimated $53 million and depreciation expense by around $6 million per annum, and not disclosing around $123 million worth of assets.[v] The council has also realised an annual loss of $5 million through the former Canterbury Council's Infrastructure Levy ending in 2018-19.[vi]

2.3 Significance of proposal

The council's application would mean a cumulative increase in its Permissible General Income (PGI) of $324.3 million above what the assumed rate peg would deliver over 10 years. This represents 14.0% of the council's total cumulative PGI over the 10 year period (see Table 2.1).

Table 2.1 PGI of Canterbury Bankstown Council from 2021-22 to 2030-31 under the proposed SV

Cumulative increase in PGI above rate peg ($m)	Total PGI over 10 years ($m)	SV revenue as a percentage of total PGI (%)
324.3	2,317.3	14.0

Note: The above information is correct at the time of the council's application 8 February 2021.
Source: Canterbury Bankstown Council, *Application Part A*, Worksheets 1 and 4 and IPART calculations.

The council would fund the proposed SV by increasing rates for all rating categories including the minimum amount of rates by the annual SV percentage increase.

The overall impact of the proposed SV on ratepayers, taking into account the concurrent rates harmonisation, would be a cumulative increase of:[vii]

- 27.9% to residential ratepayers and 36.3% to business ratepayers of the former Bankstown Council
- 41.3% to residential ratepayers and 57.9% to business ratepayers of the former Canterbury Council

The overall impact of the proposed MR increase on those ratepayers paying minimum rates would be a cumulative increase of:[viii]

- 63.3% to residential ratepayers and 33.6% to business ratepayers of the former Bankstown Council
- 45.7% to residential and business ratepayers of the former Canterbury Council

The above impact on MR ratepayers will mainly affect ratepayers who own strata-titled properties (apartments or units) and will reduce the gap in rates when compared to torrens-titled properties (houses).

The council stated that the proposed rates are relatively affordable, based on consideration of the SEIFA ranking, Index of Relative Socio-Economic Disadvantage (IRSD), Index of Relative Socio-Economic Advantage and Disadvantage (IRSAD), Index of Economic Resources (IER) and the Index of Education and Occupation (IEO). See Section 4.4 for further discussion.

2.4 Resolution by the council to apply for a special variation

The council resolved to apply for the proposed SV and MR increase on 4 February 2021. All councillors were in favour of the resolution.[ix]

3 IPART's approach to assessment and community engagement

IPART assesses special variation applications from councils under delegation from the Minister for Local Government, under s506, s508 and s508A of the *Local Government Act 1993* (the Act). IPART also assesses minimum rate increase applications from councils under delegation from the Minister for Local Government, under s548 of the Act. As part of our process we accept written submissions from interested stakeholders from the time councils first notify us of their intention to apply for a special variation, until three weeks after applications have been received.

3.1 Criteria for assessing council applications

The criteria for assessing applications are set by the OLG in special variation and minimum rate guidelines. The guidelines are intended to help councils in preparing an application to increase general income, by means of a special variation or a minimum rate increase.

A special variation allows a council to increase its general income above the rate peg. Special variations can be either for a single year or over multiple years and can be temporary or permanent.

Section 548 of the Act allows a council to specify a minimum amount of a rate to be levied on each parcel of land. Any council considering increasing its minimum rates above the statutory limit must make an application to do so.

IPART applies the criteria in the guidelines to assess councils' applications. In brief, the six criteria for a special variation include:

- the need for, and purpose of a different revenue path for the council's General Fund must be clearly set out and explained in the council's IP&R documents
- there must be evidence that the community is aware of the need for and extent of a proposed rate rise
- the impact on affected ratepayers must be reasonable
- the relevant IP&R documents must be exhibited (where required) approved and adopted by the council
- the IP&R documents or the council's application must explain and quantify the productivity improvements and cost containment strategies of the council
- any other matter that IPART considers relevant.

The three criteria for minimum rate applications include:

- the rationale for increasing minimum rates above the statutory amount should be explained
- the impact on ratepayers must be considered
- the council must consult the community to obtain its views.

More detail on the criteria is available in Appendix A and the OLG Guidelines. We also provide comprehensive guidance on our approach to assessing special variation and minimum rate applications in fact sheets and information papers available on our website. Additionally, we publish information for councils on our expectations of how to engage with their community on any proposed rate increases above the rate peg.

3.2 Stakeholder submissions to IPART

In the first instance, we expect councils to be responsible for engaging with their communities so that ratepayers are fully aware of any proposed special variations or minimum rate increases and the impact on them. This is one of the criteria we use to assess council applications as outlined above.

However, as part of our process, we also accept written submissions directly from stakeholders. Our submission portal is accessible to stakeholders from the time councils first notify us of their intention to apply for a special variation, until three weeks after applications have been received.

We consider all stakeholder submissions as well as all information received from councils in making our final decision on each special variation application.

3.2.1 Summary of submissions received by IPART for Canterbury Bankstown Council

IPART received 397 submissions, including a petition, during the consultation period between 1 December 2020 and 21 March 2021 on Canterbury Bankstown Council's application. Of these 397 submissions, there were 396 opposing and 1 supporting the proposed SV increase. Furthermore, 3 of these submission were received from Members of Parliament.

Key issues and views raised in these submissions were:

- the rate increase is unreasonable given the current economic situation and the pandemic
- concerns over affordability of the SV due to increased unemployment and the low socio-economic status of the community
- the council needs to improve the financial management of its income and expenditure
- the lack of services provided by the council, such as road maintenance and street cleaning
- the poor timing and lack of community consultation

- the cumulative impact of the proposed SV is quite significant
- the lack of endorsement from the community for the proposed SV
- the increase is not affordable, especially for pensioners
- rate increases are high in comparison with other councils
- the council should seek alternative cost containment options rather than seeking a SV
- issues over the impact of rates harmonisation.

Some submissions also suggested that the level of construction and development in the LGA would result in significant increases to the council's general income and therefore an increase to rates should not be needed. The rate peg limits the annual increase to council income to the change in the cost of providing existing services and does not explicitly allow for funding new or additional services or for providing services to a larger population. Furthermore, infill development, such as duplexes and apartments, often has a lower rate per property compared to standalone houses as their rates are based on the unimproved land value of the property shared between multiple dwellings. The council's minimum rate application goes toward address this inequality.

See Chapter 4 for further discussion on submissions to IPART and how they have been considered as part of our assessment of the council's application.

4 IPART's special variation assessment

To make our decision, we assessed the council's application against the criteria in the OLG Guidelines as outlined in Chapter 3.

While the criteria for all types of SVs are the same, the OLG Guidelines state that the extent of evidence required for assessment of the criteria can alter with the scale and permanence of the SV proposed.

4.1 Our special variation assessment

Overall, we found that the council's application met the criteria in the OLG Special Variation Guidelines, and we have decided to approve the council's application in full.

We found that the council has clearly demonstrated its financial need for the proposed SV and clearly communicated this in its IP&R documents as required under Criterion 1 of the OLG Guidelines. These documents include its Delivery Program, Long Term Financial Plan (LTFP) and Asset Management Plan.

The purpose and need for the proposed SV is to improve the council's financial sustainability, enhance service levels, and implement its Leisure and Aquatic Strategy. The council demonstrated in its IP&R documents that it will achieve a better financial position under the proposed SV scenario in comparison to the baseline scenario.

As required under Criterion 2, the council has engaged with the community to communicate the extent of the rate rise in dollar terms for each ratepayer category. The council has also used a variety of methods to consult with the community.

Criterion 3 considers the impact on affected ratepayers. While the impact on some ratepayers is significant, the council has considered the affordability of the proposed SV. The council has considered factors such as its SEIFA ranking, Index of Relative Socio-Economic Advantage and Disadvantage (IRSAD), Index of Economic Resources (IER), household incomes and average rates compared to other councils. The impact on rates must be balanced against the impact of the deterioration in the council's assets such as roads, and on service levels if the council's financial sustainability is not improved.

The council also appropriately exhibited and subsequently adopted its IP&R documents as required under Criterion 4 of the OLG Guidelines.

Criterion 5 requires the council to consider productivity improvements and other cost containment strategies. The council reported that it has achieved savings of approximately $7.6 million through back office efficiencies, materials and contracts and amendments to councillor remuneration.

The rest of this chapter will outline further details on the above criteria.

4.2 Financial need for the proposed special variation

This criterion examines the council's financial need for the proposed SV. The OLG Guidelines require the council to clearly articulate and identify the need for, and purpose of, a different revenue path for its General Fund. This includes that:

- the council sets out the need for and purpose of the proposed SV in its IP&R documents, including its Delivery Program, LTFP and Asset Management Plan where appropriate
- relevant IP&R documents should canvas alternatives to the rate rise
- the council may include evidence of community need/desire for service levels or projects.

IPART uses information provided by the council in its application to assess the impact of the proposed SV on the council's financial performance and financial position, namely the council's forecast operating performance and net cash (debt).

Where relevant, IPART also uses information provided by the council to assess its need for the proposed SV to reduce its infrastructure backlog and/or increase its infrastructure renewals, by assessing the council's infrastructure backlog ratio and infrastructure renewals ratio.

Generally, we would consider a council with a consistent operating surplus to be financially sustainable. The council's forecast operating result shows whether the income it receives covers its operating expenses each year. We consider that the most appropriate indicator of operating performance is the Operating Performance Ratio (OPR).

The OPR measures whether a council's income funds its costs and is defined as:

$$OPR[2] = \frac{Total\ operating\ revenue - operating\ expenses}{Total\ operating\ revenue}$$

Based on the council's application and LTFP (where appropriate), we calculate forecasts under three scenarios:

1. **The Proposed SV Scenario –** which includes the council's proposed SV revenue and expenditure.
2. **The Baseline Scenario** – which shows the impact on the council's operating and infrastructure assets' performance without the proposed SV revenue and expenditure.
3. **Baseline with SV expenditure Scenario** – which includes the council's full expenses from its proposed SV, without the additional revenue from the proposed SV. This scenario is a guide to the council's financial sustainability if it still went ahead with its full expenditure program included in its application, but could only increase general income by the rate peg percentage.

2 Expenditure and revenue in the OPR measure are exclusive of capital grants and contributions, and net of gain/loss on sales of assets.

We consider that a council's average OPR over the next 10 years should be 0% or greater, as this is typically the minimum level needed to demonstrate financial sustainability. An OPR consistently well above 0% would bring into question the financial need for an SV. We note that other factors, such as the level of borrowings and/or investment in infrastructure, may affect the need for a council to have a higher or lower operating result than the OLG breakeven benchmark.

While the OPR is a good guide to a council's ongoing financial performance (or sustainability), we may also consider a council's financial position, and in particular its net cash (or net debt).[3] This may inform us as to whether the council has significant cash reserves that could be used to fund the purpose of the proposed SV. We examined the council's net cash position in 2020-21 and as a percentage of income to gauge its financial position.

We note the OPR is a measure of the council's financial performance, measuring how well a council contains its operating expenditure within its operating income. As the ratio measures net operating results against operating revenue, it does not include capital expenditure. That is, a positive ratio indicates operating surplus available for capital expenditure. Therefore, we also further consider the impact of the proposed SV on the council's infrastructure ratios, where relevant to the council's application.

Where relevant, we consider the council's infrastructure backlog ratio, which measures the council's backlog of assets against its total written down value of its infrastructure. The benchmark set by OLG for the ratio is less than 2%.[x] It is defined as:

$$Infrastructure\ backlog\ ratio = \frac{Estimated\ cost\ to\ bring\ assets\ to\ a\ satisfactory\ standard}{Carrying\ value\ of\ infrastructure\ assets}$$

where the carrying value of infrastructure assets is the historical cost less accumulated depreciation.

4.2.1 Assessment of the council's IP&R documents and alternatives to the rate rise

Our assessment found that the council's relevant IP&R documents clearly set out the need for and purpose of the special variation. This includes the following:

- the Delivery Program clearly outlined the need for an SV to address the maintenance and renewal of assets and the enhancement of service levels[xi]
- the LTFP outlined the need for an SV as a part of the council's revenue strategy to support its ongoing services[xii]
- the Asset Management Plan identifies the need for addressing the infrastructure backlog, which is calculated to be about $40 million per annum.[xiii]

3 Net debt is the book value of the Council's gross debt less any cash and cash-like assets on the balance sheet. Net debt shows how much debt the Council has on its balance sheet if it pays all its debt obligations with its existing cash balances. Over time, a change in net debt is an indicator of the Council's financial performance and sustainability on a cash basis.

The council has also considered alternative options to applying for the special variation. This includes other alternatives such as a review of annual fees and charges, grants funding, investments, debt and borrowings.

As a result, the council decided that the proposed SV would provide the most feasible funding source. This is because the council's infrastructure backlog and financial sustainability would otherwise continue to deteriorate over time.

4.2.2 Assessment of the impact of the proposed SV on the council's financial performance and position

The financial need for the proposed SV originated from the former Canterbury and Bankstown Councils. The former Canterbury Council also relied on funding from an Infrastructure Renewal Levy worth around $5 million per annum, which expired in 2018-19. The former Bankstown Council had foreshadowed needing an extra $17 million per annum to address its asset backlog, such as through additional SV funding.[xiv] Both the former Canterbury and Bankstown Councils had already realised operational efficiencies of around $7 million and $4.2 million per annum prior to amalgamation respectively.[xv]

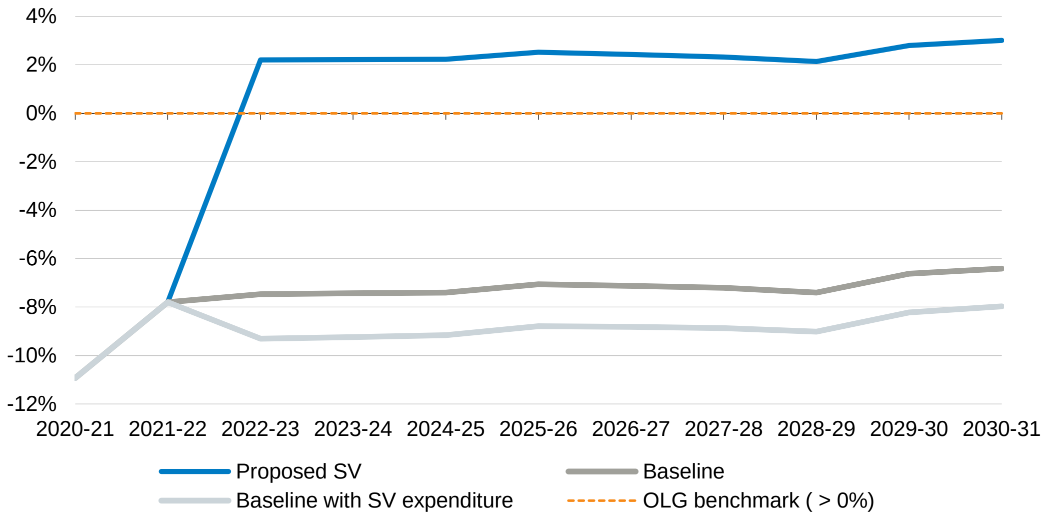
Furthermore, the former Canterbury Council had understated its asset renewal requirements by an estimated $53 million, depreciation expense by around $6 million per annum and did not disclose around $123 million worth of assets.[xvi] It had also applied for an SV in 2014-15 that expired in 2017-18, which resulted in reduced rates of $138, on average, per rate payer across the former Canterbury area.[xvii]

Under the Proposed SV Scenario, the council forecasts improving operating performance, reaching 3.0% by 2030-31. The cumulative value of the forecast operating surplus (before capital grants and contributions) is $68.8 million to 2030-31. The SV revenue would allow the council to deliver its proposed levels of service, improve its financial sustainability and fund infrastructure maintenance and renewal.

The Baseline Scenario in Figure 4.1 and Table 4.1 shows the impact on the OPR if there was no proposed SV but with continued business as usual expenditure. There is an evident deficit that is consistent until 2030-31. The cumulative value of these forecast operating deficits is -$272.3 million (before capital grants and contributions) to 2030-31 under this scenario.

The Baseline Scenario with SV expenditure shows the impact on the OPR if there were no SV revenue, but with the proposed additional SV expenditure. This scenario results in an increased deficit, with the OPR trending further negative.

Figure 4.1 Canterbury Bankstown Council's Operating Performance Ratio (%) excluding capital grants and contributions (2021-22 to 2030-31)



Data source: Canterbury Bankstown Council, *Application Part A*, Worksheet 8 and IPART calculations.

Table 4.1 Projected operating performance ratio (%) for Canterbury Bankstown Council's proposed SV application (2021-22 to 2030-31)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Proposed SV	-7.8	2.2	2.2	2.2	2.5	2.4	2.3	2.1	2.8	3.0
Baseline	-7.8	-7.5	-7.4	-7.4	-7.1	-7.1	-7.2	-7.4	-6.6	-6.4
Baseline with SV expenditure	-7.8	-9.3	-9.2	-9.2	-8.8	-8.8	-8.9	-9.0	-8.2	-8.0

Source: IPART calculations based on Canterbury Bankstown Council, *Application Part A*, Worksheet 8.

Our analysis indicates that over the next five years, the council's financial performance under each scenario results in an average OPR of:

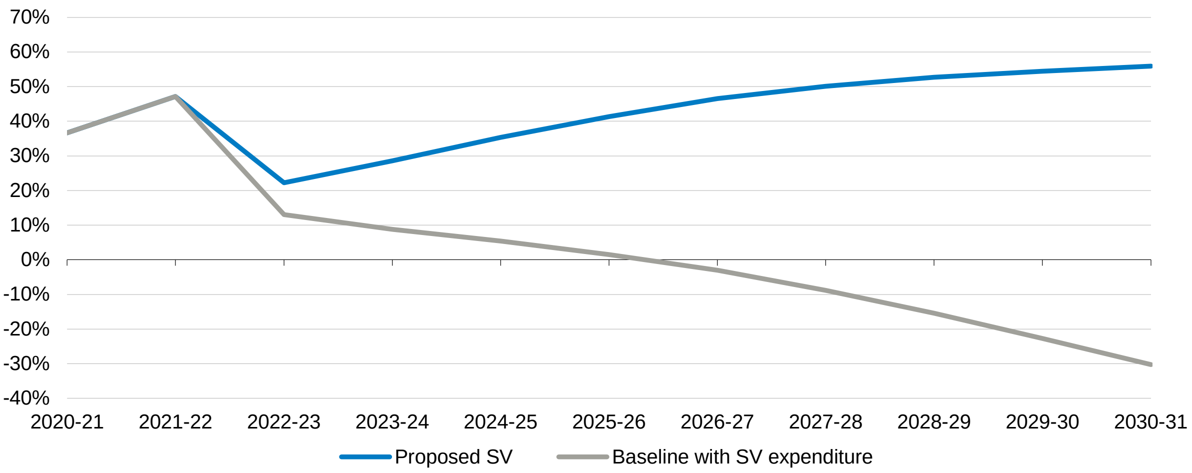
- 0.3% under the Proposed SV Scenario
- -7.4% under the Baseline Scenario
- -8.9% under the Baseline with SV Expenditure Scenario.

Impact on the council's net cash (debt)

We calculate that the council's net cash (net debt) is $113.6 million or 47.2% of income at 30 June 2021. Over the longer term, with the proposed SV revenue, net cash would increase under the proposed SV Scenario.

Without the proposed SV, and assuming the council's expenditure is the same as under the Proposed SV Scenario, we estimate that the net cash to income ratio would decrease by 2030-31. As at 2030-31, the net cash to income ratio would be 55.9% under the proposed SV Scenario and -30.3% under the Baseline with SV expenditure Scenario.

Figure 4.2 Canterbury Bankstown Council's net cash (debt) to income ratio (%) (2020-21 to 2030-31)



Data source: Canterbury Bankstown Council, *Application Part A*, Worksheet 8 and IPART calculations.

Our analysis indicates that over the next 5 years, the council's net cash to income ratio averages:

- 35.0% under the Proposed SV Scenario
- 15.2% under the Baseline with SV Expenditure Scenario.

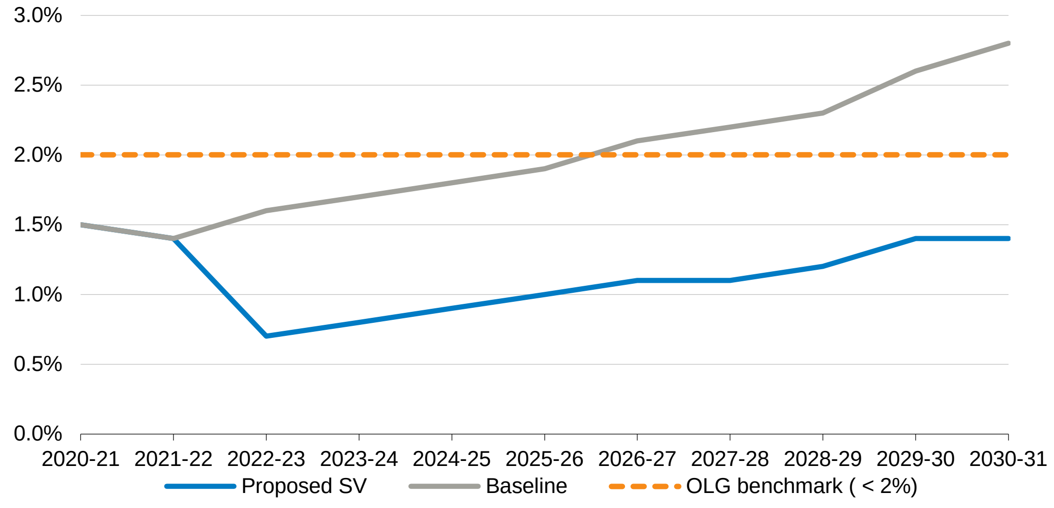
Impact on the council's infrastructure backlog ratio

The council indicated in its application that it requires $70 million every year to address the maintenance of its $4.8 billion asset portfolio. However once the council pays for services provided to the community, there is a $31 million shortfall in the funding needed to address the asset maintenance backlog. Furthermore, an additional $5 million is required to implement the council's new Leisure and Aquatics Strategy.[xviii] The council estimates that without the SV, the infrastructure backlog ratio will not meet the OLG benchmark of less than 2% within the next ten years.

Under the Proposed SV Scenario, the council's infrastructure backlog would continue to rise but at a decreasing rate compared to the Baseline Scenario. Under the Proposed SV Scenario, it forecasts the infrastructure backlog ratio will increase to 1.4% in 2030-31, whereas this will be 2.8% under the Baseline Scenario. Under the proposed SV scenario, the council will be able to meet the OLG benchmark of less than 2%.

The council's forecast backlog ratio over the next 10 years under the Proposed SV and Baseline Scenarios is shown in Figure 4.3 and Table 4.2 below.

Figure 4.3 Canterbury Bankstown Council's infrastructure backlog ratio (%) (2020-21 to 2030-31)



Data source: Canterbury Bankstown Council, *Application Part A*, Worksheet 9.

Table 4.2 Projected infrastructure backlog ratio (%) for Canterbury Bankstown Council's proposed SV application (2021-22 to 2030-31)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Proposed SV	1.4	0.7	0.8	0.9	1.0	1.1	1.1	1.2	1.4	1.4
Baseline	1.4	1.6	1.7	1.8	1.9	2.1	2.2	2.3	2.6	2.8

Source: Canterbury Bankstown Council, *Application Part A*, Worksheet 9.

Our analysis indicates the over the next five years, the council's infrastructure backlog ratio averages:

- 1.0% under the Proposed SV Scenario
- 1.7% under the Baseline Scenario.

Submissions from the community to IPART

Some of the submissions raised concerns over the financial mismanagement of the council in the past and the misuse of funds on projects that do not reflect community needs. A number of submissions also suggested that the council was financially sustainable and did not require a further SV to generate income. Furthermore, some submissions suggested that the council investigate other cost containment strategies rather than proposing a rate increase.

We have assessed the council's financial need for the proposed SV and determined that the proposed SV will allow the council to better meet financial benchmarks in the long term. Furthermore, we have assessed that the council has implemented reasonable cost saving measures, as outlined in Section 4.6.

4.2.3 Overall assessment of the council's financial need

We found that the council demonstrated that it met this criterion.

The former Canterbury and Bankstown Councils both required additional SV funding to remain financially sustainable.[xix] The loss of the expiring SV in 2017-18 has contributed to the current council's financial need for additional funding. Furthermore, there is a shortfall of approximately $31 million that is needed to address the maintenance of infrastructure assets.[xx]

The council's forecast under the Baseline with SV expenditure Scenario shows that if it proceeds with the expenditure included in its application (but without the additional income from the proposed SV), its OPR would average -8.9% over the next five years, reaching -8.0% in 2030-31. This suggests that there is a financial need for the council to increase its recurrent revenue above the rate peg to be financially sustainable, if it is to proceed with the expenditure in its SV proposal. Under the Proposed SV Scenario (with SV revenue and expenditure), our analysis shows that the council's OPR over the next five years averages 0.3% and its forecast OPR in 2030-31 will meet the OLG benchmark of greater than zero. We consider that the proposed SV revenue puts the council on a more sustainable path, given the program of expenditure set out in its application.

We forecast that the council will have a net debt position of $113.6 million at 30 June 2021. The council's application indicates that of the total $365.6 million in cash, cash equivalents and investments it held at 30 June 2020:

- $190.5 million was externally restricted
- $166.4 million was internally restricted
- $8.7 million was unrestricted.

This suggests that the majority of the council's cash and investments are committed to other purposes, and are not available for discretionary use to fund part of the council's proposed SV expenditure.

Under the Proposed SV Scenario, the council forecasts its infrastructure backlog will increase to 1.4% in 2030-31, which meets the OLG benchmark of less than 2.0%. Under the Baseline Scenario, the council forecasts the infrastructure backlog ratio will be higher at 2.8% in 2030-31.

Therefore taking all factors into account, we have assessed that the council is in financial need for the proposed SV to enhance its financial sustainability and reduce its infrastructure backlog.

4.3 Community engagement and awareness

The OLG Guidelines outline consultation requirements for councils when proposing an SV application. Specifically:

- the council's Delivery Program and LTFP should clearly set out the extent of the General Fund rate rise under the proposed SV. In particular, councils need to communicate the full cumulative increase of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category (see Section 4.4 for this assessment)
- the consultation should include a brief discussion of the council's ongoing efficiency measures in explaining the need for the SV
- the council's community engagement strategy for the proposed SV must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occurred.

Ultimately, we consider evidence that the community is aware of the need for, and extent of, a rate rise. That is, whether the consultation conducted by the council with ratepayers has been effective.

In this section, we assess the consultation process, including the clarity of the consultation, the timeliness of the consultation, and whether an effective variety of engagement methods were used to reach as many ratepayers as possible across all relevant rating categories.

We also examine the effectiveness of any direct community engagement and any council response to community feedback.

4.3.1 Assessment of consultation with the community

The council has published a Delivery Program, Financial Management Strategy and information pack. It used these to guide and inform the consultation it carried out in relation to the proposed SV.

Process and content

The material the council prepared for ratepayers on its proposed SV contained most of the elements needed to ensure ratepayers were well informed and able to engage with the council during the consultation process. Specifically, the council communicated:

- the impact of the proposed rate increase to ratepayers in dollar terms across various categories of ratepayers
- increases with and without the rate peg across various categories of ratepayers
- the cumulative dollar impact over the five years of the proposed SV for affected ratepayers, by ratepayer category

- the full impact of the proposed rate increase to ratepayers in cumulative percentage terms (by ratepayer category only)
- what the proposed SV would fund
- the ongoing efficiency measures it proposed to implement and its progress towards achieving these measures.

Clarity

The council's consultation material was largely clear in its presentation of the proposed SV and not likely to confuse ratepayers about the need for the proposed rate increase.

Timeliness

The council carried out community consultation on its proposed SV from 1 December 2020 until 17 January 2021. We acknowledge that the consultation period was over Christmas/ New Year, which may not be optimal timing for consultation. However we note that the council provided additional opportunity for the community to give feedback by extending the consultation period to 7 weeks.

Engagement methods used

The council provided reasonable opportunities for community feedback, and used a variety of methods to engage with its community, including:[xxi]

- mail out letter including six page flyer – sent to 114,723 residential and 7,943 business ratepayers
- hard copy translated materials – 3,000 English and 2,500 translated hard copies of information booklets were available through community service locations. Another 2,000 and 1,000 translated hard copies were available through information drop-in sessions
- newspaper articles and print advertisement – 5 advertisements were in the Canterbury-Bankstown Torch, 2 media releases were issued, 12 mayoral messages were placed in newspapers, e-newsletters were sent out to 23,000 residents
- a dedicated SV website (One Rate website including Have Your Say) – there was a total of 6,717 views across all webpages. 1,255 users had accessed the online rates calculator and 31.5% of users accessed Chinese translated materials
- social media (i.e. Facebook) – 385 link clicks, 29 responses to council events and 30,528 total impressions
- One Rate customer service hotline, email and webinars – 325 calls were answered with 28 escalated to the One Rate project, 68 emails received and 88 people registered across 8 webinar sessions
- face to face drop-in sessions – 234 people attended a total of 15 drop-in sessions

- Customer service centre and digital screens – 8 walk-ins were recorded at customer service
- specific group engagement – includes 40 different Sports groups, 7000 people in the Leisure and Aquatics network, 5 business chamber groups, Business Link network and council employees
- annual customer satisfaction survey – 50% of 895 participants supported a review of rates. We note that some of these completed the survey before the consultation period.[xxii]

The range of engagement methods used by the council provided sufficient opportunity for ratepayers to be informed and engaged on the proposed SV. Using the various community engagement methods, the council communicated the full cumulative increase of the proposed SV in both percentage terms and average dollar impact per ratepayer category.

We consider these methods were reasonable to communicate the impact of the proposed SV with the community.

4.3.2 Assessment of outcomes of consultation with the community

Although this criterion does not require the council to demonstrate community support for the proposed SV, the council is required to consider the results of community consultation in preparing its application.

The council received 147 written submissions in relation to its proposed SV during the consultation period, of which 80% opposed the proposed SV.[xxiii] The main reasons for opposition were:[xxiv]

- capacity for ratepayers to pay the rate increase
- council services are not meeting needs of the community
- council should consider alternative options to the SV
- impacts to businesses
- equity between minimum rate and ad valorem ratepayers.[xxv]

The main reasons for supporting the SV were:

- maintenance of current service levels
- investment in new facilities and services
- there is a gradual impact on ratepayers with the SV spread over five years.[xxvi]

In addition, a survey of Leisure and Aquatics community groups reported that 89% of respondents felt the need for further investment in the Leisure and Aquatics facilities.[xxvii]

After considering community feedback, the council decided to apply for its proposed SV with a 5-year rate increase.

Submissions from the community to IPART

Many of the submissions raised concerns about the effectiveness of the council's consultation with the community on the proposed SV. This included that they weren't aware of the proposed SV and the timing of the consultation over Christmas was not suitable for providing feedback.

We acknowledge that the timeliness of the consultation period could be improved. However we also note that the council has made considerable effort to communicate the impact of the SV in its IP&R documents and consultation materials. This includes outlining the proposed rate increases over the 5-year period in dollar terms and the cumulative increase in percentage terms.

4.3.3 Overall assessment of community engagement and awareness

We found that the council demonstrated that it met this criterion.

We note that the council adequately communicated the total increase in percentage terms for the average ratepayer by rating category on an annual basis. The council also clearly communicated the rates increases in dollar terms for each year over the proposed 5-year SV period.

Therefore, on balance, the council demonstrated that its community is sufficiently aware of the need for, and extent of, the proposed rate increase.

4.4 Impact on affected ratepayers

The OLG Guidelines require that the impact of the proposed SV on affected ratepayers must be reasonable, having regard to the current rate levels, the existing ratepayer base and the proposed purpose of the special variation. Specifically, the Delivery Program and LTFP should:

- clearly show the impact of any rate rises upon the community
- include the council's consideration of the community's capacity and willingness to pay rates
- establish that the proposed rate increases are affordable, having regard to the community's capacity to pay.

Section 4.5 of this report considers the council's Delivery Program and LTFP.

The focus of this criterion is to examine the impact the proposed SV would have on ratepayers, and in particular consider the reasonableness of the rate increase in the context of the purpose of the proposed SV.

In Chapter 1, we outlined the government's requirement for all merged councils to harmonise their rates based on one ad valorem rate for the merged council by 1 July 2021. Consequently we will also examine the impact that rates harmonisation has had on the council's rates separately, before any impact from the proposed SV on ratepayers.

In this section, we:

- consider how the council has assessed the impact on ratepayers of the proposed SV and how it addressed affordability concerns
- undertake our own analysis of the reasonableness of the proposed rate increase by considering the average growth in the council's rates in recent years, how the council's average rates compare to similar councils and other socio-economic indicators such as median household income and SEIFA. We also consider the impact that rate harmonisation has had on the council's rates.

In its application, the council indicated it intended to increase rates for each rating category[xxviii]. The council has calculated that:

- the average residential rate would increase by 27.9% or $306 over five years for former Bankstown Council ratepayers
- the average residential rate would increase by 41.3% or $471 over five years for former Canterbury Council ratepayers
- the average business rate would increase by 33.4% or $2,126 over five years for former Bankstown Council ratepayers.
- the average business rate would increase by 57.9% or $2,862 over five years for former Canterbury Council ratepayers.

Table 4.3 sets out the council's estimates of the expected increase in average rates in each main ratepayer category.

Table 4.3 Indicative annual increases in average rates under Canterbury Bankstown Council's proposed SV (2020-21 to 2025-26)

Ratepayer Category	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Cumulative increase
Bankstown							
Residential rate $	1,097	1,119	1,166	1,251	1,327	1,403	
$ increase		22	47	85	76	76	306
% increase		2.0	4.2	7.3	6.0	5.7	27.9
Business rate $	6,364	6,491	7,102	7,392	8,039	8,490	
$ increase		127	611	290	647	451	2,126
% increase		2.0	9.4	4.1	8.8	5.6	33.4
Canterbury							
Residential rate $	1,140	1,163	1,256	1,384	1,495	1,611	
$ increase		23	93	128	111	116	471
% increase		2.0	8.0	10.2	8.0	7.8	41.3
Business rate $	4,943	5,042	5,861	6,332	6,886	7,805	
$ increase		99	819	471	555	919	2,862
% increase		2.0	16.2	8.0	8.8	13.3	57.9

Note: 2020-21 is included for comparison. The average rate is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category and includes the ordinary rate and any special rates applying to the rating category.

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

4.4.1 Assessment of the council's consideration of impact on ratepayers

The council compared its average rates with other regional councils and examined socioeconomic data such as its SEIFA index ranking, 2016 Census data and outstanding rates and charges ratio to assess the impact on ratepayers. On the basis of these indicators, it concluded that its ratepayers have the capacity to pay the increased rates under the proposed SV as: [xxix]

- its weekly and annual minimum rates for residential and business ratepayers are the lowest when compared to 4 other metropolitan councils
- its SEIFA ranking indicates it is not markedly more or less disadvantaged than other councils within NSW
- when compared with 8 other metropolitan councils, it has the third lowest SEIFA ranking, which indicates that it is slightly more disadvantaged than other metropolitan councils
- 20.6% were low income households compared to the 15.1% for Greater Sydney, indicating that there are more people with low incomes
- 18.2% of households earned an income of $2,500 or more per week compared to 28.3% for Greater Sydney. This indicates that while some people in the area are earning high salaries, it is fewer people than on average for Greater Sydney.

Despite the above analysis indicating that on some measures the council is slightly more disadvantaged than other metropolitan councils, we note the council's view that not all of the population reflected in the above indicators are ratepayers. In its application, the council considered the Housing Tenure of household analysis which stated that 57% of ratepayers were purchasing or fully owned their home. Furthermore, residents of around 4,100 non-rateable properties, which are owned by the Department of Housing or by Public Benevolent Institutions, will not be affected by the proposed SV rate increase.[xxx]

We also note that the council has considered the impact of a rate increase during the current economic climate by proposing to only implement a 2.0% increase in the first year and spread the impact of rates increase over the following 4 years to allow for gradual changes to the council rates.

The council considered the community's willingness to pay via the Customer Satisfaction survey conducted in January 2021 comprising 895 respondents.[xxxi] It found that 50% of residents were at least somewhat supportive of a review of the rates system to improve fairness, equity and service levels.[xxxii] Further, 85% of respondents also believed that expenditure on the maintenance of Aquatic facilities should either be maintained at current service levels or improved.[xxxiii]

The council submitted that it also has a hardship policy to assist ratepayers and pensioners that are experiencing financial hardship, including situations where ratepayers believe they have suffered financial hardship following a new revaluation of land. The policy provides assistance by accepting an arrangement for payment of rates and charges over a period, writing off interest on rates and charges incurred, waiving or reducing rates and charges for eligible pensioners, and waiving or reducing Council fees due to hardship.[xxxiv] The council also allows pensioners to accrue overdue rates for a maximum of 19 years.[xxxv] Due to the COVID-19 pandemic, the council also introduced the CBCity Cares Relief Package, which includes measures to:[xxxvi]

- support residents and businesses including waiving footway dining fees for small businesses for six months
- allocate $250,000 for assisting businesses with Smart City Grants.

4.4.2 IPART's consideration of impact on ratepayers

To assess the reasonableness of the impact of the proposed SV on ratepayers, we examined the council's SV history and the average annual growth of rates in various rating categories. We found that since 2010-2011:

- The previous Canterbury Council had applied for and been granted the following special variation:
  - 2014-15: a 3-year temporary increase of 7.5%, which was used for improving the Council's financial sustainability and funding debt service costs associated with a capital works program
- the average annual growth in residential and business rates was 2.4% and 2.2%, respectively for Bankstown Council ratepayers, which compares with the average annual growth in the rate peg of 2.5% over the same period
- the average annual growth in both residential and business rates was 3.2% for Canterbury Council ratepayers, which compares with the average annual growth in the rate peg of 2.5% over the same period.

As a consequence of the rates harmonisation, we note that the increase in rates as proposed by the council is not wholly due to the SV increase.[4]

We also compared 2018-19 rates and socio-economic indicators in the LGA with those of OLG Group 3 and neighbouring councils as shown in Table 4.4.

[4] For further additional information on the effects of rate harmonisation and the council's ad valorem rates, refer to Appendix E.

Table 4.4 Comparison of rates and socio-economic indicators with neighbouring councils and Group 3 averages (2018-19)

	Average residential rate ($)[a]	Average business rate ($)	Average farmland rate ($)	Median annual household income ($)[b]	Ratio of average rates to median income (%)	Outstanding rates ratio (%)	SEIFA Index NSW Rank[c]
Fairfield (3)	788	7,763	1,982	63,719	1.2	4.1	8
Cumberland (3)	962	7,087	.	71,905	1.3	5.0	69
Georges River (3)	1,086	2,746	.	86,244	1.3	3.1	105
Inner West (3)	1,144	5,980	.	106,789	1.1	4.5	116
Canterbury-Bankstown (3)	**1,101**	**5,776**	**.**	**67,681**	**1.6**	**5.0**	**72**
Group 3 average	1,091	6,259	2,786	97,609	1.1	4.4	-

a The average residential rate (ordinary and special) is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category. The table does not capture increases from any SVs granted to councils in 2018-19.

b Median annual household income is based on 2016 ABS Census data.

c This is the SEIFA index of Relative Socio-economic Advantage and Disadvantage. The highest possible ranking is 128 which denotes a council that is least disadvantaged in NSW.

Source: OLG, Time Series Data 2018-19; ABS, *Socio-economic Indexes for Areas (SEIFA) 2016*, March 2020; ABS, 2016 Census DataPacks, General Community Profile, Local Government Areas, NSW, *Median Weekly Household Income* and IPART calculations.

Based on 2018-19 data, we found that the council's:

- average rates to income ratio was 0.5 percentage points higher than the average for Group 3 councils, and higher than most neighbouring councils
- outstanding rates ratio was higher than the average for Group 3 councils, and higher than most neighbouring councils
- SEIFA ranking indicates that the council is neither significantly more nor less disadvantaged than neighbouring councils.

We note that the council's average rates to median income ratio is higher than the neighbouring councils and higher than the OLG Group 3 average. However it is important to note that rates are paid per household, but services provided by the council are consumed per capita. The council indicated that due to there being on average more residents per household, while its rates per household are higher than other councils, it raises less rating revenue per capita than the OLG Group 3 average as indicated later in this chapter in Table 4.7.

We compared the council's average rates to those of similar and neighbouring councils, as shown in Table 4.5.

Table 4.5 Comparison of Canterbury-Bankstown Council, neighbouring councils and Group 3 average rates (2018-19)

Ratepayer Category	Canterbury-Bankstown Council	Group 3 councils	Neighbouring councils	Difference between Canterbury-Bankstown Council and Group 3 (%)	Difference between Canterbury-Bankstown Council and neighbours (%)
Residential	1,101	1,091	997	1.0	10.5
Business	5,776	6,259	6,038	-7.7	-4.3

Note: All averages are weighted averages, weighted by the number of assessments.

Source: OLG, Time Series Data 2018-19; ABS, *Socio-economic Indexes for Areas (SEIFA) 2016*, March 2020; ABS, 2016 Census DataPacks, General Community Profile, Local Government Areas, NSW, *Median Weekly Household Income* and IPART calculations.

We also compared the council's average rate levels with the proposed SV to the OLG Group 3 average[5] rate levels over the proposed 5-year SV period and found that the council's:

- average residential rate in 2025-26 with the proposed SV would be $1,403 for Bankstown ratepayers and $1,611 for Canterbury ratepayers, which is 8.4% and 24.5% higher than the estimated average residential rates of $1,294 for OLG Group 3
- average business rates in 2025-26 with the proposed SV would be $8,490 for Bankstown ratepayers and $7,805 for Canterbury ratepayers, which is 14.3% and 5.1% higher than the estimated average business rates of $7,426 for OLG Group 3.

Submissions from the community to IPART

Many of the submissions we received raised concerns over the impact of the proposed SV and the affordability of the rate increase for ratepayers. In particular, ratepayers believe that it is unreasonable to implement a rate increase during the current economic climate. The council's proposal to increase rates by the rate peg of 2% in the first year shows that it has taken into consideration the impacts of the pandemic and resulting financial difficulty.

We also note that the council has taken into consideration ratepayers that may be experiencing financial difficulties by implementing a Hardship Policy.

5 Based on the 2019-20 data obtained from OLG, IPART has performed calculations to increase the OLG Group 3 average rate levels by the rate peg each year from 2019-20 to 2025-26 to allow for the comparison of Canterbury Bankstown Council's proposed average rate levels with the SV over the proposed SV period.

4.4.3 Overall assessment of the impact on affected ratepayers

We found that the council largely demonstrated that it met this criterion.

We consider the impact of the proposed SV on ratepayers of the council would be quite significant given:

- the council's proposed average rates with the SV will be above the estimated average rate levels for OLG Group 3 councils by the end of the proposed SV period (i.e. 2025-26)
- the community's capacity to pay given some measures indicate the council area is slightly more disadvantaged than other metropolitan councils
- the additional impact of a rate increase on residents and businesses who have been affected financially by the COVID-19 pandemic.

As previously noted, the proposed SV increase will be on top of the impact from rates harmonisation resulting in different total rates increases for former Canterbury and Bankstown ratepayers. However, on balance, and taking into account the implementation of rates harmonisation, we consider the impact of the proposed SV on ratepayers would be largely reasonable. In particular, we have also considered the council's need for the additional funding to address its infrastructure backlog and be financially sustainable so it can maintain the service levels ratepayers expect. Furthermore, the impact on ratepayers will be spread over a 5-year period, starting in 2022-23 which means ratepayers have more time to plan for and adjust to the increases.

We note that the council has a Hardship Policy in place to assist ratepayers experiencing financial hardship and in light of the COVID-19 pandemic, the council has also implemented a range of measures to provide financial relief to residents and businesses that have been affected.

4.5 Integrated Planning and Reporting documents

The IP&R framework provides a mechanism for councils and the community to engage in important discussions about service levels and funding priorities and to plan in partnership for a sustainable future. The IP&R framework therefore underpins decisions on the revenue required by each council to meet the community's needs.

The OLG Guidelines require the council to exhibit, approve and adopt the relevant IP&R documents before submitting an application for a proposed SV, to demonstrate adequate planning.

The relevant documents are the Community Strategic Plan, Delivery Program, LTFP and, where applicable, Asset Management Plan. Of these, the Community Strategic Plan and Delivery Program require (if amended) public exhibition for 28 days (and re-exhibition if amended). The OLG Guidelines require that the LTFP be posted on the council's website.

In this section, we assess whether the council has included the proposed SV in its IP&R framework as outlined in Criterion 1 to 3 of the OLG Guidelines and exhibited, approved and adopted its IP&R documents.

According to the OLG Guidelines, the elements that should be included in the IP&R documentation are:

- the need for, and purpose of, the proposed SV
- the extent of the general fund rate rise under the proposed SV
- the impact of any rate rises upon the community.

4.5.1 Assessment of content of IP&R documents

The need for, and purpose of, the proposed SV

The council presented the need for, and purpose of, the proposed SV in the Delivery Program 2018-2022 (Delivery Program) amended in February 2021.[xxxvii] The Delivery Program was exhibited on the council's website and adopted by council resolution on the 4 February 2021.[xxxviii] The Delivery Program also canvassed alternatives to the rate rise, such as realising significant efficiency savings as discussed in Section 4.6.

The LTFP also mentions the need for the proposed SV, including financial sustainability, capital expenditure and supporting its ongoing services.[xxxix] It also shows the financial impact of the SV by presenting five scenarios, with two of them being the Baseline and Proposed SV scenario. The difference between the two scenarios is that the Baseline scenario or "Do nothing" option will result in challenges to funding the renewal and maintenance of its assets, where council will only be able to fund 33.1% of its depreciation expense and asset renewals in 10 years' time.[xl] However Scenario 3, the proposed SV scenario, will allow the council to address its lost SV income from the former Canterbury Council SV, fund asset renewal and maintenance, fund proposed borrowings and allow the council to fund 78.8% of its depreciation expense in 10 years' time.[xli]

The extent of the general fund rate rise under the proposed SV

The Delivery Program clearly outlines the annual dollar increase for the average ratepayer, by category. This includes the proposed dollar increases to each residential and business category as well as the minimum rates. It also outlines the proposed SV increases over the five years, with the total cumulative increase in percentage terms.

The impact of any rate rises upon the community

The Delivery Program did not include the council's consideration of the community's willingness to pay rates under the proposed SV. However, the council did consider the community's capacity to pay in its Delivery Program by considering factors such as the SEIFA Index of Disadvantage, average rates compared to other councils and the analysis of Housing Tenure of households.[xlii] This demonstrates that the council's average rates are lower than many other councils.

The LTFP did not discuss the community's willingness and capacity to pay rates under the proposed SV.

4.5.2 Assessment of the exhibition, approval and adoption of IP&R documents

The council publicly exhibited its Community Strategic Plan from 28 February 2018 to 30 March 2018 and adopted it on 27 February 2018.[xliii] It publicly exhibited its Delivery Program from 2 December 2020 to 17 January 2021 and adopted this on 4 February 2021.[xliv]

The LTFP was adopted by council resolution on 23 June 2020.[xlv] The council advertised the availability of these documents for public comment, promoted them in local newspapers, placed copies on the council's website and on the council's online community forum.[xlvi]

Submissions from the community to IPART

Some of the submissions we received suggested that the authors were not aware of the IP&R documents. This may be due to the timing of the exhibition period being around Christmas. We acknowledge that this timing is not ideal. However we have assessed that the council has made considerable effort to promote the IP&R documents to receive community feedback. This includes a variety of methods to engage with the community and seek feedback from the community. See Section 4.3 for further detail.

4.5.3 Overall assessment of the IP&R documents

We found that the council demonstrated that it met this criterion.

We consider that, on balance, the council's IP&R documents contain sufficient information relating to the proposed SV, and they have been appropriately exhibited, approved and adopted by council.

4.6 Productivity improvements and cost containment strategies

The OLG Guidelines require councils to explain the productivity improvements and cost containment strategies that have been realised in past years and are expected to be realised over the proposed SV period.

Councils are required to present their productivity improvements and cost containment strategies in the context of ongoing efficiency measures and indicate if the estimated financial impact of the ongoing efficiency measures has been incorporated in the council's LTFP.

Achieving cost savings through improved productivity can reduce the need for, or extent of, the increase to general income needed through a proposed SV.

Drawing on our experience in past years, IPART has placed a stronger emphasis on this criterion and how councils demonstrate that they have met it. Councils are required to provide evidence of strategies and activities and robust data quantifying the efficiency gains from productivity improvements in their operations and asset management, as well as cost-saving and revenue-raising initiatives.

In this section we consider the council's strategic approach to improving its productivity and efficiency, its achievements and proposals, and their impact on the council's operational results.

4.6.1 Assessment of efficiency gains achieved

The council's application sets out the productivity improvements and cost containment initiatives it has undertaken in recent years. In particular, it submitted that it had realised annual savings of $7.6 million including:

- implementing a Corporate Development Unit to identify opportunities for efficiencies
- $2.0 million in one-off and $2.6 million in annual savings in people strategies including reduction in executive roles and councillor related costs
- $1.2 million in one-off and $140,000 in annual savings in innovation and technology improvements
- $1.0 million in one-off and $2.4 million in annual savings in various operational efficiencies including the following:
  - insourcing legal and audit functions
  - aligning insurances and household waste processes
  - improving tree management processes and pothole patching
  - resale of used fleet vehicles
  - review of capital works
  - fees from penalty notices.[xlvii]

4.6.2 Assessment of strategies in place for future productivity improvements

The council indicated that it is planning future efficiency measures over the proposed SV period. Specifically, it proposes:

- greater usage of the council's assets, structural change and the use of technology and training
- an annual efficiency dividend of $250,000 which equates to approximately 0.2% per annum of council's operating expenditure before employment costs and depreciation.[xlviii]

The council has factored the annual efficiency dividend of $250,000 into its LTFP.[xlix]

4.6.3 Assessment of performance indicators for the council

As well as taking into account the council's cost containment and productivity improvement initiatives and the impact on the council's financial situation as a result of overall improvements in productivity, we also examined a range of indicators which measure the council's level of efficiency in its operations and asset management, how its efficiency has changed over time and how its performance compares with that of similar councils.

In its application, the council compared a variety of factors to other councils within its OLG Group 3. This includes the following:

- it has 46 community facilities in comparison to the average of 22 for OLG Group 3 councils and 10 libraries compared to the average of 6 for OLG Group 3
- it has 35,000 businesses which is higher than the average of 19,000 for OLG Group 3
- it has over 100,000 more residents but its total rate revenue is lower than the average council in OLG Group 3
- its average residential rate is $23 higher (or 2% higher) than the average residential rate for OLG Group 3
- it has 25,000 residents per Councillor which is higher than the average of 15,000 per Councillor for the OLG Group 3 councils
- it has 313 residents per staff member in comparison to the average of 245 residents per staff member for OLG Group 3 councils.[l]

Our assessment included whether there is any scope for the council to achieve further productivity savings. We examined selected performance indicators in Table 4.6 and Table 4.7 below. Our analysis focuses on labour costs, which is the second biggest cost incurred by the council, after materials and contracts expenses.[li]

Table 4.6 Trends in selected performance indicators for Canterbury Bankstown Council, 2016-17 to 2018-19

Performance indicator	2016-17	2017-18	2018-19	Compound annual growth (%)
FTE staff (number)	1,143	1,170	1,195	2.2
Ratio of population to FTE	316	315	313	-0.5
Average cost per FTE ($)	114,720	104,688	109,182	-2.4
Employee costs as % of operating expenditure (General Fund only) (%)	42	41	39	

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 and IPART calculations.

We note that from 2016-17 to 2018-19:

- the number of FTE staff increased over the three years with an average annual change of 2.2%
- the average cost per FTE fluctuated
- employee costs as a percentage of operating expenditure was the highest in 2016-17, but decreased by 1 percentage point (or 2.4%) in 2017-18 and 2 percentage points (or 4.9%) in 2018-19.

Although the number of FTE staff increased in the three years to 2018-19, this was likely due to bringing services in-house such as legal and the management of the Morris Iemma Indoor Sports facility and Learn to Swim Program.[lii] There was a reduction in average cost per FTE over the same period.

Table 4.7 Select comparative indicators for Canterbury Bankstown Council, 2018-19

	Canterbury Bankstown Council	OLG Group 3 Average	NSW Average
General profile			
Area (km^2)	110	103	5,530
Population	373,931	190,302	62,400
General Fund operating expenditure ($m)	335.2	186.4	83.4
General Fund operating revenue per capita ($)	901	1,222	
Rates revenue as % of General Fund income (%)	68.9	52.5	45.5
Own-source revenue ratio (%)	87.0	76.2	69.7
Average rate indicators[a]			
Average rate – residential ($)	1,101	1,091	1,139
Average rate – business ($)	5,776	6,259	5,709
Average rate – farmland ($)	.	2,786	2,627
Socio-economic/capacity to pay indicators			
Median annual household income, 2016 ($)[a]	67,681	97,609	77,484
Average residential rates to median income, 2016 (%)	1.6	1.1	1.5
SEIFA, 2016 (NSW rank: 128 is the least disadvantaged)	72		
Outstanding rates and annual charges ratio	5.0	4.4	4.4
Unemployment rate (%)	6.8	4.6	
Productivity (labour input) indicators[c]			
FTE staff	1,195	771.6	376
Ratio of population to FTE	312.9	246.6	166.0
Average cost per FTE ($)	109,182	104,262	94,358
Employee costs as % of operating expenditure (General Fund only) (%)	39	42	39
General Fund operating expenditure per capita ($)	896	925	1,315

a Median annual household income is based on 2016 ABS Census data.

b The Socio-Economic Indexes for Areas (SEIFA) is a measure that ranks areas based on their socio-economic conditions. The Australian Bureau of Statistics (ABS) ranks the NSW Local Government Areas in order of their score, from lowest to highest, with rank 1 representing the most disadvantaged area and 128 being the least disadvantaged area. IPART has referred to the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD) for our assessment, one of the component indexes making up the SEIFA.

c Data includes General Fund, Water & Sewer and other funds, if applicable (unless noted otherwise). 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, Time Series Data 2015-2016, OLG, unpublished data; ABS, Socio-Economic Indexes for Areas (SEIFA) 2016, March 2018, ABS, 2016 Census DataPacks, General Community Profile, Local Government Areas, NSW, Median Weekly Household Income and IPART calculations.

The council's General Fund operating revenue per capita is $901, which is significantly lower than the average of other OLG Group 3 councils. Whilst the average residential rates may be higher, due to larger household sizes in the LGA the rate per capita is lower than the Group 3 average.

We also found that for 2018-19, the council has fewer staff per resident than the average for OLG Group 3 councils. The council has one FTE for every 312.9 residents, whereas the Group 3 average is one FTE for every 246.6 residents. We note that the council has also made considerable efforts to achieve efficiencies through the bringing in-house of services, such as pool-related and legal services. Restructuring of this nature may impact on the number of staff per resident.

We note that these performance indicators only provide a high level overview of the council's productivity at a point in time and additional information would be required to accurately assess whether there is scope for the council to achieve future productivity/cost savings.

Submissions from the community to IPART

Some of the submissions received raised concerns that the authors were not aware of the cost containment strategies implemented by the council, and mentioned that there was a lack of communication about the efficiencies realised by the council.

We have assessed that the council has considered cost containment strategies and quantified the resulting cost savings. We have also found that the council has communicated the total cost savings in its Delivery Program. See Section 4.6.1 for further information.

4.6.4 Overall assessment of productivity improvements and cost containment strategies

We found that the council demonstrated that it met this criterion. We note that the council has made considerable efforts to achieve efficiencies through various cost savings and containment strategies.

We found that the council has adopted a range of strategies, which have already achieved productivity improvements and cost savings. It plans to undertake continuous review for some of these strategies in order to improve efficiency in its operations. It has explained its initiatives to improve productivity and contain costs, and has quantified the cost savings resulting from these efficiency measures. We note that although bringing in-house some services has resulted in efficiencies, proposals to provide in-house services should be assessed on their individual merits.

The council has clearly demonstrated a focus on developing and ensuring various productivity measures and cost containment strategies are implemented. As such, it has been able to reduce its level of expenditure and provide additional services since amalgamation.

5 IPART's minimum rate assessment

In addition to its special variation application, Canterbury Bankstown Council has applied for an increase in the minimum amount of its ordinary rates to $728.18 residential and $794.27 business in 2021-22, with subsequent increases to $850 and $990 for both residential and business in 2022-23 and 2023-24.[liii] The main purpose of this application is to:

- harmonise the rating structure
- deliver a fairer and more equitable rating structure.

The increased funding to the council from the minimum rates will be used to:

- improve financial sustainability
- enhance service levels
- service an annual debt to implement the council's Leisure and Aquatic Strategic Plan.[liv]

5.1 Our minimum rate assessment

We have decided to approve the council's minimum rate increase from 2021-22 to 2023-24 as outlined in Box 5.1. We found that the council's application meets the requirements of the criteria, as set out in the OLG Minimum Rate Guidelines. Our assessment of the application and reasons for our decision are set out below.

Box 5.1 IPART Decision – Canterbury Bankstown Council

Approved Minimum Rate ($)

	2021-22	2022-23	2023-24
Residential	728	850	990
Business	794	850	990

5.2 Rationale for increasing minimum rates

The council explained its rationale for harmonising its minimum rate in its application and IP&R documents. The council indicated there are currently 37,528 ratepayers from the residential and business categories paying the minimum amount ($636.80 for former Canterbury ratepayers and $713.90 for former Bankstown ratepayers in 2020-21).[lv] As seen in Table 5.1 this represents 31.4% of residential ratepayers and 19.4% of business ratepayers, or 30.6% of its total ratepayers.

Table 5.1 Proportion of ratepayers on the minimum rate (2020-21)

Ratepayer category	Assessments on the minimum rate	Total number of assessments	Proportion on the minimum rate
Bankstown			
Residential	13,611	63,573	21.4%
Business	923	4,999	18.5%
Canterbury			
Residential	22,380	51,150	43.8%
Business	614	2,944	20.9%
Total Residential	35,991	114,723	31.4%
Total Business	1,537	7,943	19.4%
Total Assessments	37,528	122,666	30.6%

Source: Canterbury Bankstown Council, *Minimum Rate Application Part A*, Worksheet 2.

In 2020-21, 30.6% of the council's ratepayers are paying the minimum rate. Although the council intends to increase rates proportionately across all its ratepayers, we note the dollar gap between those paying the minimum rate and those who pay the ad valorem rate will continue to grow in the future.

The council noted that residents living in houses will effectively bear a greater percentage of the rating burden if the minimum rate is not increased by the full proposed SV percentage, despite all ratepayers having the same access to the council's services.[lvi] The council submitted that it took into account the number of ratepayers on the minimum rate for each rating category and decided to increase the minimum rate by the same percentage as the SV to ensure the rate gap between minimum rate and ad valorem ratepayers is minimised.

We consider the council's rationale for harmonising its minimum rate is reasonable in the circumstances.

5.3 Impact on ratepayers

The council has requested an increase in the minimum rate from $728.18 in 2021-22 to $990 in 2023-24, a cumulative increase of 41% for residential ratepayers and 29.9% for business ratepayers over the next 3 years as shown in Table 5.2.

Table 5.2 Canterbury Bankstown Council's proposed increases in the minimum rate (2020-21 to 2023-24)

Rating category	2020-21	2021-22	2022-23	2023-24	Cumulative increase
Residential $	685	728	850	990	
$ increase		53	122	140	315
% increase		7.8	16.7	16.5	41
Business $	753	794	850	990	
$ increase		48	56	140	244
% increase		6.4	7.0	16.5	29.9

Note: 2020-21 is included for comparison and is a weighted average of the former Bankstown and Canterbury Council rates.

Source: Canterbury Bankstown Council, *Application Part A*, Worksheet 3.

Table 5.3 Comparison of minimum rate and average ordinary rates (2020-21)

	Minimum rate[a]	Average of ratepayers not on minimum	Variance ($)	Variance (%)
Residential	685	1,313	629	48
Business	753	6,950	6,197	89.2

a This is a weighted average of the former Bankstown and Canterbury Council rates.

Note: The table shows the average ordinary rate and excludes any special rates applying to each rating category.

Source: IPART calculations based on Canterbury Bankstown Council, *Application Part A*, Worksheet 2.

Table 5.4 Canterbury Bankstown Council's proposed increases in the minimum rate

		Rates under proposed increase in 2021-22 ($)			
Ratepayer Category	Minimum rate in 2020-21 ($)	2021-22	2022-23	2023-24	Increase under proposed increase (%)
Canterbury					
Residential	714	728	850	990	42.0
Business	714	728	850	990	42.0
Bankstown					
Residential	637	728	850	990	59.2
Business	779	728	850	990	30.2
Difference between Canterbury and Bankstown					
Residential	77	0	0	0	
Business	-65	0	0	0	

Source: Canterbury Bankstown Council, *Minimum Rate Application Part A*, Worksheet 5a.

We compared the council's minimum residential rate with its average residential rate and found that its current minimum rate of $685 is 48% lower than the average residential rate of those ratepayers who are paying above the minimum rate ($1,313). We also found that its minimum business rate of $753 is 89.2% lower than the average business rate of those ratepayers who are paying above the minimum rate ($6,950). These figures for the 2020-21 rating year are shown in Table 5.3.

We note the comparison above does not take into consideration special rates applying to each rating category. The council indicated its various special rates for both its residential and business ratepayers are based on an ad valorem rate.[lvii] Therefore, if the rate increase proposed for the other ratepayers is not applied to the minimum amount, the increase in rates would disproportionately impact other ratepayers within each rating category. We note that the council's proposal of applying the percentage increases across all of the ratepayer base maintains the same relative rating burden that currently exists between those paying the minimum amounts and those paying ad valorem rates.

In its application, the council also considered the impact of the minimum rate change in comparison with other metropolitan councils. The council's analysis indicated that it had the lowest residential and business minimum rate amongst four other metropolitan councils.[lviii]

We have also performed our own comparison of the council's minimum rates with other councils, as shown in Table 5.5 below. Of these, three are amalgamated councils from OLG Group 3 that have also applied for a minimum rate increase in 2021-22. Whilst each council proposed different approaches to harmonising minimum rates, these councils expect to complete their rates harmonisation by 2024-25, if approved by IPART. We found that, in 2024-25, the council's proposed residential minimum rates are 6.47% higher than the average minimum rates for other OLG Group 3 councils. We also found that the business minimum rates are 2% lower than the average minimum rates for other OLG Group 3 councils.

Table 5.5 Councils in the Sydney metropolitan area proposed minimum rates

Council	Residential ($) 2024-25	Business ($) 2024-25
Canterbury-Bankstown	**1,015**	**1,015**
Bayside	844	844
Georges River	1,040	1,400
Inner West	915	883
Sutherland Shire[a]	1,014	1,014
Average	**953.3**	**1,035.3**
Proposed minimum rate variance from average	**6.47%**	**- 2%**

Note: The table shows the average of minimum residential and business rates for Canterbury Bankstown Council. We assume rate peg increase of 2.5% per annum after the rates harmonisation.

[a] Sutherland Shire is the only council in this table that has not applied for a minimum rate increase in 2021-22. It had applied to increase its minimum rate in 2019-20. IPART checked the council's website for the minimum rate charged.

Source: IPART calculations based on *Application Part A*, Worksheet 2 for Georges River, Bayside, Canterbury-Bankstown, and Inner West.

We consider the minimum rate increase is reasonable as it reduces the gap paid by those on the minimum rate and those not on the minimum rate to reflect equity in the services consumed by ratepayers, which is preferable to a situation where the full proposed SV percentage is not applied to the minimum residential and business rates.

5.4 Consultation with the community

The council communicated to its community that it intended to increase its minimum rate via its IP&R documents and community materials. We note the council clearly communicated the following:

- the Delivery Program outlined the impact of the MR increase by dollar amount over the proposed 3-years and the total cumulative increase in percentage terms[lix]
- the 6-page information flyer provided to ratepayers outlined the annual increases in the MR by dollar value over the proposed 3-years by ratepayer category[lx]
- the council's dedicated One Rate website also contains information on the MR increase, including the in percentage terms for each ratepayer category.[lxi]

We have determined that the council has made considerable effort to communicate the effect of the MR through a variety of consultation materials. For further information on the methods used to consult with ratepayers, refer to Section 4.3.1.

Overall, we consider the council adequately communicated the impact of its proposed minimum rate increase.

6 Our decision

Approved SV

We have approved the proposed SV, for a percentage increase of 2.0%, 7.8%, 7.8%, 7.4% and 7.1% per year for a 5-year period from 2021-22 to 2025-26.

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

Box 6.1 IPART Decision – Canterbury Bankstown Council

Approved SV: percentage increases to general income

	2021-22	2022-23	2023-24	2024-25	2025-26
Increase above the rate peg – permanent		5.3%	5.3%	4.9%	4.6%
Rate peg[a]	2.0%	2.5%	2.5%	2.5%	2.5%
Total increase[b]	**2.0%**	**7.8%**	**7.8%**	**7.4%**	**7.1%**

[a] The rate peg of 2.5% for future years is assumed and may vary with the setting of the rate peg by IPART in September each year.

[b] The approved SV percentage will not change to reflect the actual rate peg in future years.

The approved increase is retained in the council's general income base permanently.

We have attached conditions with respect to this special variation increase as set out below.

Conditions attached

IPART's approval of the council's application for a special variation over the period 2021-22 to 2025-26 is subject to the following conditions:

- The council uses the additional income from the Special Variation for the purposes of funding the purpose of their SV as outlined in the council's application and listed in Appendix B.
- The council reports in its annual report for each year between 2021-22 and 2030-31 on:
  - the program of expenditure that was actually funded by the additional income
  - the actual revenues, expenses and operating balance against the projected revenues, expenses and operating balance, as outlined in the LTFP provided in the council's application, and summarised in Appendix C
  - any significant variations from its proposed expenditure as forecast in the current LTFP and the reasons for such variation
  - expenditure consistent with the council's application and listed in Appendix B, and the reasons for any significant differences from the proposed expenditure
  - the outcomes achieved as a result of the actual program of expenditure.

Approved MR

We have also approved the proposed MR for an increase to $728.18 for residential ratepayers and $794.27 for business ratepayers in 2021-22, with subsequent increases to $850 and $990 for both residential and business ratepayers in 2022-23 and 2023-24.

Box 6.2 IPART Decision – Canterbury Bankstown Council

Approved Minimum Rate ($)

	2021-22	2022-23	2023-24
Residential	728	850	990
Business	794	850	990

6.2 Impact on the council

Our decision means that the council may increase its general income over the 5-year SV period, starting from $177.9 million in 2021-22 to a total of $237.8 million in 2025-26.

Table 6.1 shows the percentage increases we have approved, and estimates the annual increases in the council's general income incorporating various adjustments.

Table 6.1 Permissible general income (PGI) of Canterbury Bankstown Council from 2021-22 to 2025-26 arising from the approved SV

	Increase approved (%)	Cumulative increase approved (%)	Increase in PGI above rate ($)	Cumulative increase in PGI ($)	PGI ($)
Adjusted notional income 1 July 2021					174,421
2021-22	2.00	2.00	0	3,471	177,892
2022-23	7.80	9.96	9,428	17,347	191,768
2023-24	7.80	18.53	19,828	32,304	206,726
2024-25	7.40	27.30	30,453	47,602	222,024
2025-26	7.10	36.34	41,427	63,366	237,787
Total cumulative increase approved				164,090	
Total above rate peg			**101,136**		

a Includes an adjustment of -$17,485 that had not been recouped by the time the application was submitted to IPART, which is to be recouped in 2021-22.

Note: The information in Table 7.1 is correct at the time of the council's application (February 2021).

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

The council estimates that over the five years from 2021-22 to 2025-26, it will collect an additional $101.1 million in rate revenue compared with an increase limited to the assumed rate peg.

This extra income is the amount the council requested to enable it to improve its financial sustainability, fund renewal of existing infrastructure assets and address its infrastructure backlog and action its Leisure and Aquatic strategy.

6.3 Impact on ratepayers

IPART sets the allowable increase in general income, but it is a matter for each council to determine how it allocates any increase across different categories of ratepayer, consistent with our determination and legislative requirements.

If the council increases the rates based on the approval of the 36.34% cumulative increase, the impact on ratepayers will be as shown in Table 6.2 below. Compared to 2020-21 rate levels, the average residential rate will increase by $306 (27.9%) for former Bankstown Council ratepayers and $471 (41.3%) for former Canterbury Council ratepayers. The average business rate will increase by $2,126 (33.4%) for former Bankstown ratepayers and $2,862 (57.9%) for former Canterbury Council ratepayers by the end of the 5-year approved SV period.

Table 6.2 Indicative annual increases in average rates under Canterbury Bankstown Council's approved SV (2020-21 to 2025-26)

Ratepayer Category	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Cumulative increase
Bankstown							
Residential rate $	1,097	1,119	1,166	1,251	1,327	1,403	
$ increase		22	47	85	76	76	306
% increase		2.0	4.2	7.3	6.0	5.7	27.9
Business rate $	6,364	6,491	7,102	7,392	8,039	8,490	
$ increase		127	611	290	647	451	2,126
% increase		2.0	9.4	4.1	8.8	5.6	33.4
Canterbury							
Residential rate $	1,140	1,163	1,256	1,384	1,495	1,611	
$ increase		23	93	128	111	116	471
% increase		2.0	8.0	10.2	8.0	7.8	41.3
Business rate $	4,943	5,042	5,861	6,332	6,886	7,805	
$ increase		99	819	471	555	919	2,862
% increase		2.0	16.2	8.0	8.8	13.3	57.9

Note: 2020-21 is included for comparison. The average rate is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category and includes the ordinary rate and any special rates applying to the rating category.

Source: Canterbury Bankstown Council, *Application Part A*, Worksheet 5a and IPART calculations.

Table 6.3 below outlines the impact of the proposed MR on ratepayers. The minimum rate will increase by an average of $315 (41%) for residential ratepayers and $244 (29.9%) for business ratepayers by the end of the 3-year period.

Table 6.3 Canterbury-Bankstown Council's approved increase in the minimum rate (2020-21 to 2023-24)

Ratepayer Category	2020-21	2021-22	2022-23	2023-24	Cumulative increase
Residential $	685	728	850	990	
$ increase		53	122	140	315
% increase		7.8	16.7	16.5	41
Business $	753	794	850	990	
$ increase		48	56	140	244
% increase		6.4	7.0	16.5	29.9

Source: Canterbury Bankstown Council, *Minimum Rate Application Part A*, Worksheet 2.

A Assessment criteria

Criterion 1 – Financial need

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, in particular its Delivery Program, LTFP 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 LTFP applying the following two scenarios[6]:

- Baseline scenario – General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and
- Special variation scenario – the result of implementing the special variation in full is shown and reflected in the General Fund revenue forecast with the additional expenditure levels intended to be funded by the special variation.

The IP&R documents and the council's application should provide evidence to establish this criterion. This could include evidence of community need/desire for service levels/project and limited council resourcing alternatives. Evidence could also include analysis of council's financial sustainability by Government agencies.

In assessing this criteria, IPART will also take into account whether and to what extent a council has decided not to apply the full percentage increases available to it in one or more previous years under section 511 of the Local Government Act. If a council has a large amount of revenue yet to be caught up over the next several years, it should explain in its application how that impacts on its need for the special variation.

[6] Page 71, IP&R Manual for Local Government "Planning a Sustainable Future", March 2013

Criterion 2 – Community awareness

Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and LTFP should clearly set out the extent of the General Fund rate rise under the special variation. In particular, councils need to communicate the **full cumulative increase** of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category. The council should include an overview of its ongoing efficiency measures and briefly discuss its progress against these measures, in its explanation of the need for the proposed SV. The council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur. The IPART fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations.[7]

Criterion 3 – Impact on ratepayers is reasonable

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 council's Delivery Program and LTFP should:

- clearly show the impact of any rate 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 increases are affordable having regard to the community's capacity to pay.

In assessing the impact, IPART may also consider:

- Socio-Economic Indexes for Areas (SEIFA) data for the council area; and
- Whether and to what extent a council has decided not to apply the full percentage increases available to it in one or more previous years under section 511 of the Local Government Act.

Criterion 4 – IP&R documents are exhibited

The relevant IP&R documents[8] must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general income. It is expected that councils will hold an extraordinary meeting if required to adopt the relevant IP&R documents before the deadline for special variation applications.

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7 https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-specialvariation-or-minimum-rate-increase

8 The relevant documents are the Community Strategic Plan, Delivery Program, and LTFP and where applicable, Asset Management Plan. Of these, the Community Strategic Plan and Delivery Program require (if amended), public exhibition for 28 days. It would also be expected that the LTFP (General Fund) be posted on the council's web site.

Criterion 5 – Productivity improvements and cost containment strategies

The IP&R documents or the council's application must explain and quantify the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.

Councils should present their productivity improvements and cost containment strategies in the context of ongoing efficiency measures and indicate if the estimated financial impact of the ongoing efficiency measures have been incorporated in the council's LTFP.

Any other matter that IPART considers relevant

The criteria for all types of special variation are the same. However, the magnitude or extent of evidence required for assessment of the criteria is a matter for IPART.

B Assessment criteria for minimum rate applications

Criterion 1 – Rationale

The rationale for increasing minimum rates above the statutory amount

The council's response providing the rationale for increasing its minimum rate(s) above the statutory limit should be tailored to the specific circumstances of the minimum rate increase, including whether it is part of a proposal for an SV.

If the increase to minimum rates is in conjunction with a proposed SV, the response for Criterion 1 should focus on the aspects directly relevant to the proposed MR increase. It is not necessary to duplicate all the information explaining how the council established financial need which is included in the response for Criterion 1 in the SV Application Form Part B.

Where applicable, councils should provide references to their IP&R documents dealing with the proposal to increase minimum rates to demonstrate how the criterion has been met.

The Application Form asks one question for Criterion 1, and in the text box the response should:

- explain how the council developed the proposal in the context of its IP&R framework, including the SV proposal, if relevant
- explain why the council considers the increase to minimum rates is necessary
- discuss both the benefits and drawbacks of the proposed changes to the rating structure.

Criterion 2 – Impact on ratepayers is reasonable

The impact on ratepayers, including the level of the proposed minimum rates and the number and proportion of ratepayers that will be on the minimum rates, by rating category or sub-category

The criterion requires consideration of two elements:

- the level of minimum rates for ratepayers whose rates will be increased, and
- the distribution of the rate burden in the particular category or subcategory between those paying minimum rates and those paying an amount based on the value of their property.

Although it is a matter for each council to determine its rating structure, including the level of minimum rates, for this criterion, IPART will assess the proposal on its merits, but will consider how the proposed minimum rates accord with the principles of rating, by looking at:

- the absolute and percentage increase in minimum rates proposed for ratepayers paying the minimum amount
- how the council will manage any adverse impact on ratepayers
- how the increase in minimum rates affects the equitable distribution of the rate burden among all ratepayers in the category or subcategory.

Criterion 3 – Community awareness

The consultation the council has undertaken to obtain the community's views on the proposal.

The criterion requires IPART to make an assessment on the council's consultation with its community about the proposal to increase minimum rates. Although this criterion does not specify the various aspects of how the council should conduct consultation on the minimum rate increases, IPART expects that councils should be able to offer evidence to demonstrate that its consultation has been effective. Councils need to utilise appropriate methods to make the community aware of the proposal and afford ratepayers opportunities to provide feedback, and show that the proposed increase is reflected in its IP&R documents.

The breadth and depth of the consultation should be commensurate with the size of the proposed increase in rates, and tailored to the specific circumstances of the minimum rate increase, including whether or not it is part of a proposed SV.

Additional matters

In assessing an application against the assessment criteria, IPART considers the size and resources of the council, the size of the increase requested, current rate levels and previous rate rises, the purpose of the minimum rate and other relevant matters.

C Expenditure to be funded from the special variation above the rate peg

Table C.1 and Table C.2 show the council's proposed expenditure of the SV funds over the next 10 years under its application.

Under our approved SV, the council will receive additional revenue above the rate peg of $324.3 million over ten years (see Table B.1).

The council intends to use the additional SV revenue above the rate peg over 10 years to fund:

- $39.5 million on new and enhanced service levels
- $258.5 million on capital expenditure
- $26.3 million on the Leisure and Aquatic Strategy.

As a condition of IPART's approval, the council will indicate in its Annual Reports how its actual expenditure compares with its program of expenditure under the approved SV.

Table C.1 Canterbury Bankstown Council – Revenue and proposed expenditure over 10 years related to the proposed SV (2020-21 to 2029-30) ($000)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Total
SV revenue above assumed rate peg	0	9,428	19,828	30,453	41,427	42,463	43,525	44,613	45,728	46,871	**324,336**
Funding for operating expenditures to provide new/enhanced service levels	0	2,269	3,878	3,768	4,903	4,913	4,925	4,937	4,949	4,963	**39,505**
Funding for capital expenditure	0	5,927	14,692	25,402	32,957	33,910	34,886	35,888	36,914	37,966	**258,541**
Other uses of SV income	0	1,232	1,257	1,283	3,568	3,640	3,714	3,789	3,865	3,943	26,291
Total expenditure	**0**	**9,428**	**19,828**	**30,453**	**41,427**	**42,463**	**43,525**	**44,613**	**45,728**	**46,871**	**324,336**

Note: Numbers may not add due to rounding. Total SV expenditure equals funding for increased operating expenditures plus funding for capital expenditure. The council's proposed capital expenditure program related to the proposed SV is detailed in Table B.2.

Source: Canterbury Bankstown Council, *Application Part A,* Worksheet 6.

Table C.2 Canterbury Bankstown Council – Proposed 10-year capital expenditure program related to the proposed SV (2021-22 to 2030-31) ($000)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Renewals											
Road	0	3,378	8,089	14,194	18,386	18,920	19,466	20,026	20,600	21,189	144,250
Buildings and Other Structures	0	1,363	3,264	5,727	7,419	7,634	7,855	8,081	8,312	8,550	58,206
Open Space and Recreation	0	771	1,845	3,237	4,193	4,315	4,440	4,567	4,698	4,833	32,899
Stormwater Drainage	0	415	993	1,743	2,258	2,323	2,391	2,459	2,530	2,602	17,715
New assets											
Industrial Improvement Program	0	0	500	500	700	718	735	754	773	792	5,471
Total Asset Renewal	**0**	**5,927**	**14,192**	**24,902**	**32,257**	**33,192**	**34,151**	**35,134**	**36,141**	**37,174**	**253,069**
Total New Assets	**0**	**0**	**500**	**500**	**700**	**718**	**735**	**754**	**773**	**792**	**5,471**
Total Capital Expenditure	**0**	**5,927**	**14,692**	**25,402**	**32,957**	**33,910**	**34,886**	**35,888**	**36,914**	**37,966**	**258,541**

Note: Numbers may not add due to rounding.

Source: Canterbury Bankstown Council, *Application Part A*, Worksheet 6.

D Canterbury Bankstown Council's projected revenue, expenses and operating balance

As a condition of IPART's approval, the council is to report in 2021-22, 2022-23, 2023-24 and 204-25 against its projected revenue, expenses and operating balance as set out in its LTFP (shown in Table C.1).

Revenues and operating results in the annual accounts are reported both inclusive and exclusive of capital grants and contributions. 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 D.1 Summary of projected operating statement for Canterbury Bankstown Council under its proposed SV application (2021-22 to 2030-31) ($000)

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Total revenue	366	417	429	441	454	467	481	495	509	522
Total expenses	357	373	384	395	406	418	432	445	456	466
Operating result from continuing operations	10	44	45	46	48	49	49	49	53	55
Net operating result before capital grants and contributions	-26	8	9	9	10	10	10	10	13	14
Cumulative net operating result before capital grants and contributions	-26	-17	-9	0	11	21	32	41	54	69

Note: Numbers may not add due to rounding.

Source: Canterbury Bankstown Council, *Application Part A*, Worksheet 8

E Comparative indicators

Performance indicators

Indicators of council performance may be considered across time, either for one council or for a group of similar councils, or by comparing similar councils at a point in time.

Table E.1 shows how selected performance indicators for the council have changed over the three years to 2018-19. Table E.2 compares selected published and unpublished data about the council with the averages for councils in its OLG Group, and for NSW councils as a whole.

Table E.1 Trends in selected performance indicators for Canterbury Bankstown (2016-17 to 2018-19)

Performance indicator	2016-17	2017-18	2018-19	Compound annual growth (%)
FTE staff (number)	1,143	1,170	1,195	2.2
Ratio of population to FTE	316	315	313	-0.5
Average cost per FTE ($)	114,720	104,688	109,182	-2.4
Employee costs as % of operating expenditure (General Fund only) (%)	42	41	39	N/A

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 and IPART calculations.

Table E.2 Select comparative indicators for Canterbury Bankstown Council (2018-19)

	Canterbury Bankstown Council	OLG Group 3 average	NSW average
General profile			
Area (km2)	110	103	5,530
Population	373,931	190,302	62,400
General Fund operating expenditure ($m)	335.2	186.4	83.4
General Fund operating revenue per capita ($)	901	1,222	
Rates revenue as % of General Fund income (%)	68.9	52.5	45.5
Own-source revenue ratio (%)	87.0	76.2	69.7
Average rate indicators[a]			
Average rate – residential ($)	1,101	1,091	1,139
Average rate – business ($)	5,776	6,259	5,709
Socio-economic/capacity to pay indicators			
Median annual household income, 2016 ($)[b]	67,681	97,609	77,484
Average residential rates to median income, 2016 (%)	1.6	1.1	1.5
SEIFA, 2016 (NSW rank: 128 is the least disadvantaged)	72		
Outstanding rates and annual charges ratio	5.0	4.4	4.4
Unemployment rate (%)	6.8	4.6	
Productivity (labour input) indicators[c]			
FTE staff	1,195	771.6	376
Ratio of population to FTE	312.9	246.6	166.0
Average cost per FTE ($)	109,182	104,262	94,358
Employee costs as % of operating expenditure (General Fund only) (%)	39	42	39
General Fund operating expenditure per capita ($)	896	925	1,315

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

b Median annual household income is based on 2016 ABS Census data.

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, Time Series Data 2015-16, OLG, unpublished data; ABS, Socio-Economic Indexes for Areas (SEIFA) 2016, March 2018, ABS, 2016 Census DataPacks, General Community Profile, Local Government Areas, NSW, Median Weekly Household Income and IPART calculations.

F Rates harmonisation

Harmonisation is the implementation of one rating system within all rating categories.

Table F.1 and F.2 below compares the SV increase proposed by Canterbury Bankstown Council against a notional increase by the rate peg. This shows that as a result of rates harmonisation, the rates difference between the former Bankstown and Canterbury Council average residential rates has narrowed. Under the proposed SV the difference in average residential ad-valorem rates in 2021-22 narrowed by 2.2% to leave a gap of 12.9% between the two former councils.

However we note that the difference in average business ad-valorem rates in 2021-22 has widened by 0.2% to leave a gap of 20.8% between the two former councils.

Table F.1 Comparison of rates in year 1 and year 2 under rate peg and proposal scenarios (ad-valorem rate in cents)

Ratepayer Category	2020-21 Actual	2021-22 Under SV proposal	Difference between 2020-21 actual and 2021-22 proposed rates %
Bankstown			
Residential	0.207	0.207	0.1
Business	0.549	0.560	2.0
Canterbury			
Residential	0.180	0.184	2.0
Business	0.456	0.464	1.9
Canterbury-Bankstown Council			
Residential	0.195	0.197	0.9
Business	0.515	0.525	2.0

Note: All ad-valorem rates in this table are weighted averages, weighted by number of assessments.

Source: Canterbury Bankstown Council, *Application Part A*, Worksheet 3 and IPART calculations.

Table F.2 Percentage difference in rates for former Bankstown council when compared to former Canterbury council by ratepayer category

Ratepayer Category	2020-21 Actual %	2021-22 Under SV proposal %
Difference between Bankstown & Canterbury		
Residential	15.1	12.9
Business	20.6	20.8

Note: Percentage differences are based on ad-valorem rates which are weighted averages of each former council, weighted by number of assessments

Source: Canterbury Bankstown Council, *Application Part A*, Worksheet 3 and IPART calculations.

Table F.2 shows that under the proposed SV the gap between average residential rates in the former Bankstown and former Canterbury councils is narrowing. Table F.1 also shows this trend, with ad-valorem rates increasing by a larger percentage in Canterbury when compared to Bankstown.

Glossary

ABS	Australian Bureau of Statistics
Ad valorem rate	A rate based on the value of real estate.
Baseline Scenario	Shows the impact on the council's operating and infrastructure assets' performance without the proposed SV revenue and expenditure.
Baseline with SV expenditure Scenario	Includes the council's full expenses from its proposed SV, without the additional revenue from the proposed SV. This scenario is a guide to the council's financial sustainability if it still went ahead with its full expenditure program included in its application, but could only increase general income by the rate peg percentage.
General income	Income from ordinary rates, special rates and annual charges, other than income from other sources such as special rates and charges for water supply services, sewerage services, waste management services, annual charges for stormwater management services, and annual charges for coastal protection services.
IPART	The Independent Pricing and Regulatory Tribunal of NSW
Local Government Act	*Local Government Act 1993* (NSW)
Minimum rate	A minimum amount of the rate specified under section 548 of the *Local Government Act*, 1993.
OLG	Office of Local Government
OLG SV Guidelines	Guidelines for the preparation of an application for a special variation to general income.
OLG MR Guidelines	Guidelines for the preparation of an application to increase minimum rates above the statutory limit.

PGI	Permissible General Income is the notional general income of a council for the previous year as varied by the percentage (if any) applicable to the council. A council must make rates and charges for a year so as to produce general income of an amount that is lower that the PGI.
Proposed SV Scenario	Includes the council's proposed SV revenue and expenditure.
Rate peg	The term 'rate peg' refers to the annual order published by IPART (under delegation from the Minister) in the gazette under s 506 of the *Local Government Act 1993*.
SEIFA	Socio-Economic Indexes for Areas (SEIFA) is a product developed by the ABS that ranks areas in Australia according to relative socio-economic advantage and disadvantage. The indexes are based on information from the five-yearly Census. It consists of four indexes, the Index of Relative Socio-economic Disadvantage (IRSD), the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD), the Index of Economic Resources (IER), and the Index of Education and Occupation (IEO).
SV or SRV	Special Variation is the percentage by which a council's general income for a specified year may be varied as determined by IPART under delegation from the Minister.

[i] Canterbury Bankstown Council, *Application Part B*, p 76.
[ii] Canterbury Bankstown Council, *Application Part B*, p 17.
[iii] Canterbury Bankstown Council, *Application Part B*, pp 3-4.
[iv] Canterbury Bankstown Council, *Application Part B*, p 16.
[v] Canterbury Bankstown Council, *Application Part B*, p 4.
[vi] Canterbury Bankstown Council, *Application Part B*, p 9.
[vii] Canterbury Bankstown Council, *Application Part B*, p 79.
[viii] Canterbury Bankstown Council, *Application Part B*, p 79
[ix] Canterbury Bankstown Council, *Council Meeting, 4 February 2021*, Minutes p 3.
[x] Office of Local Government, *Improvement Proposal Reassessment Report Round 3*, June 2018, p 10.
[xi] Canterbury Bankstown Council, *Delivery program*, pp 86-87.
[xii] Canterbury Bankstown Council, *Long Term Financial Plan,* p 74.
[xiii] Canterbury Bankstown Council, *Asset Management Plan,* p 17.
[xiv] Canterbury Bankstown Council, *Application Part B*, p 9.
[xv] Canterbury Bankstown Council, *Application Part B*, p 9.
[xvi] Canterbury Bankstown Council, *Application Part B*, p 9.
[xvii] Canterbury Bankstown Council, *Application Part B*, p 19.
[xviii] Canterbury Bankstown Council, *Application Part B*, pp 4.
[xix] Canterbury Bankstown Council, *Application Part B*, pp 13-14.
[xx] Canterbury Bankstown Council, *Application Part B*, p 16.
[xxi] Canterbury Bankstown Council, *Application Part B*, pp 46-51.
[xxii] Canterbury Bankstown Council, *Application Part B*, pp 42-47.
[xxiii] Canterbury Bankstown Council, *Application Part B*, p 56.
[xxiv] Canterbury Bankstown Council, *Application Part B*, pp 50-52.
[xxv] Canterbury Bankstown Council, *Application Part B*, pp 52.
[xxvi] Canterbury Bankstown Council, *Community feedback summary,* pp 1-64.
[xxvii] Canterbury Bankstown Council, *Application Part B*, p 56.
[xxviii] Canterbury Bankstown Council, *Application Part B*, p 75.
[xxix] Canterbury Bankstown Council, *Analysis of SEIFA indexes,* pp 71.
[xxx] Canterbury Bankstown Council, *Application Part B*, p 78
[xxxi] Canterbury Bankstown Council, *Application Part B*, p 22.
[xxxii] Canterbury Bankstown Council, *Application Part B*, p 57.
[xxxiii] Canterbury Bankstown Council, *Application Part B*, p 56.
[xxxiv] Canterbury Bankstown Council, *Hardship Policy,* pp 4-8.
[xxxv] Canterbury Bankstown Council, *Hardship Policy*, p 3.
[xxxvi] Canterbury Bankstown Council, *Application Part B,* p 62.
[xxxvii] Canterbury Bankstown Council, Delivery Program p 86.
[xxxviii] Canterbury Bankstown Council, *Council Meeting, 4 February 2021*, Minutes p 5.
[xxxix] Canterbury Bankstown Council, *Long Term Financial Plan,* p 74.
[xl] Canterbury Bankstown Council, *Long Term Financial Plan,* p 36.
[xli] Canterbury Bankstown Council, *Long Term Financial Plan,* p 36.
[xlii] Canterbury Bankstown Council, *Delivery Program,* p 89.
[xliii] Canterbury Bankstown Council, *Application Part B*, p 95.
[xliv] Canterbury Bankstown Council, *Minutes – Extraordinary Meeting of Council on 25 June 2019*, p 6.
[xlv] Canterbury Bankstown Council, *Application Part B*, p 95.
[xlvi] Canterbury Bankstown Council, *Application Part B*, p 91.
[xlvii] Canterbury Bankstown Council, *Application Part B*, pp 99-107.
[xlviii] Canterbury Bankstown Council, *Application Part B*, pp 100.
[xlix] Canterbury Bankstown Council, *Application Part B*, p 108.
[l] Canterbury Bankstown Council, *Application Part B*, p 109.
[li] Canterbury Bankstown Council, *Application Park A, Worksheet 7*.
[lii] Canterbury Bankstown Council, *Application Part B*, p 102.
[liii] Canterbury Bankstown Council, *Minimum Rate Application Part B*, p 3.
[liv] Canterbury Bankstown Council, *Minimum Rate Application Part B*, p 4.
[lv] Canterbury Bankstown Council, *Minimum Rate Application Part A*, Worksheet 2.

[lvi] Canterbury Bankstown Council, *Application Part B,* p 5.
[lvii] Canterbury Bankstown Council, *Application Part A,* Worksheet 3.
[lviii] Canterbury Bankstown Council, *Minimum Rate Application Part B*, p 29.
[lix] Canterbury Bankstown Council, *Delivery Program,* p 87.
[lx] Canterbury Bankstown Council, *Community engagement materials*, p 3.
[lxi] Canterbury Bankstown Council – One Rate New Information, https://www.cbcity.nsw.gov.au/resident/rates/onerate/new-information, accessed 15 March 2021.