IPART Independent Pricing and Regulatory Tribunal | NSW

City of Canada Bay

Special Variation and Minimum Rate Increase Application for 2023-24

Final Report

June 2023

Local Government »

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

Tribunal Members

The Tribunal members for this review are:
Deborah Cope (Acting Chair)
Sandra Gamble
Mike Smart

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The Independent Pricing and Regulatory Tribunal

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from IPART's website.

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1 Executive summary

City of Canada Bay Council (the council) applied to IPART to increase its general income by a cumulative 32.53% (including the rate peg) through a permanent special variation (SV) over 2023-24 to 2026-27.[1] The council has also applied to increase its minimum rates (MR) by a cumulative 45.5% over 2023-24 to 2026-27.[2]

The council sought the special variation to:

- improve its financial sustainability
- maintain infrastructure service standards for its growing population.

The council sought the minimum rate increase to:

- redistribute its rates more equitably across dwelling types.

1.1 IPART's decision

We have approved the council's proposed SV and MR increase.

Our decision on the SV means the council can raise up to an additional $28.2 million in total general income (above the rate peg) over the period 2023-24 to 2026-27, and permanently retain this revenue in its rate base. The MR increase means the council can raise the minimum rate from $762 in 2022-23 to $1,108 for both residential and business rating categories by the end of the SV period in 2026-27.

Some stakeholders have told us that the SV is likely to create affordability challenges for some ratepayers – particularly when combined with other cost-of-living pressures, such as high inflation and increases in mortgage interest rates. We also understand that some ratepayers are dissatisfied with the council's financial management and concerned that they are not getting value from their rates payments.

Our assessment found that the council meets the OLG criteria for its proposed SV. We have concluded that the council requires additional revenue to improve its long-term financial sustainability and to address its current operating deficits. The SV will also help it meet the costs of significant population growth and enable it to continue to provide current infrastructure and service levels to its growing population. The council expects 13,000 new dwellings by 2036, housing an additional 30,000 residents.[3] A large proportion of the population growth is expected to be housed in apartments and the increase to minimum rates will allow a fairer distribution of rates between houses and apartments.

We found that the impact of the SV and MR increase on ratepayers would be reasonable, taking into account the level of the proposed rates, relatively high median household incomes and the relatively low levels of disadvantage in the area. The council's current average rates are lower compared to similar and neighbouring councils and the SV would raise rates to a similar level. The minimum rates would also be raised to a similar level to comparable councils (noting that the neighbouring council of Strathfield has applied for a similar increase to its minimum rates). Furthermore, the adjustment to the MR will allow a more equitable rates distribution between apartments and houses as the mix of dwellings in the area changes with the growing population.

1.2 IPART's assessment of the council's application

1.2.1 Special Variation

To make our decision, we assessed the council's proposed SV against the 6 criteria set by the Office of Local Government (OLG) in its *Guidelines for the preparation of an application for an SV to general income* (OLG Special Variation Guidelines). We found that the proposal met these OLG criteria. Our assessment against each OLG criterion is summarised below.

Criteria	Grading	Assessment
01	Demonstrated	**Financial need** The council demonstrated a financial need for the SV to address its operating deficits, improve its financial sustainability, and meet the need for increased infrastructure and service delivery of a growing population.
02	Demonstrated	**Community awareness** The council has adequately informed its community about the need for, and the size of the special variation. It used a range of engagement methods and considered community feedback. However, conveying rate increases in yearly dollar amounts rather than in weekly dollar amounts may have been easier for ratepayers to understand.
03	Demonstrated	**Reasonable impact on ratepayers** The council has demonstrated that the SV will bring rates up to a comparable level to that of neighbouring and similar councils. This was supported by a capacity to pay report which indicated relatively high levels of income and low levels of disadvantage.
04	Demonstrated	**Integrated Planning and Reporting documentation** All necessary Integrated Planning and Reporting (IP&R) documents were appropriately exhibited and adopted.

Criteria	Grading	Assessment
05	Demonstrated	**Productivity improvement and cost containment** The council outlined some productivity and cost containment strategies implemented to date and identified several potential measures to apply in the future. However, the measures proposed for future implementation are relatively small in comparison to existing measures undertaken.
06		**Other matters IPART considers relevant** IPART approved a 2.5% permanent additional SV in 2022-23.

1.2.2 Minimum rates

To make our decision on the MR, we assessed the council's proposal against the 3 criteria set by the Office of Local Government's Minimum Rate Guidelines.[4] We found that its application met these OLG criteria. Our assessment against each OLG criterion is summarised below.

Criteria	Grading	Assessment
01	Demonstrated	**Rationale for increasing minimum rates** The council has explained that the increase would support a more equitable distribution of the rates between houses and apartments/units. This is particularly relevant as the area is expecting significant population growth in apartments.
02	Demonstrated	**Impact on ratepayers** The council has identified the cumulative MR increase by 2026-27 would be $346 for both residential and business minimum rates. The council has noted that approximately 58% of residential and 44% of business ratepayers currently pay the minimum rate.
03	Demonstrated	**Community awareness** The council has made the community aware of the proposed increase in the minimum rates, provided the reasoning for the minimum rate increase and considered community feedback.

1.3 Stakeholders' feedback

We expect the council to engage and consult with its community so that ratepayers are fully aware of any proposed SV and MR increase and the impact on them and have opportunities to provide feedback to the council. This is one of the OLG criteria we use to assess the council's application.

City of Canada Bay Council consulted on its proposed SV with its community using a variety of engagement methods. Rates are collected from approximately 37,000 residential and 1,800 business properties. The council received 409 online submissions and 60 submissions by email on the SV. It also held three community forums (one in person and two online) which had 16 attendees in total. [5]

As a further input to our assessment, we published the council's application on our website where stakeholders could make submissions directly to IPART. Through this process we received 329 submissions on City of Canada Bay Council's proposed SV and MR increase. Stakeholders that made submissions to us raised the following concerns:

- affordability of the proposed increases
- council's financial management
- issues with the council's consultation and transparency
- impact of land valuations

We also received submissions from some Breakfast Point residents who raised specific concerns around the inequity of the rate increases to residents in their community given they already fund some infrastructure independently of the council.

We consider the council's community engagement in more detail in section 4.2 and stakeholder feedback to IPART in more detail in section 3 and throughout this report where relevant.

1.4 Next steps for the council

Our determination sets the *maximum* amount by which the council can increase its rates revenue over the 4-year period. We encourage the council to consult with its community to decide how best to implement the increase. The approved SV is the maximum permitted amount, and the council can choose to set its rates including deferring any increases for up to 10 years.[6] Below are the council's proposed increases, and it retains the discretion to revise how it raises its general income across the rating categories.

The council will still need to deliver on its proposed productivity improvements. Increasing rates as proposed will not be sufficient on its own to achieve long-term financial stability.

Table 1.1 The council's proposed increase in rates

	2023-24	2024-25	2025-26	2026-27	Cumulative increase
Average Rates					
Residential	15.5%	4.8%	4.7%	4.6%	32.5%
Business	15.5%	4.8%	4.7%	4.6%	32.5%
Average Ad Valorem rate					
Residential	15.5%	2.4%	2.4%	2.4%	24.1%
Business	15.5%	2.4%	2.4%	2.4%	24.1%
Minimum rates					
Residential	15.5%	8.4%	8.0%	7.6%	45.5%
Business	15.5%	8.4%	8.0%	7.6%	45.5%

Note: These figures have been rounded in calculation and therefore summations on a whole may not appear to be correct. These are the council's proposed increases and it retains the discretion to apply the general income across the rating categories.
Source: City of Canada Bay Council, Application Part A

The rest of this report explains how and why we reached our decision on the council's proposed special variation in more detail.

2 The council's special variation and minimum rate applications

The council applied to IPART to increase its general income through a permanent SV of 15.49% in 2023-24, 4.81% in 2024-25, 4.69% in 2025-26 and 4.58% in 2026-27, or a 32.53% cumulative increase (inclusive of the rate peg) over 2023-24 to 2026-27. The council has indicated that average rates will rise by 15.49% for all ratepayers in the first year of the SV. Increases in years 2, 3 and 4 of the SV will primarily be applied to ratepayers on minimum rates (rate increases for other ratepayers will be in line with the rate peg increase).

The council sought the special variation to:

- allow it to become more financially sustainable in the face of rising costs and to address a modest ongoing deficit in the general fund
- increase services and improve asset conditions, as well as increase future services to accommodate expected population

As part of the SV package, the council has also applied to increase its MR above the statutory limit. The council has applied to increase its minimum rates by 15.5% in 2023-24, 8.4% in 2024-25, 8.0% in 2025-26 and 7.6% in 2026-27, for a 45.5% cumulative increase over 2023-24 to 2026-27.

The council has sought an increase to the minimum rate to:

- ensure a more equitable allocation of the rates between houses and units/apartments, and
- support improvements to financial sustainability over the long-term, as apartment growth outpaces detached dwelling growth, facilitated through the concurrent SV application.

2.1 Impact on ratepayers

2.1.1 Special variation

The council proposed that rates will increase for all rating categories over the 4-year SV period. On average, it proposed:

- **residential rates** by 2026-27 will increase by $329 or 32.5%
- **business rates** by 2026-27 will increase by $1,058 or 32.5%.

The council has provided the number of rate notices that were issued for 2022-23 in Table 2.1.

Table 2.1 Number of ratepayers per category in 2022-23

Ratepayer category	Number of rate notices
Residential	36,768
Business	1,845

Source: City of Canada Bay Council, Part A application Worksheet 2

The council has proposed applying this increase differently to ratepayers on the minimum rate (which is a fixed rate typically applied to lower unimproved land value properties such as apartments), and ratepayers paying ad valorem rates (which vary depending on the value of a property and are levied on higher unimproved land value properties such as houses).

On average, it proposed:

- **ad valorem** residential and business rates will increase by 24.1%, through a 15.5% increase in 2023-24 and a 2.5% annual increase (in line with the rate peg) from 2024-25 to 2026-27
- **minimum** residential and business rates will increase by 45.5%, through a 15.5% increase in 2023-24, followed by 8.4%, 8.0%, and 7.6% increases in 2024-25, 2025-26 and 2026-27.

2.1.2 Minimum rates

The council proposed that minimum rates will increase for all rating categories over the 4-year SV period. It proposed:

- **Residential minimum rates** will increase from $762 in 2022-23 to $1,108 by the end of the SV period in 2026-27
- **Business minimum rates** will increase from $762 in 2022-23 to $1,108 by the end of the SV period in 2026-27

These increases are broken down into yearly rates in Table 5.1 in section 5.

The council has provided the number of rate notices that are subject to minimum rates for 2022-23 in Table 2.2. These figures are included in the total rate notices outlined in Table 2.1 and not in addition to them.

Table 2.2 Number of minimum rate ratepayers by category in 2022-23

Ratepayer category	Number of rate notices
Residential	21,226
Business	802

Source: City of Canada Bay Council, Part A application Worksheet 2

2.2 Assessment of affordability and capacity to pay

The council assessed the affordability of the proposed rate increases, including the community's capacity to pay.

Council's application shows that the SV will bring rates into line with comparable councils. Council's report on the community's capacity to pay suggests that overall, there is capacity to pay across the Local Government Area (LGA) due to relatively high levels of income and low levels of disadvantage.

Its analysis recognised that while some in the community will face financial challenges in paying the proposed increases beyond 2023-24, the council must consider the consequences of not improving its financial sustainability for future generations. In assessing these consequences, it considered the social and economic impacts, and the impact on essential or valued infrastructure.

The council's capacity to pay analysis found that:

- the council's rates and charges outstanding have generally been low relative to its peer group
- the LGA performs well on a range of socioeconomic characteristics relative to its peer group, especially income, wealth and SEIFA ranking.

The council also noted that over the past 5 years, 97% of rates have been paid within the respective period and the council has a Hardship Policy that allows it to write off or reduce interest charges under some circumstances.

However, the council's Long Term Financial Plan (LTFP) shows that it is currently running surpluses from its Domestic Waste Management charges. The council has told us that it is currently considering reducing the rate of growth in the waste charge for the forthcoming budget as one tool to mitigate the impact of higher rates on ratepayers.

2.3 Impact of the special variation on the council's general income

The council estimated that the proposed SV would result in a cumulative increase in its permissible general income (PGI) of $28.2 million above what the assumed rate peg would deliver over the 4-year SV. Increases to the MR will not result in an increase to the general revenue of the council, as increasing the minimum rate does not automatically increase the council's PGI. However, in this case, the council has applied for an SV in conjunction to a MR increase to enable the PGI to be raised by an amount equivalent to the expected revenue from the MR increase.

2.4 Further information provided

Following our preliminary assessment of the council's application, we asked the council to provide:

- clarification on discrepancies between their Long-Term Financial Plan and application documents
- information on the Domestic Waste Management Charge
- community consultation materials
- its hardship policy
- evidence that ratepayers are willing to pay for increased services
- discussion of alternatives to a special variation
- further information on the extent of the rate rise
- the total increase in dollar terms for the average ratepayer
- information about ongoing efficiency measures and progress against these measures
- an assessment of the impact of any rate rises upon the community
- updated council application documents
- public consultation materials.

In response to our request for information, the council provided:

- an updated application form Part A
- details about the domestic waste management services
- public consultation materials
- details of the breakdown in expected usage of the SV for projected deficit and expenditure
- details of minimum rates charges.

3 Stakeholders' submissions to IPART

We expect the council to engage with its community so that ratepayers are fully aware of any proposed special variation or minimum rate increase and the full impact on them. This is one of the criteria we use to assess the council's application (see Appendix A).

As a further input to our assessment, we published the council's application on our website for a 3-week consultation period, and stakeholders could make submissions directly to us. The Tribunal has taken all submissions into account in making its decision in accordance with our Submissions Policy, including any confidential submissions. In this section, we summarise the key issues raised in all published (non-confidential) submissions.

3.1 Summary of submissions we received

We received 329 submissions from stakeholders between 10 February 2023 and 3 March 2023. The key issues and views raised in these submissions, and our response to them, are summarised below. There are approximately 37,000 residential and 1,800 business ratepayers in the council's local government area.

3.1.1 Affordability of proposed rates increases

The majority of submissions expressed negative sentiments towards affordability. Stakeholders said that the council is not prioritising maintenance of current facilities and is more interested in pursuing large capital works to build its profile. Some stakeholders reported a sense that the council is fixated on high-profile projects to the detriment of the whole community, with little regard for individual circumstances. Stakeholders also said that rate rises are not justified, and that the council needs to prioritise delivering basic services before focusing on additional services. Submissions also mention that the capacity of ratepayers to pay is diminished because of the recent increases in the cost of living, particularly increases in interest rates. See section 4.3 for our analysis of the council's assessment of the SV's impact on ratepayers.

3.1.2 The council's financial management

A large proportion of submissions expressed dissatisfaction with the council's financial management. There is a perception that the council is not efficient or effective in its use of resources, and that the council has not been transparent about the costs it faces. Additionally, many submissions suggested that the council is too ambitious in its spending and should focus on core services such as roads, rates, and rubbish disposal. Some stakeholders suggested that the council is not listening to ratepayers and that the SV is being pushed through without regard for the community's opposition. Our assessment of the council's efficiency is discussed in section 4.5.

3.1.3 Specific concerns raised by Breakfast Point community

A large proportion of the submissions we received related to the Breakfast Point community within the LGA. Most of these submissions expressed concern about the proposed minimum rate increase and special variation. The submitters consider that this is unfair to communities like Breakfast Point, as they already fund the maintenance and renewal of infrastructure on community property which they consider reduces the burden on the council. The submitters consider that the council's approach is unjustified and disproportionate, as Breakfast Point residents will be paying more for fewer services than other residential owners.

The submissions suggest that a more equitable solution that would benefit all parties involved would be instead of implementing the proposed rate increase, the council should consider the savings that communities like Breakfast Point provide and explore grant opportunities to offset costs.

The council is responsible for deciding how it distributes the increase across its ratepayers. IPART must assess the need for an SV and increase to MR for the council area as a whole.

3.1.4 The council's consultation with the community

A small proportion of submissions considered the council was not transparent or communicative with ratepayers. These residents feel that the council has not clearly established the need for a different revenue path and has not canvassed any alternatives to the rate rise. These submissions also noted that the council has not been responsive to community feedback and has not addressed ratepayer concerns about the financial burden the rate increase will impose on the residents. These matters are further discussed in section 4.2.

3.1.5 Impact of recent land valuations on the council's income

A small number of the submissions we received suggested that large increases in land valuations will have a dramatic impact on rates and that the council has not effectively taken those impacts into consideration. Some suggested that the recent land valuation increases in the City of Canada Bay area would automatically increase the council's income.

This is not the case. Routine changes in land valuations (those that occur when the Valuer-General values lands every 3 years as part of its general valuation cycle) do not increase (or decrease) the council's maximum permitted level of general income. As set out in Box 3.1 below, the council is required to adjust its rates following routine changes in land valuations to ensure the total amount of general income recovered from ratepayers does not exceed the maximum permitted amount.

Box 3.1 Effect of land valuation on rates

Routine changes to land valuations do not increase the total amount of general income the council can recover from ratepayers (also known as the 'permissible general income' or PGI). A council's PGI for each year is limited by the rate peg or a percentage determined by IPART in a special variation.[a] However, individual ratepayers may pay either higher or lower rates.

Individual rates depend on the combination of:

- the council's rating structure
- the relevant rating category
- the property's unimproved land value.

The variable component of rates, ad valorem, is determined by:

$$\textit{ad valorem component} = \textit{amount in the dollar} \times \textit{land value}$$

Generally, the council recalculates the 'amount in the dollar' rate every year to ensure the council does not collect rates above its PGI.

A routine increase in a ratepayer's land value by the Valuer-General does not mean that a ratepayer's rates will automatically increase. The impact on rates depends on whether the land value has increased or decreased compared to others in the ratepayer's local government area.

[a] Councils' PGI may be affected by supplementary valuations of rateable land under the *Valuation of Land Act 1916* and estimates provided under section 513 of the *Local Government Act 1993*. Such supplementary valuations and estimates are made when land within a council area has changed outside the general valuation cycle (such as where land has been subdivided or rezoned). This is distinct from the routine changes in land value by the Valuer-General.

4 IPART's assessment of the council's special variation application

The Minister for Local Government has delegated the power to grant special variations to IPART.[b] We are required to assess the council's SV application against the 6 OLG criteria set out in the OLG's Guidelines. We found that the council fully met all OLG criteria for its proposed SV.

The council's combined minimum rate increase and special variation is to address financial need and to rebalance rates revenue between units and detached dwellings.

The council's Local Government Area (LGA) has experienced material population growth, the vast majority of which has come from additional apartments rather than detached dwellings. This population growth increases demand for council services and infrastructure, which requires additional revenue. While the rate peg now includes a population factor which enables councils experiencing population growth to maintain per capita revenue, this was only introduced 2 years ago and does not address costs associated with population growth experienced by councils prior to its introduction.

Specifically, we found the council:

- demonstrated a financial need for the SV to address the council's operating deficit, and to enable it to catch up on growth related costs so it can provide its current level of service to a growing population
- undertook adequate community consultation to inform ratepayers of the need and purpose of the SV
- assessed the impact of the SV on ratepayers and showed it is reasonable
- exhibited its IP&R documentation appropriately
- demonstrated past productivity improvements and detailed planned productivity and cost containment strategies.

Our assessment against each OLG criterion is discussed below.

[b] By delegation dated 6 September 2010, the Minister for Local Government delegated to the Tribunal all her functions under sections 506, 507, 508(2), 508(6), 508(7), 508A, 548(3) and 548(8) of the *Local Government Act 1993* (NSW), pursuant to section 744 of that Act.

4.1 OLG Criterion 1: The council demonstrated a financial need for the SV

Criterion 1 requires the council to clearly articulate and identify the need for, and purpose of, the proposed SV in its IP&R documents. It also requires the council to demonstrate the financial need for the SV by assessing the impact of the SV on its financial performance and position, and to canvass alternatives to the SV to meet the financial need.

Note: See Appendix A.1 for the full assessment criteria

To assess whether the council met this OLG criterion, we reviewed the council's IP&R documents and the information in its application. We undertook our own analysis of the council's financial performance and position. We also considered stakeholders' comments on financial need in the submissions we received. We do not audit council finances, as this is not part of our delegated authority.

The sections below discuss our assessment, and why we found that the council met this OLG criterion.

4.1.1 Stakeholder comments on financial need

In their submissions to us, stakeholders raised a range of concerns related to the financial need criterion. In particular, they discussed:

- the financial need for an SV has not been adequately demonstrated by council
- the council needs to manage its funds more efficiently
- that special consideration needs to be given to the contribution Breakfast Point residents make in maintaining some community infrastructure
- the rate increases are driven by council desires which do not reflect the wishes of the ratepayers.

We considered these concerns, taking account of all the information available to us.

4.1.2 The council's IP&R documents and application

We found that the council's IP&R documents, including its Long-Term Financial Plan, Delivery Program and Asset Management Strategy, identify and articulate the need for and purpose of the SV. The documents state that the proposed SV is needed to:

- address a modest deficit in the general fund
- provide increases in infrastructure and services due to population growth. This is not an improvement in the level of service, but investment in infrastructure and services to maintain the same standard of service for a larger population.

Broadly, the need for, and purpose of, the SV is articulated in the council's Integrated Planning and Reporting (IP&R) documents, primarily in its Long-Term Financial Plan. The Delivery Program outlines the need for additional revenue to support service improvements in very broad terms.[7] The Asset Management Strategy suggests that an SV should be considered specifically to fund seawall renewals.[8] However, the relevant IP&R documents did not sufficiently canvass alternatives to the rate rise.

4.1.3 Our analysis of the council's financial performance and position

We used information provided by the council in its application and IP&R documents to do our own analysis of the impact of the proposed SV on the council's financial performance and financial position. We calculated financial forecasts under 3 scenarios:

1. **Proposed SV Scenario** – which includes the council's proposed SV revenue and expenditure.
2. **Baseline Scenario** – which does not include the council's proposed SV revenue or expenditure.
3. **Baseline with SV expenditure Scenario** – which includes the council's full expenditure 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.

We then used these forecasts to examine the impact of the SV on key indicators of its financial performance and position – namely its operating performance ratio, net cash (or net debt) and infrastructure ratios.

Impact on Operating Performance Ratio

The Operating Performance Ratio (OPR) is a measure of a council's ongoing financial performance or sustainability. In general, a council with an OPR consistently greater than zero is considered to be financially sustainable because the OPR measures a council's ability to contain operating expenditure within operating revenue.[9] The OLG has set a benchmark for the OPR of greater than zero. (See Box 4.1 for more information.)

Box 4.1 Operating Performance Ratio

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

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

Where expenses and revenue are exclusive of capital grants and contributions, and net of gains/losses on the sale of assets.

The OLG has set a benchmark for the ratio of greater than 0%.

The ratio measures net operating results against operating revenue and does not include capital expenditure. That is, a positive ratio indicates that an operating surplus is available for capital expenditure.

Generally, IPART considers that a council's average OPR over the next 10 years should be 0% or greater, as this represents the minimum level needed to demonstrate financial sustainability. An OPR consistently well above 0% would bring into question the financial need for an SV.

However, we recognise that other factors, such as the level of borrowings or investment in infrastructure, may affect the need for a council to have a higher or lower operating result than the breakeven benchmark as set by OLG.

Source: Office of Local Government, *Performance Benchmarks* and *Assets*.

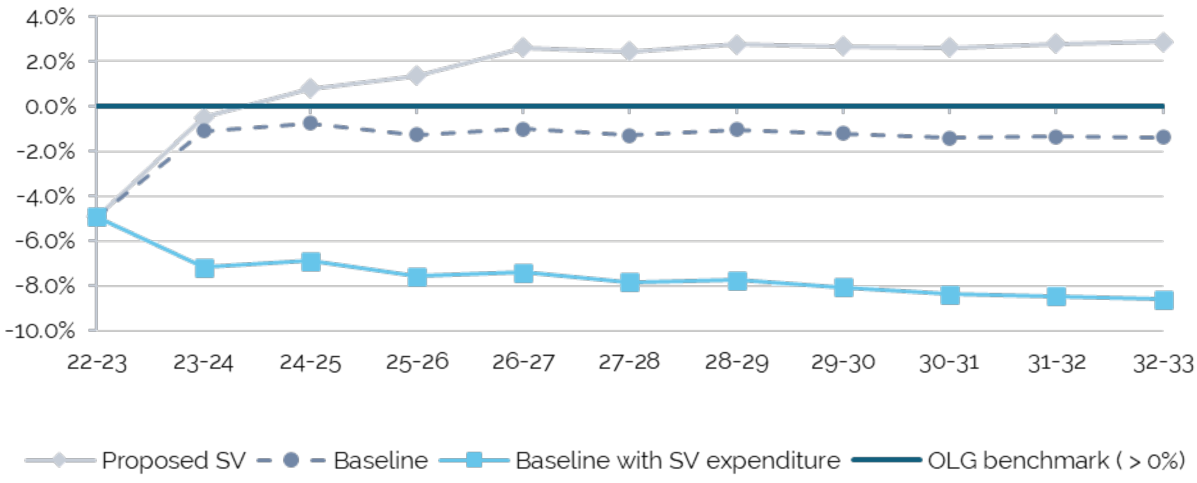
As seen in Figure 4.1 and Table 4.1 below, over the next 5 years[c]:

- **Under the Baseline Scenario**, the council's average OPR would be -1.1%
- **Under the Baseline with SV expenditure Scenario**, the council's average OPR would be -7.4%
- **Under the Proposed SV Scenario**, the council's average OPR would be 1.3%.

This suggests that without the SV, the council may not be able to maintain current service levels and expenditure. In this situation, council may not be financially sustainable.

[c] We averaged the forecast OPR over a 5-year period rather than 10 years because we recognised forecasts over a longer period are subject to variability

Figure 4.1 The council's OPR from 2022-23 to 2032-33



Source: City of Canada Bay Council, Application Part A
Note: OPR shown excludes capital grants and contributions

Table 4.1 The council's projected OPR with proposed special variation, 2023-24 to 2032-33 (%)

	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-29	31-32	32-33
Proposed SV	-0.5	0.8	1.4	2.6	2.4	2.7	2.7	2.6	2.8	2.9
Baseline	-1.1	-0.7	-1.3	-1.0	-1.3	-1.0	-1.2	-1.4	-1.4	-1.4
Baseline with SV expenditure	-7.2	-6.9	-7.6	-7.4	-7.8	-7.7	-8.1	-8.4	-8.5	-8.6

Source: City of Canada Bay Council, Application Part A

Impact on net cash

A council's net cash (or net debt) position is another indicator of its financial position. It indicates whether a council has significant cash reserves that could be used to fund the purpose of the proposed SV.

On 30 June 2022, the council held a total of $152 million in cash reserves. Of these funds:

- $101 million was externally restricted funds
- $46 million was internally restricted funds
- $5 million was unrestricted funds (available to fund the purpose of the proposed SV).

This suggests that the vast majority of the council's cash, cash equivalents and investments are committed to other purposes. This includes:

- **Externally restricted funds**: Funds that are subject to external legislative or contractual obligations. These include development contributions, waste and stormwater management reserves, and funds set aside to meet unexpended loans/contracts.

- **Internally restricted funds**: Funds restricted by resolution of Council to cover commitments/obligations that are expected to arise in the future and where it is prudent for the council to hold cash in restrictions to cover those obligations. These include employee leave entitlements, plant replacement funds, bonds and deposits held as a condition of consent, and investment funds.

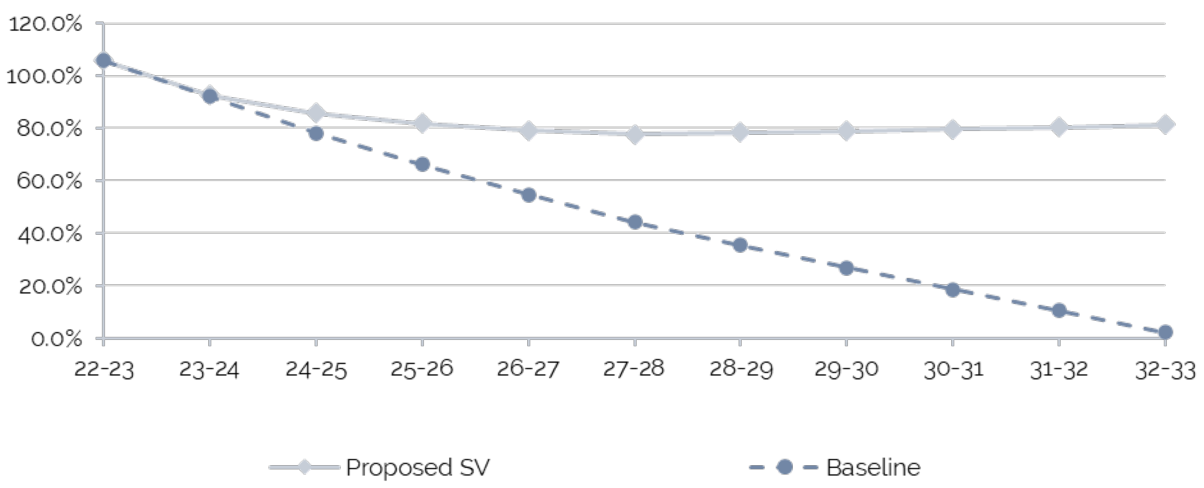
We calculated that as at 30 June 2023, the council will have net cash of $86.5 million and a net cash to income ratio of 106%.

As Figure 4.2 shows, our analysis found that, by 30 June 2033:

- **under the Proposed SV Scenario**, the council's net cash to income ratio would decline gradually to a low of 77.7% in 2027-28 and then remain relatively stable before rising slightly towards the end of the modelling period, finishing at 81.2% in 2032-33.
- **under the Baseline Scenario**, the council's net cash to income ratio would decline materially and continually, falling every year until it reaches 2.2% in 2032-33

This suggest that the Baseline Scenario would not be financially sustainable.

Figure 4.2 The council's net cash (debt) to income ratio, 2022-23 to 2032 33 (%)



Source: City of Canada Bay Council, Application Part A and IPART calculations.

Taking into account the council's OPR and net cash position, we consider the council is in financial need for the proposed SV to support its financial sustainability.

Impact on infrastructure ratios

The management of infrastructure assets is an important council function. We have used information provided by the council to assess the extent to which the council can maintain and renew its infrastructure assets as they depreciate, which is an indicator of its financial position. We did this by assessing the council's infrastructure backlog ratio and infrastructure renewals ratio and compared them to OLG's benchmarks:

- **The infrastructure backlog ratio** indicates whether the council has a need for additional revenue to maintain its infrastructure assets. It shows the infrastructure backlog as a proportion of the total value of a council's infrastructure. OLG's benchmark for the infrastructure backlog ratio is less than 2.0%.
- **The infrastructure renewals ratio** measures the rate at which infrastructure assets are being renewed against the rate at which they are depreciating. OLG's benchmark for the infrastructure renewals ratio is greater than 100%. (See Box 4.2 for more information on these ratios and how we interpret them.)

Box 4.2 Infrastructure ratios for councils

Infrastructure backlog ratio

The infrastructure backlog ratio measures the council's backlog of assets against its total written down value of its infrastructure and 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.

OLG has set a benchmark for the ratio of less than 2%.

Infrastructure renewals ratio

Where relevant, we may also consider the council's infrastructure renewals ratio, which assesses the rate at which infrastructure assets are being renewed against the rate at which they are depreciating. It is defined as:

$$Infrastructure\ renewals\ ratio = \frac{Infrastructure\ asset\ renewals}{Depreciation, amortisation\ and\ impairment}$$

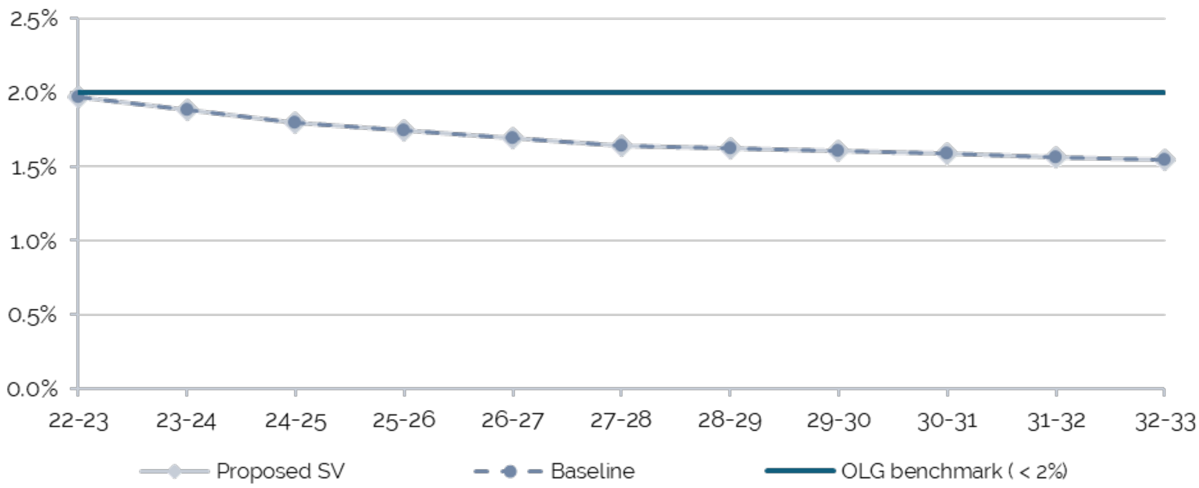
OLG has set a benchmark for the ratio of greater than 100%.

Source: Office of Local Government, *Performance Benchmarks* and *Assets*.

Impact on infrastructure backlog ratio

As Figure 4.3 shows, the infrastructure backlog ratio would be the same under both the Baseline and the Proposed SV Scenarios, averaging 1.8% over the next 5 years, which is very close to the OLG benchmark of less than 2%. This is because the SV is focused on improving the council's operating deficit and expanding the quantity of existing services it delivers, rather than making changes to the existing asset management plan.

Figure 4.3 The council's infrastructure backlog ratio 2022-23 to 2032-33 (%)

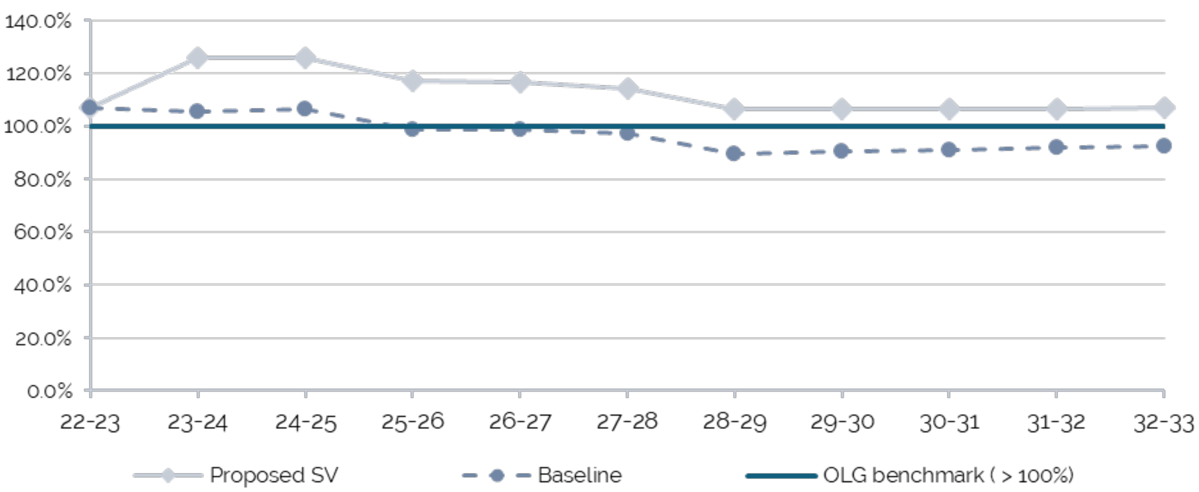


Source: City of Canada Bay Council Application Part A

Impact on infrastructure renewals ratio

The council's infrastructure renewals ratio would exceed OLG's benchmark of 100% from 2022-23 to 2024-25 under both the Baseline and Proposed SV Scenarios, substantially so in the case of the Proposed SV where it would be 125.8% in 2024-25 (see Figure 4.4). However, under the Baseline Scenario, the infrastructure renewals ratio would fall below the benchmark from 2025-26 (with the lowest point being 89.6% in 2028-29). Under the Proposed SV Scenario, the council's infrastructure renewals ratio would exceed 100% in every year to 2032-33, with a low of 106.3% in 2028-29.

Figure 4.4 The council's infrastructure renewal ratio, 2022-23 to 2032-33 (%)



Source: City of Canada Bay Council, Application Part A

Alternatives to the rate rise

The council's IP&R documents do not sufficiently discuss alternative approaches to improving financial sustainability or improving infrastructure and services, except to the extent that the Baseline Scenario in the LTFP (involving no SV and no SV expenditure) constitutes an alternative to the SV. However, the LTFP makes clear that the Baseline Scenario does not address the financial underperformance in the General Fund and only maintains the current level of service.

The Delivery Program briefly mentions the council's income gap and provides some details of cost containment and productivity measures already completed or underway as part of continuous improvement. The Delivery Program does not discuss the SV the council is currently applying for in any detail or consider how measures listed in the continuous improvement program could help offset or avoid the SV. However, the council's SV Part B Application identifies measures to address the income gap outlined in the Delivery Program, such as:

- an existing continuous improvement framework, targeting productivity gains and cost savings
- actively pursuing grants and working collaboratively with neighbouring councils
- carefully managing income and expenditure through regular budgetary monitoring.[10]

The council's application noted that:

> "Council introduced the future financial sustainability challenges and discussed alternative solutions with elected members during its strategic planning workshop on 4-5 February 2022 as part of the development of the Delivery Program and Original LTFP, which were both adopted on 28 June 2022. These alternatives have contributed to reducing the financial gap. However, they are insufficient to fully close the financial gap, which has been modelled to allow for the projected increase in services and asset maintenance to meet community expectations.
>
> "Elected members were canvassed further during two workshops, on 28 June 2022 and 26 July 2022 when the proposed SV options, potential increase to minimum rates and alternative measures were discussed. These options are outlined in the councillor engagement presentation."[11]

However, the council considered different SV amounts, not alternative strategies to address financial sustainability issues and improve services *other than* an SV.[12] The community was then only consulted on the chosen SV option.

We asked the council to clarify how its IP&R documentation considers alternatives to pursuing an SV. Its response focuses on the brief discussion in the Delivery Program of the need for an alternative revenue path and the efforts achieved to date to contain costs and improve productivity. It also stated:

> "The need to articulate what alternative funding sources had been delivered to grow Council's non rate revenue base prior to 2018 was seen as not appropriate to this application. However, in public meetings, when asked specifically about other alternatives, the following were referred to:
>
> - Installation of parking meters
> - Increased enforcement activities

- Bus shelter advertising
- Large billboard advertising

These initiatives, introduced over the years prior to 2018, enabled Council to work within the rate peg for over 20 years."[13]

The council did not provide any additional supporting documentation.

4.2 OLG Criterion 2: The council demonstrated community awareness

Criterion 2 requires the council to provide evidence that the community is aware of the need for and extent of the proposed rate increase. It requires the council to:

- communicate the full cumulative increase of the proposed SV in percentage terms and in dollar terms for the average ratepayer, by rating category
- outline its ongoing efficiency measures and performance
- use a variety of engagement methods to ensure community awareness and provide opportunities for community input.

The criterion does not require the council to demonstrate community support for the SV application.

Note: See Appendix A.1 for the full assessment criteria

To assess this OLG criterion, we considered stakeholder comments about community awareness. We also analysed the council's community engagement on the proposed SV. The sections below discuss our assessment, and why we found that the council met this OLG criterion.

4.2.1 Stakeholder comments on community awareness

In submissions to IPART, stakeholders raised concerns that:

- social media from their peers was the only way they were informed of the council's intentions and that there was a lack of community engagement
- there was a lack of clarity in the engagement material which was publicised
- there was a lack of information about the SV available to the community
- the council needs to engage with the Breakfast Point Community more directly

We considered these concerns, alongside other available information.

4.2.2 Our assessment of the council's engagement and consultation

To assess the effectiveness of the council's community engagement and consultation on the proposed SV, we considered whether:

- the information provided to ratepayers was sufficient and clear
- the variety of engagement methods used were effective
- the process used to consult the community provided timely opportunities for ratepayers to provide input and feedback on the proposed SV, and
- the outcomes from the consultation were considered in preparing the SV application.

Information provided to ratepayers

The material the council prepared for ratepayers on its proposed SV included most of the content needed to ensure ratepayers were well informed and able to engage with the council during the consultation process. For example, the council set up a specific section of its 'Collaborate' website to inform the community about the SV and included key information such as:

- the need for the SV
- the programs that would be funded by the SV, and the funding amounts from the SV
- opportunities for stakeholders to have their say
- proposed dollar increases in rates per week with the SV over 2023-24 to 2026-27, for residential and business ratepayers with land of a specific value
- proposed total annual rates and increases per year in dollar terms with the SV over 2023-24 to 2026-27, for residential and business ratepayers with land of a specific value.
- the updated LTFP
- the annual and cumulative percentage rate increases under the SV, without specifying by rating category
- the average rate under the SV by the end of the SV period in 2026-27, as part of a comparison with other councils' rates
- the annual rates and rate increases under the SV for residential ratepayers with a land value of $1.5 million and business ratepayers with a land value of $1.2 million.

The council clarified that for residential ratepayers, this land value is indicative of the average rated residential property once minimum rates are removed from the average; and for business ratepayers, this value is indicative of the average rated business property once multi-level shopping centres and business parks are removed.[14] However, this was not clearly explained in the consultation materials and the council could have been more explicit in separating the impact on minimum ratepayers and Ad Valorem ratepayers with yearly dollar amounts. In the second, third and fourth years of the proposed SV, the rates of Ad Valorem ratepayers will be adjusted by the rate peg and the majority of the general income increase from the SV will be attributable to minimum ratepayers. We consider that this information could have been more clearly conveyed to the community.

The council also did not present the community with alternative strategies to pursuing an SV or with alternative SV design options. By distinguishing between 'negotiables' and 'non-negotiables', the community engagement plan suggests that the consultation only sought to understand which services the community would like to have funded from the SV, not whether or not to pursue an SV.[15]

Engagement methods used

We found the council used an appropriate variety of engagement methods to promote awareness of and obtain community views on its proposed rate increase. For example, its engagement activities throughout the consultation period included:

- SV material in community newsletters
- three community presentations
- specific website with information and an invitation to make submissions
- email newsletters
- emails to the community
- postcards in council venues
- translated advertisements in community newspapers.

The council specifically avoided social media use due to concerns this could lead to public conflation of the SV request with ongoing ICAC investigations into the Mayor at the time.

Clarity

The FAQ sheet, which made up most of the website content, presented the need for the SV, its impact, and how ratepayers could participate further and have their say.

Overall, we consider the council sufficiently communicated the impact of the proposed SV for its residential and business ratepayers.

The council showed the impact of the SV on rates for properties with specific land values. While the council has noted that these land values are indicative of the average rateable property excluding minimum rated properties (for residential rates), this was not explained in the public communications materials. Additionally, the full impact of the rate rise could have been clearer if the council had presented the impact of the SV in annual dollar terms rather than weekly and had clearly shown the impact on minimum ratepayers separately to Ad Valorem ratepayers.

Timeliness

The council consulted with the community on the proposed SV throughout September and October 2022. This consultation period provided enough opportunity for ratepayers to be informed of and engaged on the proposal.

Outcomes of community consultation

OLG Criterion 2 does not require the council to demonstrate community support for the proposed special variation. However, it does require the council to consider the results of community consultation in preparing its application.

The council received 409 online submissions and 60 submissions by email on the SV. All submissions opposed the SV, except for three which expressed some, though highly qualified, support. The current environment of rising inflation and high cost of living was a strong theme in submissions opposing the SV, with several comments that the timing of the SV was poor given these broader pressures. The three community forums (one in person and two online) had 16 attendees in total.

We found that the council has considered the results of community consultation in preparing its application and understand that most feedback indicates opposition to the SV application. The council acknowledged community opposition to the rate rise in Part B of its SV application. It also commissioned a report summarising the process and outcomes of community consultation.

Minutes from the Ordinary Council Meeting of 15 November 2022 show the council was advised of:

- Outcomes of community consultation, including widespread opposition to the SV
- Outcomes of public exhibition of the updated LTFP that contains analysis of the 'Growth Scenario' inclusive of the SV revenue and expenditure; and that 9/10 submissions received were negative, with feedback suggesting that the council should adjust services to work within the rate peg
- The capacity to pay report commissioned by the council, advising that there was likely to be capacity to pay across the LGA due to higher levels of income and lower levels of relative disadvantage. [16]

4.3 OLG Criterion 3: The council demonstrated the SV's impact on ratepayers is reasonable

Criterion 3 requires the council to show that the impact on ratepayers is reasonable considering current rates, the community's capacity to pay, and the proposed purpose of the special variation.

Note: See Appendix A.1 for the full assessment criteria

To assess this OLG criterion, we considered stakeholder comments on the SV's impact on ratepayers, and whether the council has policies in place to mitigate impacts of rate rises, including whether there is a hardship policy. We also analysed the council's assessment of the impact of its proposed SV on ratepayers.

The sections below discuss our assessment, and why we found that the council met this OLG criterion.

4.3.1 Stakeholder comments on impact on ratepayers

In submissions to IPART, stakeholders raised concerns that:

- the cumulative impact of the SV is significant and will impact affordability
- there are already cost of living pressures
- the council is losing touch with its residents and prioritising things like painted artwork on roundabouts instead of managing revenue more responsibly.

We considered these concerns, alongside other available information.

4.3.2 Our analysis of the council's assessment of the SV's impact on ratepayers

We analysed the council's assessment of the impact of the proposed SV on ratepayers, and the community's financial capacity to pay the proposed increased rates. We also considered how the council's rates have changed over the past 6 years, and how its rates compare to those of other councils.

Impact on average rates

The council assessed the impact on ratepayers of the proposed SV and considered the community's capacity to pay. Table 4.2 sets out the council's estimates of the expected increase in average rates in each main ratepayer category under the proposed SV. This shows that from 2022-23 to 2026-27, average residential and business rates would both increase by about 32.5%.

Ratepayers that are not on the minimum rate will experience an average increase of 15.5% in 2023-24. In 2024-25 to 2026-27, their rates are only expected to increase by the rate peg. The minimum rates over the 4-year SV will be increased above the rate peg and these are further discussed in section 5. The average rates in Table 4.2 are calculated across both minimum rate and ad valorem (non-minimum rate) ratepayers.

Table 4.2 Impact of the proposed special variation on average rates

	2022-23	2023-24	2024-25	2025-26	2026-27	Cumulative increase $	Cumulative increase %
Residential average $ rates	1,012	1,168	1,225	1,282	1,341		
$ increase		157	56	57	59	329	
% increase		15.5	4.8	4.7	4.6		32.5
Business average $ rates	3,253	3,757	3,938	4,123	4,311		
$ increase		504	181	185	189	1,058	
% increase		15.5	4.8	4.7	4.6		32.5

Note: These figures have been rounded in calculation and therefore summations on a whole may not appear to be correct.
Source: IPART calculations

Community's capacity to pay

The council demonstrated that the impact on ratepayers of the proposed SV would be reasonable, having regard to current rate levels, the existing ratepayer base and the proposed purpose of the SV. Specifically, the council's capacity to pay analysis, undertaken by its consultants, found that:

- the LGA performs well on a range of socioeconomic characteristics relative to its peer group, especially income, wealth and SEIFA ranking
- overall, there is likely to be capacity to pay across the LGA.

The council also notes that over the past 5 years, 97% of rates have been paid within the respective period and that the council has a Hardship Policy.

How the council's rates changed over time

Table 4.3 presents average annual increases in the council's rates for residential and business ratepayers since 2017-18. It shows, for example, that over this period residential rates have increased at an annual average of 2.4%. This compares to the average rate peg of 2.1% over the same period.

Table 4.3 Historical average rates in City of Canada Bay Council 2017-18 to 2022-23 ($)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Average annual growth (%)
Residential	897	931	955	959	979	1,012	2.4
Business	2,851	2,914	3,025	3,132	3,194	3,253	2.7

Note: FY22 is estimated based on FY21 escalated by the rate peg and FY23 is from the council's SV application
Source: IPART calculations

How the council's rates compare to other councils

Box 4.3 Comparable councils

In our analysis, we have compared City of Canada Bay Council to other councils in several ways.

Office of Local Government (OLG) groups

- The Office of Local Government (OLG) groups similar councils together for comparison purposes.
- City of Canada Bay Council is in OLG Group 3 which is considered an urban metropolitan area and also includes 17 other councils.

Box 4.3 Comparable councils

- The OLG groupings are based on broad demographic variables such as total population, level of development, and typical land use. It should be noted that there can still be broad differences between councils within the same OLG group.

Socio-Economic Indexes for Areas (SEIFA) rank

- SEIFA is a product developed by the Australian Bureau of Statistics that ranks areas in Australia according to relative socio-economic advantage and disadvantage.
- City of Canada Bay Council has a SEIFA rank of 119 out of 130 councils in ABS 2016 which is high and indicates relative advantage
- The 4 councils with closest SEIFA rank within the OLG group 3 are Northern Beaches Council, Willoughby City Council, Inner West Council, and Randwick City Council

Median household income

- The councils can be ranked by the median household income.
- We compared City of Canada Bay Council to the 4 councils within OLG group 3 with closest median income ranking. These are North Sydney Council, Willoughby City Council, Inner West Council, and Randwick City Council.

Neighbouring councils

- We compared City of Canada Bay Council to the neighbouring councils of Inner West Council, Burwood Council, Strathfield Council, and City of Ryde Council.
- These councils are geographically close to Canada Bay Council but do not necessarily share a common border.

Table 4.4 below shows that in 2022-23, before the proposed SV, the council's:

- **average residential rates** were lower than all neighbouring councils except for Strathfield[d], lower than the average of its OLG Group, and lower than those of all councils within its OLG Group with a similar SEIFA rating or a similar median income, except for North Sydney.
- **average business rates** were significantly below those of its neighbouring councils**,** lower than the average of its OLG Group, and were significantly lower than those of councils within its OLG group with a similar SEIFA rating or similar median income.
- **outstanding rates ratio** was lower than the average of neighbouring councils, average of comparative councils based upon SEIFA, and the OLG Group 3 average. However, it was slightly higher than the average of comparable councils based on income.

Table 4.4 Comparison of the council's average rates and socio-economic indicators with those of other councils prior to the SV (2022-23)

Council (OLG Group)	Average residential rate[a] ($)	Average business rate ($)	Median annual household income[b] ($)	Average rates to median income ratio (%)	Outstanding rates ratio	SEIFA Index NSW[c] Ranking
Canada Bay (3)	1,012	3,253	123,292	0.8	4.4	119
Neighbouring councils						
Inner West	1,243	6,529	121,680	1.0	8.5	118
Burwood	1,534	7,183	97,084	1.6	4.5	106
Strathfield	828	4,546	109,460	0.8	5.2	113
Ryde	1,130	10,236	109,096	1.0	4.6	115
Average	**1,184**	**7,124**	**109,330**		**5.7**	**113**
Comparable councils (SEIFA)						
Northern Beaches	1,573	3,778	134,784	1.2	3.9	121
Willoughby	1,132	7,567	132,912	0.9	2.2	123
Inner West	1,243	6,529	121,680	1.0	8.5	118
Randwick	1,499	9,695	119,860	1.3	3.8	117
Average	**1,362**	**6,892**	**127,309**		**4.6**	**120**

d Noting that Strathfield Council is also applying for an SV. Specifically, an SV of 35.1% in 2023-24, 13% in 2024-25, 17.5% in 2025-26, and 7.5% in 2026-27, for a 92.8% cumulative increase (inclusive of the rate peg) over 2023-24 to 2026-27.

Council (OLG Group)	Average residential rate[a] ($)	Average business rate ($)	Median annual household income[b] ($)	Average rates to median income ratio (%)	Outstanding rates ratio	SEIFA Index NSW[c] Ranking
Comparable council (Income)						
North Sydney	958	5,629	131,248	0.7	2.8	127
Willoughby	1,132	7,567	132,912	0.9	2.2	123
Inner West	1,243	6,529	121,680	1.0	8.5	118
Randwick	1,499	9,695	119,860	1.3	3.8	117
Comparable (Income) councils average	**1,208**	**7,355**	**126,425**		**4.3**	**121**
OLG Group 3 average (excluding Canada Bay)	**1,212**	**6,634**	**113,623**	**1.1**	**5.1**	**102**

a. The average residential rate (ordinary and special) is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category.
b. Median annual household income is based on 2021 ABS Census data.
c. This is the SEIFA index of Relative Socio-economic Advantage and Disadvantage. The highest possible ranking is 130, which denotes a council that is least disadvantaged in NSW.
Source: OLG data; ABS, Socio-economic Indexes for Areas (SEIFA) 2016, March 2020; ABS, 2021 Census DataPacks, General Community Profile, Local Government Areas, NSW, Median Weekly Household Income and IPART calculations.

With the proposed SV, the council's rates are still expected to be relatively low. Table 4.5 shows that from 2023-24 to 2026-27, the council's:

- **residential rates** would be:
  - slightly lower than the OLG Group 3 average by 2026-27.
  - below those of councils within its OLG Group with similar SEIFA rankings
  - slightly higher than the neighbouring council average by 2026-27, noting that one council within this group (Strathfield) is also seeking a large SV increase which, if approved, would raise the average.
- **business rates** would be:
  - substantially lower than its OLG Group average, those of neighbouring councils and those of councils within its OLG Group with similar incomes or similar SEIFA ratings.

There was a distinct theme present in the council's feedback from the Rhodes community that felt it was inexplicable and unfair that their rates would ultimately be higher than their close neighbours in Wentworth Point (City of Parramatta).[17] It should be noted that ratepayers in these areas are on the minimum rates.

We also note that the information provided in Table 4.5 does not include the impact of other councils potentially receiving an SV from 2023-24 onwards.

Table 4.5 Comparison of the council's average rates with those of other councils for the period of the SV ($)

Council (OLG Group)	2022-23	2023-34	2024-25	2025-26	2026-27
Residential					
Canada Bay (3)	**1,012**	**1,168**	**1,225**	**1,282**	**1,341**
OLG Group 3 (excluding Canada Bay) (average)	1,212	1,262	1,300	1,339	1,372
Neighbouring councils (average)	1,184	1,228	1,258	1,290	1,322
Comparable councils (SEIFA) (average)	1,362	1,412	1,448	1,484	1,521
Comparable councils (Income) (average)	1,208	1,253	1,284	1,316	1,349
Business					
Canada Bay	**3,253**	**3,757**	**3,938**	**4,123**	**4,311**
OLG Group 3 (excluding Canada Bay) (average)	6,634	6,902	7,102	7,308	7,491
Neighbouring councils (average)	7,124	7,387	7,572	7,761	7,955
Comparable councils (SEIFA) (average)	6,892	7,147	7,326	7,509	7,697
Comparable councils (Income) (average)	7,355	7,627	7,818	8,013	8,214

Note: The average residential rate (ordinary and special) is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category.
Source: IPART calculations

4.3.3 The council's hardship policy

We are satisfied that the council has a hardship policy in place.

A hardship policy can play an important role in mitigating the impact of an SV on vulnerable ratepayers. We examined the council's hardship policy, which provides assistance to ratepayers who experience genuine financial difficulties in paying their rates and charges. This assistance may take the form of:

- arranging bespoke payment arrangements of rates for those in financial difficulty
- waiving or deferring rate payments or other charges
- waiving interest or reducing interest accrued over certain timeframes.

The council encourages the community to contact the council to organise payment arrangements if they are in financial difficulty. It has told us that it will provide hardship assistance information on the 2023-24 rates notice.

4.4 OLG Criterion 4: The council appropriately exhibited, approved and adopted its IP&R documents

Criterion 4 requires the council to exhibit, approve and adopt the relevant Integrated Planning and Reporting (IP&R) documents before applying for the proposed SV.

Note: See Appendix A.1 for the full assessment criteria

To assess whether the council met this OLG criterion, we checked the information provided by the council. We found that it met the OLG criterion. The council:

- publicly exhibited its Community Strategic Plan, Delivery Program and Asset Management Strategy from 22 April 2022 to 20 May 2022. These were adopted on 28 June 2022
- adopted a now outdated Long Term Financial Plan on 28 June 2022
- publicly exhibited an updated Long Term Financial Plan from 5 September 2022 to 18 October 2022. This was adopted on 15 November 2022
- submitted its SV application on 1 February 2023.

Box 4.4 IP&R documents

The Integrated Planning and Reporting (IP&R) framework allows councils and the community to engage in important discussions about service levels and funding priorities and to plan for a sustainable future. This framework therefore underpins decisions on the revenue required by each council to meet the community's needs.

The relevant documents are the Community Strategic Plan, Delivery Program, Long-Term Financial Plan (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.

Source: Office of Local Government Integrated Planning and Reporting Guidelines

4.5 OLG Criterion 5: The council explained and quantified its productivity and cost containment strategies

Criterion 5 requires 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 should present their productivity improvements and cost containing strategies in the context of ongoing efficiency measures, and indicate if the estimated financial impact of those measures have been incorporated in the council's Long Term Financial Plan.

Note: See Appendix A.1 for the full assessment criteria

To assess this OLG criterion, we considered stakeholders' comments on the council's productivity and cost containment strategy, analysed the information provided by the council, and examined some key indicators of the council's efficiency. The sections below discuss our assessment, and why we found that the council met this OLG criterion.

4.5.1 Stakeholder comments on productivity and cost containment

Some submissions to IPART raised concerns relevant to this criterion. In particular, some stakeholders raised concerns over whether the council:

- adequately investigated alternatives to an SV and communicated those alternatives to ratepayers
- has considered reducing its costs
- has overspent on new projects at the cost of not maintaining existing services.

We have considered these concerns as part of our assessment of this OLG criterion.

4.5.2 Our analysis of the council's information on productivity and cost containment strategies

The council's SV application outlined productivity and cost containment strategies implemented to date and identified measures to apply over the SV period. Both implemented productivity measures and proposed productivity measures are incorporated into the modelling undertaken for the updated LTFP. Information presented in the council's SV application indicates that although proposed productivity measures are smaller, previously implemented measures are more substantial.

Past productivity and cost containment strategies

The council's application outlined its past initiatives to increase productivity and ensure cost containment.

The council's Delivery Program discusses its continuous improvement approach. It identifies that the council has already considered measures to help close the income gap, including productivity and efficiency measures; actively pursuing grants and working collaboratively with neighbouring councils; and carefully managing income and expenditure through regular budgetary monitoring.[18] The council is also in the process of reviewing services internally, and its Delivery Program states that the program is focusing on:

- reviewing all council services
- looking at ways to invest and improve the value and quality of services to the community, to enhance the community's value for money
- looking at options for how the council provides its services
- organisational culture, including realising the potential of council staff to build a culture of service, engagement, teamwork, and continuous improvement
- developing clear accountability in achieving outcomes for the community

- identifying new business opportunities to generate revenue, and improve service quality and productivity
- efficient and effective services that meet the diverse needs of the community
- ensuring that proposed improvements are planned, delivered, and evaluated, to achieve continuous improvement — through a plan, do, review approach.[19]

The Delivery Program notes that services that have been subject to a review will be integrated into the Annual Service Health Check program as part of the annual business planning process, to ensure a cycle of continuous improvement. The council developed a set of criteria to prioritise the review program, which will be aligned to its three-year internal audit program.[20]

The council has quantified that productivity and cost containment measures within this broad program have saved just over $1.7 million per annum, and this is incorporated into the LTFP[21].

Planned productivity and cost containment strategies over the SV period

The council has identified and quantified forward looking productivity and cost containment measures to apply over the period of the SV. Through the continuous improvement program described above, the council has identified a further $415,000 of annual savings, which have been incorporated into the updated LTFP[22].

We consider the council has:

- demonstrated past achievements in delivering productivity improvements and cost containment, which are proportionate to the size and resources of the council
- outlined strategies and activities for further improving its productivity and efficiency, and quantified savings for several initiatives are proportionally smaller.

Although its planned initiatives are more modest, on balance, when assessed with the council's larger savings to date, we assess that the council has demonstrated this OLG criterion.

4.5.3 Indicators of the council's efficiency

We examined a range of indicators of the efficiency of the council's operations and asset management, including looking at how these indicators have changed over time and how they compare with those of similar councils. This data is presented in Table 4.6 and Table 4.7 below.

We found that, over recent years, the ratio of the LGA's population to council FTE numbers has remained relatively constant; and the average cost per FTE has increased by about 1% per annum.

We also found that, compared to other councils in its OLG Group and the NSW average:

- the council has higher General Fund revenue per capita and a lower percentage of General Fund revenue from rates
- the ratio of FTEs to population is higher, as is the average cost per FTE
- employee costs as a percentage of General Fund revenue is very similar to the average.

We noted 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 the council's efficiency and its scope for future productivity gains and cost savings.

Table 4.6 Trends in selected performance indicators, for City of Canada Bay Council, 2017-18 to 2020-21

Performance indicator	2017-18	2018-19	2019-20	2020-21	Average annual change (%)
FTE staff (number)	331.0	336.0	327.0	343.0	1.2
Ratio of population to FTE	284.4	283.2	293.8	281.5	-0.3
Average cost per FTE ($)	105,600	104,920	110,719	108,656	1.0
Employee costs as % of operating expenditure (General Fund only) (%)	40.4	39.9	38.7	39.6	

Source: IPART calculations

Table 4.7 Select comparator indicators for City of Canada Bay Council

	City of Canada Bay	OLG Group 3 Average	NSW Average
General profile			
Area (km2)	20	108	5,573
Population	96,550	200,375	63,543
General Fund operating expenditure ($m)	94.2	215.2	94.4
General Fund operating revenue per capita ($)	1,573	1,266	
Rates revenue as % of General Fund income (%)	37.5	56.0	46.1
Own-source revenue ratio (%)	52.4	76.7	67.3
Productivity (labour input) indicators			
FTE staff	343.0	802.2	380.8
Ratio of population to FTE	281.5	249.8	166.9
Average cost per FTE ($)	108,656	106,953	98,848
Employee costs as % of operating expenditure (General Fund only) (%)	39.6	39.9	37.6
General Fund operating expenditure per capita ($)	975	1,074	1,486

Source: OLG, Time Series Data 2020-21 and IPART calculations

4.6 Any other matter that IPART considers relevant

IPART may take into account any other matter that it considers relevant.

Note: See Appendix A.1 for the full assessment criteria

We consider that a relevant matter is whether the council has been granted an SV over the past 5 years, and if so, whether the council has complied with any conditions.

IPART approved a permanent Additional Special Variation (ASV) for the council of 2.5%, for 2022-23.[23]

Conditions of the ASV required the council to report on actual revenues, expenses and operating results against those projected in the application in its 2022-23 annual report, as well as the reasons for any significant differences. These conditions remain unchanged. The council told us in its application it will action these at the end of the 2022-23 financial year.[24]

5 IPART's assessment of the council's minimum rate increase application

Councils can apply for an MR increase either in conjunction with an SV under s 508(2) or s 508A of the Local Government Act, or as a stand-alone adjustment (i.e. without also seeking an increase to general income above the rate peg).

The council has applied to increase minimum rates above the statutory limit for the first time.[e] The council has applied to increase its minimum rates by 15.5% in 2023-24, 8.4% in 2024-25, 8.0% in 2025-26, and 7.6% in 2026-27, for a 45.5% cumulative increase (inclusive of the rate peg) over 2023-24 to 2026-27. This increase would apply to residential and business rating categories and would raise the minimum rate from $762 in 2022-23 to $880 in 2023-24, $954 in 2024-25, $1,030 in 2025-26, and $1,108 by the end of the SV period in 2026-27.

We assessed the council's application for a minimum rate increase (MR increase) against the 3 criteria set out in the Office of Local Government's Minimum Rate Guidelines (MR Guidelines). See Appendix A.2 for more details.

We found that the council has demonstrated that it meets the MR Guidelines for its proposed MR increase. Our detailed assessment and the reasons for our decision are set out below.

5.1 OLG Criterion 1: The council has demonstrated a rationale for increasing minimum rates

Criterion 1 requires IPART to assess the council's rationale for increasing minimum rates above the statutory amount

Note: See Appendix A.2 for the full assessment criteria

The council explained the rationale for increasing minimum rates to the community as part of its community consultation, and to IPART in Part B of the minimum rate application – although it did not include the rationale for the minimum rate increase in its key IP&R documents.[f]

e The statutory maximum for the minimum rate is specified in section. 126 of the Local Government (General) Regulation 2021

f The MR Guidelines (p 6) state that: "Where applicable, councils should make reference to the relevant parts of their Integrated Planning and Reporting (IP&R) documentation to demonstrate how the criteria have been met."

The council has explained in its application that the increase would support a more equitable distribution of rates between houses and apartments/units. Because rates are based on unimproved land value, the rating system can lead to detached dwelling owners paying a greater overall share of rates, even though apartments also drive infrastructure and service costs and ratepayers that live in apartments, particularly high value apartments, may have capacity to pay. However, the council also noted that at the same time, "some minimum ratepayers may be considered to have a lower capacity to pay".[25] This is a salient issue given that the LGA is experiencing population growth that drives demand for infrastructure and services, especially in some parts of the LGA such as Rhodes.

The council also included this rationale for increasing minimum rates in community consultation materials. It states in the FAQ section of its SV information website:

> *"To date, the City of Canada Bay has never applied for a special variation to minimum rates. There are important reasons to do so now in order to make our rates more equitable and to ensure we are sustainable and equipped fit for the future.*
>
> *As rates are calculated on land values, there can be a significant difference between the rates calculated for a house and a unit.*
>
> *For example, a 4-bedroom unit in a waterfront development which has sold for $4 million currently would pay minimum rates. Because this unit has a lower land value than a detached dwelling which has sold for $2.8 million, the apartment owner currently pays $595 per annum less in rates than the owner of the detached home.*
>
> *These differences neither reflect the relative difference in the capacity to pay for each owner, nor the costs of services that the City of Canada Bay provides to both owners.*
>
> *As the City of Canada Bay continues to see a greater proportion of residential unit development, it must increase minimum rates to ensure services can be extended to these new developments, while not disproportionately increasing the rates burden to single house dwellings."*[26]

The council is expecting substantial infill growth in apartments, especially in areas such as Rhodes.

It should be noted that an increasing number of apartments does not mean that the council will receive more revenue from rates. The council requires an SV to increase revenue beyond the rate peg.

5.2 OLG Criterion 2: The council has demonstrated the impact on ratepayers

Criterion 2 requires IPART to assess 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

Note: See Appendix A.2 for the full assessment criteria

This OLG criterion requires consideration of two elements:

- the level of minimum rates for ratepayers whose rates will be increased, and
- the number and proportion of ratepayers that will be on the minimum rates, by rating or sub-category.

The council has clearly identified the current level of minimum rates and the proposed increase in its application documents (Table 5.1 and Table 5.2).

Table 5.1 The council's proposed minimum rates, 2022-23 to 2026-27 ($)

	2022-23	2023-24	2024-25	2025-26	2026-27	Cumulative increase
Residential	762	880	954	1,030	1,108	346
Business	762	880	954	1,030	1,108	346

Source: City of Canada Bay, Application Part A, Worksheet 5a.

Table 5.2 The council's proposed minimum rate increase, 2023-24 to 2026-27 (%)

	2023-24	2024-25	2025-26	2026-27	Cumulative
Residential	15.5	8.4	8.0	7.6	45.5
Business	15.5	8.4	8.0	7.6	45.5

Source: City of Canada Bay, Application Part A, Worksheet 5a.

The council has also stated that "of 36,768 residential ratepayers, 21,226 currently pay the minimum rate, and of 1,845 business ratepayers, 802 pay the minimum rate."[27] This equates to approximately 58% of residential ratepayers and 44% of business ratepayers.

The council has also highlighted that with the minimum rate increase, it would still have rates in line with other councils (Table 5.3).

Table 5.3 The council's comparison of residential minimum rates to other councils, 2026-27 ($)

Council	Minimum rate (2026-27)
Burwood	1,203
Ryde	1,167
Ku-Ring-Gai	1,110
Canada Bay	**1,108**
Georges River	1,093
Sutherland	1,066
Lane Cove	1,053
Inner West	957

Source: City of Canada Bay, Special Rate Variation, Frequently Asked Questions – What will the proposed variation cost for residents and businesses?

We note that several neighboring LGAs were not included in the council analysis seen in Table 5.3. Specifically, Strathfield, Paramatta, Hunters Hill, and North Sydney are all geographically close to the City of Canada Bay and were not included for comparison. The minimum rates of these councils in 2026-27 would, on average, be lower than $1,108. However, Strathfield council has also applied to increase its MR, to a value of $1200 by 2024-25.

The council included the weekly increase for ratepayers with and without the rate peg as part of community consultation (Table 5.4).

Table 5.4 The council's proposed minimum rate increase for residential minimum ratepayers, 2023-24 to 2026-27 ($ per week)

Weekly increases	2023-24	2024-25	2025-26	2026-27	Cumulative
Increase from the forecast rate peg	0.48	0.42	0.45	0.50	1.85
Minimum rate increase above forecast rate peg	1.79	1.01	1.01	1.01	4.82
Total (including forecast rate peg)	**2.27**	**1.43**	**1.46**	**1.51**	**6.67**

Source: City of Canada Bay, Special Rate Variation, Frequently Asked Questions – What will the proposed variation cost for residents and businesses?

We consider the council has provided sufficient information to demonstrate that it has met this OLG criterion.

5.3 OLG Criterion 3: The council has demonstrated community awareness

Criterion 3 requires IPART to assess the consultation the council has undertaken to obtain the community's views on the proposal.

Note: See Appendix A.2 for the full assessment criteria

We consider that the council has made the community aware of the proposed increase in the minimum rate, provided the reasoning for the minimum rate increase and considered community feedback.

The council included information about the minimum rate rise alongside information about the SV proposal, including:

- on its bespoke website for consultation and information on the proposed SV
- in the presentation made to the community at online and in-person forums
- on its flyers.

Key consultation materials including the council's website, community presentation and FAQ sheet presented 3 key pieces of information about the minimum rate increase:

- why the increase is needed
- what the increase would be for minimum ratepayers, in weekly incremental dollar terms (reproduced in Table 5.4) and annual dollar terms (Table 5.1). It appears that the increase was not presented in annual percentage terms or as a cumulative percentage increase over the SV period
- how minimum rates would compare to other councils by the end of the minimum rate rise period of four years (reproduced in Table 5.3).

Consultation with the community on the proposed minimum rate increase was undertaken as part of the broader consultation process for the SV. Please see section 4.2 for more details on the council's consultation initiatives.

The council's Community Engagement Summary report summarises the feedback received through online and emailed feedback submissions from the community about the minimum rate increase. All cases cited in the report opposed the increase, with some key points including that:

- the minimum rate increase is unaffordable for apartment owners
- apartment owners shouldn't have to pay a higher share of the rates because they do not receive equal infrastructure and services and tend to suffer more heavily from traffic congestion
- apartments do not actually drive council cost increases very much and already subsidise housing to some extent.[28]

6 IPART's decisions on the special variation and minimum rate increase

6.1 Decision on the special variation

Based on our assessment of the council's application against the 6 OLG criteria and consideration of stakeholder submissions, we have approved the council's proposed permanent SV to general income from 2023-24 to 2026-27.

The approved increase to general income is set out in Table 6.1 below.

Table 6.1 IPART's decision on the special variation to general income (%)

	2023-24	2024-25	2025-26	2026-27
Permanent increase above the rate peg	11.79	2.31	2.19	2.08
Rate peg[a]	3.7	2.5	2.5	2.5
Total increase	15.49	4.81	4.69	4.58
Cumulative increase[b]	15.49	21.05	26.72	32.53

a. The 2023-24 rate peg is the actual rate peg issued by IPART. The rate peg of 2.5% from 2024-25 is the assumed rate peg that the OLG Guidelines advise councils to use in their forecasts. The approved total increase will not change when an actual rate peg is set in future years.
b. There is a minor discrepancy between the total cumulative percentage in Part A and Part B of City of Canada Bay's application. We have approved the 33.53% in Part A of the application as this is the correct cumulative percentage based on the proposed annual increases.
Source: City of Canada Bay Council Application Part A, Worksheets 1 and 4 and IPART calculations.

The special variation is subject to the following conditions:

- The council uses the additional income for the purpose of funding the proposed program.
- The council report in its annual report for each year from 2023-24 to 2027-28 (inclusive):
  - the program of expenditure that was actually funded by the additional income, and any differences between this program and the proposed program;
  - any significant differences between the council's actual revenues, expenses and operating balance and the projected revenues, expenses and operating balance as outlined in the Long-Term Financial Plan, and the reasons for those differences;
  - the outcomes achieved as a result of the additional income;
  - the productivity savings and cost containment measures the council has in place, the annual savings achieved through these measures, and what these savings equate to as a proportion of the council's total annual expenditure; and
  - whether or not the productivity improvements identified in its application have been implemented, and if not, the rationale for not implementing them.

6.1.1 Impact on ratepayers

IPART sets the maximum allowable increase in the council's general income, but the council determines how it allocates any increase across different categories of ratepayer. Based on what the council stated in its application, the expected impacts on ratepayers under the approved SV are shown in Table 6.2 below. This shows that, if the council chooses to increase rates so as to recover the maximum permitted general income under the approved SV:

- the average residential rate would increase by $329 or 32.5% by 2026-27.
- the average business rate would increase by $1,058 or 32.5% by 2026-27.

The council has a hardship policy to assist customers experiencing financial hardship, as outlined in Chapter 4 above.

Table 6.2 Indicative annual increases in average rates under the approved SV (2023-24 to 2026-27)

	2022-23	2023-24	2024-25	2025-26	2026-27	Cumulative increase $	Cumulative increase %
Residential average $ rates	1,012	1,168	1,225	1,282	1,341		
$ increase		157	56	57	59	329	
% increase		15.5	4.8	4.7	4.6		32.5
Business average $ rates	3,253	3,757	3,938	4,123	4,311		
$ increase		504	181	185	189	1,058	
% increase		15.5	4.8	4.7	4.6		32.5

Note: These figures have been rounded in calculation and therefore summations on a whole may not appear to be correct.
Source: City of Canada Bay Council, Application Part A and IPART calculations.

6.1.2 Impact on the council

Our decision means that the council may increase its general income by $28.2 million above the rate peg by 2026-27. This increase can remain in the rate base permanently.

Table 6.3 shows the percentage increases we have approved and estimates the annual increases in the council's general income.

Table 6.3 Permissible general income (PGI) of council from 2023-24 to 2026-27 from the approved SV

	Increase approved (%)	Cumulative increase approved (%)	Increase in PGI above rate peg ($'000)	Cumulative increase in PGI ($'000)	PGI ($'000)
2023-24	15.49	15.49	5,093.4	6,691.8	49,892.8
2024-25	4.81	21.05	6,373.3	9,091.7	52,292.7
2025-26	4.69	26.72	7,677.8	11,544.2	54,745.2
2026-27	4.58	32.53	9,008.4	14,051.5	57,252.5
Total above rate peg			28,152.9		

Source: City of Canada Bay Council, *Application Part A*, Worksheets 1 and 4 and IPART calculations.

We estimate that over the 10 years from 2023-24 to 2032-2033, the council will be entitled to collect an additional $87.1 million in rates revenue compared with an increase limited to the assumed rate peg.

This extra income will enable the council to:

- improve its financial sustainability
- maintain its current infrastructure and services levels.

With the SV, the council's projected:

- OPR will increase to greater than 0% by 2024-25 and then remain over 0% – as shown in Figure 4.1 in section 4.1.3.
- Net cash to income ratio projected decline will slow considerably and remain stable to 2032-33 as shown in in Figure 4.2 in section 4.1.3.

6.2 Decision on the minimum rates

Based on our assessment of the council's application against the 3 OLG criteria and consideration of stakeholder submissions, we have approved the council's proposed permanent change to its minimum rates for 2023-24 to 2026-27.

The approved increase to minimum rates is set out in Table 6.4 and Table 6.5 below.

Table 6.4 IPART's decision on the minimum rates, 2022-23 to 2026-27 ($)

	Current Minimum Rate (2022-23)	2023-24	2024-25	2025-26	2026-27	Cumulative increase
Residential	762	880	954	1,030	1,108	346
Business	762	880	954	1,030	1,108	346

a. Source: City of Canada Bay, Application Part A, Worksheet 5a.

Table 6.5 IPART's decision on the minimum rate increase, 2023-24 to 2026-27 (%)

	2023-24	2024-25	2025-26	2026-27	Cumulative
Residential	15.5	8.4	8.0	7.6	45.5
Business	15.5	8.4	8.0	7.6	45.5

Source: City of Canada Bay, Application Part A, Worksheet 5a.

6.2.1 Impact on ratepayers

The expected impact, from 2023-24 to 2026-27, under the approved MR:

- the residential minimum rate would increase by $346 or 45.5%
- the business minimum rate would increase by $346 or 45.5%.

The council has a hardship policy to assist customers experiencing financial hardship, as outlined in section 4.

6.2.2 Impact on the council

Our decision means the council will be able to more equitably distribute rates between houses and apartments/units.

Appendices

A Assessment criteria

A.1 SV Assessment criteria

The Office of Local Government (OLG) sets the criteria for assessing special variation applications in its special variation guidelines. The guidelines help councils prepare an application to increase general income by means of a special variation.

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

IPART applies the criteria in the guidelines to assess councils' applications. In brief, the 6 criteria for a special variation include:

1. 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
2. there must be evidence that the community is aware of the need for and extent of a proposed rate rise
3. the impact on affected ratepayers must be reasonable
4. the relevant IP&R documents must be exhibited (where required) approved and adopted by the council
5. the IP&R documents or the council's application must explain and quantify the productivity improvements and cost containment strategies of the council
6. any other matter that IPART considers relevant.

We also provide comprehensive guidance on our approach to assessing special variation 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.

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, Long-Term Financial Plan and Asset Management Plan where appropriate.

In establishing need for the special variation, the relevant IP&R documents should canvass alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long-Term Financial Plan applying the following two scenarios[9]:

- Baseline scenario – General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and

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

- 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 the community need/desire for service levels/project and limited council resourcing alternatives. Evidence could also include analysis of council's financial sustainability conducted by Government agencies.

In assessing this criterion, IPART will also consider 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.

Criterion 2: Community awareness

Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long-Term Financial Plan 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. 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. 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.

Criterion 3: Impact on ratepayers is reasonable

The impact on affected ratepayers must be reasonable, having regard to the current rate levels, existing ratepayer base and the proposed purpose of the variation. The council's Delivery Program and Long-Term Financial Plan 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[h] 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. We expect that councils will hold an extraordinary meeting if required to adopt the relevant IP&R documents before the deadline for special variation applications.

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 Long-Term Financial Plan.

Criterion 6: 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.

A.2 MR Assessment criteria

The Office of Local Government (OLG) sets the criteria for assessing minimum rate applications in its minimum rates guidelines. The guidelines help councils prepare an application to increase general income by means of a special variation.

Section 548 of the *Local Government Act 1993* (the Act) allows a council to specify a minimum amount of a rate to be levied on each parcel of land. If a council makes an ordinary rate for different categories or sub-categories of land, it may specify a different minimum amount for each category or sub-category.

If a council resolves to adopt a minimum amount of a rate, the minimum amount must not exceed the relevant permissible limits provided for in section 548(3) of the Act and clause 126 of the Local Government (General) Regulation 2005 (Regulation), unless the Independent Pricing and Regulatory Tribunal (IPART) or the Minister has approved a higher amount by issuing an instrument under section 548(3), or the council is entitled to increase its minimum ordinary rate under section 548(4) and (5) of the Act

[h] The relevant documents are the Community Strategic Plan, Delivery Program, and Long-Term Financial Plan 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 Long-Term Financial Plan (General Fund) be posted on the council's web site.

IPART will assess applications for minimum rates above the statutory limit against the following set of criteria (in addition to any other matters which IPART considers relevant):

1. the rationale for increasing minimum rates above the statutory amount,
2. 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, and
3. the consultation the council has undertaken to obtain the community's views on the proposal.

It is the council's responsibility to provide sufficient evidence in its application to justify the minimum rates increase. Where applicable, councils should make reference to the relevant parts of their Integrated Planning and Reporting (IP&R) documentation to demonstrate how the criteria have been met.

We also provide comprehensive guidance on our approach to assessing special variation 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.

B City of Canada Bay Council's projected revenue, expenses and operating balance

As a condition of IPART's approval, the council is to report over the next 5 years against its proposed expenditure of the SV funds, and its projected revenue, expenses and operating balance as set out in its LTFP (see Table B.1 and Table B.2).

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 B.1 Summary of projected operating statement for City of Canada Bay Council under its proposed SV application 2023-24 to 2032-33 ($'000)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Total revenue	102,064	103,449	107,313	112,070	115,752	119,572	123,579	127,720	132,001	136,350
Total expenses	92,524	95,697	98,957	102,320	106,098	109,477	113,459	117,570	121,541	125,657
Operating result from continuing operations	9,540	7,752	8,357	9,750	9,654	10,095	10,120	10,150	10,460	10,693
Net operating result before capital grants and contributions	-460	752	1,357	2,750	2,654	3,095	3,120	3,150	3,460	3,693
Cumulative net operating result before capital grants and contributions	-460	292	1,648	4,398	7,052	10,147	13,266	16,417	19,877	23,570

Note: Numbers may not add due to rounding.
Source: City of Canada Bay Council, *Application Part A*, Worksheet 8

Table B.2 Projected expenditure plan for City of Canada Bay Council under its proposed SV application 2023-24 to 2032-33

	2023-24	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**2030-31**	**2031-32**	**2032-33**	**Sum of 10 years**
Buildings and trade maintenance	592,000	614,115	635,465	657,606	680,557	706,419	733,191	760,905	789,593	819,287	6,989,138
Cleansing operations for public areas	400,000	414,697	429,140	444,109	459,621	476,729	494,438	512,770	531,745	551,385	4,714,634
Community services	500,000	517,500	535,613	554,359	573,762	593,843	614,628	636,140	658,405	681,449	5,865,697
Environmental sustainability	405,000	420,012	434,626	449,778	465,481	482,998	501,132	519,903	539,333	559,445	4,777,706
Governance	200,000	208,395	215,545	222,988	230,728	240,846	251,323	262,172	273,404	285,031	2,390,432
Other	400,000	416,789	431,089	445,976	461,457	481,692	502,647	524,344	546,807	570,063	4,780,864
Place Management	150,000	155,250	160,684	166,308	172,128	178,153	184,388	190,842	197,521	204,435	1,759,709
Road maintenance services	220,000	227,700	235,670	243,918	252,455	261,291	270,436	279,901	289,698	299,837	2,580,906
Sports fields and golf courses/garden services and bushcare	670,000	695,542	719,670	744,708	770,676	800,713	831,809	864,001	897,325	931,819	7,926,263
Strategic asset management	100,000	104,197	107,772	111,494	115,364	120,423	125,662	131,086	136,702	142,516	1,195,216
Traffic and transport	200,000	208,395	215,545	222,988	230,728	240,846	251,323	262,172	273,404	285,031	2,390,432
Tree services	243,000	253,199	261,887	270,931	280,335	292,628	305,358	318,539	332,186	346,313	2,904,375
Information systems	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	2,500,000
Strategic asset management	150,000	1,235,000	2,499,000	3,050,000	3,050,000	3,050,000	3,050,000	3,050,000	3,050,000	3,050,000	25,234,000

Note: Numbers may not add due to rounding.
Source: City of Canada Bay Council, *Application Part A*, Worksheet 6

Glossary

ABS	Australian Bureau of Statistics
Ad valorem rate	The ad valorem rate is calculated by multiplying land value by a rate in the dollar. Often this applies more to houses, whilst apartments are commonly on the Minimum Rate.
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
IP&R	Integrated Planning and Reporting framework
Local Government Act	*Local Government Act 1993* (NSW)
MR	Minimum Rates
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

OPR	The Operating Performance Ratio (OPR) measures whether a council's income will fund its costs. Where expenses and revenue are exclusive of capital grants and contributions, and net of gains/losses on the sale of assets.
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 than 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.

[1] City of Canada Bay, SV Application Part B, p 8
[2] City of Canada Bay, MR Application Part B, p 5
[3] City of Canada Bay, SV Application Part B, p 10
[4] Office of Local Government (OLG), GUIDELINES FOR THE PREPARATION OF AN APPLICATION TO INCREASE MINIMUM RATES ABOVE THE STATUTORY LIMIT 2021-22.
[5] City of Canada Bay, Community Engagement Materials - Community Engagement, p 7-8
[6] Local Government Act 1993, Section 511
[7] City of Canada Bay, Delivery Program 2022-2026, p 36.
[8] City of Canada Bay, City of Canada Bay Council Asset Management Strategy March 2022, p 20.
[9] Office of Local Government, Performance Benchmarks, May 2020.
[10] City of Canada Bay, Delivery Program 2022-2026, p 36; City of Canada Bay, Application Part B, p 20-21.
[11] City of Canada Bay, Application Part B, p 22.
[12] City of Canada Bay, SRV Options for Councillor Briefing, June 2022; City of Canada Bay, SRV Options for Councillor Briefing, July 2022;
[13] City of Canada Bay, Correspondence received 16 March 2022, Attachment p.1
[14] City of Canada Bay, Correspondence received 20 March 2022
[15] City of Canada Bay, SRV Community Engagement Plan, p 10.
[16] City of Canada Bay, Ordinary Council Meeting Agenda, Tuesday 15 November, pp 36-42
[17] City of Canada Bay, Special Rate Variation – Community Engagement Outcomes Report, November 2022, p 13.
[18] City of Canada Bay, Delivery Program 2022-2026, p 36.
[19] City of Canada Bay, Delivery Program 2022-2026, p 37.
[20] City of Canada Bay, Delivery Program 2022-2026, p 37.
[21] City of Canada Bay, SV Application Part B, p 47.
[22] City of Canada Bay, SV Application Part B, p 48.
[23] City of Canada Bay, SV Application Part B, p 15.
[24] City of Canada Bay, SV Application Part B, p 15.
[25] City of Canada Bay, MR Application Part B, p 9.
[26] City of Canada Bay, Special Rate Variation, Frequently Asked Questions – Why increase minimum rates?
[27] City of Canada Bay, MR Application Part B, p 13.
[28] City of Canada Bay, Special Rate Variation – Community Engagement Outcomes Report, November 2022, p 14.

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