



Cumberland City Council

# Minimum Rate Increase Application Final Report

May 2022

Local Government >>

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## **Tribunal Members**

The Tribunal members for this review are:

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## **The Independent Pricing and Regulatory Tribunal (IPART)**

Further information on IPART can be obtained from [IPART's website](#).

## **Acknowledgment of Country**

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

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

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# 1 Executive summary

Cumberland City Council (the council) has proposed an increase in the minimum amount of its ordinary rates (minimum rates) for residential ratepayers, increasing by approximately 10% for each of the next 3 years 2022-23 to 2024-25. The minimum rates after the proposed increase will be \$715 for 2022-23, \$785 for 2023-24, and \$860 for 2024-25.

The council has proposed these minimum amounts to transition to a more equitable rates structure as it gradually harmonises rates to ensure ratepayers are contributing to council services in a fair manner, by adjusting the ad valorem rates, so that the general income for the council remains the same.

As an amalgamated council formed in 2016, the council was legally required to harmonise its rates from 3 different rate structures (part of Holroyd, Auburn and Parramatta councils) to a single rating structure as of 1 July 2021.

Council resolved to achieve gradual rate harmonisation, over a 4-year period commencing 1 July 2021 at \$650 as the minimum rate and increasing by 10% for 4 years, to \$860 in 2024-25, for residential properties. The Office of Local Government (OLG) approved the increase in the minimum rate to \$650 in 2021-22 under delegation from the Minister.

## 1.1 IPART's decision

IPART has approved the council's proposed minimum rate amounts from 2022-23 to 2024-25, as set out below.

	2022-23	2023-24	2024-25
Residential Minimum Rate	\$715	\$785	\$860

## 1.2 Impact on the council's income

Increasing its minimum rate will not increase the council's overall general income above the rate peg increase of 0.7% in 2022-23.

## 1.3 IPART's assessment against the criteria

We assessed the council's proposed minimum rates against the 3 criteria set by the OLG in the *Guidelines for the preparation of an application to increase minimum rates above the statutory limit* (OLG Minimum Rate Guidelines).<sup>1</sup> We found that its proposal meets these criteria. Our assessment against each criterion is summarised below.

## Grading

01	<p><b>Rationale for increasing minimum rates</b></p> <p>The council demonstrated its rationale for increasing minimum rates which is to transition to a more equitable rates structure as it gradually harmonises rates.</p>	Demonstrated
02	<p><b>Impact on ratepayers</b></p> <p>The council considered the impact of the proposed minimum rates on residential ratepayers. The council's minimum rates will be lower than similar and neighbouring councils even after the minimum rate increase.</p>	Demonstrated
03	<p><b>Consultation to obtain community views</b></p> <p>The council clearly communicated the size of its proposed minimum rate increase. It also used a variety of methods to engage with its ratepayers.</p>	Demonstrated

The rest of this report explains how and why we reached our decision on Cumberland City Council's proposed minimum rates application in more detail.

## 2 IPART's minimum rate assessment

IPART assessed the council's application against the 3 criteria for minimum rate applications set out in the OLG Minimum Rate Guidelines (and outlined in Appendix A).

We found that the council demonstrated that it has met the criteria for its proposed minimum rate increase, because:

- The proposed increase will facilitate the council's aim to improve equity in rating burden amongst residential properties as it gradually harmonises rates
- It will allow the council to structure its rates in such a way as to achieve an appropriate balance between ratepayers paying ad valorem and minimum rates, with no change to the council's general income. It is proposed 42% (compared to the current 39%) of residential ratepayers will have a minimum residential rate applied and for the remaining 58% (compared to the current 61%) the rates would be calculated on an ad valorem basis from 1 July 2022.
- The proposed minimum rates are materially below the indicative annual average rates.
- The council's minimum rates will be lower than similar and neighbouring councils even after the minimum rates increase.
- The council clearly communicated the size of its proposed minimum rates increase. It also used a variety of methods to engage with its ratepayers.

Our detailed assessment and reasons for our decision are set out below.

### 2.1 Criterion 1: Rationale for increasing minimum rates

#### 2.1.1 IPART's assessment of the council's rationale

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

We assessed that the council's rationale for its proposed minimum rate structure is reasonable as it will gradually shift more of the rate burden from ratepayers on ad valorem rates to ratepayers on minimum rates. Shifting more residential ratepayers onto minimum rates will provide council with greater flexibility, within its general income, to reduce the rating burden on areas of socio-economic disadvantage.

We compared the council's minimum rates to the average rate levels and the council's minimum rates with those of neighbouring councils. We found that the proposed minimum rates are sufficiently below the indicative annual average rates for the years 2022-23, 2023-24 and 2024-25. The council's minimum rates will be lower than similar and neighbouring councils even after the minimum rates increase.

The council proposed to transition the minimum rate increases over 3 years to reduce the bill shock on minimum rate payers. We consider that this is a reasonable time period to transition and this is consistent with the council's resolution to gradually harmonise rates.

## 2.1.2 The council's rationale for increasing minimum rates

The council explained its rationale for increasing its minimum rate in its application and Integrated Planning and Reporting (IP&R) documents.<sup>2</sup> The rationale is to:<sup>3</sup>

- Transition to an equitable rates structure for ratepayers by distribution of rates fairly amongst residential properties.
- The use of increased minimums will assist with the "capacity to pay" principle for disadvantaged suburbs. It was identified that ratepayers that own higher density or strata type dwellings with lower land values, pay lower rates and have the same access to the council's services and infrastructure. The increase in minimums for high density ratepayers allows for rate relief for those areas in the local government area (LGA) that are socially disadvantaged as highlighted in the Morrison Low report.<sup>4</sup>

**Table 1 The council's proposal for increasing minimum rates for residential ratepayers (\$)**

Current	2022-23	2023-24	2024-25
650	715	785	860

Source: Cumberland City Council's minimum rate application form

The council stated that the increase in minimum rates will not have an impact on its current level of permissible general income, which is \$ 105,061,371 in 2022-23.<sup>5</sup>

## 2.1.3 39% of the council's residential ratepayers are on minimum rates

The council's application reported that currently around 27,988 ratepayers in its residential categories are paying minimum rates. This represents around 39% of its residential ratepayers. The application also indicated that the council forecasts that 30,064 or 42% of its residential ratepayers will be paying minimum rates in 2022-23 as shown in Table 2 below.

**Table 2 Proportion of residential ratepayers on the minimum rate (2021-22 and 2022-23)**

Year	Assessment on minimum rates	Total number or assessments	Proportion on minimum rate
2021-22	27,988	72,186	39%
2022-23	30,064	72,354	42%

Source: Cumberland City Council's minimum rate application form

## 2.1.4 Impact on distribution of rating burden

The proposed minimum rate increase impacts the distribution of the rating burden in two ways. Firstly, the higher amount paid by each minimum ratepayer increases the share of rates recovered from minimum ratepayers as a proportion of the total rating income. Secondly, lifting the minimum rate also means those ratepayers who currently pay an ad valorem rate that is just above the current minimum are shifted to the new higher minimum rate. This increases the number of ratepayers paying the minimum rate. The council stated that the proposal will result in an additional 10%, or 7,700 ratepayers paying the minimum rate by the year 2024-25, as these ratepayers will move from ad valorem to minimum rates with the proposed increase.

Currently 26% of residential rates income comes from minimum ratepayers and the remaining 74% from ad valorem ratepayers. By setting a higher minimum residential rate, the share of revenue from ad valorem residential ratepayers will reduce to 69% in 2022-23.<sup>6</sup> This will continue to fall as the minimum rate increases over the next three years.

Overall, the rating burden will be shifted from those ratepayers in the suburbs which are most socially disadvantaged (e.g. Yennora, Chester Hill, North Auburn, East Guildford as identified in the Morrison Low Affordability report) who pay a higher rate (in contrast to high density units) due to the unimproved land values of their largely freestanding houses. The council intends that the rating burden shifts away from these areas and is more equally spread across the Cumberland City LGA.<sup>7</sup>

## 2.2 Criterion 2: Impact on ratepayers

### 2.2.1 IPART assessment of impact on ratepayers

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

A comparison with the other OLG Group 3<sup>a</sup> councils shows the council's minimum rates will be lower than similar and neighbouring councils even after the proposed minimum rates increase for 2022-23. We found that the council's proposed minimum rates for 2023-24 and 2024-25 are also considerably less than the average of its OLG group peers.

Under the council's proposal the majority of the most socio-economic disadvantaged areas (where high-density units are not prevalent) will experience some financial relief from reduced rates to ad valorem ratepayers.

The council also has a Hardship Policy to provide assistance to those ratepayers who suffer financial hardship.

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<sup>a</sup> OLG Group 3 comprises metropolitan councils including Parramatta, Blacktown and Canterbury-Bankstown.



## 2.2.2 Impact of the council's proposed minimum rates

The council has applied for an increase in the residential minimum rate from \$650 in 2021-22 to \$860 in 2024-25, a cumulative increase of 32% over the next 3 years as shown in Table 3.

Table 3 Council's proposed increase in the minimum rates for residential ratepayers (2021-22 to 2024-25)

Rating Category	2021-22	2022-23	2023-24	2024-25	Cumulative increase
Residential	650	715	785	860	
\$ increase		65	70	75	210
% increase		10.0	9.8	9.6	32.3

Source: Cumberland City Council's minimum rate application form

## 2.2.3 Comparison of ordinary minimum rate and average ordinary rate

We compared the council's current and proposed minimum residential rates to its current and indicative average residential rates for the years up to 2024-25 (see Table 4). We found that its current residential minimum rate of \$650 is 47% lower than the average residential rate of \$957. By 2024-25, the minimum rate will still be 18% lower than the average rate.

Table 4 Comparison of ordinary minimum rate and average ordinary rates (\$) (2021-22 to 2024-25)

Rating category	2021-22	2022-23	2023-24	2024-25
Minimum Residential \$	650	715	785	860
Average Residential \$	957	973	997	1016
Variance \$	-307	-258	-212	-156
Variance %	-47%	-36%	-27%	-18%

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

Source: IPART calculations based on Cumberland City Council, *Application Part A*

## 2.2.4 Proposed minimum rates compared to comparator councils

We compared the council's proposed minimum rate to the current minimum rate of other neighbouring councils in the OLG Group 3. We found that the proposed minimum rate is lower than the average for other councils in this comparator group, as shown in Table 5. The council's minimum rates are also lower than the minimum rates of all the comparator councils for the current year and next year.

Table 5 The council's proposed minimum rates compared to minimum rates of comparator councils

Council	2021-22	2022-23	2023-24	2024-25
Cumberland City	650	715	785	860
Parramatta	708	721	739	739
Blacktown	989	996	1021	1021
Canterbury Bankstown	728	850	990	1015
Average	769	820	884	909
Proposed minimum rate variance from average	-15%	-13%	-11%	-5%

Source: Council websites, info from other councils and IPART calculations based on *Application Part A Worksheet 2*

## 2.2.5 Socio-economic and capacity to pay indicators

While there is significant socio-economic disadvantage across the Cumberland City LGA (with 18 of the 21 areas having a Socio-Economic Indexes for Areas or SEIFA ranking in the bottom 44%), there are less high-density units in the most socio-economic disadvantaged areas like Chester Hill and Yennora, as identified in the Morrison Low report. Under the council's proposal the majority of these areas (where high-density units are not prevalent) will experience some financial relief from reduced rates to ad valorem ratepayers.

Based on the average rates by suburb data for 2019-20, from the Morrison Low Capacity to Pay report<sup>8</sup>, we calculated the forecast average rates by increasing these rates by the rate peg for all years up to 2024-25, and an additional 0.5% for population growth for 2022-23. The forecast average rates for 2024-25 for the disadvantaged suburbs of Chester Hill, Yennora and Guildford East are well above the minimum rate of \$860 proposed by the council for 2024-25, as shown in Table 6 below.

Table 6 The council's forecast average rates by suburb

Suburb	2019-20 Actual	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
Auburn	717	736	750	759	778	798
Berala	777	797	813	823	843	865
Chester Hill	838	860	877	888	910	932
Girraween	1,083	1,111	1,133	1,147	1,176	1,205
Granville	808	829	846	856	877	899
Greystanes	1,103	1,132	1,154	1,168	1,197	1,227
Guildford	863	885	903	914	937	960
Guildford East	984	1,010	1,030	1,042	1,068	1,095
Guildford West	1,111	1,140	1,163	1,177	1,206	1,236
Holroyd	822	843	860	871	892	915
Lidcombe	878	901	919	930	953	977
Mays Hill	914	938	957	968	992	1,017
Merrylands East	865	887	905	916	939	962
Merrylands Central	1,040	1,067	1,088	1,101	1,129	1,157

Suburb	2019-20 Actual	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
Merrylands West	1,022	1,049	1,070	1,082	1,109	1,137
Pemulwuy	1,024	1,051	1,072	1,084	1,112	1,139
Pendle Hill	963	988	1,008	1,020	1,045	1,072
Regents Park	808	829	846	856	877	899
South Granville	887	910	928	939	963	987
South Wentworthville	1,109	1,138	1,161	1,175	1,204	1,234
Toongabbie	798	819	835	845	866	888
Wentworthville	983	1,009	1,029	1,041	1,067	1,094
Westmead	1,110	1,139	1,162	1,176	1,205	1,235
Woodpark	1,076	1,104	1,126	1,140	1,168	1,197
Yennora	936	960	980	991	1,016	1,041
Average Rate	941	965	985	996	1,021	1,047
Median Rate	936	960	980	991	1,016	1,041

Source: IPART calculations based on Cumberland City Council, *Application Part B, rates data*

Therefore, the minimum rates increase will generally not adversely affect these suburbs. We note that the forecast rate for Auburn is \$798, which is less than the minimum rate of \$860. The council should have a targeted approach to identify any ratepayers in this suburb who are disadvantaged by the rate increase and address their concerns and provide rate relief through the Hardship Policy if required. The minimum rates increase is reasonable for all years up to 2024-25, considering that all the other suburbs have a forecast average rate well above the minimum rate of \$860.

## 2.2.6 The council's Hardship Policy

The council has a Hardship Policy which allows it to provide rates relief to residents suffering hardship and is aimed to assist them in meeting the costs of their rates.<sup>9</sup> It includes:

- deferment of payment and relief from interest charges for pensioners, where they maintain instalments according to their agreed payment plan
- a policy that allows residents suffering hardship to enter flexible formal arrangements that support their current situation without incurring interest charges
- deferment of or relief from payment of any increase in charges to ratepayers suffering hardship due to a valuation change in their land value
- referral for those experiencing financial hardship to welfare agencies that can assist ratepayers with financial grants and family related counselling.

The Council's Hardship Policy is reasonable, and the options available will assist ratepayers to better manage their bills.

## 2.3 Criterion 3: Consultation to obtain community views

### 2.3.1 IPART's assessment of the council's consultation

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

We consider the council has made the community aware of its proposed rate increase, including the reasons for it and the expected outcome for ratepayers. The council also adequately sought and responded to community feedback.

### 2.3.2 The council's community consultation

The council's application stated that it has actively consulted and engaged with the community to receive feedback since March 2020. It has done this in various languages and through letters, flyers, council website, newspaper articles, press releases, surveys, video to communicate the harmonisation process and the available options, and service centres. This also included the proposed rates harmonisation plan for the amalgamated council which included transitioning to a minimum residential rate to be increased annually by approximately 10% until the 2024-25 year. The proposed minimum residential rate was presented as part of the rates harmonisation process, through written and tabular aids advising of the annual change as an amount and a percentage. There was also a rates impact calculator on the council's website.

The council's initial consultation with the community commenced in March 2020 by exhibiting 2 options to distribute the rates harmonisation via a press release advising all residents of the plan for rates harmonisation. Option 1 was harmonising rates over a 5-year period, which does not generate any additional income. Option 2 was as per Option 1 and applying a 2% increase for all rates in the first year.

The council received 550 written submissions during the consultation period, of which 65% supported Option 1. The council responded to issues in writing and over the phone. Responses from enquiries through the Have Your Say website were sent to further explain the harmonisation process and the proposed expected percentage increases expected for individual properties. The council also responded to 23 ratepayers through one on one sessions, booked through Eventbrite.

The initial rate increase proposal included increasing the minimum rates over four years, commencing at \$700 in 2020-21, and up to \$900 by 2024-25. This was later updated to be a 3-year increase from \$650 in 2021-22, up to \$860 in 2024-25. Another rates harmonisation brochure was issued on 25 January 2022 with the 3rd Instalment Rates Notice to ratepayers to advise of the proposed changes to rating, as per the council's resolution – applying for an increase in minimum residential rate over 3 years, from \$715 for 2022-23, \$785 for 2023-24, \$860 for 2024-25.

The council's community consultation was conducted from 20 March 2020 to 25 January 2022. Its coverage of its proposed rate increase was extensive, thorough, widespread and adequately explained the reasons for its proposed rates increase, including the reasons for it and the outcome for ratepayers. The council also adequately sought and responded to community feedback.

The council used a variety of engagement methods to promote awareness of and obtain community views on its rate increase. This included:<sup>10</sup>

- Rates harmonisation flyer made available at council libraries, community centres and Customer service centres (e.g. rates increase webpage, letter mail out)
- Dedicated 'Have your say' webpage on rates harmonisation and display as a banner on council's website. Video to communicate the harmonisation process and the available options, in various languages was also displayed on council's website
- A harmonisation rates video ran on loop in all customer service waiting areas
- The rates harmonisation information was posted on Facebook
- Rates harmonisation was featured in the printed quarterly newsletter, which was distributed to 73,057 households
- Consultation by way of press release, public notice exhibition through Parramatta Advertiser & Auburn Review
- Rates impact calculator on council's website
- Council hosted 23 online consultation sessions, booked through Eventbrite.
- Council engaged Micromex to conduct a community survey of 600 people from 14 -22 September 2020
- Rates harmonisation brochure was issued 25 January 2022 with the 3rd Instalment Notice to ratepayers to advise of proposed changes to rating, as per the council's resolution- applying for an increase in minimum residential rate over 3 years, from \$715 for 2022-23, \$785 for 2023-24, \$860 for 2024-25.

### 2.3.3 Outcomes from the council's consultation

The council reported it received a good response as a result of its engagement activities.

Some examples of the response it received include:

- 1700 visits to the rates harmonisation 'Have your say' webpage
- 1425 visits to rates harmonisation information on website
- Rates information on Facebook reached 8571 people, with an engagement of 1138
- 550 written submissions
- 23 one on one consultation sessions.



## 2.4 Submissions to IPART on the council's proposal

As part of our assessment process, we called for submissions from interested stakeholders on the council's proposed minimum rates variation.

We received no submissions during the consultation period from 15 February 2022 to 7 March 2022 from Cumberland City Council ratepayers or other interested stakeholders.

We considered all information received from the council in making our final decision on its minimum rates variation application.

# Appendices

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## A Minimum rate increase criteria

### A.1 Assessment criteria for minimum rate applications

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.

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**ISBN** 978-1-76049-573-2

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<sup>1</sup> Office of Local Government, *Guidelines for the preparation of an application to increase minimum rates above the statutory limit*.

<sup>2</sup> Cumberland City Council *Application Part B*, p 7 and Morrison Low Ability to Pay & Brief.

<sup>3</sup> Cumberland City Council *Application Part B*, pp 7 & 8.

<sup>4</sup> Cumberland City Council – Attachment\_ Other Attachment -Morrison Low Ability to Pay & Brief.

<sup>5</sup> Cumberland City Council *Application Part A PGI Summary tab*.

<sup>6</sup> IPART calculation based on Cumberland City Council *Application Part A*.

<sup>7</sup> Cumberland City Council *Application Part B*, pp 12 & 13.

<sup>8</sup> Cumberland City Council – Attachment\_ Other Attachment -Morrison Low Ability to Pay & Brief pp 17 & 18, and Cumberland City Council *Application Part B* p 14.

<sup>9</sup> Cumberland City Council *Application Part B* p 16.

<sup>10</sup> Cumberland City Council *Application Part B*, pp 18 to 21.