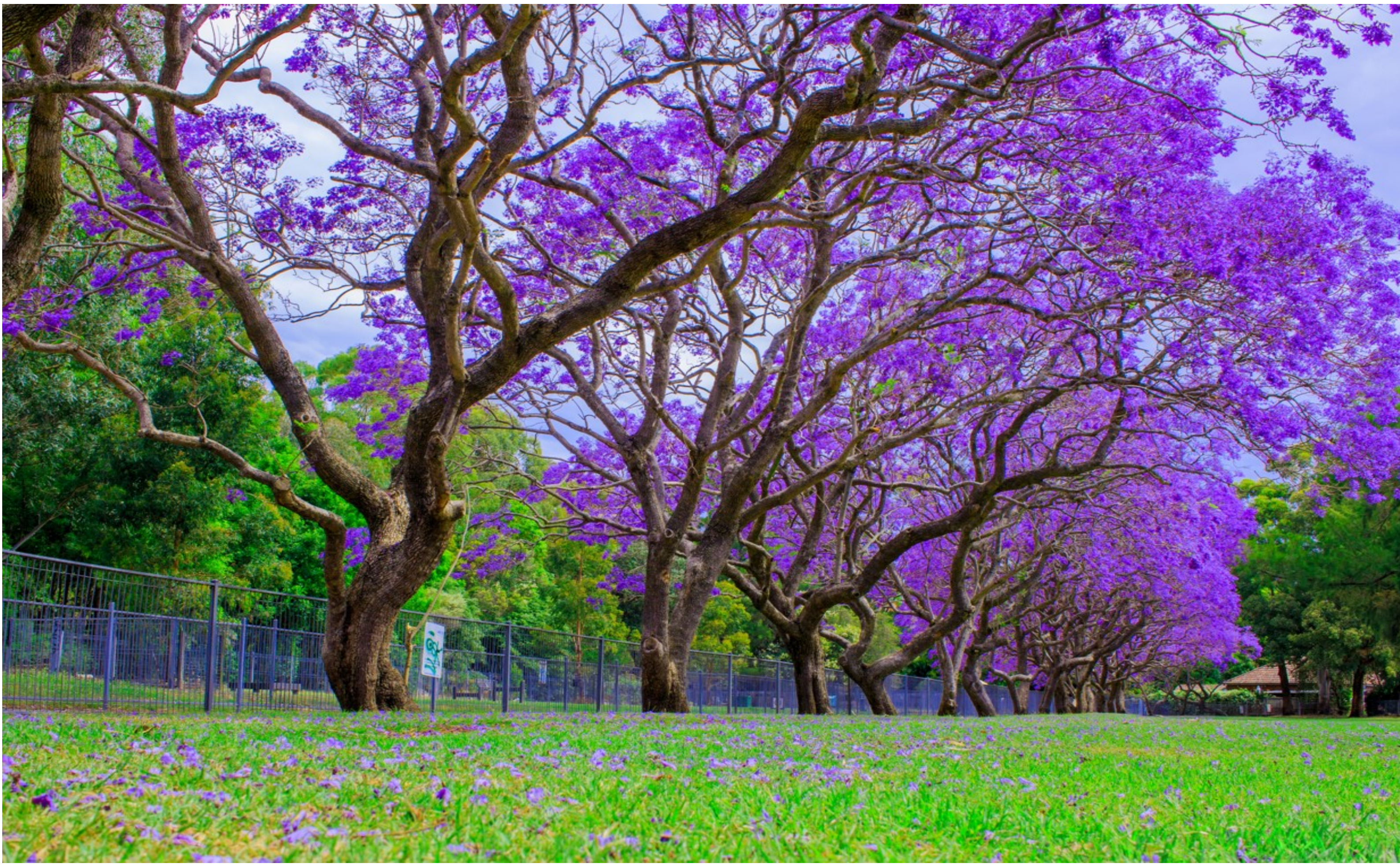
Independent Pricing and Regulatory Tribunal
New South Wales

SPECIAL VARIATION AND MINIMUM RATE APPLICATION

GEORGES RIVER COUNCIL

FROM 2021-22



Final Report

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The Independent Pricing and Regulatory Tribunal (IPART)

We make the people of NSW better off through independent decisions and advice. IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from IPART's website.

Tribunal Members

The Tribunal members for this review are:

Ms Deborah Cope, Acting Chair

Ms Sandra Gamble

Mr Mike Smart, Acting Tribunal member

Enquiries regarding this document should be directed to a staff member:

Sheridan Rapmund	(02) 9290 8430
Albert Jean	(02) 9290 8413

Other staff members that contributed to this document include:

Jenny Nguyen, Kumi Cuthbertson and Edward Jenkins.

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1 Executive Summary

Georges River Council's (the council) operating results, excluding grants, have been in deficit and will continue to decline further when the former Hurstville Council's special variation expires on 30 June 2021. In addition, the council requires additional funding to deliver its Community Strategic Program and provide the same level of services for all ratepayers. To address these issues, the council applied to IPART to permanently increase its general income through a special variation[1] (SV) of 5.8% per annum (inclusive of the rate peg) for five years.

IPART has approved the SV application in full.

Impact on council's income

Purpose

- Improve financial sustainability
- Deliver key priorities in the Community Strategic Plan and the Delivery Program
- Maintain existing level of services

$116.6m

Additional income above the rate peg over the next ten years

The council also applied to harmonise its minimum rates[2] (MR) for 2021-22 as follows:

- $966 per annum for residential ratepayers
- $1,100 per annum for business ratepayers, except those in the Hurstville or Kogarah commercial strategic centre or major shopping complex rating categories
- $1,500 per annum for business ratepayers within either the Hurstville or Kogarah commercial strategic centre or major shopping complex categories.

The harmonisation of minimum rates will deliver a more equitable distribution of the rating burden among ratepayers.

IPART has approved the MR application in full.

1 A 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.

2 A minimum amount of the rate specified under section 548 of the *Local Government Act 1993*.

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

Some Georges River ratepayers that made submissions to IPART expressed concerns around the impact of the rate increases, however this needs to be balanced against the council's ongoing ability to provide services to its ratepayers.

Impact on rates from 2021-22 to 2025-26

	Residential	Business
Hurstville City	+26.1%	+39.4%
Kogarah City	+28.1%	+26.0%

We assessed the council's MR application against the Guidelines issued by the Office of Local Government and determined that it demonstrated the criteria.

Rationale for increasing minimum rates

The council expects that the proposed minimum rates will deliver a more equitable distribution of the rating burden among ratepayers.

Impact on ratepayers

The council considered the impact of the proposed minimum rates on each rating category.

Consultation to obtain community views

The council used a wide range of consultation methods and clearly communicated the annual dollar value of the proposed minimum rate increase.

We assessed the council's SV application against the Guidelines issued by the Office of Local Government and determined that it largely demonstrated the criteria.

Demonstrated

Financial Need

Without the special variation, the council's financial position will be significantly challenged. The council's operating results will continue to be in deficit and deteriorate further.

Demonstrated

Community awareness

The council used a wide range of consultation methods. The council considered and responded to community feedback on the proposed special variation.

Largely demonstrated

Reasonable impact on ratepayers

The council compared economic indicators and found that the impact on ratepayers is reasonable. However, the council did not compare its proposed rates with other comparable councils.

Demonstrated

IP&R documentation

The council revised the relevant IP&R documents to include the proposed special variation. The council exhibited, approved and adopted its IP&R documents in a timely manner.

Largely demonstrated

Productivity Improvement and Cost Containment

The council has realised savings through a number of initiatives over recent years. However, the council has yet to commit to the expenditure savings it has proposed for the next three years.

2 Georges River Council's application

The council has applied for an SV to increase its general income by a cumulative 32.6% over the five years from 2021-22 to 2025-26. The proposed SV is evenly spread across the period, with a 5.8% increase each year. The application is for an increase that remains permanently in the rate base. [i]

Georges River Council has also applied to increase the minimum amount of its ordinary rates for 2021-22. The proposed new minimum rates are:

- $966 per annum for residential ratepayers
- $1,100 per annum for business ratepayers, except those in the Hurstville and Kogarah commercial strategic centre or major shopping complex rating categories [3]
- $1,500 per annum for business ratepayers within the Hurstville and Kogarah commercial strategic centres and major shopping complexes. [ii]

This year, 2021, is the first year that councils that were amalgamated in 2016 can apply for a special variation, due to a NSW Government policy to freeze rates for four years (subsequently extended for another year). All merged councils must also harmonise their rating structure by July 2021. Rates harmonisation is the process of setting and adopting one rating system. While rates harmonisation does not result in more income for councils, rates for different rating categories may increase or decrease differently.[4]

The council will undertake rates harmonisation to be effective from 1 July 2021.[iii] At the same time, the requested SV would replace an existing SV due to expire on 30 June 2021. The council was approved an SV in 2006-07 of 9.95% for the former Hurstville City Council, for the purpose of infrastructure maintenance and renewal. The SV was approved to remain temporarily in the council's rate base for a period of fifteen years. The council reports on the purpose of this SV, the amount of the SV funds that has been spent and what it was spent on, in its annual reports.[iv]

2.1 Purpose

The purpose of the application is for the council to:

- improve its financial sustainability
- deliver key priorities in the Community Strategic Plan and Delivery Program
- maintain its existing levels of service
- increase equity in the rates burden between ratepayers.[v]

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3 The council's Local Strategic Planning Statement defines 'commercial strategic centres' as the Hurstville and Kogarah CBD areas.

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

2.2 Need

The council reported that the expiration of former Hurstville Council's SV will have a negative impact of $19 million on its operating results between 2021-22 and 2028-29.[vi] Its Community Strategic Plan and Delivery Program identified six key priorities for the community, which require substantial funding to deliver. It also needs to ensure the same level of services, such as footpaths, parking, libraries, aquatic, and sport and recreation, are delivered across the entire amalgamated council area.[vii] These challenges place pressure on the council's operating results, which have recently been negative with the magnitude of the deficit increasing each year.[viii]

The income from the proposed SV would partially address the need to improve the council's financial sustainability, maintain current services to the merged council, and deliver community projects and programs in the Community Strategic Plan and Delivery Program.

2.3 Significance of proposal

The council's application would mean a cumulative increase in its PGI of $116.6 million above what the assumed rate peg would deliver over 10 years. This represents 12.7% of the council's total cumulative PGI over the 10 year period (see Table 2.1).

Table 2.1 Permissible general income (PGI) of Georges River Council from 2021-22 to 2030-31 under the proposed SV

d	Total PGI over 10 years ($m)	SV revenue as a percentage of total PGI (%)
116.6	920.4	12.7

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

Source: Georges River Council, *SV Application Part A*, Worksheets 1 and 4 and IPART calculations.

The council would fund the proposed SV by increasing rates for all ratepayers who are not on the minimum rates.[ix]

The proposed SV would result in a cumulative increase in average rates of $282 and $344 to residential ratepayers in the former Hurstville and Kogarah councils respectively, as shown in Table 4.2.

The council stated that the rates are affordable, as its ratepayers are relatively less disadvantaged than ratepayers in other council areas and there is community support for the proposed SV (see Section 4.4).

2.4 Resolution by the council to apply for a special variation and minimum rate

The council resolved to apply for the proposed SV and MR on 8 February 2021. Thirteen councillors were in favour of the resolution.[x]

3 IPART's approach to assessment and community engagement

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

3.1 Criteria for assessing council applications

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

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

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

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

The three criteria for minimum rate applications include:

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

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

3.2 Stakeholder submissions to IPART

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

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

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

3.2.1 Summary of submissions received by IPART for Georges River Council

IPART received 32 submissions during the consultation period between 1 December 2020 and 21 March 2021 on Georges River Council's application. Of these, one submission was neutral, four submissions related to other enquiries, and 27 submissions opposed the SV increase.

Key issues and views raised in these submissions were:

- the projects funded by the levy are unnecessary
- the council should prioritise the maintenance of road quality and aquatic facilities
- the amalgamation should deliver cost savings rather than a rate increase to ratepayers
- the magnitude and frequency of past rate increases
- the council should look at ways to become more efficient and find cost savings before it increases rates
- the council should work within its current capacity and be more financially responsible

- the increase is not affordable, particularly for those experiencing financial hardships from the COVID-19 pandemic and former Hurstville minimum ratepayers
- the consultation process and consultation materials lack clarity and transparency
- the consultation process did not allow the community to provide input on the proposed SV
- the council should disclose productivity improvements and cost-efficiency information in its consultation materials
- the council should consider alternatives to a rate rise such as improving its debt recovery from developers, and reducing its senior management costs and consultation costs, which are high compared with neighbouring councils
- the council did not consider all feedback from the residents and community groups
- the council's poor financial management and history of inefficient use of funds.

Some submissions also suggested that the level of construction and development in the LGA would result in significant increases to the council's general income. Infill development, such as duplexes and apartments, often have lower rates when compared to standalone houses as their rates are based on the unimproved land value of the property which is shared across multiple dwellings. Council's minimum rate application goes toward addressing this inequality. Furthermore, the rate peg limits the annual increase to council income to the change in the cost of providing existing services and does not allow for new or additional services or providing existing services to a larger population. The council provided a video on its website to explain why an increase in population, development, and land value does not automatically generate additional rates revenue.[xi]

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

4 IPART's special variation assessment

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

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

4.1 Our special variation assessment

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

The proposed SV is the most financially feasible option that allows the council to improve its financial sustainability, deliver key priorities in the Community Strategic Plan and Delivery Program, and maintain existing levels of service. The financial need for the SV was communicated in the council's Integrated Planning and Reporting (IP&R) documents. We also found that the council had considered alternatives to the proposed SV increase such as service reductions and removal of staff.

The council's forecasts show that there is a large financial need for it to increase its general income to improve its financial sustainability. Its Operating Performance Ratio (OPR) over ten years is projected to be below the OLG benchmark. Its net cash to income ratio will be positive with the proposed SV but continue to be negative without the SV income. In addition to the proposed SV, the council intends to implement a number of ongoing efficiency measures to address the challenges facing its financial sustainability.

The council has cash, cash equivalents and investments of $145.2 million at 30 June 2020. However, 99.9% of this is committed to other purposes and cannot be used to fund the council's ongoing requirements.

The council has demonstrated that its community is aware of the need for, and extent of, the proposed SV. Although the council demonstrated the impact of the proposed SV in both percentage and dollar terms, the actual impact on each rating category may vary due to the way the proposed SV is applied and the interaction with rates harmonisation. We found that the council's consultation materials were sufficiently clear as there were a wide range of engagement approaches used and the council considered the community feedback in its application.

We also found that there is capacity and willingness to pay from the community, although the impact on residential ratepayers would be significant. Its average residential rates are currently lower and will be higher than comparable councils at the conclusion of the SV period. In addition, there is a hardship policy in place and payment assistance available, in light of the COVID-19 pandemic, to help residents who experience hardship.

The council's Integrated Planning and Reporting (IP&R) documents communicated the need for, purpose of, and the impact of the proposed SV on affected ratepayers. They were adequately exhibited, approved and adopted. However, the council proposed $12 million of expenditure savings in its LTFP, which it has not yet committed to in its current budget. This may have contributed to confusion amongst the community.

The council has outlined and quantified its productivity improvements and cost containment strategies. It has achieved savings from the implementation of audit recommendations to improve business processes and through combining some services and facilities of the two former councils.

4.2 Financial need for the proposed special variation

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

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

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

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

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

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

$$OPR^{5} = \frac{Total\ operating\ revenue - operating\ expenses}{Total\ operating\ revenue}$$

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

1. **The Proposed SV Scenario –** which includes the council's proposed SV revenue and expenditure.
2. **The Baseline Scenario** – which shows the impact on the council's operating and infrastructure assets' performance without the proposed SV revenue and expenditure.

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

While the OPR is a good guide to a council's ongoing financial performance (or sustainability), we may also consider a council's financial position, and in particular its net cash (or net debt).[6] This may inform us as to whether the council has significant cash reserves that could be used to fund the purpose of the proposed SV. We examined the council's net cash position in 2020-21 and as a percentage of income to gauge its financial position.

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

The council indicated that it intended to minimise the impact of operating deficits on its infrastructure renewal or maintenance[xii], by improving its financial sustainability. As the purpose of the proposed SV is not directly to maintain or renew infrastructure assets, there is no impact on the council's infrastructure backlog or renewals ratios. Consequently, they are not relevant to the council's application and we have not included them in our analysis.

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

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

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

The council clearly articulated and identified the need for, and purpose of, the proposed SV in its IP&R documents. The Community Strategic Plan and the Delivery Program set out the council's goals to maintain existing services, enhance its financial sustainability, and deliver six key priorities to the community.

In its LTFP, the council indicated it needed the SV income to overcome a number of financial sustainability challenges such as its reliance on State Government grants, a reduction in rates income from the former Hurstville Council's expiring SV, and increasing operating deficits in future years. It also considered alternatives to the proposed SV which included a significant reduction to its service portfolio, including the removal of approximately 7%[7] of its workforce, as well as ceasing community subsidies and funding.[xiii]

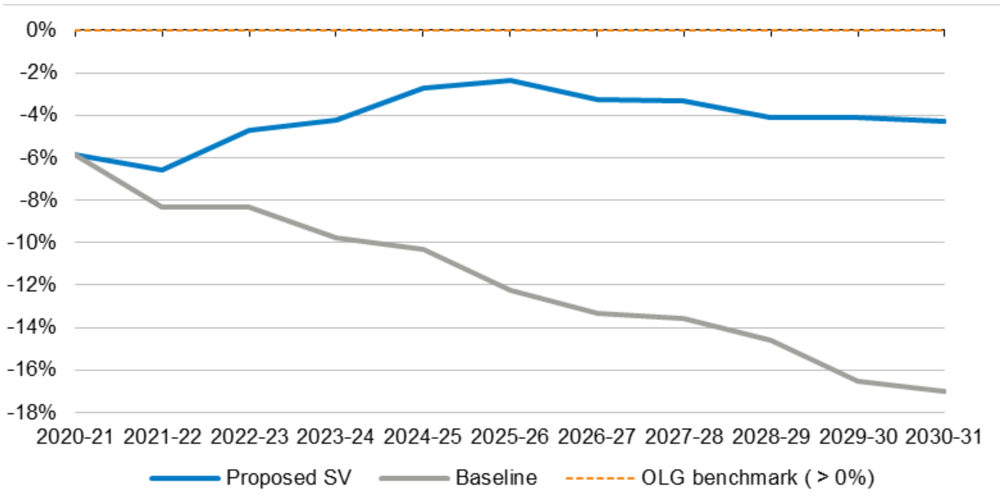
4.2.2 Assessment of the impact of the proposed SV on the council's financial performance and position

Under the Proposed SV Scenario, the council forecasts improving operating performance, reaching an OPR of -4.3% by 2030-31. The cumulative value of the forecast operating deficits is $66.6 million (before capital grants and contributions) to 2030-31.[xiv] The SV revenue would allow the council to deliver the key priorities in its Community Strategic Plan and Delivery Program, maintain its existing levels of service, and improve its financial sustainability.

Without the proposed SV, the council forecasts a significant decline in its operating results, as shown by the Baseline Scenario in Figure 4.1 and Table 4.1. The cumulative value of these forecast operating deficits (before capital grants and contributions) is $196.6 million to 2030-31 under this scenario.[xv] We note that the council does not have any expenditure that is dependent on the proposed SV.

7 The council reported in its Annual Report 2019/2020 it has 584 full-time equivalent staffs. At its meeting on 8 February 2021, the council approved to remove 40 staffs if the proposed SV is unsuccessful.

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



Source: Georges River Council, *SV Application Part A*, Worksheet 8 and IPART calculations.

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

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Proposed SV	-6.6	-4.7	-4.2	-2.7	-2.4	-3.3	-3.3	-4.1	-4.1	-4.3
Baseline	-8.3	-8.3	-9.8	-10.3	-12.2	-13.4	-13.6	-14.6	-16.6	-17.0

Source: Georges River Council, *SV Application Part A*, Worksheet 8 and IPART calculations.

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

- -4.1% under the Proposed SV Scenario
- -9.8% under the Baseline Scenario.

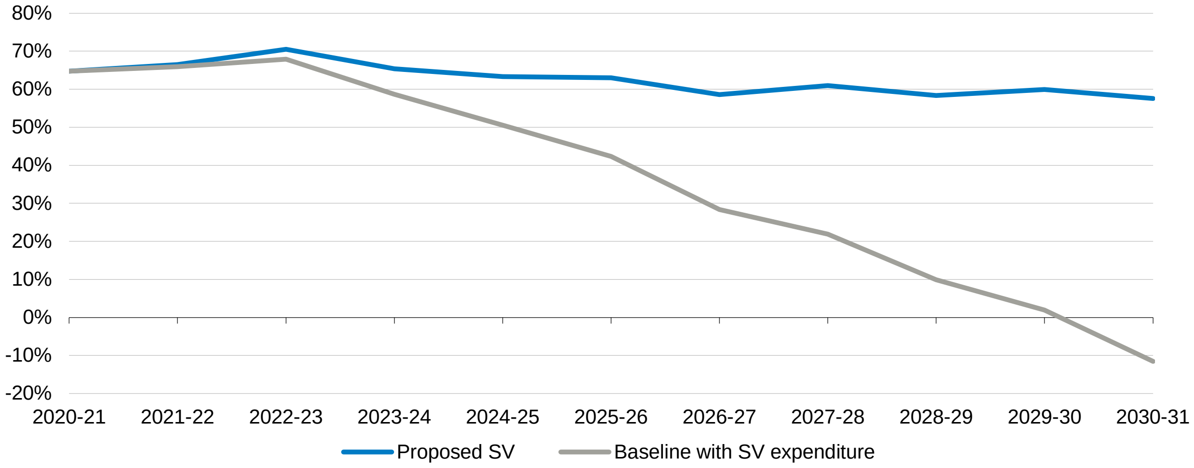
The council intends to implement a number of ongoing efficiency measures, as discussed in Section 4.6, to address the financial sustainability challenges.

Impact on the council's net cash (debt)

We calculate that the council's net cash is $94.2 million at 30 June 2021 or 66.5% of income in 2021-22. Over the longer term, with the proposed SV revenue, net cash would increase slightly from 2021-22 to 2022-23 then gradually decrease to 57.6% of income by 2030-31 under the proposed SV Scenario.

Under the Baseline Scenario, we estimate that the net cash to income ratio would decrease significantly over the next 10 years, to -11.5% by 2030-31.

Figure 4.2 Georges River Council's net cash (debt) to income ratio (%) (2021-22 to 2030-31)



Data source: Georges River Council, *SV Application Part A*, Worksheets 7 and 8 and IPART calculations.

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

- 65.8% under the Proposed SV Scenario
- 57.1% under the Baseline Scenario.

Submissions from the community to IPART

The key issues raised by the ratepayers that made submissions were:

- the projects funded by the levy are unnecessary
- the council should prioritise the maintenance of road quality and aquatic facilities
- the amalgamation should deliver cost savings rather than a rate increase to ratepayers
- the council should work within its current capacity and be more financially responsible.
- the council should consider alternatives to a rate rise such as reducing its senior management labour costs and its consultation costs, which are high compared with neighbouring councils, and look at improving its debt recovery from developers
- the council's history of inefficient use of funds.

We have assessed the council's financial need for the proposed SV in Section 4.2. We consider that the council explored alternatives to the proposed SV before applying. We have also considered the council's productivity improvements and cost containment strategies in Section 4.6.

4.2.3 Overall assessment of the council's financial need

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

The council's forecasts under the Baseline Scenario show that its OPR would average –9.8% over the next five years, reaching -12.2% in 2025-26. This suggests that there is a financial need for the council to increase its recurrent revenue above the rate peg to be financially sustainable. Under the Proposed SV Scenario, our analysis shows that the council's OPR over the next five years averages -4.1%. We consider that the proposed SV revenue puts the council on a more sustainable path.

We forecast that the council will have a net cash position of $94.2 million at 30 June 2021. The council's application indicates that of the total $145.2 million in cash, cash equivalents and investments it held at 30 June 2020:

- $102.0 million was externally restricted
- $43.1 million was internally restricted
- $28,000 was unrestricted.

This suggests that the vast majority of the council's cash, cash equivalents and investments are committed to other purposes, and are not available for council's requirements.

Therefore taking all factors into account, we have assessed that the council is in financial need for the proposed SV to enhance its financial sustainability and maintain its current service levels.

4.3 Community engagement and awareness

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

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

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

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

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

4.3.1 Assessment of consultation with the community

The council has published a Community Engagement Strategy. It used this to guide and inform the consultation it carried out in relation to the proposed SV.

Process and content

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

- the impact of the proposed rate increase to ratepayers in dollar terms across various categories of ratepayers
- increases with and without the rate peg across various categories of ratepayers
- the cumulative dollar impact over the five years of the proposed SV for affected ratepayers, by ratepayer category
- the full impact of the proposed rate increase to ratepayers in cumulative percentage terms
- the average annual rate and average rate increase over the five years in dollar terms, for each affected rating category
- what the proposed SV would fund.

The council's consultation material did not outline or discuss any ongoing efficiency measures it had implemented or any progress made towards implementing these, however the council has identified a range of productivity improvements in its application (see Section 4.6). However, this was a new requirement added for OLG's 2021-22 SV Guidelines. In future years we expect that councils seeking SVs will also communicate to their community, how they intend to achieve efficiency savings to mitigate or partially mitigate a need for additional income through SVs.

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

Clarity

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

Timeliness

The council carried out two rounds of community consultation on its proposed SV in 2019 and 2020. While the profile of the proposed SV increase in the first round of consultation was slightly different to the SV ultimately applied for, the need for and purpose of the SV communicated to ratepayers was consistent. Round one consultation was held from 18 September to 17 November 2019.[xvi] Round two consultation was on the current SV option, held from 19 October to the 30 November 2020.[xvii] This consultation period provided sufficient opportunity for ratepayers to be informed and engaged on the proposed SV.

Engagement methods used

The council provided many opportunities for community feedback, and used an extensive range of methods to engage with its community, including:

- engaging a group of randomly selected ratepayers within the LGA, the Citizen Advice Group, to obtain feedback on the SV proposal, engagement methods, and key messages
- round one and two community awareness letters to all residential and business ratepayers
- round one and two information brochures to all residential and business ratepayers
- multilingual information brochures distributed at the Civic Centre and libraries
- two information videos, one with Chinese captions, on the council's website
- four webinars held in November 2020, two during the week and two on the weekend
- a dedicated SV website, Your Say, with comprehensive information on the proposed rate increase, including the SV purpose and its impact on ratepayers, an online rates calculator, an online survey, webinar content video and presentation document, FAQs, etc. The council received 80 online submissions from the online survey.
- media releases and the council's fortnightly newsletters, Your Say
- articles and advertisements in the local newspaper, The Leader, as well as promotional banners
- eleven posts on social media (Council's Corporate Facebook page)
- two telephone surveys completed in 2019 and 2020 of 600 residents to explore the community's support for the SV. [xviii]

The range of engagement methods used by the council provided sufficient opportunity for ratepayers to be informed and engaged on the proposed SV. We consider that overall the council's methods were reasonable for communicating the impact of the proposed SV to the community.

4.3.2 Assessment of outcomes of consultation with the community

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

The council received 76 online submissions from the Your Say (online and hardcopy) survey for round two, conducted from 19 October to 30 November 2020.[xix] None of the respondents supported the proposed SV.[xx] The main reasons for opposition were:[xxi]

- the financial impact of COVID-19
- the council needs to improve its financial management
- dissatisfaction with the amalgamation
- impact of the rate rise on former Hurstville ratepayers and low income ratepayers.

In addition, the council received 6,601 feedback responses in relation to its 2019 proposed SV during the first round consultation period. It reported that 55% were at least somewhat supportive of the proposed SV.[xxii]

The council also conducted two telephone surveys in October 2019 and in November 2020, where 37% and 58% of respondents were not supportive of the SV respectively.[xxiii]

The council has responded to its community's feedback by:

- providing payment assistance for ratepayers who experience hardship, are pensioners, or are impacted by the COVID-19 pandemic
- adopting a five-year 5.8% SV increase rather than a one-off 10.6% increase, as proposed in 2019, to alleviate the immediate impact on ratepayers.[xxiv]

Submissions from the community to IPART

The key issue raised by the ratepayers that made submissions to IPART that related to our assessment of the council's community engagement and consultation were:

- the consultation process and consultation materials lack clarity and transparency
- the consultation process did not provide an option for the community to provide input on the proposed SV
- the council did not consider all feedback from the residents and community groups
- the council should include productivity improvements and cost-efficiency information in its consultation materials.

We examined the specific steps the council undertook to communicate with ratepayers and seek their feedback when assessing the consultation process and materials, as discussed in Section 4.3. We found that the quality and extent of the council's consultation met the criterion in OLG's SV Guidelines.

4.3.3 Overall assessment of community engagement and awareness

We found that the council demonstrated that it met this criterion and that its community is sufficiently aware of the need for, and extent of, the proposed rate increase.

4.4 Impact on affected ratepayers

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

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

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

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

In Chapter 2, we noted the government's requirement for all merged councils to harmonise their rates based on one ad valorem rate for the merged council by 1 July 2021. Consequently we will also examine the impact that rates harmonisation has had on the council's rates separately, before any impact from the proposed SV on ratepayers.

In this section, we:

- consider how the council has assessed the impact on ratepayers of the proposed SV and how it addressed affordability concerns.
- undertake our own analysis of the reasonableness of the proposed rate increase by considering the average growth in the council's rates in recent years, how the council's average rates compare to similar councils and other socio-economic indicators such as median household income and SEIFA ranking[8]. We also consider the impact that rate harmonisation has had on the council's rates.

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

The council has calculated that from 2021-22 to 2025-26:

- the average residential rate would increase by a total of 26.1% or $282 for Hurstville ratepayers and by 28.1% or $344 for Kogarah ratepayers.
- the average business rate would increase by a total of 39.4% or $1,317 for Hurstville ratepayers and by 26.0% or $820 for Kogarah ratepayers.

Table 4.2 sets out the council's estimates of the expected increase in average rates in each main ratepayer category.

Table 4.2 Indicative annual increases in average rates under Georges River Council's proposed SV (2021-22 to 2025-26)

Ratepayer Category	2021-22	2022-23	2023-24	2024-25	2025-26	Cumulative increase
Hurstville						
Residential	1,111	1,168	1,229	1,294	1,363	
$ increase	30	57	61	65	69	282
% increase	2.7	5.1	5.3	5.3	5.3	26.1
Business	3,495	3,752	4,034	4,330	4,660	
$ increase	152	257	282	296	330	1,317
% increase	4.5	7.3	7.5	7.3	7.6	39.4
Kogarah						
Residential	1,251	1,325	1,401	1,481	1,565	
$ increase	30	74	76	80	84	344
% increase	2.5	5.9	5.8	5.7	5.6	28.1
Business	3,006	3,224	3,456	3,706	3,972	
$ increase	-146	217	233	249	267	820
% increase	-4.6	7.2	7.2	7.2	7.2	26.0

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

Source: Georges River Council, *SV Application Part A*, Worksheet 5a.

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

The council examined its SEIFA index to explore its community's capacity to pay the increased rates from the proposed SV. Its SEIFA index ranking (105) indicates that its ratepayers are less disadvantaged compared to the State overall.

The council considered the community's willingness to pay via two telephone surveys conducted in October 2019 and November 2020, each comprising 600 respondents. It found that 63% of residents were at least somewhat supportive of an SV with a one-year spread, and 42% of residents were at least somewhat supportive of an SV with a five-year spread.[xxv]

The council submitted that it also has a hardship policy to assist ratepayers who are experiencing financial hardships. The policy provides assistance by accepting an arrangement for payment of rates and charges over a period, waiving or writing off interest on rates and charges incurred, and offering payment extension.[xxvi]

In light of the COVID-19 pandemic, the council also introduced measures to:

- provide three payment plans for residents and businesses
- provide new assistance options for eligible pensioners to either "pay their rates in monthly instalments at no additional cost" or "defer payment of rates until the sale of their property, without being charged penalty interest".[xxvii]

4.4.2 IPART's consideration of impact on ratepayers

To assess the reasonableness of the impact of the proposed SV on ratepayers, we examined the council's SV history and the average annual growth of rates in various rating categories. In May 2016 Georges River Council was formed by merging the former Hurstville City Council and Kogarah City Council.

From 2015-16 to 2020-21, the council has not applied for, or been granted, SVs or minimum rate increases. We found that:

The former Hurstville City Council applied for, and was granted one SV in 2006-07, a 16-year temporary increase including 9.95% for the first year and 6.35% for the following 15 years, which was used for an infrastructure maintenance and renewal program, Infrastructure Plus.

The former Kogarah City Council applied for, and was granted one SV in 2013-14, a four-year permanent increase, including 5.8% for the first year and 4.8% for the following three years, which was used to fund the programs, services, and management of community assets in its Community Strategic Plan and the Delivery Program 2013/14 to 2016/17.[xxviii]

From 2010-11 to 2020-21, the average annual growth in residential and business rates was 2.5% and 3.3% for Hurstville, and 3.8% and 4.5% for Kogarah, respectively. The average annual growth in the rate peg over the same period was 2.5%.

As a consequence of the mergers, we note that the increase in rates as proposed by the council is not wholly due to the SV increase.[9] We also compared the council's average rates before the proposed SV and at the conclusion of the SV period with those of OLG Group 3 and neighbouring councils, as shown in Table 4.3 and Table 4.4.

9 For further additional information on the effects of rate harmonisation and the council's ad valorem rates, refer to Appendix D.

Table 4.3 Comparison of rates before the proposed SV with neighbouring councils and Group 3 councils' average (2018-19)

Rate category	Georges River Council	Group 3 councils	Neighbouring councils[a]	Difference between Georges River Council and OLG Group 3 (%)	Difference between Georges River Council and neighbours (%)
Residential	1,086	1,091	1,108	-0.4	-2.0
Business	2,746	6,259	3,202	-56.1	-14.3

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

a The neighbouring councils include Inner West, Canterbury-Bankstown, Bayside, and Sutherland Shire. Of these, only Canterbury-Bankstown has also applied for an SV in 2021-22. Sutherland Shire applied for an SV in 2019-20. Inner West and Bayside have applied for a minimum rate increase in 2021-22.

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

- average residential rates of $1,086 were 0.4% and 2.0% lower than the weighted average for Group 3 councils and the weighted average for neighbouring councils, respectively
- average business rates of $2,746 were 56.1% and 14.3% lower than the weighted average for Group 3 councils and the weighted average for neighbouring councils, respectively.

Table 4.4 shows the council's average rate levels with the proposed SV rate levels over the proposed five-year SV period.

Table 4.4 Comparison of rates under proposed SV with neighbouring councils and Group 3 councils' average in the final year of the proposed SV (2025-26)

Rate category	Georges River Council	Group 3[a] councils	Neighbouring councils[b]	Difference between Georges River Council and OLG Group 3 (%)	Difference between Georges River Council and neighbours (%)
Residential	1,447	1,294	1,315	11.8	10.1
Business	4,417	7,426	3,799	-41.1	15.1

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

a Based on the 2018-19 data obtained from OLG, IPART has performed calculations to increase the OLG Group 3 average rate levels by the rate peg each year from 2019-20 to 2025-26 to allow for the comparison of Georges River Council's proposed average rate levels with the SV over the proposed SV period.

b The neighbouring councils include Inner West, Canterbury-Bankstown, Bayside, and Sutherland Shire. Of these, only Canterbury-Bankstown has also applied for an SV in 2021-22. Sutherland Shire applied for an SV in 2019-20. Inner West and Bayside have applied for a minimum rate increase in 2021-22.

We found that the council's:

- average residential rates at the conclusion of the SV period would be 11.8% and 10.1% higher than the weighted average for Group 3 councils and the weighted average for neighbouring councils, respectively
- average business rates at the conclusion of the SV period would be 41.1% lower than the weighted average for Group 3 councils and 15.1% higher than the weighted average for neighbouring councils.

Submissions from the community to IPART

The key issues raised by the ratepayers that made submissions related to our assessment of the council's consideration of the impact on affected ratepayers were:

- the magnitude and frequency of past rate increases
- the increase is not affordable, particularly for those experiencing financial hardships from the COVID-19 pandemic and former Hurstville minimum ratepayers.

We have assessed the council's consideration of its community's capacity and willingness to pay when assessing the impact on affected ratepayers, as discussed in Section 4.4.

4.4.3 Overall assessment of the impact on affected ratepayers

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

We consider the impact of the proposed SV on ratepayers of the council would be fairly significant for residential ratepayers given:

- the council's proposed average rates with the SV will be above the estimated average residential rate and below the estimated average business rate for OLG Group 3 councils, by the end of the proposed SV period (i.e. 2025-26)
- the community's capacity to pay given its SEIFA ranking indicates a relatively low level of disadvantage
- the community's willingness to pay is supported by the results from the council's two telephone surveys.

On balance, and taking into account the implementation of rate harmonisation, we consider the impact of the proposed SV on ratepayers would be largely reasonable. In particular, we have also considered the council's need for the additional funding to overcome its financial sustainability challenges, and to enable it to maintain existing service standards. We note that the council has a hardship policy in place to assist ratepayers experiencing financial hardship and in light of the COVID-19 pandemic, the council also implemented a range of measures to provide financial relief to residents and businesses that have been affected.

4.5 Integrated Planning and Reporting documents

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

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

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

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

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

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

4.5.1 Assessment of content of IP&R documents

The need for, and purpose of, the proposed SV

The council presented the need for, and purpose of, the proposed SV in the Revised Delivery Program 2018-19 to 2020-21 (Delivery Program).[xxix] The Delivery Program was exhibited on the council's website. It canvassed alternatives to the rate rise, such as reducing service levels and employee costs as discussed in Section 4.2.

The Revised LTFP (LTFP) also discussed the need for, and purpose of, the proposed SV. It shows the financial impact of the SV by presenting two scenarios:

- Baseline Scenario: reflecting the business as usual model excluding the proposed SV
- Proposed SV Scenario: reflecting the additional revenue and expenditure expected with the proposed SV in place. [xxx]

The LTFP also canvassed alternatives to the rate rise including a significant reduction in service levels.[xxxi]

We note the LTFP presented another scenario where the council proposed $12 million savings in expenditure, in addition to the revenues and expenditures expected with the proposed SV in place. However, to date, the council has yet to commit to the expenditure savings in its current budget.[xxxii] This may have contributed to confusion amongst the community.

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

The LTFP includes the total dollar increase for the average ratepayer between 2021-22 and 2025-26, by category, while the Delivery Program does not.[xxxiii]

The impact of any rate rises upon the community

The council considered the community's willingness to pay in its LTFP by comparing its SEIFA index to the State, as discussed in Section 4.4.1. This demonstrated ratepayers in Georges River Council are more socio-economically advantaged than most other ratepayers in NSW.

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

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

The council publicly exhibited its Community Strategic Plan from 2 May 2018 to 31 May 2018 and adopted it on 25 June 2018.[xxxiv] It publicly exhibited its Delivery Program from 11 May 2020 to 8 June 2020 and adopted this on 22 June 2020.[xxxv]

The LTFP was revised to include the SV option. It was publicly exhibited from 15 December 2020 to 4 February 2021 and adopted on 8 February 2021.[xxxvi]

4.5.3 Overall assessment of the IP&R documents

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

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

4.6 Productivity improvements and cost containment strategies

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

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

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

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

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

4.6.1 Assessment of efficiency gains achieved

The council's application sets out the productivity improvements and cost containment initiatives it has undertaken in recent years. In particular, it submitted that it had:

- delivered savings of $1.2 million by combining services and facilities of the two former councils
- implemented audit recommendations to improve business processes, which delivered $123,100 in savings in various business unit areas. The audit program also identified uncollected revenue of $4.0 million in developer contributions.
- delivered savings and increased revenue of $2.7 million through many initiatives such as increasing childcare fees, consolidating and removing a number of staff roles, reviewing and rationalising the council's plants and vehicles, etc.[xxxvii]

4.6.2 Assessment of strategies in place for future productivity improvements

The council indicated that it is planning future efficiency measures over the proposed SV period. Specifically, it proposes potential savings in expenditure of $12 million between 2020-21 and 2022-23, including:

- generating additional revenue of $763,000 per annum by leasing commercial properties and advertising
- generating additional event revenue of $1.8 million from the management of Netstrata Jubilee Stadium
- one-off savings of $840,000 and ongoing savings of $177,611 per annum by switching from lease back vehicles to 100% pool vehicles
- ongoing savings of $295,000 per annum from a number of energy efficiency initiatives
- one-off savings of $400,000 from repurposing underutilised assets
- savings of $397,000 per annum by upgrading street lights and sport field flood lights to LED technology.[xxxviii]

The proposed initiatives have been included in the council's LTFP as an optimistic scenario.[xxxix] We have not factored these into our analysis of OPR and other financial ratios in Section 4.2.2 as the council has not committed to implementing these efficiency measures.

4.6.3 Assessment of performance indicators for the council

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

Our assessment included whether there is any scope for the council to achieve further productivity savings. We examined selected performance indicators in Table 4.5 below. Table 4.5 shows how selected performance indicators for the council have changed over the three years to 2018-19. Our analysis focuses on labour costs, which is the biggest cost incurred by the council.[xl]

Table 4.5 Trends in selected performance indicators for Georges River Council, 2016-17 to 2018-19

Performance indicator	2016-17	2017-18	2018-19	Compound annual growth (%)
FTE[10] staff (number)	528	554	567	3.6
Ratio of population to FTE	291	282	279	-2.0
Average cost per FTE ($)	113,731	98,776	99,661	-6.4
Employee costs as % of operating expenditure (General Fund only) (%)	43	42	40	

Note: Except as noted, data is based upon total council operations that include General Fund, Water & Sewer and other funds, if applicable.

Source: OLG, unpublished data and IPART calculations.

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

- the number of FTE staff increased in by 4.9% in 2017-18 and 2.3% in 2018-19
- the average cost per FTE was the highest in 2016-17, but decreased by 12.4% in 2018-19.
- employee costs as a percentage of operating expenditure was the highest in 2016-17, but decreased by 7.0% in 2018-19.

The council reported that the decline in employee costs as a percentage of operating expenditure was driven by a high number of vacancies, due to redundancy, and higher than average turnover, following the amalgamation. The council engaged contractors to assist with its operations during the three-year period. In addition, it also aims to maintain employee costs at or below 40% of total expenditure.[xli]

10 Full-time equivalent

Although the number of FTE staff increased in the three years to 2018-19, the 12.4% reduction in average cost per FTE and the reduction in employee costs as a proportion of operating costs during this period suggests that the council did achieve some savings with its employee costs.

Submissions from the community to IPART

Most of the submissions expressed concerns that the council should look at ways to become more efficient and find cost savings before it increases rates.

We have assessed the council's productivity improvements and cost containment strategies, and consider that the council has a strategic approach in place to improve its productivity and efficiency. The council has presented its productivity improvements and cost containment strategies in the context of ongoing efficiency measures. It has also incorporated the financial impact of these measures in its LTFP.

4.6.4 Overall assessment of productivity improvements and cost containment strategies

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

We found that the council has adopted a range of strategies, which have already achieved productivity improvements and cost savings. It plans to undertake continuous review for some of these strategies in order to improve efficiency in its operations. It has explained its initiatives to improve productivity and contain costs and quantified the cost savings resulting from these efficiency measures. We recommend the council undertake further efficiency measures to contribute to improving its overall financial sustainability. It should work to implement the proposed $12 million savings in expenditure identified in its LTFP to reduce the need for a further SV in the future.

5 IPART's minimum rate assessment

In addition to its special variation application, Georges River Council has requested an increase in the minimum amount of its ordinary rates for 2021-22. The proposed new minimum rates are:

- $965.80 per annum for residential ratepayers
- $1,100 per annum for business ratepayers outside the Hurstville and Kogarah commercial strategic centres[11]
- $1,500 per annum for business ratepayers within the Hurstville and Kogarah commercial strategic centres.[xlii]

The main purpose of this application is to:[xliii]

- harmonise the minimum rates, as required under the *Local Government Act 1993*
- ensure equity in rating burden across all rating categories.

The council indicated that the proposed minimum rate increases will not generate additional revenue.[xliv]

5.1 Our minimum rate assessment

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

Box 5.1 IPART Decision – Georges River Council

Approved Minimum Rate ($)

	2021-22
Residential	965.80
Business - Other	1,100
Business - Commercial Strategic Centres	1,500

11 The council's Local Strategic Planning Statement defines 'commercial strategic centres' as the Hurstville and Kogarah CBD areas.

5.2 Rationale for increasing minimum rates

The council explained its rationale for increasing its minimum rate in its application and IP&R documents. The council indicated there will be 31,588 ratepayers from the residential and business categories paying the minimum amount in 2021-22.[xlv] As seen in Table 5.1, this represents 55.6% of residential ratepayers and 48.6% of business ratepayers, or 55.2% of its total ratepayers.

Table 5.1 Proportion of ratepayers on the minimum rate 2021-22

Ratepayer category	Assessments on the minimum rate	Total number of assessments	Proportion on the minimum rate
Residential	29,838	53,639	55.6%
Business	1,750	3,601	48.6%
Total	**31,588**	**57,240**	**55.2%**

Source: Georges River Council, *MR Application Part A*, Worksheet 3.

We compared the council's minimum residential rate with its average residential rate and found that:

- the current minimum rates for the former Hurstville area ($586) are 39.4% lower than that for the former Kogarah area ($967)
- for the former Hurstville area, the current minimum rates ($586) are 56.2% lower than the average residential rate ($1,337) and 85.4% lower than the average business rate ($4,001) of those ratepayers who are paying above the minimum rates
- for the former Kogarah area, the current minimum rates ($967) are 34.1% lower than the average residential rate ($1,467) and 79.5% lower than the average business rate ($4,725) of those ratepayers who are paying above the minimum rates.

These figures for the 2020-21 rating year are shown in Table 5.2.

Table 5.2 Comparison of ordinary minimum rate and weighted average ordinary rates (2020-21)

	Minimum rate	Average of ratepayers not on minimum	Variance ($)	Variance (%)
Hurstville				
Residential	586	1,337	751	56.2
Business	586	4,001	3,416	85.4
Kogarah				
Residential	967	1,467	501	34.1
Business	967	4,725	3,758	79.5

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

Source: IPART calculations based on Georges River Council, *MR Application Part A*, Worksheet 2.

The council submitted that, from 2022-23, it will increase the proposed minimum rates by the rate peg rather than the 5.8% proposed SV.[xlvi] Consequently, the dollar gap between those paying the minimum rate and those who are not will continue to grow in the future.

Overall, we consider the council's rationale for increasing its minimum rate is reasonable.

5.3 Impact on ratepayers

In its application, the council has considered the impact of the minimum rate increase on each rating category.[xlvii]

Table 5.3 shows that the gap between the former Hurstville and Kogarah Councils is narrowing for both residential and business categories. This is indicated by the larger increase percentage in the current rates for Hurstville area, until both former councils reach the uniform rates in 2021-22.

Table 5.3 Georges River Council's proposed increases in the minimum rate

	Minimum rate in 2020-21 ($)	Rates under proposed increase in 2021-22 ($)	Increase under proposed increase (%)
Hurstville			
Residential	586	966	64.9
Business - Other	586	1,100	87.8
Business - Commercial Strategic Centres	586	1,500	156.1
Kogarah			
Residential	967	966	-0.1
Business - Other	967	1,100	13.8
Business - Commercial Strategic Centres	967	1,500	55.2
Difference between Hurstville and Kogarah			
Residential	-381	0	
Business - Other	-381	0	
Business - Commercial Strategic Centres	-381	0	

Source: Georges River Council, *MR Application Part A*, Worksheet 5a.

We also compared the proposed minimum rate to four other councils in the Sydney metropolitan area, as shown in Table 5.4. Of these, three are amalgamated councils from OLG Group 3 that have also applied for a minimum rate increase in 2021-22. Whilst each council proposed different approaches to harmonising its minimum rates, these councils expect to complete their rates harmonisation by 2024-25, if approved by IPART. We found that, in 2024-25, the council's proposed minimum rates would be 9.8% and 49.1% higher than the average minimum rates for residential and business ratepayers, respectively, in other comparable councils, although we note that there is the possibility that some of these councils may apply for further increases prior to 2024-25.

Table 5.4 Councils in the Sydney metropolitan area proposed minimum rates ($, 2024-25)

Council	Residential	Business
Georges River	**1,040**	**1,400**
Bayside	844	844
Canterbury-Bankstown	1,015	1,015
Inner West	915	883
Sutherland Shire[a]	1,014	1,014
Average	**947**	**939**
Proposed minimum rate variance from average	**9.8%**	**49.1%**

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

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

Source: IPART calculations based on *MR Application Part A*, Worksheet 2 for Georges River, Bayside, Canterbury-Bankstown, and Inner West. We calculated the Sutherland Shire minimum rate by escalating its reported minimum rate of $923.40 by the rate peg for 2021-22 and assumed rate pegs for 2022-23 to 2024-25

On balance, we consider the minimum rate increase is reasonable as it reduces the gap between rates paid by those on the minimum rate and those not on the minimum rate to reflect equity in the services consumed by ratepayers. In addition, the council indicated there was consistently strong community support for the proposed residential minimum rates during both 2019 and 2020 consultations.[xlviii]

5.4 Consultation with the community

The council used a wide range of engagement methods, as discussed in Section 4.3.1. It communicated the proposal to increase the minimum rate through its LTFP and consultation materials. Whilst it clearly communicated the annual dollar value of its proposed minimum rate increase, it did not communicate the number and proportion of ratepayers that will be on the minimum rates.[xlix]

We also noted the council did not communicate that subsequent to the rate increase in 2021-22, only the rate peg would be applied in future years. This may have contributed to confusion amongst the community as the council is applying for an SV increase concurrently.

On balance, we consider the council has sufficiently consulted the community on its proposal to increase its minimum rate.

6 Our decision

We have approved the proposed SV, for a percentage increase of 5.8% per year for a five-year period from 2021-22 to 2025-26.

The approved variation to general income is the maximum amount the council may increase its income by in 2021-22 and the following four years, as outlined in Box 6.1.

Box 6.1 IPART Decision – Georges River Council

Approved Special Variation: percentage increases to general income

	2021-22	2022-23	2023-24	2024-25	2025-26
Increase above the rate peg	3.8%	3.3%	3.3%	3.3%	3.3%
Rate peg[a]	2.0%	2.5%	2.5%	2.5%	2.5%
Total increase	5.8%	5.8%	5.8%	5.8%	5.8%

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

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

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

Condition attached

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

- The council uses the additional income from the Special Variation for the purposes as outlined in the council's application and listed in Appendix B.
- The council reports in its annual report for each year between 2021-22 and 2030-31 on:
  - the program of expenditure that was actually funded by the additional income
  - the actual revenues, expenses and operating balance against the projected revenues, expenses and operating balance, as outlined in the Long Term Financial Plan provided in the council's application, and summarised in Appendix C
  - any significant variations from its proposed expenditure as forecast in the current Long Term Financial Plan and the reasons for such variation
  - expenditure consistent with the council's application and listed in Appendix B, and the reasons for any significant differences from the proposed expenditure
  - the outcomes achieved as a result of the actual program of expenditure.
- The council is required to reduce its income for 2021-22 to reflect the expiring SV amount of $2,300,950[i] before increasing its general income for that year.

We have also approved increases in the minimum rate for 2021-22. The Council can increase its proposed minimum rate, as outlined in Box 6.2.

Box 6.2 IPART Decision – Georges River Council

Approved Minimum Rate ($)

	2021-22
Residential	965.80
Business - Other	1,100
Business – Commercial Strategic Centres	1,500

From 2022-23, only the rate peg will be applied to the approved minimum rates.

6.1 Impact on the council

Our decision means that the council may increase its general income over the five-year SV period from $74.4 million in 2021-22 to $93.3 million in 2025-26. After 2025-26, the council's PGI can increase up to the annual rate peg unless we approve a further SV.[12]

Table 6.1 shows the percentage increases we have approved, and estimates the annual increases in the council's general income taking into account the required adjustments.

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

Year	Increase approved (%)	Cumulative increase approved (%)	Increase in PGI above rate ($'000)	Cumulative increase in PGI ($'000)	PGI ($'000)
Adjusted notional income 1 July 2021a					70,647
2021-22	5.80	5.80	2,685	3,786	74,433
2022-23	5.80	11.94	5,208	8,103	78,750
2023-24	5.80	18.43	7,937	12,670	83,318
2024-25	5.80	25.30	10,885	17,503	88,150
2025-26	5.80	32.56	14,066	22,615	93,263
Total cumulative increase approved				64,677	
Total above rate peg			40,780		

[a] Includes an adjustment of -$2,300,950 for an SV that expires on 30 June 2021 and an adjustment of prior year catch up of -$311,836.

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

12 General income in future years cannot be determined with precision, as it will be influenced by several factors in addition to the rate peg. These factors include changes in the number of rateable properties and adjustments for previous under or over-collection of rates. The Office of Local Government is responsible for monitoring and ensuring compliance with the SV conditions.

Source: Georges River Council, *SV Application Part A*, Worksheets 1 and 4 and IPART calculations.

The council estimates that over the five years from 2021-22 to 2025-26, it will collect an additional $40.8 million in rate revenue compared with the increase limited to the assumed rate peg.

This extra income is the amount the council requested to enable it to improve its financial sustainability, deliver the key priorities in its Community Strategic Plan and Delivery Program, and maintain its existing levels of service.

6.2 Impact on ratepayers

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

If the council increases the rates based on the approval of the 32.6% cumulative increase, the impact on ratepayers will be as shown in Table 6.2 below. Over the five-year approved SV period:

- the average residential rate would increase by a total of 26.1% or $282 for Hurstville ratepayers and by 28.1% or $344 for Kogarah ratepayers.
- the average business rate would increase by a total of 39.4% or $1,317 for Hurstville ratepayers and by 26.0% or $820 for Kogarah ratepayers.

Table 6.2 Indicative annual increases in average rates under Georges River Council's approved SV (2021-22 to 2025-26)

Ratepayer Category	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Cumulative increase
Hurstville							
Residential	1,081	1,111	1,168	1,229	1,294	1,363	
$ increase		30	57	61	65	69	282
% increase		2.7	5.1	5.3	5.3	5.3	26.1
Business	3,343	3,495	3,752	4,034	4,330	4,660	
$ increase		152	257	282	296	330	1,317
% increase		4.5	7.3	7.5	7.3	7.6	39.4
Kogarah							
Residential	1,221	1,251	1,325	1,401	1,481	1,565	
$ increase		30	74	76	80	84	344
% increase		2.5	5.9	5.8	5.7	5.6	28.1
Business	3,152	3,006	3,224	3,456	3,706	3,972	
$ increase		-146	217	233	249	267	820
% increase		-4.6	7.2	7.2	7.2	7.2	26.0

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

Source: Georges River Council, *SV Application Part A*, Worksheet 5a and IPART calculations.

If the council increases the rates based on the approval of the minimum rates increase, the impact on ratepayers will be as shown in Table 6.3 below. Over the five-years:

- the minimum rate would increase by a total of $480 or 82% for Hurstville ratepayers and by a total of $99 or 10% for Kogarah residential ratepayers
- the minimum rate would increase by a total of $628 or 107% for business ratepayers outside the Hurstville industrial and major shopping centres
- the minimum rate would increase by a total of $247 or 26% for business ratepayers outside of the Kogarah strategic centres
- the minimum rate would increase by a total of $1,070 or 182.7% for business ratepayers within the Hurstville and Kogarah industrial, major shopping centre or strategic centres.

Table 6.3 Georges River Council's approved increases in the minimum rate (2021-22 to 2025-26)

Ratepayer Category	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Cumulative increase
Hurstville							
Residential	586	966	990	1,015	1,040	1,066	
$ increase		380	24	25	25	26	480
% increase		64.9	2.5	2.5	2.5	2.5	82.0
Business	586	1,100	1,128	1,156	1,185	1,214	
$ increase		514	28	28	29	30	628
% increase		87.8	2.5	2.5	2.5	2.5	107.3
Business (industrial and major shopping complex)	586	1,500	1,538	1,576	1,615	1,656	
$ increase		914	37	38	39	40	1,070
% increase		156.1	2.5	2.5	2.5	2.5	182.7
Kogarah							
Residential	967	966	990	1,015	1,040	1,066	
$ increase		-1	24	25	25	26	99
% increase		-0.1	2.5	2.5	2.5	2.5	10.3
Business	967	1,100	1,128	1,156	1,185	1,214	
$ increase		133	28	28	29	30	247
% increase		13.8	2.5	2.5	2.5	2.5	25.6
Business (strategic centres)	967	1,500	1,538	1,576	1,615	1,656	
$ increase		533	38	38	39	40	689
% increase		55.2	2.5	2.5	2.5	2.5	71.3

Note: 2020-21 is included for comparison.

Source: Georges River Council, *MR Application Part A*, Worksheet 5a and IPART calculations.

A Assessment criteria

A.1 Assessment criteria for special variation applications

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 canvas 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[13]:

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

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

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

13 Page 71, IP&R Manual for Local Government *"Planning a Sustainable Future"*, March 2013

Criterion 2 – Community awareness

Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and 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.[14]

Criterion 3 – Impact on ratepayers is reasonable

The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. The Delivery Plan 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 IP&R documents[15] must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general income. It is expected that councils will hold an extraordinary meeting if required to adopt the relevant IP&R documents before the deadline for special variation applications.

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

15 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.

Criterion 5 – Productivity improvements and cost containment strategies

The IP&R documents or the council's application must explain 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 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.

Source: OLG, Guidelines for the preparation of an application to increase minimum rates above the statutory limit

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

Table B.1 shows the council's proposed expenditure of the SV funds over the next 10 years as indicated in its application. Under the approved SV, the council will receive additional revenue above the rate peg of $116.6 million over 10 years.

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

Table B.1 Georges River Council – Revenue and proposed expenditure over 10 years related to the proposed SV (2021-22 to 2030-31) ($000)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Total
SV revenue above assumed rate peg	2,685	5,208	7,937	10,885	14,066	14,418	14,778	15,147	15,526	15,914	116,564
Funding for operating expenditures to maintain current service levels	2,685	5,208	7,937	10,885	14,066	14,418	14,778	15,147	15,526	15,914	116,564
Total expenditure	**2,685**	**5,208**	**7,937**	**10,885**	**14,066**	**14,418**	**14,778**	**15,147**	**15,526**	**15,914**	**116,564**

Note: Numbers may not add due to rounding.

Source: Georges River Council, *SV Application Part A,* Worksheet 6.

C Georges River Council’s projected revenue, expenses and operating balance

As a condition of IPART’s approval, the council is to report in 2021-22, 2022-23, 2023-24, 2024-25 and 2025-26 against its projected revenue, expenses and operating balance as set out in its LTFP (shown in Table C.1).

Revenues and operating results in the annual accounts are reported both inclusive and exclusive of capital grants and contributions. To isolate ongoing trends in operating revenues and expenses, our analysis of the council’s operating account in the body of this report excludes capital grants and contribution.

Table C.1 Summary of projected operating statement for Georges River Council under its proposed SV application (2021-22 to 2030-31) ($000)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Total revenue	165,802	172,400	179,076	186,119	193,579	197,816	202,078	206,435	213,815	218,634
Total expenses	153,419	157,094	162,692	167,027	173,485	178,781	182,713	188,018	195,077	199,825
Operating result from continuing operations	12,383	15,306	16,384	19,092	20,094	19,035	19,365	18,417	18,738	18,809
Net operating result before capital grants and contributions	-9,468	-7,096	-6,582	-4,448	-4,032	-5,670	-5,909	-7,439	-7,712	-8,250
Cumulative net operating result before capital grants and contributions	-9,468	-16,564	-23,146	-27,594	-31,626	-37,296	-43,205	-50,644	-58,356	-66,606

Note: Numbers may not add due to rounding.

Source: Georges River Council, *SV Application Part A*, Worksheet 8

D Comparative indicators

Performance indicators

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

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

Table D.1 Trends in selected performance indicators for Georges River Council (2016-17 to 2018-19)

Performance indicator	2016-17	2017-18	2018-19	Compound annual growth (%)
FTE staff (number)	528	554	567	3.6
Ratio of population to FTE	291	282	279	-2.0
Average cost per FTE ($)	113,731	98,776	99,661	-6.4
Employee costs as % of operating expenditure (General Fund only) (%)	43	42	40	

Note: Except as noted, data is based upon total council operations that include General Fund, Water & Sewer and other funds, if applicable.

Source: OLG, unpublished data and IPART calculations.

Table D.2 Select comparative indicators for Georges River Council (2018-19)

	Georges River Council	OLG Group 3 average	NSW average
General profile			
Area (km^2)	38	103	5,530
Population	158,411	190,302	62,400
General Fund operating expenditure ($m)	140.2	186.4	83.4
General Fund operating revenue per capita ($)	1,094	1,222	
Rates revenue as % General Fund income (%)	54.1	52.5	45.5
Own-source revenue ratio (%)	73.1	76.2	69.7
Average rate indicators[a]			
Average rate – residential ($)	1,086	1,091	1,139
Average rate –business ($)	2,746	6,259	5,709
Average rate – farmland ($)	.	2,786	2,627
Socio-economic/capacity to pay indicators			
Median annual household income, 2016 ($)[b]	86,244	97,609	77,484
Average residential rates to median income, 2016 (%)	1.3	1.1	1.5
SEIFA, 2016 (NSW rank: 128 is least disadvantaged)	105		
Outstanding rates and annual charges ratio (General Fund only) (%)	3.1	4.4	4.4
Unemployment rate (%)	2.9	4.6	
Productivity (labour input) indicators[c]			
FTE staff (number)	567	771.6	376
Ratio of population to FTE	279.4	246.6	166.0
Average cost per FTE ($)	99,661	104,262	94,358
Employee costs as % operating expenditure (General Fund only) (%)	40	42	39
General Fund operating expenditure per capita ($)	885	925	1,315

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

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

c Except as noted, data is based upon total council operations, including General Fund, Water & Sewer and other funds, if applicable. There are difficulties in comparing councils using this data because councils' activities differ widely in scope and they may be defined and measured differently between councils.

Source: OLG, Time Series Data 2015-16, OLG, unpublished data; ABS, Socio-Economic Indexes for Areas (SEIFA) 2016, March 2020, ABS, 2016 Census DataPacks, General Community Profile, Local Government Areas, NSW, Median Weekly Household Income and IPART calculations.

E Rates harmonisation

Harmonisation is the implementation of one rating system within all rating categories. Tables E.1 and E.2 below compare the SV increase proposed by Georges River Council with the impact of harmonisation on the proposed SV rates. The actual impact may vary as the council has applied for a minimum rate harmonisation concurrently. It intends to increase the proposed minimum rate only by the rate peg from 2022-23 onward, as discussed in Chapter 5. Consequently, ad valorem ratepayers will bear an increased percentage of the rating burden under the proposed SV.

Table E.1 Comparison of current rates and rates under Georges River Council's proposed SV (ad valorem rate in cents)

	Rates in 2020-21	Rates under proposed SV increase in 2021-22	Increase under proposed SV (%)
Hurstville			
Residential	0.198	0.164	-17.1
Business	0.331	0.344	3.6
Kogarah			
Residential	0.158	0.164	4.1
Business	0.385	0.343	-10.9
Georges River Council			
Residential	0.181	0.164	-9.4
Business	0.351	0.343	-2.0

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

Source: Georges River Council, *SV Application Part A*, Worksheet 3 and IPART calculations.

Table E.2 Difference in weighted average ad valorem rates

	Rates in 2020-21 (%)	Rates under proposed SV increase in 2021-22 (%)
Difference between Hurstville & Kogarah		
Residential	25.5	0.0
Business	-13.9	0.1

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

Source: Georges River Council, *SV Application Part A*, Worksheet 3 and IPART calculations.

Tables E.1 and ED.2 show that the gap between the former Hurstville and Kogarah Councils is narrowing for both residential and business categories. This is indicated by a larger decrease percentage in the current residential rates for Hurstville and current business rates for Kogarah, until they reach their respective uniform rates in 2021-22.

Glossary

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

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

[i] Georges River Council, *Special Variation Application Form Part B 2021-22* (*SV Application Part B*), p 3.
[ii] Georges River Council, *Minimum Rate Increase Application Form Part B 2021-22 (MR Application Part B)*, pp 7-8.
[iii] Georges River Council, *MR Application Part B*, p 6.
[iv] Georges River Council, *Attachment Other - Attachment Annual Report 18-19*, pp 224-225; and *Attachment Other - Attachment Annual Report 19-20*, p 153.
[v] Georges River Council, *SV Application Part B*, p 4; and *MR Application Part B*, p 4.
[vi] Georges River Council, *SV Application Part B*, p 10.
[vii] Georges River Council, *SV Application Part B*, p 10.
[viii] Georges River Council, *SV Application Part B*, p 10.
[ix] Georges River Council, *SV Application Part B*, p 4.
[x] Georges River Council, *Attachment - Resolution to apply for the special variation,* p 3.
[xi] Georges River Council, Why Does Council Need to Increase Its Rates?, accessed on 4 May 2021.
[xii] Georges River Council, *SV Application Part B*, p 4.
[xiii] Georges River Council, *Annual Report 2019/2020*, p 204; and *Attachment Other - Attachment 8 February 2021 Council Resolution*, p 3.
[xiv] Georges River Council, *SV Application Part A*, Worksheet 8.
[xv] Georges River Council, *SV Application Part A*, Worksheet 8.
[xvi] Georges River Council, *SV Application Part B*, p 28.
[xvii] Georges River Council, *SV Application Part B*, p 28.
[xviii] Georges River Council, *Attachment - Community Feedback Summary of Reach*.
[xix] Georges River Council, *Attachment - Community Feedback Engagement Report 2020*, p 25.
[xx] Georges River Council, *Attachment - Community Feedback Engagement Report 2020*, pp 47-54.
[xxi] Georges River Council, *SV Application Part B*, p 57.
[xxii] Georges River Council, *Attachment - Community Feedback Engagement Report 2019*, p 30.
[xxiii] Georges River Council, *Attachment - Community Feedback Engagement Report 2019*, p 30; and *Attachment - Community Feedback Engagement Report 2020*, p 66.
[xxiv] Georges River Council, *SV Application Part B*, p 76.
[xxv] Georges River Council, *Attachment - Community Feedback Engagement Report 2019*, p 30; and *Attachment - Community Feedback Engagement Report 2020*, p 66.
[xxvi] Georges River Council, *Attachment 5 - Hardship Policy*.
[xxvii] Georges River Council, Council Meeting, 27 July 2020, Minutes pp 26-27.
[xxviii] Georges River Council, *Attachment Past Instruments of Approval*, p 1 and pp 15-16.
[xxix] Georges River Council, *Attachment - Delivery Program.*
[xxx] Georges River Council, *Attachment - LTFP*, pp 96-110.
[xxxi] Georges River Council, *Attachment - LTFP*, p 82.
[xxxii] Georges River Council, *Emails to IPART on 17 and 23 March 2021 Productivity Items FTE Movements and Covering Report SRV*, p 1.
[xxxiii] Georges River Council, *Attachment - LTFP*, pp 89.
[xxxiv] Georges River Council, *SV Application Part B*, p 92 and p 98.
[xxxv] Georges River Council, *SV Application Part B*, p 98.
[xxxvi] Georges River Council, *SV Application Part B*, p 98; and *Attachment - Resolution to apply for the special variation,* p 3.
[xxxvii] Georges River Council, *Emails to IPART on 17 and 23 March 2021 Productivity Items FTE Movements and Covering Report SRV*, pp 4-10.
[xxxviii] Georges River Council, *Emails to IPART on 17 and 23 March 2021 Productivity Items FTE Movements and Covering Report SRV*, pp 4-10.
[xxxix] Georges River Council, *Attachment - LTFP*, pp 92.
[xl] Georges River Council, *SV Application Part A*, Worksheet 7.
[xli] Georges River Council, *Emails to IPART on 17 and 23 March 2021 Productivity Items FTE Movements and Covering Report SRV*, pp 11-12.
[xlii] Georges River Council, *MR Application Part B*, p 3.
[xliii] Georges River Council, *MR Application Part B*, p 4.

[xliv] Georges River Council, *Emails to IPART on 17 and 23 March 2021 Productivity Items FTE Movements and Covering Report SRV*, pp 2-3.
[xlv] Georges River Council, *MR Application Part A*, Worksheet 3.
[xlvi] Georges River Council, *MR Application Part B*, p 6.
[xlvii] Georges River Council, *MR Application Part B*, p 19.
[xlviii] Georges River Council, *Attachment - Community Feedback Engagement Report 2019*, p 35; and *Attachment - Community Feedback Engagement Report 2020*, p 24.
[xlix] Georges River Council, *Attachment - LTFP*, pp 88-89; *Attachment - Community Engagement Materials Community Brochure 2020*; and *Attachment - Community Engagement Materials Community Brochure 2019*, p 2.
[l] Georges River Council, *SV Application Part A*, Worksheet 1.