

# Special Rate Variation – Public forum

City of Canada Bay Council

September 2022



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Prepared for:

Ref	Date	Version	Approving Director
7624	12 Sept 2022	1.0	Greg Smith

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# Introduction

- Who are Morrison Low?
  - We are a local government focused management consultancy with expertise in helping councils address sustainability challenges.
  - Morrison Low have independently reviewed Canada Bay Council's financial position and modelled options to ensure a financially sustainable future.
- Purpose for today:
  - to inform you of the proposed Special Rate Variation (SRV) and the reasons for it
  - to provide you with an opportunity to ask question to understand the challenges facing council and the reasons for the proposal to apply for a SRV.
- By the end of this meeting you should be more informed to form and express your views on the SRV.

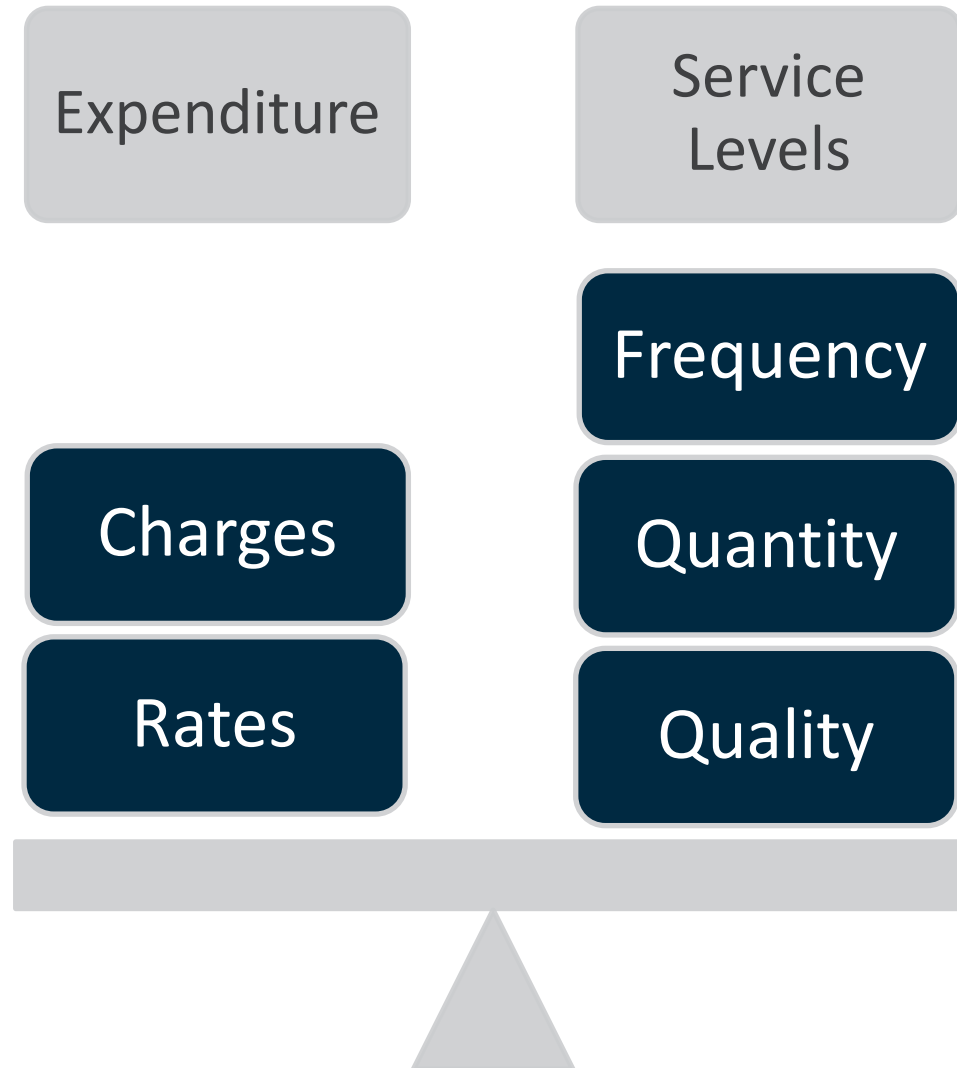
# Today's process

- Presentation on the Council's current financial position, the proposed SRV and minimum rates, and the impact on average rates.
- Opportunity to ask questions at the end of the presentation.
- This forum will cover:
  - Council's current financial position
  - The proposed SRV and what it will be used to fund
  - The proposed minimum rates increases
  - Impact on average rates
  - The SRV process and next steps.
- This forum is not intended to:
  - Review Council's Delivery Program or Community Strategic Plan
  - Make a decision on whether to apply for the SRV

# Council must be financial sustainable

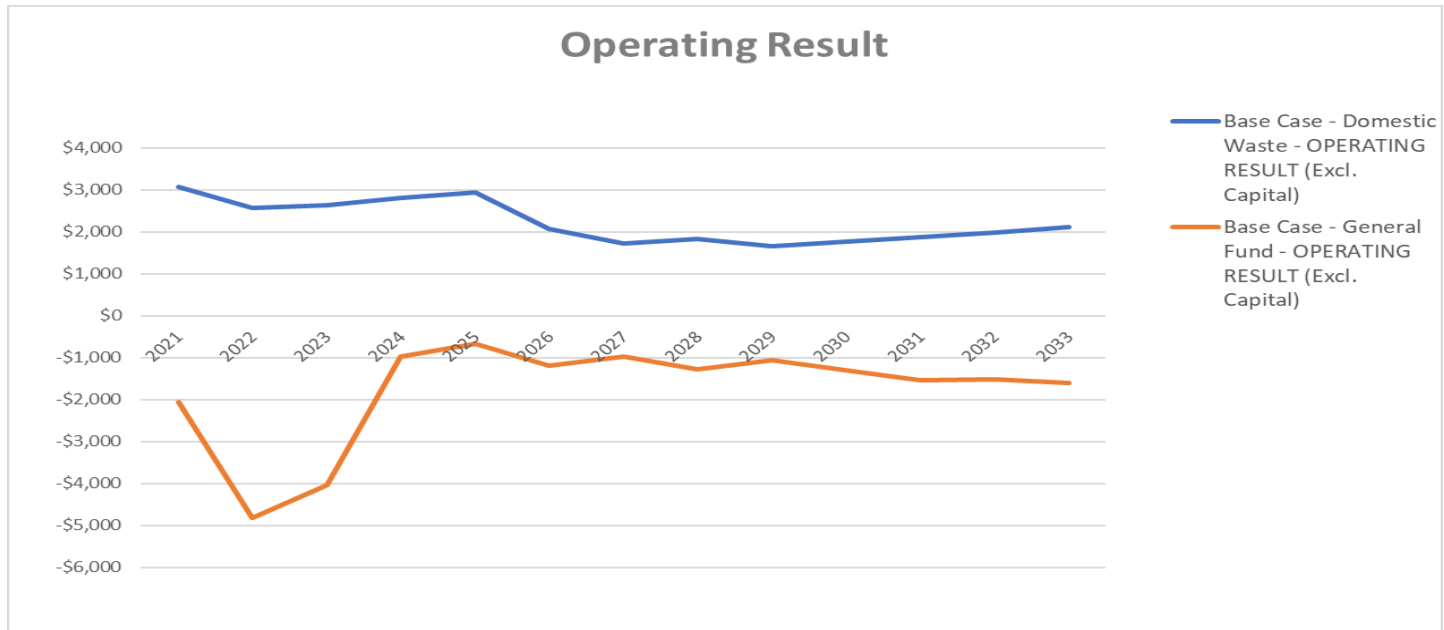
- The Local Government Act requires councils to apply sound financial management principles
- S8(b) of the Act - Council spending should be responsible and sustainable, aligning general revenue and expenses.
- This includes:
  - achieving a **fully funded operating position**
  - **maintaining sufficient cash reserves**
  - having an appropriately **funded capital program**
  - **maintaining its asset base** ‘fit for purpose’
  - having adequate resources to meet ongoing **compliance obligations**.
- **Not negotiable** - failure to meet these obligations can lead to NSW Office of Local Government intervention.

# Balancing services with resources



# Sustainability of the General Fund

- While the Long Term Financial Plan (LTFP) base case shows a consolidated view of deficits moving into surpluses from 2024 onward, the General Fund show consistent deficits over the 10 years.
- This includes the forecast rate peg of 3.25% in 2023-24 and 2.5% thereafter. This is a typical challenge for many councils, as the rate peg doesn't keep pace with cost increases.



# Managing the General Fund Deficit

- The deficits in the General Fund are result of costs growing faster than revenue. Inflation and wages grow faster than the rate peg.
- Council reviewed all of its services in 2018 and implemented \$1.7 million in annual savings as a result.
- A further \$415 thousand of savings have been identified and will be implemented in 2022/23.
- Council's program of service reviews will continue to look for and implement productivity and efficiency savings.



# Proposed service and asset improvements

- Council has also identified the need for further investment in priority service and asset areas.
- This will enable both improved and expanded services and lays a solid foundation following significant past population growth.

# Proposed increased services

Service Improvement	Cost (\$000 pa)
<b>Strategic Planning:</b> to deliver the State-led strategies	\$600
<b>Development Assessment:</b> to cope with increased volume of Development Applications and speed up assessment times.	\$300
<b>Parks &amp; Recreation:</b> to expand facilities inspections, maintenance, tree maintenance and management, and operations	\$1,000
<b>Roads &amp; Traffic:</b> to deliver additional maintenance and cleaning of streetscapes in population hubs	\$800
<b>Community strategies and services:</b> to improve community safety, cultural planning, biodiversity, sustainability and climate change strategies, and community services	\$1,100
<b>Corporate Services:</b> to enhance systems and processes for internal audit, risk management and business improvement.	\$600
<b>Asset Maintenance:</b> to improve maintenance of buildings and assets	\$600
<b>Increased operational expenditure on expanded services</b>	<b>\$5,000</b>

# Proposed asset renewal increases

- Council has also identified the need to increase ongoing capital expenditure of \$3.3 million to renew key infrastructure to ensure they continue to meet requirements, including the following:
  - Roads
  - Footpaths
  - Street lighting
  - Seawalls
  - Drainage
  - Community buildings and facilities, including Swimming Pools, Leisure Centre, Libraries, and parks and sport field amenities
  - Information Technology
- **\$8.3 million** has been identified to increase services and ensure asset are kept at required conditions.

# Proposed Special Rate Variation

- A special rate variation of **19.78%** over and above the forecast rate peg is proposed to ensure Council remains financially sustainable and to fund the proposed service and infrastructure expenditure increases.

	2023-24	2024-25	2025-26	2026-27	Cumulative
Forecast rate peg	3.25%	2.5%	2.5%	2.5%	11.19%
<b>Permanent increase above the forecast rate peg</b>	<b>12.24%</b>	<b>2.31%</b>	<b>2.19%</b>	<b>2.08%</b>	<b>19.78%</b>
Total increase (including forecast rate peg)	15.49%	4.81%	4.69%	4.58%	32.52%

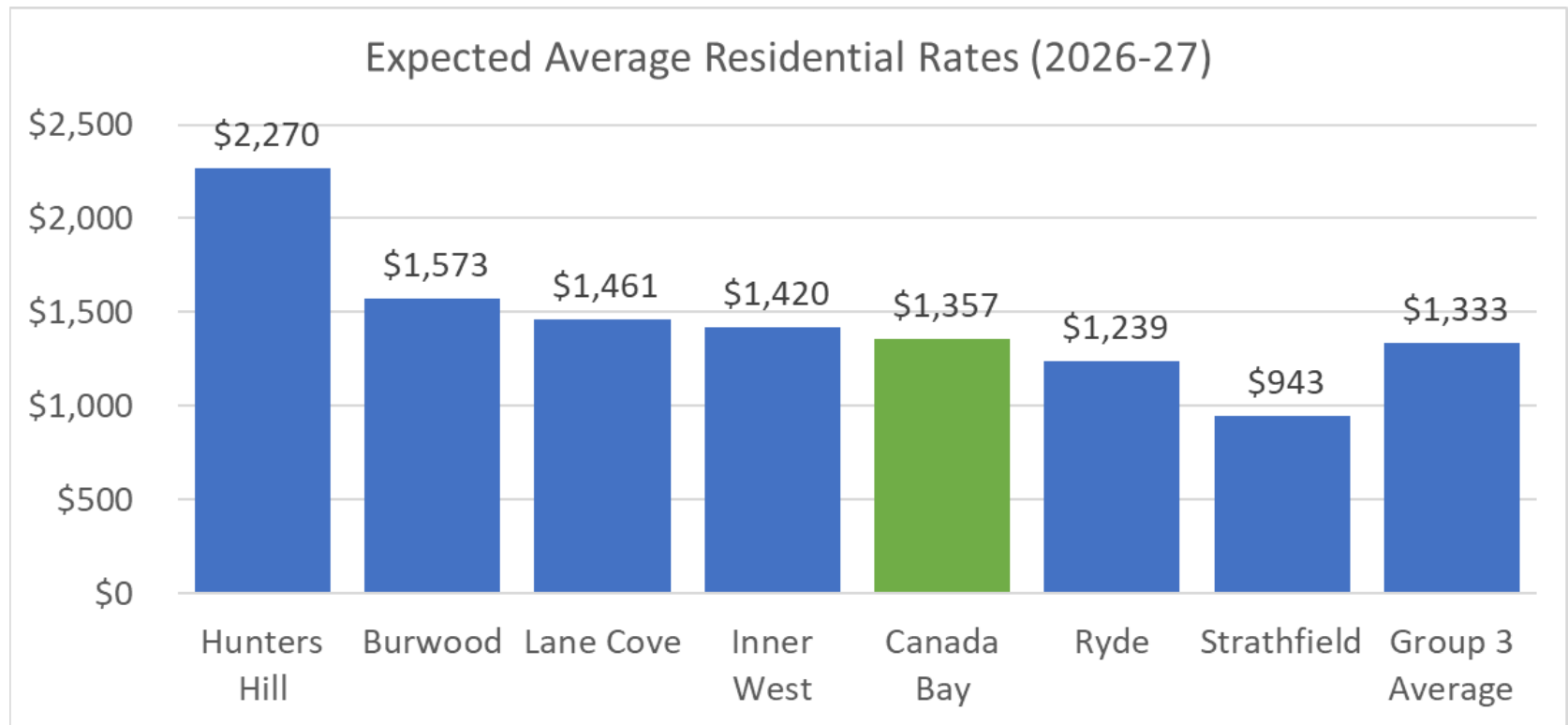
# What does this mean for residents?

- For residents who own a property with land value of \$1.5 million the variation of rates equates to **\$3.31** per week in addition to the forecast rate peg in 2023-24 with no further increase in the following years aside from the rate peg.

Weekly Increases	2023/24	2024/25	2025/26	2026/27	Cumulative
Increase from the forecast rate peg	\$0.87	\$0.78	\$0.80	\$0.82	\$3.27
<b>Increase from SRV above the forecast rate peg</b>	<b>\$3.31</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$3.31</b>
Total (including forecast rate peg)	\$4.18	\$0.78	\$0.80	\$0.82	\$6.58

# Comparison to other councils – residential

- Even with the proposed Special Rate Variation, Canada Bay's average rates remains close to the average of other comparable councils.



# Proposed Minimum Rates increase

- As rates are calculated on land values, there can be a significant difference between the rates calculated for a house and a unit. These differences neither reflect the relative difference in the capacity to pay for each owner nor the costs of services that Council provides to both owners.
- As the City of Canada Bay continues to see a greater proportion of residential unit development, it must increase minimum rates to ensure services can be extended to these new developments, while not disproportionately increasing the rates burden to single house dwellings.
- Council is proposing to increase Minimum Rates by **\$250** over and above the forecast rate peg increase. This equates to a total \$346.46 over four years when the forecast rate peg increases are included.

Total Minimum Rates	Current	2023-24	2024-25	2025-26	2026-27
Proposed minimum rate	\$761.61	\$879.70	\$953.95	\$1,030.06	\$1,108.07

# Weekly impact for minimum ratepayers

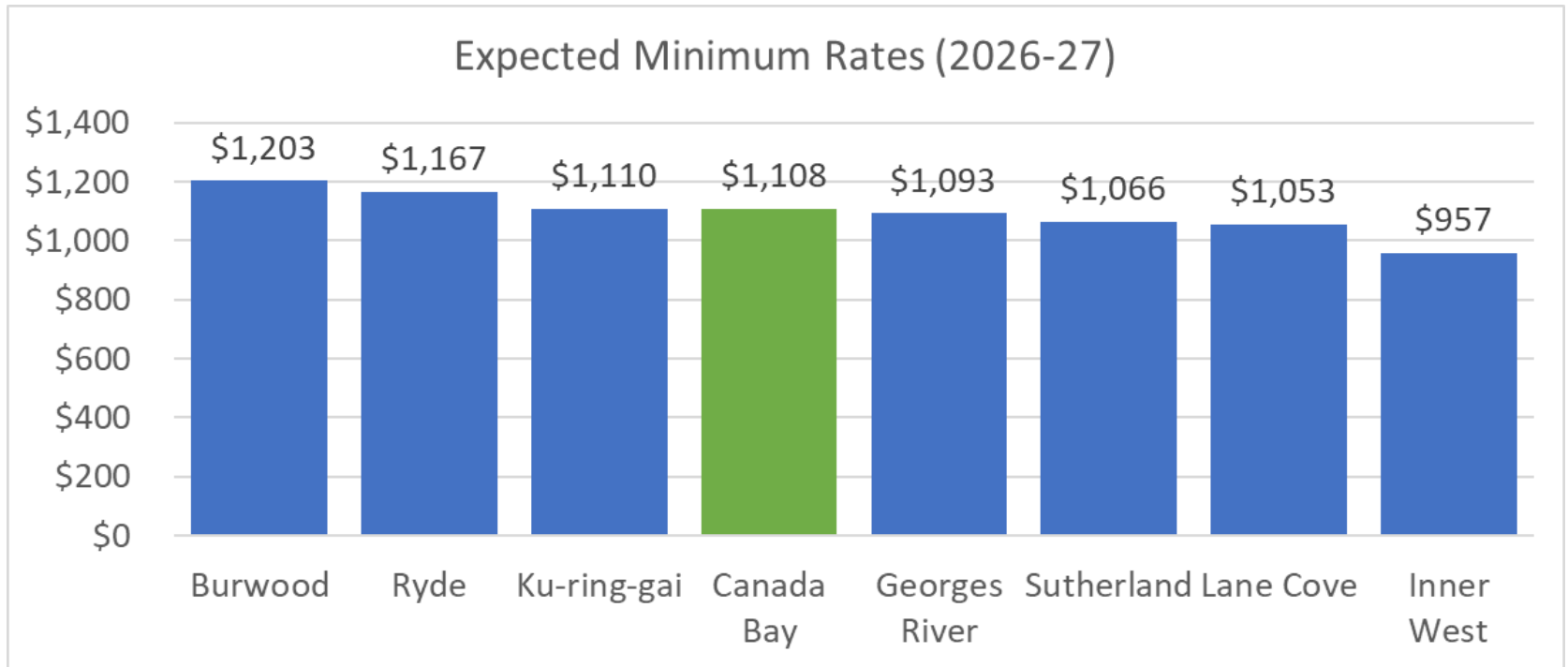
- For residents paying the minimum rate, the weekly increase is \$4.82 over the forecast rate peg.

Weekly Increases	2023/24	2024/25	2025/26	2026/27	Cumulative
Increases from the forecast rate peg	\$0.48	\$0.42	\$0.45	\$0.50	\$1.85
<b>Minimum rate increase above forecast rate peg</b>	<b>\$1.79</b>	<b>\$1.01</b>	<b>\$1.01</b>	<b>\$1.01</b>	<b>\$4.82</b>
Total (including forecast rate peg)	\$2.27	\$1.43	\$1.46	\$1.51	\$6.67



# Minimum rates comparison

- The minimum rate increase allow Canada Bay to remain comparable with other similar councils with minimum rates.



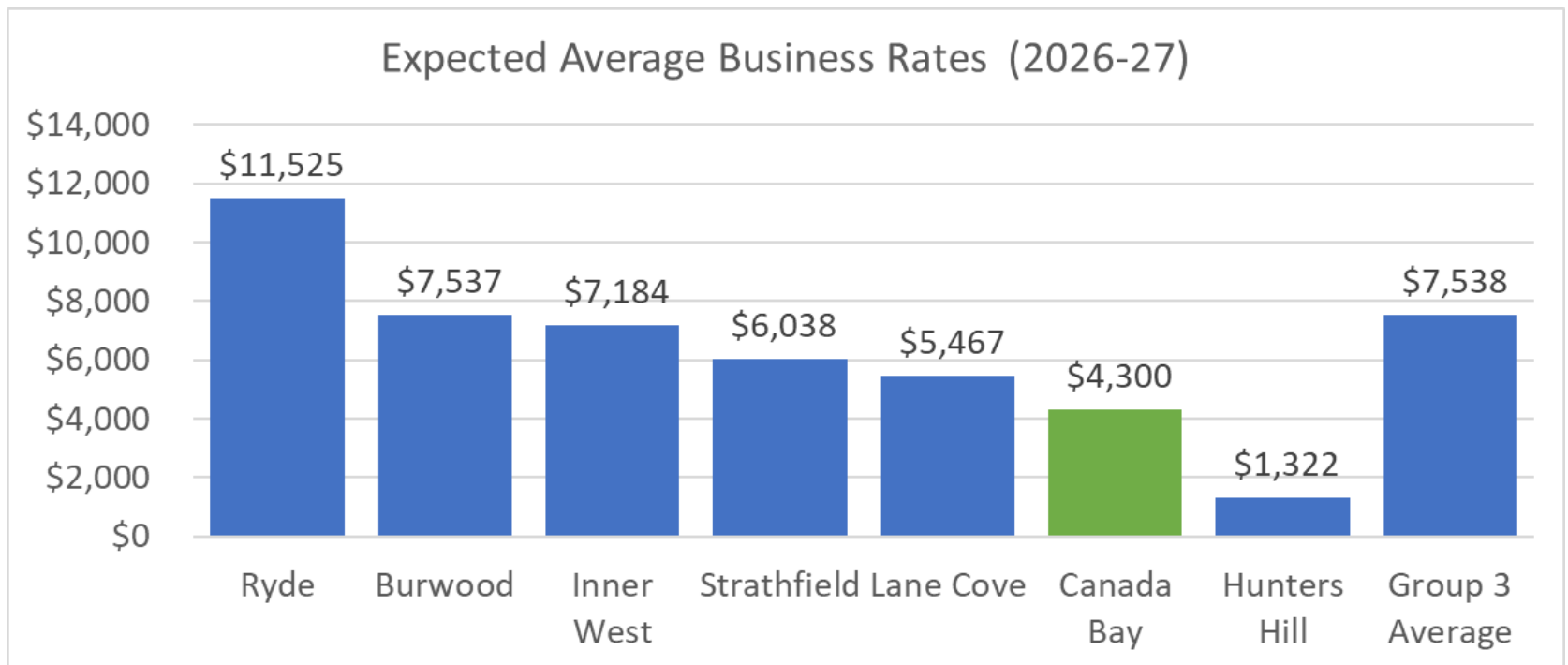
# What does this mean for businesses?

- For businesses with land value of \$1.2 million, the proposed variation of rates would equate to \$6.30 per week in 2023/24 in addition to the forecast rate peg with no further increase in the following years aside from the rate peg.

Weekly Increases	2023/24	2024/25	2025/26	2026/27	Cumulative
Increase from the forecast rate peg	\$1.68	\$1.49	\$1.52	\$1.56	\$6.25
<b>Increase from SRV above the forecast rate peg</b>	<b>\$6.30</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$6.30</b>
Total (including forecast rate peg)	\$7.98	\$1.49	\$1.52	\$1.56	\$12.55

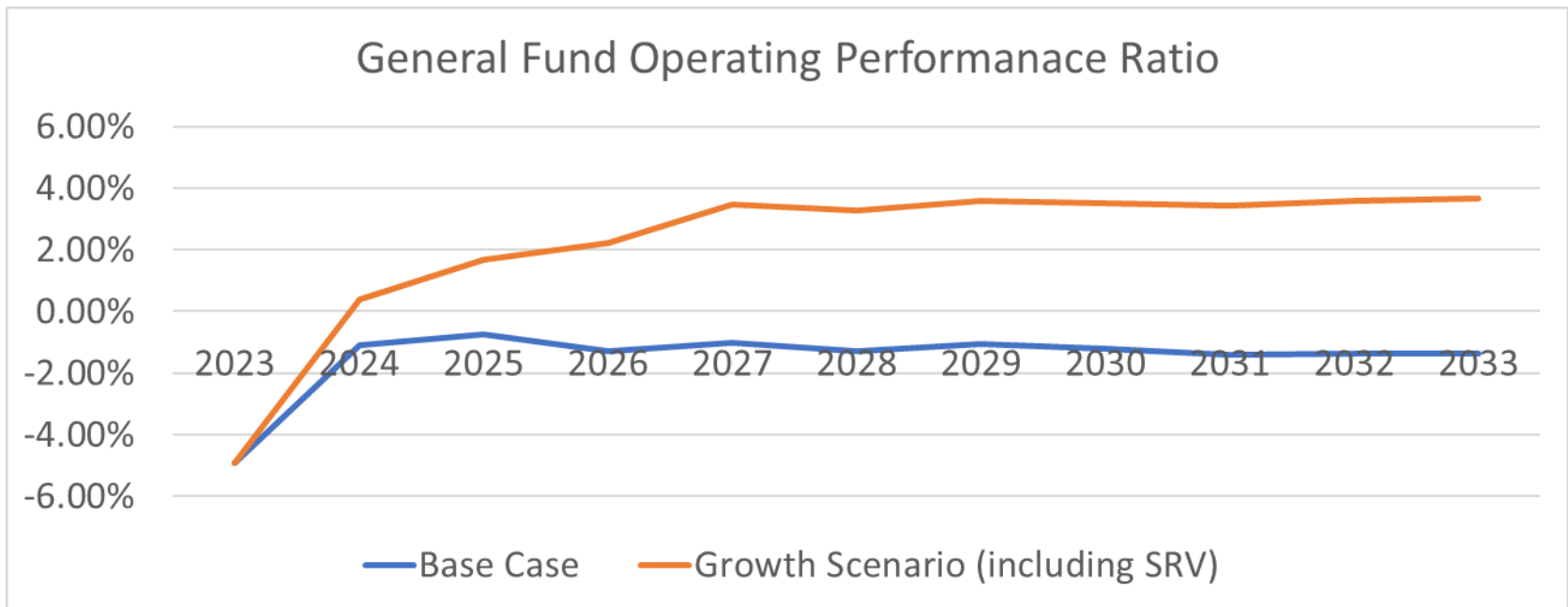
# Comparison to other councils - business

- Even after the proposed Special Rate Variation, Canada Bay's business rates remains significantly below the average of other comparable councils.



# What does it mean for Council?

- The special rate variation as proposed would enable Council to be financially sustainable in its General Fund into the future.



# What happens next

- **September & October 2022:** Community consultation on the SRV
- **November 2022:** Council will consider all submissions and decide on whether to proceed to apply for the SRV.
- **February 2023:** Council lodges the SRV application (subject to above decision).
- **Between March and April 2023:** IPART invites submissions and evaluates the application.
- **May 2023:** IPART makes its determination and Council determines if it will apply all or part of the approved SRV.

# How the SRV will be assessed?

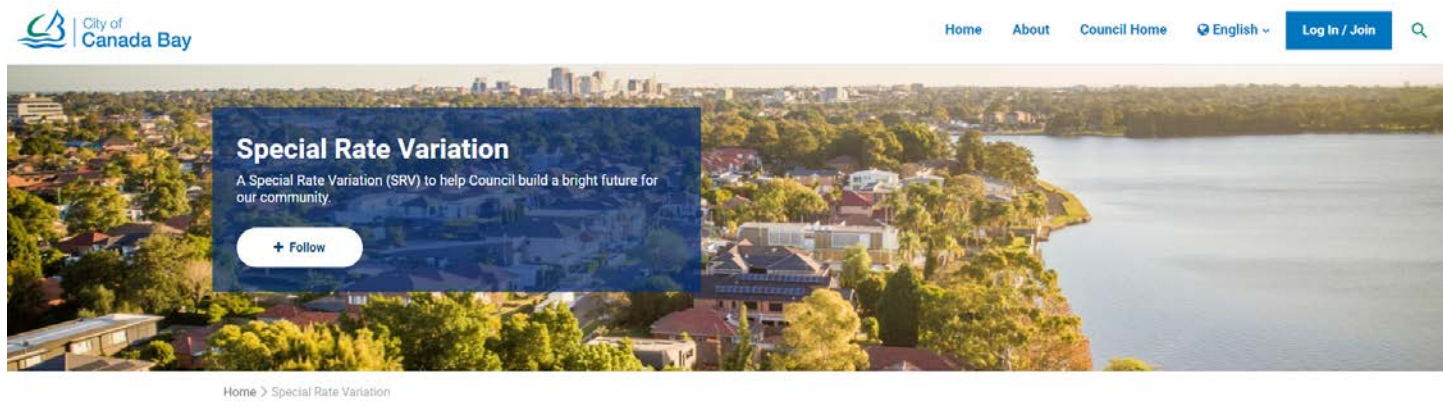
IPART assesses the SRV applications using the following criteria:

1. The **need and purpose** of a different rate path for the council's General Fund is clearly articulated and identified in council's IP&R documents.
2. Evidence that the **community is aware** of the need for and the extend of a rate rise.
3. The **impact on affected ratepayers** must be reasonable
4. The relevant **IP&R documents** must be exhibited, approved and adopted by council.
5. The IP&R documents or councils application must explain and quantify the **productivity improvements and cost containment** strategies.
6. Any other matter that IPART considers relevant.

# How to have your say?

- Find more information and provide your feedback on the SRV and/or the updated Long Term Financial Plan on Council's Collaborate Canada Bay page:

<https://collaborate.canadabay.nsw.gov.au/srv>



# Questions

