



## City of Canada Bay The Special Rate Variation

### Introduction

Morrison Low Consultants has been engaged by the City of Canada Bay ('Council') to model a special rate variation (SRV) and analyse its impact on the financial sustainability of the Council's Long-Term Financial Plan.

The Local Government Act requires councils to apply sound financial management principles of being responsible and sustainable in aligning income and expenses, infrastructure investment, with effective financial and asset management performance management. The objectives are to:

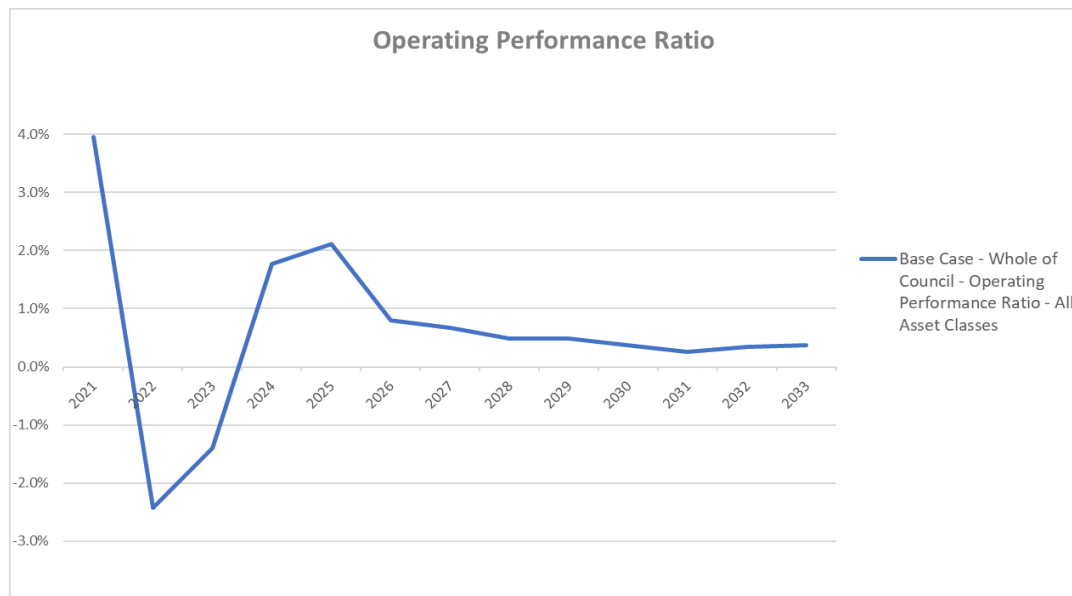
- achieve a **fully funded operating position**
- **maintain sufficient cash reserves**
- have an appropriately **funded capital program**
- **maintain its asset base** 'fit for purpose'
- have adequate resources to meet ongoing **compliance obligations**.

These objectives are the foundation for sound financial management and a financially sustainable council that has the financial capacity to deliver the services to its community over the long term.

### Current situation

Council's 2023-33 Long Term Financial Plan base case, without a special rate variation, shows that consolidated operating results move from deficit to generating small surpluses each year.

**Figure 1 Projected base case consolidated operating performance ratio as per City of Canada Bay's 2023-33 Long Term Financial Plan**





Council has two funds, a Domestic Waste Fund that finances Council’s waste management services and a General Fund that finances all the other services that Council provides. While there are surpluses projected for the Domestic Waste Fund, these offset the core deficits that remain in Council’s General Fund.

**Figure 2 Projected base case operating results by fund as per Council’s 2023-33 Long Term Financial Plan**



Core deficits in the General Fund have developed over time, as a result of growing costs outpacing revenue growth and some services that were implemented on a temporary basis during the COVID-19 pandemic being expected to continue into the future.

Continued General Fund deficits restrict Council’s ability to respond to community expectations for increased services and improved asset conditions. In its 2022-26 Delivery Program, Council identified this issue and flagged the need to consider an SRV to address it. It committed to consulting with the community on any potential SRV before making a final decision to apply.

*In order to maintain some of the increased services already in place, such as tree maintenance and arrest cleansing, as well as increase future services to accommodate expected population growth in the area, Council is reviewing options for increase revenue, including a special rate variation. Council is committed to consulting the community of Canada Bay on these options in late 2022, before any final decision is made.<sup>1</sup>*

<sup>1</sup> City of Canada Bay, 2022. *Delivery Program 2022-26 and Operating Plan 2022-23*. p.36.



## Improving services with a special rate variation

### Services and assets that Council wants to provide

Council has reviewed its services, identifying and costing several increases to service required to be ready for the growing population in the area and to meet the community's expectation. These are outlined in the table below.

**Table 1 Proposed service improvements to be funded by the SRV**

| Service Area                                 | Purpose of service increase                                   | Operational per year (\$000) | Capital per year (\$000) |
|--|---|------------------------------|--------------------------|
| <b>Buildings and trade maintenance</b>       | Increase maintenance and management of buildings              | \$590                        |                          |
| <b>Cleansing operations for public areas</b> | Expand town centre cleaning and footpath sweeping             | \$400                        |                          |
| <b>Community services</b>                    | Expansion of Community Development services                   | \$500                        |                          |
| <b>Environmental sustainability</b>          | Enhanced biodiversity programs                                | \$155                        |                          |
| <b>Environmental sustainability</b>          | Enhanced environmental sustainability services                | \$130                        |                          |
| <b>Environmental sustainability</b>          | Increase in funding to implement Climate Risk Strategy        | \$120                        |                          |
| <b>Governance</b>                            | Increase in resources for Internal Audit, Risk and Governance | \$200                        |                          |
| <b>Information systems</b>                   | Renewal and systems expansion for Information Technology      |                              | \$250                    |



|  |  |                |                |
|--|--|----------------|----------------|
| <b>Other</b>   | Business improvement programs - project management, systems and processes            | \$400          |                |
| <b>Place Management</b>  | Increase resources to deliver a Cultural Plan  | \$150          |                |
| <b>Road maintenance services</b>                                   | Expand Footpath Management program   | \$220          |                |
| <b>Sports fields and golf courses/garden services and bushcare</b> | Increase resources for Open Space assets   | \$670          |                |
| <b>Statutory planning</b>  | Increase resources to reduce assessment times for Development Applications           | \$300          |                |
| <b>Strategic planning</b>  | Deliver commitments under State-led strategies (Rhodes and Parramatta Road corridor) | \$600          |                |
| <b>Strategic asset management</b>                                  | Increased resources to renew Roads, Footpaths and Seawalls                           |                | \$2,900        |
| <b>Strategic asset management</b>                                  | Increased resources to maintain and renew drainage assets                            | \$100          | \$150          |
| <b>Traffic and transport</b>                                       | Increase resources for Strategic Traffic Management                                  | \$200          |                |
| <b>Tree services</b>   | Expand Tree Maintenance and Management service                                       | \$245          |                |
| <b>Total</b>   |  | <b>\$4,980</b> | <b>\$3,300</b> |
| <b>Grand Total</b>   |  | <b>\$8,280</b> |                |



## Savings that Council has made and plans to make

In 2018, the Council undertook a broad review of its services and implemented an ongoing improvement program to reduce costs and improve productivity. The initiatives implemented under the program so far have produced savings of \$1.7 million per year. This is already included in Council's base case Long Term Financial Plan.

Council has a continuous improvement program and is implementing an ongoing service review program. It has identified further cost savings of \$80,000 and net increases in revenue of \$335,000 to be implemented.

## What is a special rate variation?

New South Wales has a rate capping regime in place. Each year, the Independent Pricing and Regulatory Tribunal (IPART) sets a "rate peg", which is the maximum percentage increase in total rates that all are allowed to implement. If a council needs to increase rates by more than the rate peg, it must apply to IPART for an SRV.

Almost all NSW councils will be faced with having to apply for a special rate variation at some point. There are two types of SRVs:

- a temporary SRV for a fixed amount over a fixed period of time
- a permanent SRV for a fixed amount that remains in the rate base.

When a temporary SRV expires, rates return to the original level at the conclusion of the approval period and are usually approved to fund specific one-off projects, such as significant infrastructure projects. As the City of Canada Bay is looking to increase ongoing services, uplift ongoing maintenance and renew assets, and address the core deficit in the General Fund, a permanent SRV is required. Permanent SRVs can be implemented over up to seven years.

## What SRV is proposed for Canada Bay?

To fund the identified increase in services and improvement to asset condition, Council requires a cumulative increase of 19.78% over and above the rate peg, a breakdown of the proposed rate increase is provided below.

**Table 2 Proposed rate increases**

|                                       | 2023/24 | 2024/25 | 2025/26 | 2026/27 | Cumulative |
|---------------------------------------|---------|---------|---------|---------|------------|
| Permanent increase above the rate peg | 12.24%  | 2.31%   | 2.19%   | 2.08%   | 19.78%     |
| Rate peg                              | 3.25%   | 2.5%    | 2.5%    | 2.5%    | 11.19%     |
| Total increase                        | 15.49%  | 4.81%   | 4.69%   | 4.58%   | 32.52%     |



IPART determines the annual rate peg that councils receive each year, based on the increase in cost of a selection of goods and services that NSW councils purchase. This calculation looks back over the past year of cost increases and applies the rate peg to the next financial year. The 2023-24 rate peg will be based on cost increases experienced by councils in 2022-23. This year, annual inflation is currently projected to be approximately 5%. Therefore, Council has modelled an expected 2023-24 rate peg of 3.25% to reflect this. Further details on these assumptions are outlined in Council's updated Long Term Financial Plan.

This special variation will produce additional revenue of \$8.3 million over four years, which will be used to fund the service increases outlined in table 1.

## Reviewing minimum rates to prepare for growth

### Why increase minimum rates?

A minimum rate is the minimum amount of a rate that can be levied on each parcel of land. As rates are calculated on unimproved 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 of house and unit owners nor the costs of services that a council provides to house and unit owners.

The minimum rate must not exceed the permissible limits provided in the Local Government Act and Regulations, unless IPART or the minister approves a higher amount.

As the City of Canada Bay continues to see a greater proportion of residential unit development, it must consider increasing minimum rates to ensure services can be extended to these new developments, while not disproportionately increasing the rates burden to single house dwellings.

### Proposed increase to minimum rates

Council is proposing a minimum rate increase of \$250 over and above the rate peg, or \$346.36 including the rate peg, which will be implemented over four years. In 2022-23, Council's minimum rate is \$761.71.

**Table 3 Proposed minimum rates**

|                       | 2023/24  | 2024/25  | 2025/26    | 2026/27    |
|-----------------------|----------|----------|------------|------------|
| Proposed minimum rate | \$879.69 | \$953.95 | \$1,030.05 | \$1,108.07 |

### What do these proposed changes mean for ratepayers?

The impact on an individual's rates will be different depending on the unimproved land value of their property. From 1 July 2023, changes as a result of the general revaluation undertaken by the Valuer General will also come into effect.

The following table provides an indication of the weekly increase likely to be experienced by those paying the minimum and those whose current unimproved land value is \$1.5 million, which is the current median land value within the local government area.


**Table 4 Weekly increase in rates**

|  | 2023/24<br>Weekly<br>increase | 2024/25<br>Weekly<br>increase | 2025/26<br>Weekly<br>increase | 2026/27<br>Weekly<br>increase | Cumulative<br>weekly<br>increase over<br>the four<br>years |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--|
| Minimum rate payers                        | \$3.98                        | \$0.77                        | \$0.79                        | \$0.81                        | \$6.35   |
| On residential land value of \$1.5 million | \$2.16                        | \$1.43                        | \$1.46                        | \$1.50                        | \$6.55   |
| On business land value of \$1.2 million    | <b>\$7.59</b>                 | <b>\$1.48</b>                 | <b>\$1.51</b>                 | <b>\$1.55</b>                 | <b>\$12.13</b>   |

### How do my rates compare to other councils?

Council's rates are relatively competitive when compared to other similar councils. In 2026-27, the average City of Canada Bay's residential rate will be \$1,357.48, the table below shows how this compares to other similar councils. The Office of Local Government groups councils in groupings of similar councils, the table below also shows how Canada Bay's average residential rate compares to its group average.

**Table 5 2026-27 projected average residential rate**

| Rank | Council           | Avg rate (2026-27) |
|------|-------------------|--------------------|
| 1    | Hunters Hill      | \$2,269.99         |
| 2    | Burwood           | \$1,573.19         |
| 3    | Lane Cove         | \$1,461.31         |
| 4    | Inner West        | \$1,419.96         |
| 5    | <b>Canada Bay</b> | <b>\$1,357.48</b>  |
| 6    | Ryde              | \$1,239.46         |
| 7    | Strathfield       | \$943.18           |
|      | Group 3 Average   | \$1,332.79         |

In 2026-27, the average City of Canada Bay's business rate will be \$4,299.72, the following table below shows how this compares to other similar councils. The Office of Local Government groups councils in groupings of similar councils, the following table also shows how Canada Bay's average business rate compares to its group average.


**Table 6 2019-20 average business rate**

| Rank | Council           | Avg rate (2019-20) |
|------|-------------------|--------------------|
| 1    | Ryde              | \$11,525.11        |
| 2    | Burwood           | \$7,536.94         |
| 3    | Inner West        | \$7,183.78         |
| 4    | Strathfield       | \$6,038.31         |
| 5    | Lane Cove         | \$5,466.53         |
| 6    | <b>Canada Bay</b> | <b>\$4,299.72</b>  |
| 7    | Hunters Hill      | \$1,322.11         |
|      | Group 3 Average   | \$7,537.78         |

Not all councils have minimum rates, Council has projected the minimum rate increase against a number of metropolitan councils that have minimum rates. City of Canada Bay will remain comparable to other councils after the implementation of the full proposed increase to minimum rates. These projections assume that the other councils only increase their minimum rates by the rate peg, and do not apply to IPART for increases in excess of the rate peg.

**Table 7 2026-27 projected minimum rates**

| Rank | Council       | Avg rate (2026-27) |
|------|---------------|--------------------|
| 1    | Burwood       | \$1,203.05         |
| 2    | Ryde          | \$1,167.23         |
| 3    | Ku-ring-gai   | \$1,109.61         |
| 4    | Canada Bay    | \$1,108.07         |
| 5    | Georges River | \$1,092.71         |
| 6    | Sutherland    | \$1,065.62         |
| 7    | Lane Cove     | \$1,053.34         |
| 8    | Inner West    | \$957.01           |

## How will the increase impact Council's ongoing financial sustainability?

The proposed special rate variation will enable Council to deliver increased services and improved assets to the community. It will also enable Council to address its ongoing core deficits in the General Fund, ensuring Council is more resilient and responsive to shocks and unexpected events in the future.

While Council can deliver consolidated surpluses without the SRV, there remain core deficits in the General Fund, which finances all services and infrastructure except for domestic waste. Without the rate increase there is also no ability to increase services and an increased risk of a growing asset backlog.

The special rate variation will ensure Council's ongoing financial sustainability with surpluses in both the consolidated operations and in the General Fund.

**Figure 3 Projected growth scenario (including SRV) consolidated operating performance ratio as per City of Canada Bay's 2023-33 Long Term Financial Plan**



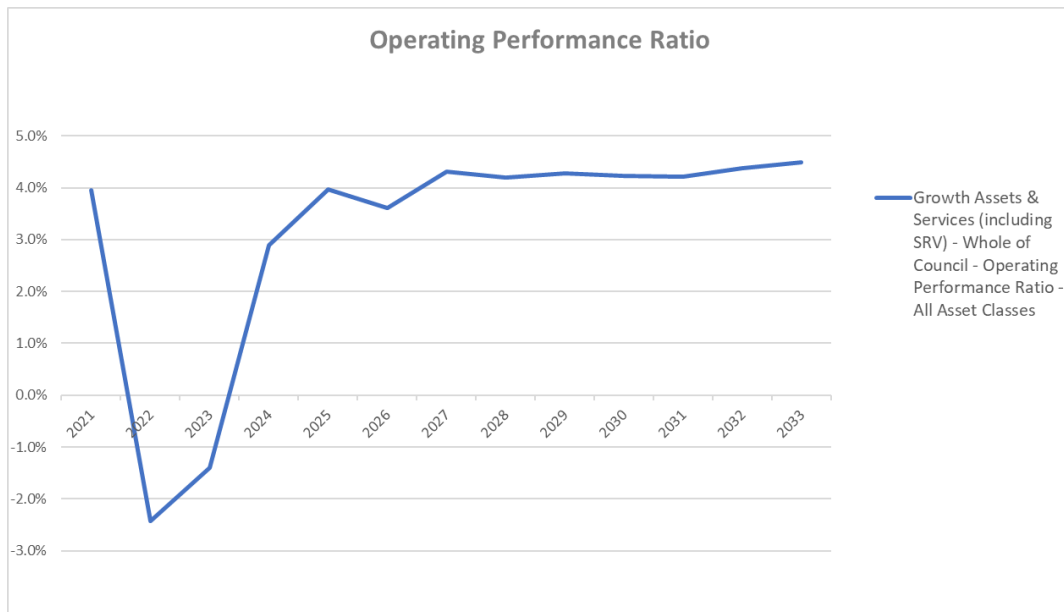
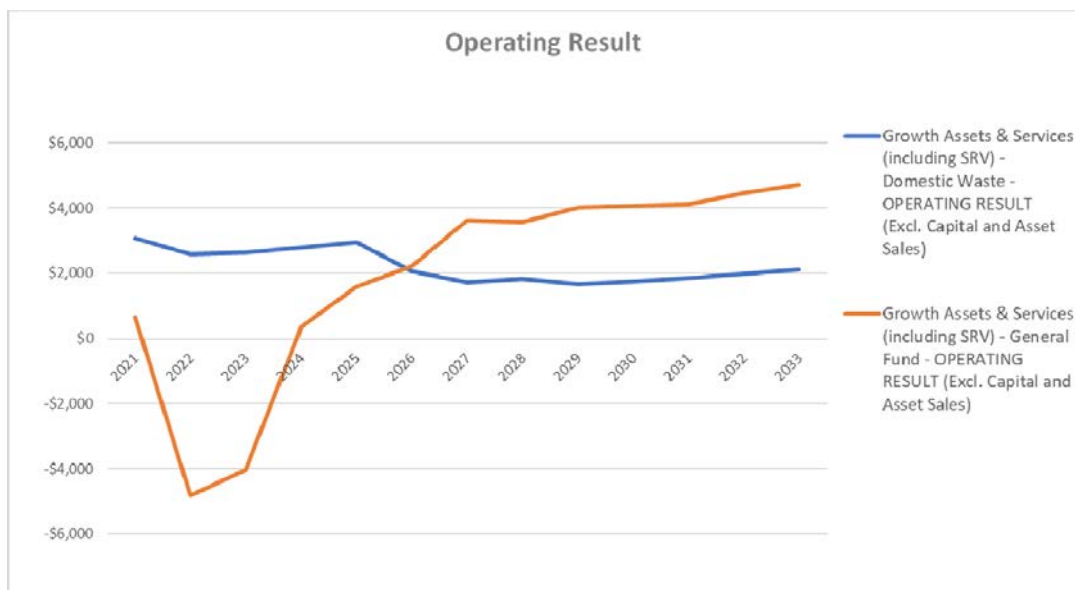


Figure 4 Projected growth scenario (including SRV) operating results by fund as per the 2023-33 Long Term Financial Plan



Council has updated its Long Term Financial Plan to show the impacts of both the base case (no SRV) and the growth scenario (including the SRV). This is out for exhibition now and is available here. [\[link provided when established\]](#)



## What is the process for Council to apply for an SRV?

Council must apply to IPART for approval to increase rates through an SRV. Before doing so, Council must demonstrate that it has engaged the community about the possibility of an SRV and has considered its views. IPART will also seek community feedback.

More information on SRVs can be found on IPART's website:

<https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/Special-Variations>.

## Where can I get more information?

From 5 September, more information on the proposed SRV is available from Council's 'Collaborate Canada Bay' website at the following link [\[link provided when established\]](#)

Council will also be including information on the proposed SRV in its regular newsletters and to the media. We will also be running three forums for the community to find out more and to ask questions as follows:

- [details of forums to be provided when scheduled]

## Have your say

Council will seek feedback from the community on the SRV and its updated Long Term Financial from 5 September to 18 October 2022.

You can have your say by providing a submission or comment through Council's 'Collaborate Canada Bay' site, [\[link provided when established\]](#)

## What happens after this?

Once the community consultation period concludes on 18 October 2022, Council will review the feedback received.

A report will then go to Council for their consideration of the feedback and any updates required to the LTFP. Council will decide whether to proceed with the SRV application.

If they decide to proceed with the SRV application, the application will be submitted to IPART in February 2023. IPART will conduct its own consultation, with public submissions likely to be sought in March 2023, before they make their determination in May 2023. If successful, the SRV will be included in rates from 1 July 2023.



### About Morrison Low Consultants

Morrison Low is a multidisciplinary management consultancy specialising in providing advice to local government. It has extensive experience across Australia and New Zealand and in particular assisting councils with financial modelling to understand current and future sustainability challenges. Morrison Low has supported councils to become more sustainable through improvement programs and with preparing special rates variation applications to IPART where necessary. Morrison Low undertakes community engagement on behalf of councils relating to SRVs, rates harmonisation, integrated planning and reporting and statutory engagement processes, where independence is important. More information about Morrison Low can be found on our website: [www.morrisonlow.com](http://www.morrisonlow.com).