Canterbury Bankstown Council – Ratepayer summary

Canterbury Bankstown Council's (the council) operating results, excluding grants, have been in deficit and will continue to decline without additional income. The council is facing a shortfall in the funding that is needed to maintain its infrastructure on an ongoing basis. Additionally, through its strategic planning process, the council has identified additional services and infrastructure that the community supports it delivering.

The council has applied to IPART to permanently increase its general income, through a special variation (SV) of 2.0%, 7.8%, 7.8%, 7.4% and 7.1% (inclusive of the rate peg) starting in 2021-22 and ending in 2025-26. The council has also applied to increase its minimum rates (MR) to $728.18 for residential ratepayers and $794.27 for business ratepayers in 2021-22, with subsequent increases to $850 and $990 for both residential and business ratepayers in 2022-23 and 2023-24 respectively.

IPART has approved the council's application for the SV and MR in full.

Impact on council's income

Purpose

- Improve financial sustainability
- Provide new and enhanced service levels
- Implement Leisure and Aquatic Strategic Plan

$324.3m

Additional income above the rate peg over the next ten years

The additional revenue will allow it to improve its financial sustainability and enhance the level of service it provides to ratepayers, while ensuring its assets such as roads and community facilities are adequately maintained. The income from the SV will also be used to deliver the council's Leisure and Aquatic Strategic Plan which is supported by its ratepayers.

Coinciding with council's application is the rates harmonisation process, where a uniform rating system for all ratepayers will be adopted across the former Canterbury and Bankstown council areas 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.

Impact on rates

		2021-22	2022-23	2023-24	2024-25	2025-26
Residential	Bankstown	+2.0%	+4.2%	+7.3%	+6.0%	+5.7%
	Canterbury	+2.0%	+8.0%	+10.2%	+8.0%	+7.8%
Business	Bankstown	+2.0%	+9.4%	+4.1%	+8.8%	+5.6%
	Canterbury	+2.0%	+16.2%	+8.0%	+8.8%	+13.3%

We have assessed the council's MR application against Guidelines issued by the Office of Local Government (OLG) and determined that it met the criteria.

Rationale for increasing minimum rates

Demonstrated

The council's MR increase will create a fairer and more equitable rating structure.

Impact on ratepayers

Demonstrated

The council has considered the impact of the MR increase through comparisons with other councils and has concluded that the impact on ratepayers is reasonable

Community awareness

Demonstrated

The council has appropriately communicated the proposed MR increase in its IP&R documents and community consultation. It has also used a wide range of consultation methods to communicate with ratepayers.

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

Demonstrated

Financial Need

The council has demonstrated its financial need for the SV, as it will not be able to meet OLG financial benchmarks and be financially sustainable in the long term without it. The council has provided evidence that the community supports the additional services and proposed infrastructure upgrades the SV is funding.

Demonstrated

Community awareness

The council used a wide range of consultation methods to communicate the full cumulative impact of the proposed SV for different ratepayers.

Largely demonstrated

Reasonable impact on ratepayers

The council notes that the impact on some ratepayers will be considerable, and has taken affordability into account by setting the SV in the first year to the rate peg only. The impact on ratepayers needs to be balanced against the council's ongoing need to fund the services its ratepayers expect.

Demonstrated

IP&R documentation

The council has appropriately exhibited and adopted its IP&R documents.

Demonstrated

Productivity Improvement and Cost Containment

The council has implemented a range of one-off and ongoing productivity and cost containment strategies.

Response to the concerns raised in submissions

Councils applying for additional funding through an SV process are required to undertake community engagement. As part of our process, IPART also accepts submissions from stakeholders. Most of these submissions opposed the SV.

We considered all the concerns and issues raised in these submissions, and our response to the most common ones are outlined below.

Stakeholders were concerned that the rate increases are unreasonable given the current pandemic and economic situation

The council does not propose to increase rates for any ratepayer by more than the 2% rate peg until 2022-23. This is to account for the difficulties experienced by ratepayers due to the social and economic impacts of the Covid-19 pandemic. We also note that the council has a hardship policy to assist ratepayers and pensioners experience financial hardship. It also introduced support measures for residents and businesses in response to the pandemic, such as the CBCity Cares Relief Package.

Stakeholders were concerned that the rate increases are unaffordable due to the low socio-economic status of the community

We acknowledge that the rate increases are significant and may be difficult for some ratepayers to afford. We also note that at the end of the SV period (2025-26), the council's average rates will be higher than those in some other LGAs with similar socio-economic characteristics.

However, the council does have a financial need for additional rates revenue to maintain and enhance its services to the community. It also has a hardship policy to assist ratepayers who are unable to afford their rates due to financial difficulties. Given these factors, on balance, we consider the rate increases are reasonable.

Stakeholders considered that the council's income is already increasing due to the many new apartments and other development in the LGA

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.

In order to address this, the Minister for Local Government has asked us to recommend a rate peg methodology that allows the general income councils receive through rates to be varied annually in a way that accounts for future population growth. We have started work on this and you can read more about this review on our website.

Stakeholders considered that the council needs to improve its financial management and reduce its costs rather than increase its income

We acknowledge that the council's financial performance can be improved. In the past, the council has understated its asset renewal requirements and depreciation expense and not disclosed all its assets which has contributed to the shortfall in funding for infrastructure maintenance.

However, the council has achieved annual savings of around $7.6 million through pursing efficiencies in recent years. It also has developed plans to implement further efficiency measures over next 5 years, and has already factored an annual efficiency saving of $250,000 into its longer term financial plan. Therefore we consider that the council has made substantial effort to reduce costs and maintain financial efficiencies.