



Community Meeting

Financial Sustainability through:
Proposed Improvements and Special Rate Variation



PROTECTING OUR FUTURE



Introduction

- Welcome
- Who is Morrison Low?
 - We are a local government-focused management consultancy with expertise in helping councils address sustainability challenges.
 - Morrison Low have independently reviewed Strathfield Council's financial position and modelled options to close the financial gap to become more sustainable.

Introduction (cont.)

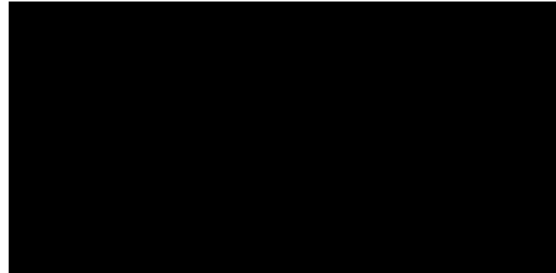
- Purpose for today:
 - To inform you of Council's financial sustainability challenges and solution options
 - Investment in improving asset condition
 - Operational improvements
 - Proposed Special Rate Variation (SRV)
 - To provide you with an opportunity to ask questions to understand the challenges facing Council and the reasons for these actions.
 - By the end of this meeting, you should be more informed to form and express your views on the options, including an SRV.

Today's process

- Presentation on the Council's current financial position, the proposed improvements and SRV.
- Opportunity to ask questions at the end of the presentation.
- This forum will cover:
 - Council's current financial position.
 - Operational improvements and resource needs
 - Domestic waste income transfer
 - Proposed rate structure changes
 - The proposed Special Rate Variation (SRV) and what it will be used to fund.
 - Impact on average rates
 - The SRV process and next steps.

Today's process (cont.)

- 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 financially sustainable

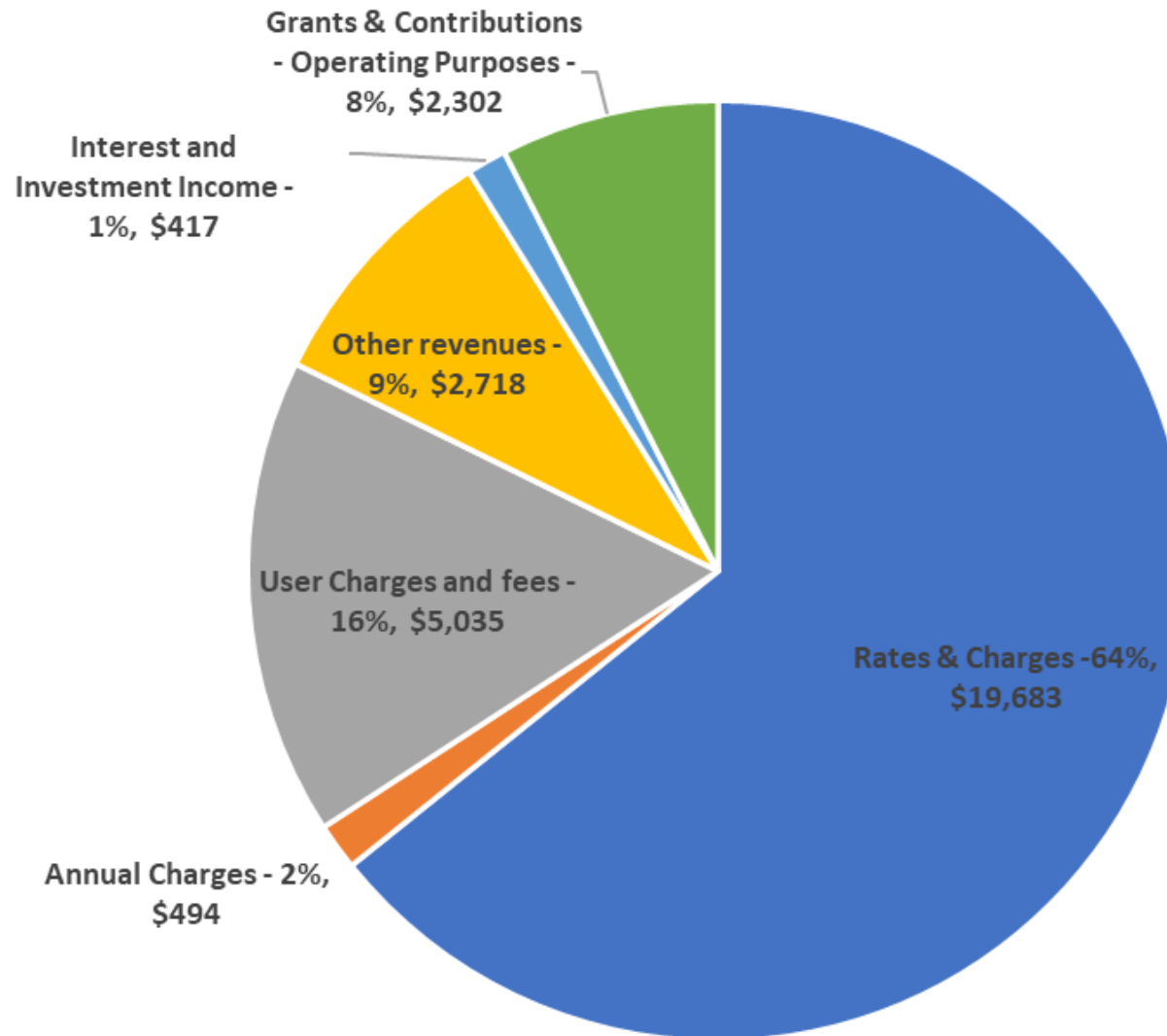
- The Local Government Act requires councils to apply sound financial management principles
 - S8(b) of the Act - Council spending should be responsible and sustainable, aligning general revenue and expenses.
- This includes:
 - achieving a **fully funded operating position**
 - **maintaining sufficient 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.

Council objectives

For Council, sustainability means having the financial and resource capacity to maintain our assets in a good condition and provide services at their current levels. Council's objectives to become sustainable are:

- To minimise the impact on ratepayers
- Create fair and equitable rating and charging structures
- Ensuring assets are fit for purpose
- Delivering core services that are consistent
- Correct past three years of operating deficits.

General Fund is a \$30m business with rates of \$19.7m

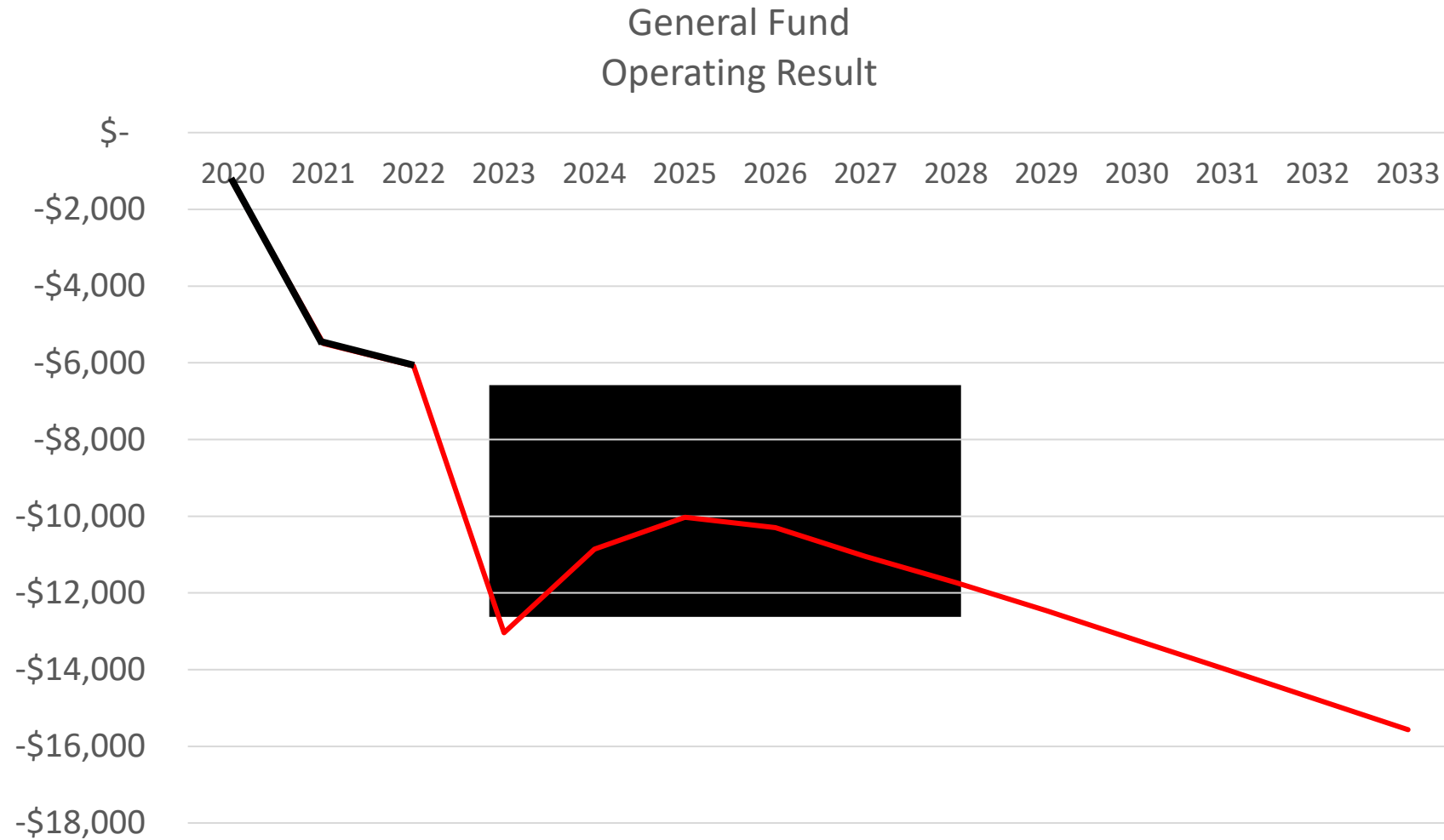


Rates Income

- Residential \$14.0m
- Business \$ 5.7m

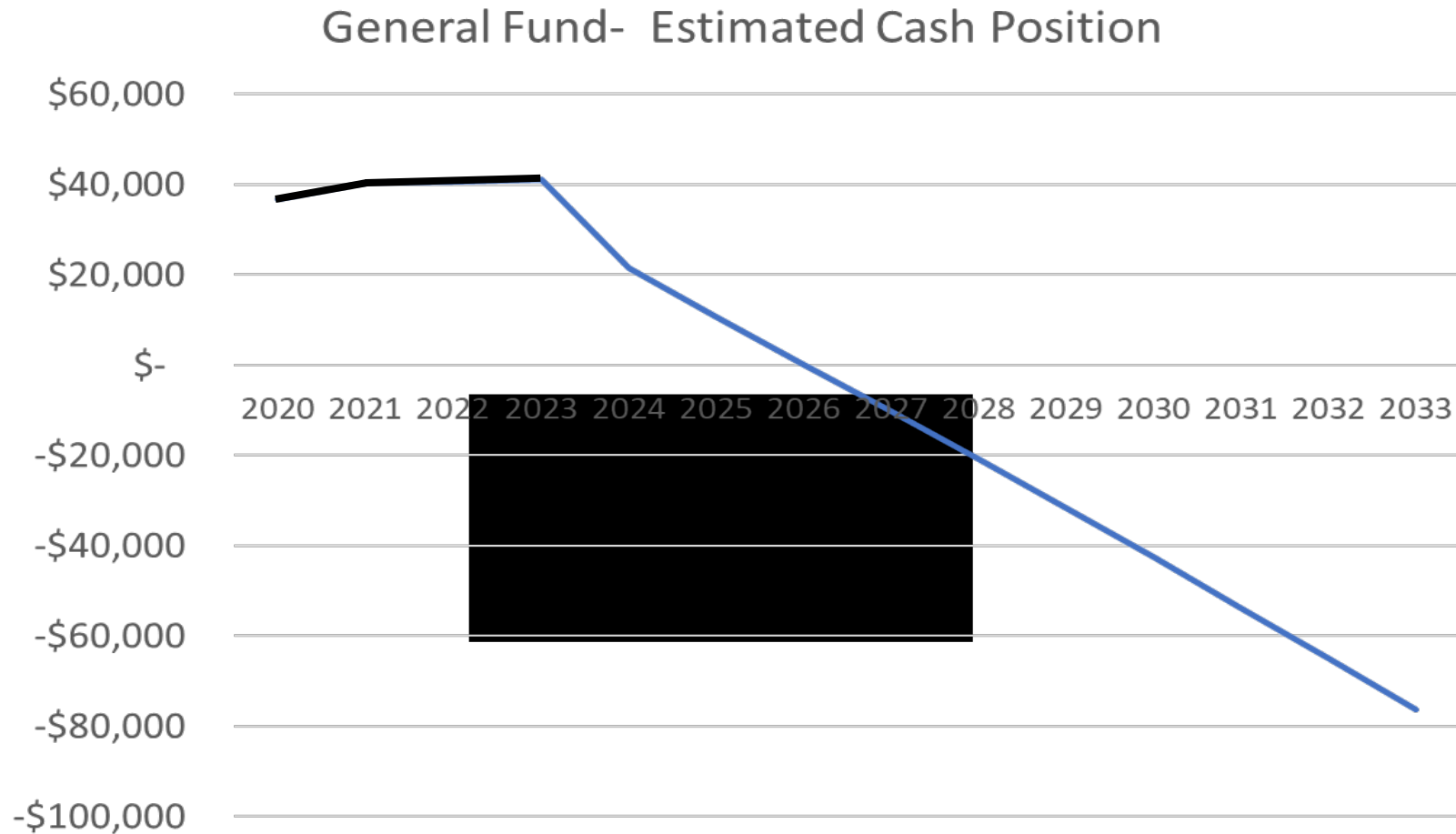
Financial assessment

General Fund is NOT sustainable



Financial assessment

General Fund is NOT sustainable (cont.)



Why is Council not sustainable?

Costs have outpaced revenue

- **Rate peg for NSW Councils**
 - *Has not matched increase in expenses which sets Council behind.*
- **Cost shifting**
 - *Increased regulation and compliance costs and responsibilities imposed on local government by State Government*
 - *ARIC - internal audit program using external/internal resources*
 - *Emergency Service Levy increases.*
 - *Cyber security/modernise systems/fraud prevention*
 - *Crown Land, Plans of Management, Compliance reporting.*
- **Current environment**
 - *An operational and financial review has revealed*
 - *Significant funding backlog for the renewal of assets such as roads, footpaths and buildings ~ increased from \$1.2m to a current backlog of around \$16.1m*
 - *Forecast ongoing operating deficits*
 - *A high inflation environment, low rate increases, and increased costs of wages; materials, contracts and logistics will continue to impact financial sustainability.*

Why is Council not sustainable? (cont.)

- Increased/improved service levels
 - *Local connector bus*
 - *Synthetic fields operating costs*
- **New/ Upgrade assets – *increases operational cost (maintenance & depreciation)***
 - Park upgrades Strathfield and Bressington Parks
 - Homebush West Community Centre
 - Driving Range
 - Upgraded playgrounds
 - Hudson Park East Project

What has Council done ?

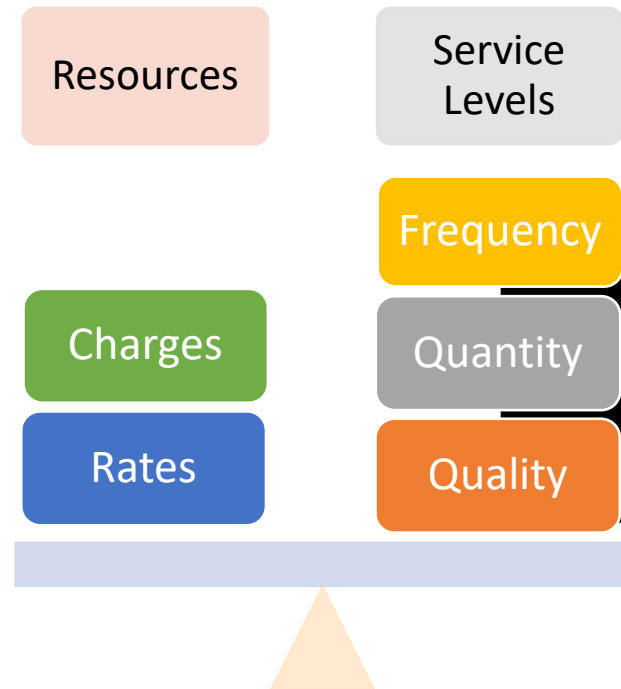
> Operational and financial review



What has Council considered?

Considered SAVINGS through core service changes

The **community** through surveys and annual IP&R consultation have been satisfied with the current core service levels



- Community Plan details a progressive and attractive community
- Against the community expectations and NO real savings without decreasing core services.

We found SAVINGS and IMPROVEMENTS

From a comprehensive organisational service review we identified some 36 operational improvements to reduce expenses and improve efficiency, including:

- ✓ The proposal to review the operation of the Strathfield Connector Bus service
- ✓ Improve income from the driving range and property leases
- ✓ Review fleet and plant hire charges
- ✓ Use new low-cost LED lighting and the introduction of a new monitoring system to control water and energy to generate savings
- ✓ Off street parking review and extension.

These improvements are incorporated in the Council's new Long Term Financial Plan to reduce the size of the funding shortfall, with the initial net benefit of some \$1.3m in 2023/24 increasing to an estimated \$2.5 m over the 10 year forecast period.

Council has decided not to progress the leisure centre project. Additional annual operating costs saved \$1.5m pa PLUS loan repayments of \$ 2.4m pa.

Domestic waste charges to be REDUCED

Reduce domestic waste management (DWM) charges from \$795 to \$550; a saving of \$245 per year.

Waste services will NOT be reduced

This means transferring \$4 million of the waste income into general rates income. As a result, Council will need to vary rates by 20.3%.

These rate increases will be offset for the majority of ratepayers by a reduction of \$245 from the waste charge.

More equitable rate structure

Improve the equity of the current rating structure

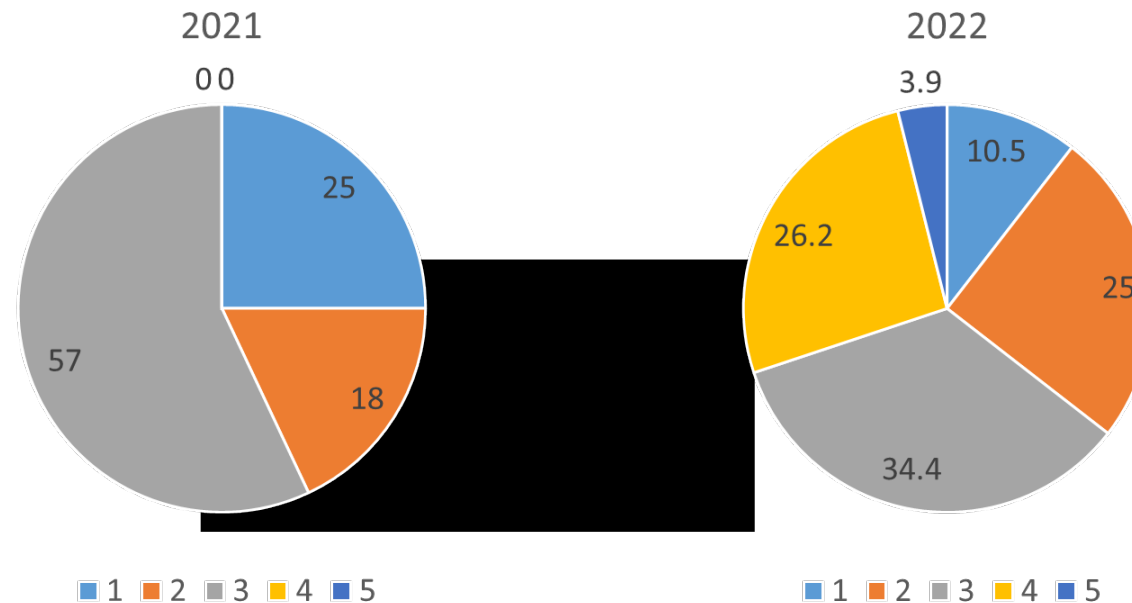
- Introduce minimum rates that better align to service levels provided and help rebalance the rate structure in terms of fairness
- Review of the domestic waste management (DWM) charge to better align services with income – Domestic Waste services will **NOT** be reduced
- Proposing to include business subcategories for industrial areas and Strathfield CBD – redistribution of cost burden.

The purpose of the revised structure is to ensure over the longer term that all rate categories pay a fair and equitable share of rates.

Asset management condition review

The review found that the asset condition has worsened, and since 2019, the backlog ratio has increased from 0.25% to 4.2%.

ROADS >



Council needs to spend \$11.8m per year to improve the asset conditions and reduce the backlog to 3.1%.

STILL

Council is underspending on
asset renewals and needs to spend

\$11.8 M per year

..... and forecasting operating deficits.

We need a further response.

What is Council proposing?

- Implement improvement SAVINGS of \$1.3m in year 1, increasing to \$2.5m year 10
- Transferring \$4m Domestic waste charges income to residential rates – Domestic waste charge decreases by \$245 per year – offset by increase in rates - By law this requires an SRV of 20.3%, occurring in 2023/24
- \$11.8m annual investment in asset renewals
- Minimum rates over four years starting at \$900 in 2023/24, increasing by \$100 pa to \$1200 in 2026/27
- Introducing two industrial and one CBD business subcategory
- Proposing an additional SRV of **52.7%** over 4 years.

What are Council's SRV options?

One Year permanent SRV Option

	2023-24	2024-25	2025-26	2026-27	Compound
Forecast rate peg	3.7%	3.0%	2.5%	2.5%	12.2%
Domestic waste transfer	20.3%	n/a	n/a	n/a	22.0%
Option 1: Single year SRV (excluding domestic waste transfer and rate peg)	50.0%	n/a	n/a	n/a	54.1%
Option 1: Single year SRV (total including domestic waste transfer and rate peg)	74%	n/a	n/a	n/a	88.3% (if years 2-4 rate pegs are applied)

What are Council's SRV options? (cont.)

Four Year permanent SRV Option – Council's preference

	2023-24	2024-25	2025-26	2026-27	Compound
Forecast rate peg	3.7%	3.0%	2.5%	2.5%	12.2%
Domestic waste transfer	20.3%	n/a	n/a	n/a	30.3%
Option 2: Multi-year SRV (excluding domestic waste transfer and rate peg)	10.0%	5.0%	15.0%	15.0%	52.7%
Option 2: Multi-year SRV (total including domestic waste transfer and rate peg)	34.0%	8.0%	17.5%	17.5%	99.8%

How will this impact on my rates?

RESIDENTIAL		Current	Proposed	Proposed	Proposed	Proposed	Total/ Average Increase
		2022/23	2023/24	2024/25	2025/26	2026/27	
Average Residential Rates	Annual Rates	\$845	\$1,119	\$1,218	\$1,443	\$1,708	\$863
	Annual Increase		\$273	\$99	\$225	\$266	\$216
	Weekly Increase		\$5.24	\$1.90	\$4.31	\$5.10	\$4.14
	Add DWMC Current Charge	\$795	\$550	\$550	\$550	\$550	-\$245
	Annual Rates (with DWMC)	\$1,640	\$1,669	\$1,768	\$1,993	\$2,258	\$618
	Annual Increase (with DWMC)		\$28	\$99	\$225	\$266	\$155
	Weekly Increase (with DWMC)		\$0.54	\$1.90	\$4.31	\$5.10	\$2.97
Minimum Rates (70% of Ratepayers)	Minimum Rates	\$584*	\$900	\$1,000	\$1,100	\$1,200	\$616
	Annual Increase		\$316	\$100	\$100	\$100	\$154
	Weekly Increase		\$6.08	\$1.92	\$1.92	\$1.92	\$2.96
	Add DWMC Current Charge	\$795	\$550	\$550	\$550	\$550	-\$245
	Minimum Rates (with DWMC)	\$1,379	\$1,450	\$1,550	\$1,650	\$1,750	\$371
	Annual Increase (with DWMC)		\$71	\$100	\$100	\$100	\$93
	Weekly Increase (with DWMC)		\$1.36	\$1.92	\$1.92	\$1.92	\$1.78

Table 3: Impact on Residential ratepayers, 4 year option

*This is the average rate for those ratepayers who are on a minimum using the current base rate structure.

The Domestic Waste Charge will be reduced from \$795 to \$550 annually, therefore offsetting some of the increase in rates by \$245 for every residential ratepayer.

How will this impact on my rates? (cont.)

BUSINESS (ALL)		Current	Proposed	Proposed	Proposed	Proposed	Total/ Average Increase
		2022/23	2023/24	2024/25	2025/26	2026/27	
Average Rates	Annual Rates	\$4,116	\$5,683	\$6,138	\$7,212	\$8,474	\$4,358
	Annual Increase		\$1,567	\$455	\$1,074	\$1,262	\$1,090
	Weekly Increase		\$30.05	\$8.73	\$20.60	\$24.20	\$20.90

Table 4: Impact on Business (all) ratepayers, 4 year option.

BUSINESS - INDUSTRIAL		Current	Proposed	Proposed	Proposed	Proposed	Total/ Average Increase
		2022/23	2023/24	2024/25	2025/26	2026/27	
Average Rates	Annual	\$3,910	\$6,327	\$6,833	\$8,029	\$9,434	\$5,524
	Annual Increase		\$2,417	\$506	\$1,196	\$1,405	\$1,381
	Weekly Increase		\$46.36	\$9.71	\$22.93	\$26.95	\$26.49

Table 5: Impact on Business - Industrial ratepayers, 4 year option.

Special rate variation increases, and domestic waste charge decreases

SRV
increase
show here

STRATHFIELD MUNICIPAL COUNCIL
ABN 52 719 940 263
65 HOMEBUSH ROAD, STRATHFIELD NSW 2135
Correspondence: council@strathfield.nsw.gov.au or PO Box 120, Strathfield NSW 2135
Customer Service Call Centre: (02) 9748 9999 8.30am to 5.00pm Monday to Friday
Customer Service Centre: for current hours please visit www.strathfield.nsw.gov.au

STRATHFIELD COUNCIL

Bill Code: #####
Ref No: #####

POSTING DATE: 18/07/2022
DUE DATE: 31/08/2022

POST billpay Billpay Code: 4222
Ref No: #####

In person at any Post Office, by phone 13 18 16, or go to postbillpay.com.au

For important information and payment methods, please see reverse.

RATES AND CHARGES NOTICE
FOR THE PERIOD 1 JULY 2022 TO 30 JUNE 2023

00000-
RATEPAYER NAME
STREET ADDRESS
SUBURB NSW PC##

PROPERTY LOCATION AND DESCRIPTION
Property Address
Lot & SP Details

PARTICULARS OF RATES AND CHARGES	CENTS IN \$	RATEABLE VALUE BASE DATE 01/07/2019	AMOUNT
Ordinary Residential	0.00064212	106610.00	\$68.46
Residential Base Rate	423.00	1.00	\$423.00
Domestic Waste Mgmt	795.00	1.00	\$795.00
Stormwater Residential	12.50	1.00	\$12.50
Arrears			\$646.72

ARREARS ARE PAYABLE IMMEDIATELY. INTEREST IS CHARGED ON ALL OVERDUE RATES AND CHARGES AT 6% PER ANNUM, CALCULATED DAILY.

GO TO WWW.STRATHFIELD.NSW.GOV.AU TO REGISTER FOR ELECTRONIC DELIVERY OF NOTICES.

SHOULD YOU BE UNABLE TO MAKE PAYMENT BY THE DUE DATE, PLEASE CONTACT COUNCIL'S RATES SECTION ON 9748 9999 OR BY SENDING AN EMAIL TO council@strathfield.nsw.gov.au

COUNCIL HAS IMPLEMENTED A 0.7% SURCHARGE ON CREDIT CARD TRANSACTIONS.

1ST INSTALMENT	2ND INSTALMENT	3RD INSTALMENT	4TH INSTALMENT	PLEASE DEDUCT ANY PAYMENTS SINCE	TOTAL AMOUNT DUE
\$973.68 31/08/2022	\$324.00 30/11/2022	\$324.00 28/02/2023	\$324.00 31/05/2023	11/07/2022	\$ 1945.68

Credit Card Payments Telephone or Internet
Phone 1300 704 941 or log onto www.strathfield.nsw.gov.au
MasterCard & Visa only

AMOUNT PAID \$
BANK STAMP / /
DATE OF PAYMENT

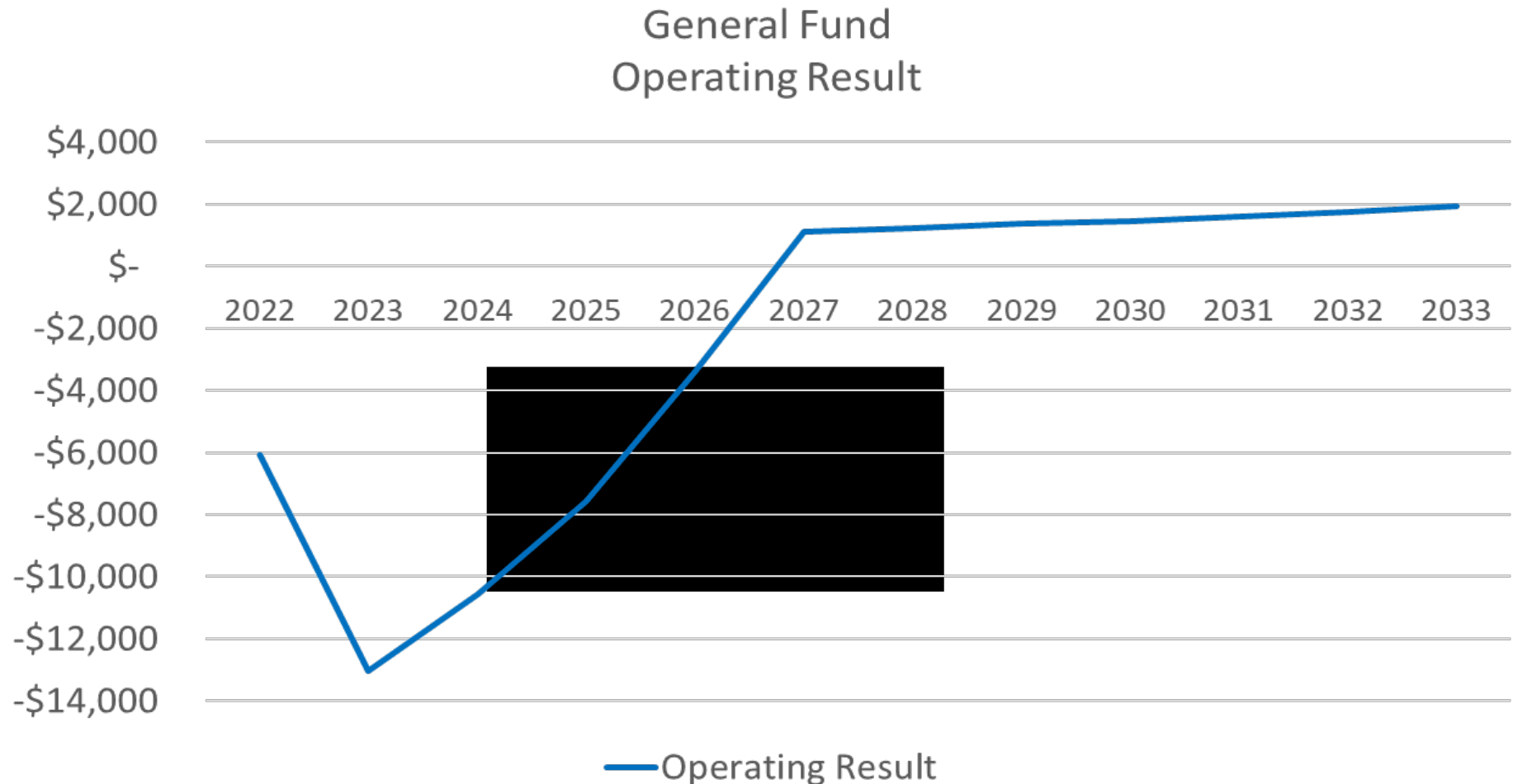
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Domestic Waste
reduce from
\$795 to \$550:
Reduce impact
on ratepayers

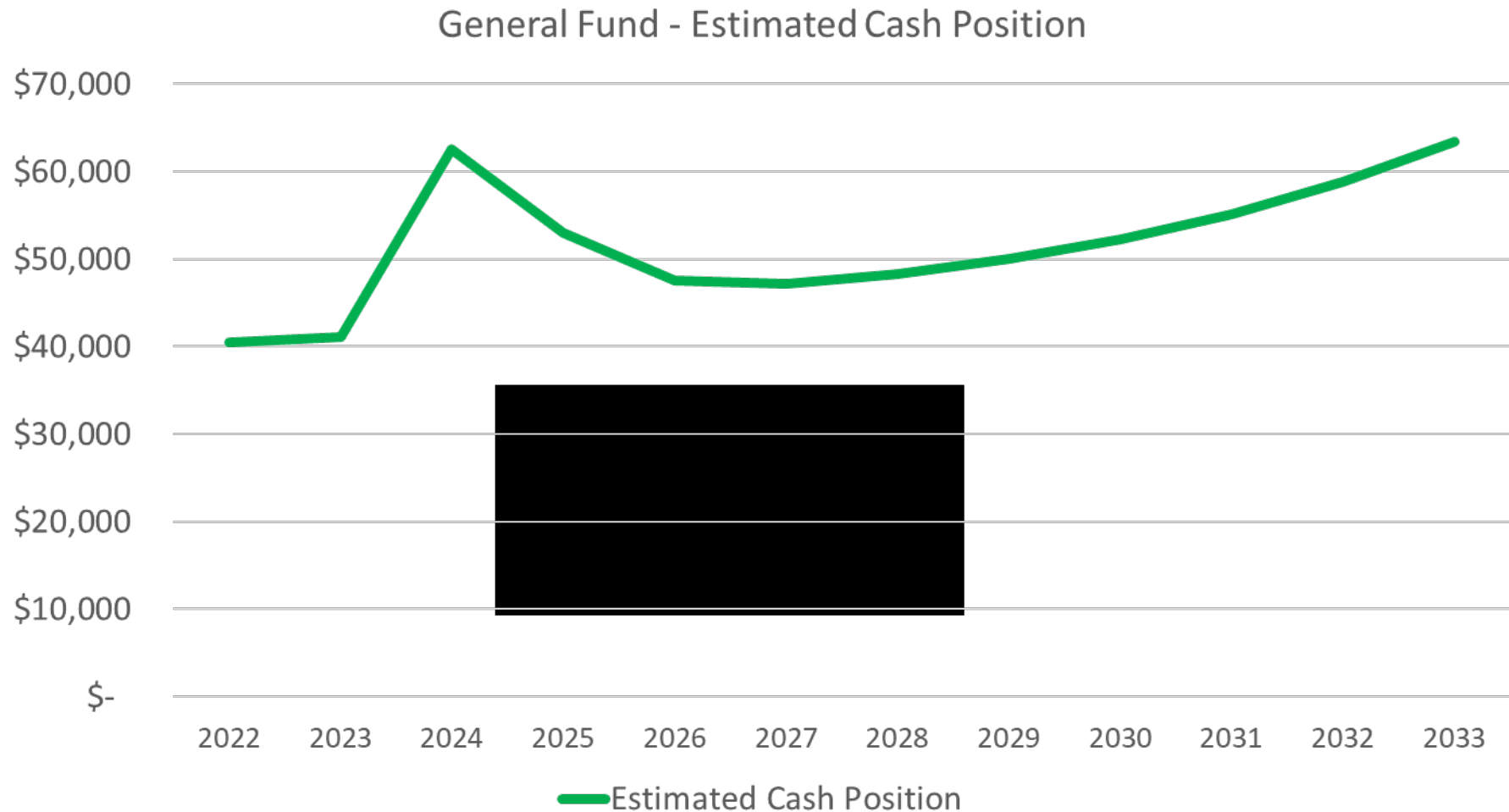
How do we compare with other Councils?

Council	Residential Rate Average 2022/23	Domestic Waste Charge (DWMC) 2022/23	TOTAL Residential Rate Average + DWMC 2022/23	Business Average Rates 2022/23
Strathfield	\$845	\$795	\$1,640	\$4,116
Inner West	\$1,246	\$475	\$1,721	\$5,134
Lane Cove	\$1,359	\$475	\$1,834	\$3,354
Canterbury-Bankstown	\$1,255	\$585	\$1,840	\$6,434
Burwood	\$1,465	\$434	\$1,899	\$6,861
Woollahra	\$1,497	\$590	\$2,087	\$6,545
Mosman	\$1,552	\$649	\$2,201	\$3,830
Hunters Hill	\$2,374	\$600	\$2,974	\$1,351

General Fund back in the black in 2027



General Fund – Cash Position



What will the money be spent on ?

Maintaining and improving community assets

- *Ensuring assets are in a satisfactory condition for community use*
- *Proposed annual asset renewal spend of \$11.8m*

Maintaining Current Core Service Levels

- *Keep Strathfield attractive and well maintained*
- *Attract and support business*

Achieve financial sustainability

- *Sound cash position*

Who will approve the proposed SRV?

IPART – *Independent* Pricing & Regulatory Tribunal – makes the final decision

Criteria

- Demonstrated need for higher increases to rates.
- Community consultation and awareness of Councils' plans.
- Processes to exhibit relevant council documents to the public.
- Reasonable impact on ratepayers.
- A history of well-documented council productivity improvements and cost containment strategies.

What are the next steps?

- **Dec/Jan** Consult ratepayers on proposed SRV
- **Feb** Council reviews feedback and decides to apply or not



If proceeding,

- **Mar** Council makes application to IPART
- **Mar/Apr** IPART considers and consults further
- **May/June** IPART advises YES / NO

How to have your say

Feedback is important to Council

Get the facts to understand

- Council's website at www.strathfield.nsw.gov.au/projects/srv contains more information and is being regularly updated.
- Information sessions – Monday 12 and Wednesday 14 at the Town Hall: 15 December Online
- Pop-up stalls between 10am and 12pm on
 - Sat 10 December 2022: Homebush (Corner Rochester and Burlington)
 - Tue 13 December 2022: Strathfield Plaza (outside entry to Oporto)
 - Sat 17 December 2022: Cooke Park Community Room
 - Sat 14 January 2023: Homebush Library

Have your say

- Council's online engagement portal at www.strathfield.nsw.gov.au/projects/srv
- Write an email or letter

THANK YOU

Questions Welcome

