

STRATHFIELD COUNCIL

**Protecting Our Future
Proposed Special Rate Variation**

FAQs

What is a Special Rate Variation?

Councils are only permitted to increase their rates by a limit that is determined by the Independent Pricing and Regulatory Tribunal (IPART). This is called rate pegging.

A Special Rate Variation (SRV) allows Council to increase its general income above the rate peg. An application must be submitted to IPART and include evidence of the requirement of an SRV as well as extensive community feedback. An SRV can help Council continue to provide uninterrupted services and maintain facilities, which it may otherwise be unable to fund.

Strathfield Council is not alone in seeking an SRV. Several Sydney metro councils have indicated their intention to submit applications including Woollahra Council, City of Canada Bay, and Hornsby Shire Council.

What is the proposed Special Rate Variation?

Council has begun the process to prepare two Special Rate Variation (SRV) options for discussion with the community and submission to IPART. The first application relates to applying for an SRV, and the second application relates to changing to a minimum rating system. Both applications are proposed to come into effect from 1 July 2023.

For 74% of ratepayers, the increase will be no more than 19.5% after 4 years. That's an extra \$1.77 per week over 4 years.

Special Rate Variation Options

The first application seeks to increase Council's rates income with a permanent SRV.

Council is proposing two options, either a one-off increase or increases over four years. The SRV will apply to all rate categories and will generate income to address funding gaps, renew assets and maintain services. The SRV would be supported by a loan program in order to raise funds to start asset renewal projects immediately.

Council's preferred option is over four years. The additional SRV increases represents a 52.7% increase, as 20.3% represents the domestic waste income transfer and the normal rate peg increase is estimated at 12.2% over the four year period.

What about the Domestic Waste Charge transfer?

Regardless of the option, the domestic waste charge transfer that represents a 20.3% SRV increase is included in the first year.

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OPTION 1: Single Year SRV

	2023-24	2024-25	2025-26	2026-27	COMPOUNDED
Forecast rate peg	3.7%	3.0%	2.5%	2.5%	12.2%
Domestic waste charge transfer	20.3%	n/a	n/a	n/a	20.3%
Option 1: Single year SRV (excluding domestic waste transfer & rate peg)	50.0%	n/a	n/a	n/a	50.0%
Option 1: Total single year SRV	74%	n/a	n/a	n/a	74.0% (88.3% if years 2-4 rate pegs are included)

Table 1a: Proposed SRV Increases – Option 1

OPTION 2: 4 Year Option SRV

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

Table 1b: Proposed SRV Increases – Option 2

In the first year of the proposed SRV's, Council intends to allocate all the domestic waste charge transfer, 20.3%, to the residential rate category, and for Council's preferred four year option, 10% to the business categories and subcategories. For years 2 - 4 the proposed SRV will be distributed evenly across the rating categories.

Minimum Rate Application

Part of this application seeks to replace Council's base rate structure with a minimum rate structure, which will allow the Council to transition to a fairer rates system.

The table below shows the proposed increase in the minimum rate for the next 4 years. The rate peg increase will not be applied during these transition years.

Year	Minimum Rate
2023-2024	\$900
2024-2025	\$1,000
2025-2026	\$1,100
2026-2027	\$1,200

For approximately 70% of residential ratepayers, the minimum rate and domestic waste charge is all you will pay.

What is a Minimum Rate System?

Council currently uses a base rating system with an additional ad valorem charge. This means all ratepayers are charged the same base amount, plus an additional amount based on their ad valorem.

Ad valorem is a charge based on the value of unimproved land (a ratepayer's land value alone without any improvements, no house, no fences, no landscaping).

A minimum rate system is based on land value. Anyone whose land value is under a certain dollar amount threshold, pays the minimum rate. If a ratepayer's land value is over the threshold, they pay an amount based on the ad valorem.

This ensures that residents who live in units that have low land value, but use just as many Council services, are paying their fair share of rates.

What Will My New Rates Be?

For 74% of ratepayers, the increase will be no more than 19.5% after 4 years. That's an extra \$1.77 per week over 4 years.

You can work out what your proposed new rates are using the below tables, or the tables on the [Example Rates Page](#).

Should you require help, please call Council on 9748 9999.

The following table provides an indication for residential and business rating categories. The residential table shows the increase of rates for the next 4 years for the average ratepayer, as well as those paying the minimum rate (70% of ratepayers).

The domestic waste charge (DWMC) decrease is also included to show the full rate amount.

The impact on an individual's rates will differ depending on the unimproved land value (LV) of their property. It should be noted that from 1 July 2023, the general revaluation of land undertaken by the Valuer General will also come into effect.

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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.

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.

How do Strathfield Council Rates Compare?

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

What is Council's preferred option?

Council's preferred option is the 4-year option, with the domestic waste charge transfer (20.3%) occurring in the 1st year.

What will happen without this SRV?

Without an SRV application, Council is expected to run out of cash in 2027, due to continued operating deficits resulting in either a reduction in services and/or the deterioration of local infrastructure assets.

There will be limited funds to fix and repair roads, footpaths and public buildings will be affected. As well as the level of community services that will need to be reduced including street sweeping, cleansing of public areas, library and customer services.

Council will need to identify other forms of revenue such as increasing parking meters throughout the LGA and increasing the cost of our services and charges.

Pensioner Rebate & Hardship

Council offers a \$250 pensioner concession on rates if you hold a pensioner concession card and your property is your sole or principal residence. Council will also continue its Financial Hardship Policy, which sets out how we can assist ratepayers who are experiencing difficulty of paying rates on time. You can find the Policy on the website.

What are Council Assets?

Assets are owned by Council and include roads, footpaths, stormwater drains, parks, playgrounds and community buildings.

Learn more about Council assets [here](#).

What is Long-Term Financial Sustainability?

Councils have an obligation to be financially sustainable under the Local Government Act, as well as practically and morally, to ensure residents receive the best possible services.

Securing long-term financial sustainability means Council:

- Has a fully funded operating position

- Maintains sufficient cash reserves
- Has responsible and sustainable infrastructure investment
- Replaces assets to keep them in a usable condition
- Has adequate resources to meet ongoing compliance obligations.

Why Has Council Become Unsustainable Now?

All councils face financial sustainability challenges on a cyclic basis. Cost increases have exceeded rate increases and typically lead to reduced spending on key services like asset maintenance and renewal. There are a number of contributors to this growing financial sustainability gap, some of which are outside of Council's control and others which Council has some influence over.

Rate capping is a contributor. The Independent Pricing and Regulatory Tribunal (IPART) has set the rate peg for NSW councils by slowing the increase in the Local Government Cost Index (LGCI). There is a lag in this index of up to 2 years which doesn't reflect the current or near future cost movements. This, over time, creates a shortfall in income with Councils generally responding by spending less on asset renewals.

Cost Shifting. Over the last decade, the NSW State Government, and to a lesser extent, the Australian Government have transferred costs to local government without sufficient recompense. Major types of cost shifting include the withdrawal of financial support once a program is established, the transfer of assets, the requirement to provide concessions and rebates, increased regulatory and compliance arrangements and failure to provide for indexation of fees and charges for services prescribed under state legislation or regulation. Key impacts on Strathfield Council have included, ARIC - internal audit program using external/internal resources; Emergency Service Levy increases; Cyber security/modernising systems/fraud prevention; and Crown Land, Plans of Management, Compliance reporting.

New assets are important for any community, especially when provided through Federal and State Government grant programs and developer contributions. However, these grants do not come with funding for the new costs associated with the operation, maintenance, renewal and depreciation of new assets. Over time these costs eat into Council's sustainability as it funds more and more new asset costs from its existing budget.

Service level improvements or high service levels also contribute to the decline of financial sustainability. In the five years to 2020/21, the average operating performance ratio of NSW councils has steadily declined from 9.8% in 2016/17, to -1.5% in 2020/21. On top of this steady decline, the economic climate has changed post COVID-19, with the high level of inflation and cost of materials significantly impacting on service delivery to the community.

The cost to maintain community assets has dramatically risen, increasing Council's infrastructure backlog (the value of renewal works that need to be undertaken to bring Council's assets up to an acceptable standard). Council's backlog has increased from \$0.6m in 2019 to \$16m in 2022 which is a backlog ratio of 4.2%, above the industry target of 2%. Assets will continue to deteriorate, and the backlog will increase further without additional funding.

Learn more about Council Assets [here](#).

What is rate pegging?

In NSW all councils are bound by rate pegging, which is the maximum annual increase set by IPART. This amount ranges from 1.5% to 3.7%. The only way that Council can increase this amount is to make an application to IPART and to clearly outline all of the reasons why Council is needing to increase rates.

Why do we need an increase to our Council rates?

After reviewing our current financial situation, Council has found that it has been producing operating deficits over the past few years and has a significant funding backlog for the renewal of infrastructure assets such as roads, footpaths and buildings. The backlog has increased from \$1.2 million to a current backlog of around \$16.5 million. Additionally, Council is facing an average annual operating deficit, over the next 10 years, of \$12.4 million, in total that is a cash shortfall in excess of \$120 million.

These funding gaps have developed over many years, with previous Councils not taking the required action earlier, when it would have prevented the current problem. This is the case for many local councils. Council last considered a SRV in 2014 but decided not to take action. Had action been taken the size of funding shortfall and asset backlog would be much smaller. The most recent SRV at Strathfield Council occurred in 1994.

Council is now in a difficult and confronting position, where a number of internal and external factors such as rate capping, high inflation, continued cost shifting from the State Government and many years of cost increases, exceed the increase in revenue. If no action is taken, Council will risk running out of money by 2027.

This requires urgent and immediate action to protect the future of Strathfield. We must ensure we are financially sustainable not only now, but long into the future so the current generation and future generations will be able to enjoy the Oasis in the West that is Strathfield Council.

Is Council currently in debt?

Council currently has no loan programs and has a nil debt position. However, this is not a sustainable strategy. A properly managed loan program enables works to be done and ratepayers will contribute through repayment of loans over a longer term. It allows inter-generational funding and management of infrastructure instead of expecting the current community to pay entirely for new or renewal of infrastructure assets.

In the current proposal, Council intends to adopt a managed loan program to help fund asset renewals.

Why is Council changing its waste charges?

Council has reviewed the Domestic Waste Management Charge (DWMC). In 2022-2023 they are currently \$795 per household. The annual DWMC charge is included with the annual rates bill.

Council intends to restructure the waste charge and transfer \$4 million of the waste income into general revenue. This will not reduce waste services provided to the community.

To transfer these funds, Council will need to vary rates by 20.3%, however this will be offset for the majority of ratepayers by a reduction of \$245 from the waste charge. The proposed waste charge for 2023-2024, if approved, will be \$550.

Can't you get more funding from other levels of government to help pay for things?

Council applies for grants from the State Government and Federal Government to assist in defraying costs of building infrastructure and delivering programs. However, grants do not include the ongoing renewal, operation and maintenance costs that will need to be met by Council.

What if I can't afford to pay my increased rates?

Council offers assistance to ratepayers who are experiencing genuine difficulties in paying their rates and charges under Council's Hardship Policy. Any ratepayer who is experiencing hardship should in the first instance contact Council on 9748 9999 or email council@strathfield.nsw.gov.au to discuss the situation.

More information about Council's hardship assistance can be found on [Council's website](#).

Who is IPART and what do they do?

IPART is the Independent Pricing and Regulatory Tribunal. Their role is to help NSW residents get safe and reliable services at a fair price. Although it is a NSW government agency, it operates independently of the government as the independent pricing regulator for water, energy, public transport and local government.

For local government, IPART determines the annual rate peg, which is the maximum amount councils can increase their rates by each year, unless they submit a Special Rate Variation application. IPART also assesses and determines any Special Rate Variation and minimum rate increase applications from councils. IPART will also undertake ad hoc reviews on a variety of local government matters as requested by the Office of Local Government or other NSW government department.

For more information about [visit the IPART website](#).