CANTERBURY BANKSTOWN

A Funded Future

Message from the Mayor

With more than 370,000 people, the City of Canterbury Bankstown has the largest local government population in NSW, spanning 110 square kilometres across 41 suburbs.

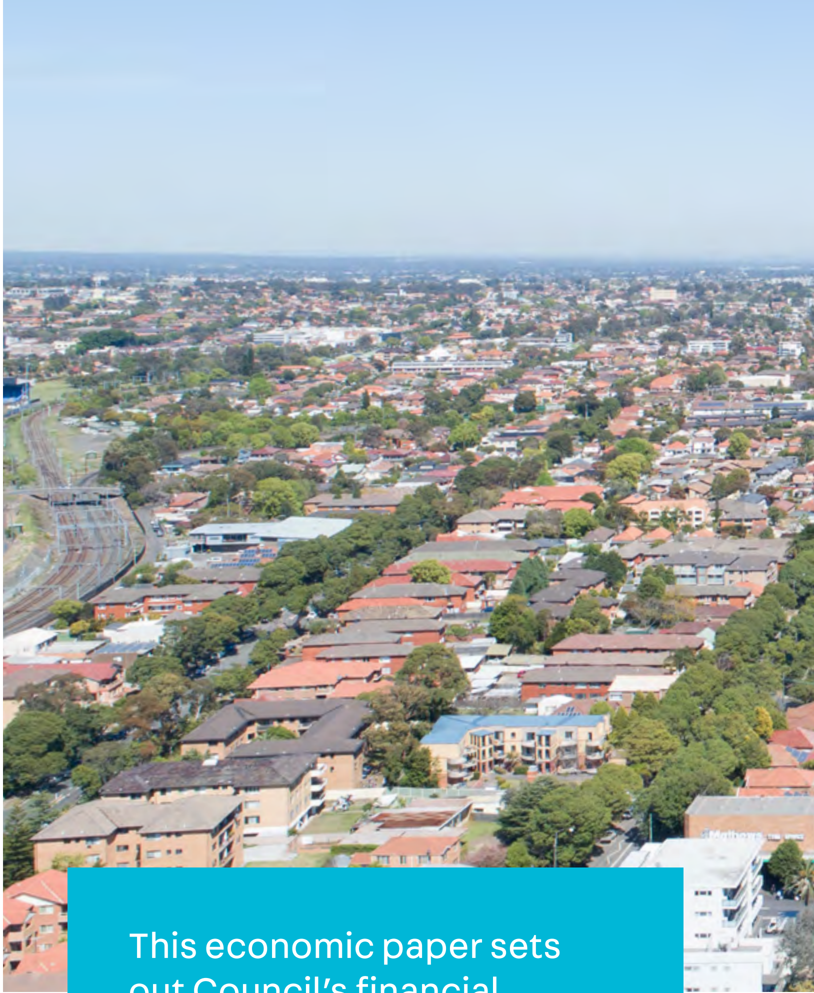
It is a city of wonderful diversity and culture, but also a city of extremes - home to the wealthy and the poor, the old and the young, families with generations of Australian history and migrants just starting out, employed and job seekers, those with large extended families and those who live alone, many who speak English well, and some not at all - and each and every one deserving high quality services, and a feeling of well-being in their daily lives.

This Paper outlines Council's current economic position, the challenges and opportunities ahead, and the constraints which could impede progress.

It shows that, despite great resilience and achievement over the last five years, financial reform is required if Council is to continue to deliver on community expectations now and in the future.

Khal Asfour

Clr Khal Asfour **MAYOR**



This economic paper sets out Council's financial position and what needs to be overcome to:

- Provide the modern services, the infrastructure and the opportunities that our community deserves;
- Be fiscally responsible in delivering on its objectives; and
- Ensure that Council remains financially sustainable.

The City of Canterbury Bankstown (CBCity) was formed on 12 May 2016, amalgamating the former Bankstown and Canterbury Councils. Local government reform was intended to allow councils to benefit from economies of scale, and to address a steadily increasing infrastructure backlog experienced across the Sector.

The Independent Pricing and Regulation Tribunal (IPART) determined that the amalgamation would save CBCity around $5M every year.

> Through sensible budget management and service changes, CBCity has surpassed this estimate, averaging $7.6M in savings and efficiencies each year since 2017.

However, despite these significant savings, they do not overcome the many financial challenges faced by the former councils prior to amalgamation. In fact the financial position has been compounded by other restrictions and unforeseen events.

These include:

Rate pegging - since 1977 the NSW Government has controlled the amount councils can increase their rates each year and they have kept this number consistently below the Consumer Price Index despite also increasing other charges for councils and cost shifting (see below) far in excess of this rate peg;

The rate freeze - councils who amalgamated were unable to apply to increase rates for five years unlike those that did not;

Grant funding - decreased state and federal government grants;

Cost shifting - an increase in services being moved from State Government to local responsibility;

Increased costs - particularly for non-discretionary spending on things like waste levies, emergency services, planning levies and energy costs;

State Government restrictions – the State Government places prescriptive restrictions on how developer contributions can be spent; and

Emergency response - severe weather and climatic incidents and the global pandemic.

Where the money comes from

Councils don't sell products or services like most businesses. They are not designed for profit. But this is how it should be. We are a public service for our citizens. The majority of services and facilities provided by a local council- like roads, footpaths, parks, street sweeping, library books, waste collection and street signs, cost far too much for any individual user to pay, and must be subsidised.

The main source of revenue for council is property rates. At CBCity rates account for approximately 70% of the annual income. The rest of the money comes from a variety of sources as indicated below (based on 2019/20 figures):

- **Grants and contributions - 14% (currently decreasing).** Council's largest grant, the financial assistance grant, which is federal money distributed to councils by the states, usually increases with inflation. However the Federal Government froze the indexation of the grant for a number of years, reducing the value of the grant and impacting grant funding in all future years. The NSW grants commission has also been redirecting financial assistance grant monies away from Sydney metro councils to rural and regional councils further reducing the amount CBCity receives.
- **Interest on investments – 3% (currently decreasing).** Historically low interest rates have directly impacted the amount of interest Council receives on its cash investment portfolio. The official interest rate has dropped from 17.5% in Jan 1990 to 0.1% in Nov 2020.
- **Fees, for things like, pool entry, use of facilities, development applications – 6% (currently down).** Council's fees and charges income is currently down due to the impacts of the COVID-19 pandemic. Council has seen reduced income due to forced temporary closures of council facilities (pools, libraries, community facilities), changes in operating conditions (such as reduced capacity at pools, libraries, community facilities), and fee relief provided for groups impacted by COVID-19 (e.g. sporting field hire relief for winter sports season). Council has also been indirectly impacted by the effects of the COVID-19 pandemic such as the downturn in building construction impacting development assessment and related fees and charges.
- **Other income – 7% (currently down).** Other income decreased because of Lease Rental Income relief provided to some tenants of council buildings directly affected by COVID-19 related impacts on their businesses.

Money we receive

(based on 2019/20 figures)

Rates are our only stable source of operating income.

Rates and Annual Charges $237.9M

Fees and Charges $19.4M

Grants and Contributions
Operating: $24.6M
Capital: $20.9M

Other Revenue $22.1M

Interest and Investments $9.1M

TOTAL $334M

How are your rates spent?

Every **$100** collected is distributed as follows across our services.

Local government, unlike any other business or government enterprise, provides the most diverse range of services and facilities to its community.

Providing more than **100 distinct services through 21 streams,** CBCity has experience in waste management, town planning, library services, swimming pool management, child care operations, graffiti management, land and water conservation, native title, sportsfield management, bushfire management, road resurfacing, and even circus animal regulations.

Expenses from continuing operations

Materials and contracts $78.6M

Employee cost and On-costs $132.9M

Other expenses/ losses/ re-evaluation $46M

Depreciation and amortisation $75.1M

TOTAL $332.6M

CBCity has an employee base of 1,449 (FTE), an asset base of $4.8 billion, and annual operating expenses nearing $333 million. In an average year Council:

- Collects 80,000 tonnes waste in eight million bin services;
- Answers 220,000 phone calls and 55,000 counter enquiries;
- Provides nearly 1,000,000 items to 1.6 million library visitors;
- Determines around 1,500 development applications valuing over $1 billion;
- Maintains nearly 1000 km of road and 1200 km of footpaths;
- Maintains 430 community buildings;
- Delivers 55,000 meals to the elderly;
- Teaches nearly 10,000 children to swim;
- Makes 1,900 health and environment inspections;
- Cleans graffiti from over 1500 sites;
- Cares weekly for 1,000 children
- Removes 6,000 kilograms of weed;

Distributes 7,000 plants to the community

Cuts grass at 600 parks and maintain 75 sporting complexes;

The characteristics of the service, level of service, and way it is delivered changes and increases with the population of the City; as does the cost and the level of subsidisation Council must provide.

For instance, expenditure on sport and recreation in 2019/20 was about $10,000,000 whereas the income received was nearer to $2,000,000.

Restrictions on income

Restrictions on income and spending

Rate pegging – NSW, and more recently Victoria are the only state in Australia with rate pegging. Rate pegging means that the NSW Government decides the percentage by which councils can raise rate income each year. The practice has been in force since 1977 and in that time has never kept pace with CPI or inflation. Council considers the rate peg to be the single most influencing factor affecting the local government's capacity to address asset backlog in NSW.

Rate freeze - As part of the amalgamation process, the NSW Government implemented a rate freeze policy to 2021. This meant that, apart from the across the board rate peg increase, ratepayers in newly amalgamated councils would pay no more for their rates than they would have in their pre-merger council area. In fact, during this period $5 million income per annum was also lost from the former Canterbury Council as a result of the freeze. So, residents accessing the same services and facilities have been paying different rates i.e. an apartment in Campsie is paying less rates than an apartment in Bankstown. It also means that Council has had to maintain two separate rating systems since 2016.

State Government restrictions - Councils can charge developers for the impact that their developments will have on existing and new populations. These funds are called developer contributions. The purpose of these funds is not to manage and maintain existing infrastructure, but to build upgraded and new infrastructure for the benefit of the City. Unfortunately, there are restrictions put in place by the State Government on how and where and why the money is spent.

Grants - All councils rely on the Federal Government to provide financial assistance in the form of grants. For over a decade now, those funds have not been adjusted for CPI, which has steadily decreased the value of the grants and this impact is compounded each year. In 2020 CBCity are receiving $4.5 million less in grants compared to 10 years ago.

Investment income – Council gets some of its income from investments. However since 2018, Council, like the rest of the economy, has suffered from falling interest rates and lower investment returns.

Investment Report	Return p.a	Return per $1m invested	Change from base year per $1m Invested (Jun-16)
Jun-16	3.11%	$31,100	
Jun-17	2.91%	$29,100	-$2,000
Jun-18	2.92%	$29,200	-$1,900
Jun-19	2.82%	$28,200	-$2,900
Jun-20	1.82%	$18,200	-$12,900
Current council cash and investment portfolio balance			**$378,417,371**
Drop in annual interest income based on current cash and investment balance with Jun-20 returns compared to Jun-16 returns			**$4,881,584**

What is rate pegging?

Imagine that you charge $10 for a not-for-profit service where $5 accounts for wages, $4 for materials, and $1 goes to a reserve you put back into the business to improve it or expand it.

Then, over time, salaries increase, the cost of materials increases, and so to stay in business, you need to increase the cost you charge for your service.

Over the course of 43 years, (the length of time that rate pegging has been in place for local government) your wages might have increased to $50, and materials to $40. The price of your product should reasonably be $100.

But the government will not let you charge more than $50. This means that you can't put any money into your reserve, and worse, you have to dip into past savings, just to stay in business. And every year, your office, your phone, computers, car, equipment, EVERYTHING gets older and more out of date and you have no money to replace them.

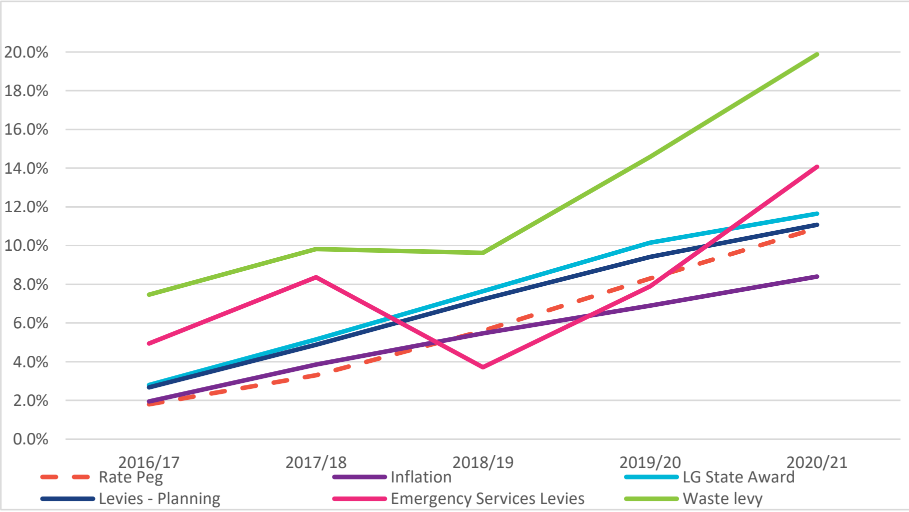
This is essentially the effect that rate pegging has had on the assets that councils manage for the community.

Restrictions on spending

Non-discretionary expenditure: Like any business or even household, there are things you can choose to spend money on like holidays, (discretionary) and things that you don't have any choice about like rent or petrol (non-discretionary).

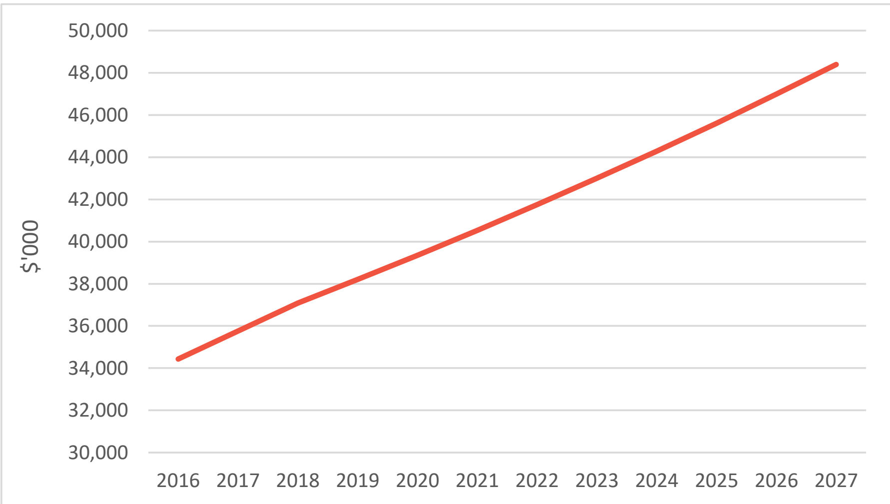
In the case of local government, non-discretionary costs are growing at what Council considers to be an alarming rate. At CBCity, non-discretionary costs (eg levies for emergency services levies, waste and planning, award increases, energy costs) have more than doubled since 2016 and now accounts for 20% of expenditure in 2020.

Cumulative Impact of Non Discretionary Expenditure v Rate Peg



Cost shifting: Cost shifting occurs when the Federal or State Government shifts responsibility for something to local government, without any corresponding funding or revenue raising ability. Things like crime prevention, private swimming pool inspections, underground petroleum inspections divert funds and resources from the usual activities of a local council. It's a big problem and it's currently at its highest ever recorded level in NSW. At CBCity cost shifting has increased by an estimated $5 million in only five years. That's $5 million that must be diverted from things like roads and library services. By 2026/27 the impact of cost shifting is expected to climb to $48 million.

Cost shifting



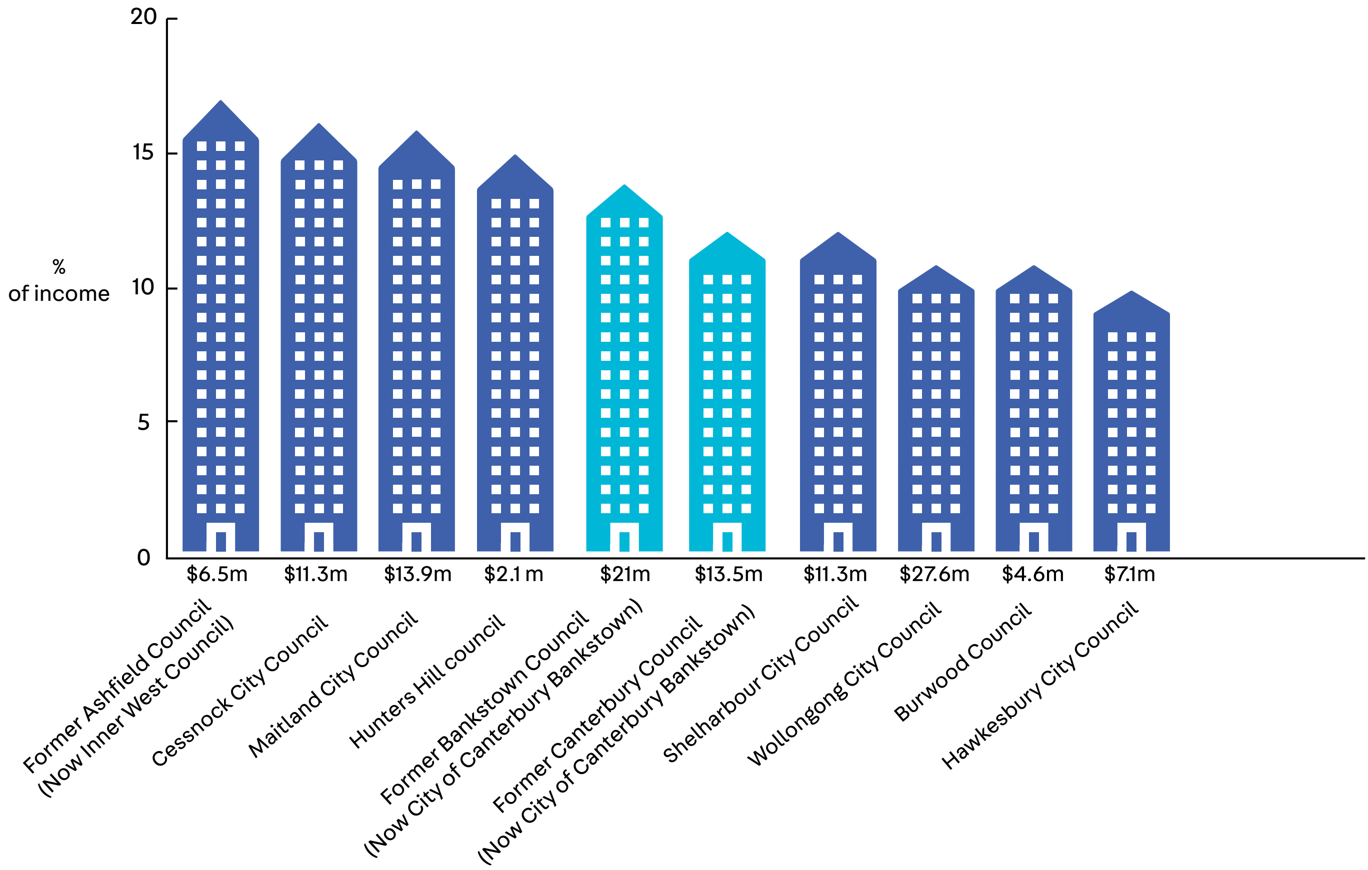
The Emergency and Fireboard Service charges continue to increase, impacting on councils finanical position.

Emergency and Fireboard Services Expenditure					
Description	15/16	16/17	17/18	18/19	19/20
Levies - SES	$324,569	$ 624,726	$557,938	$490,535	$572,562
Levies Fireboard	$1,962,191	$3,489,073	$3,702,005	$3,579,934	$3,937,905
	$2,286,760	**$4,113,799**	**$4,259,943**	**$4,070,469**	**$4,510,467**

NSW Councils most affected by cost shifting

Source: LGNSW Cost Shifting Survey.

The 10 councils most affected.



Efficiencies

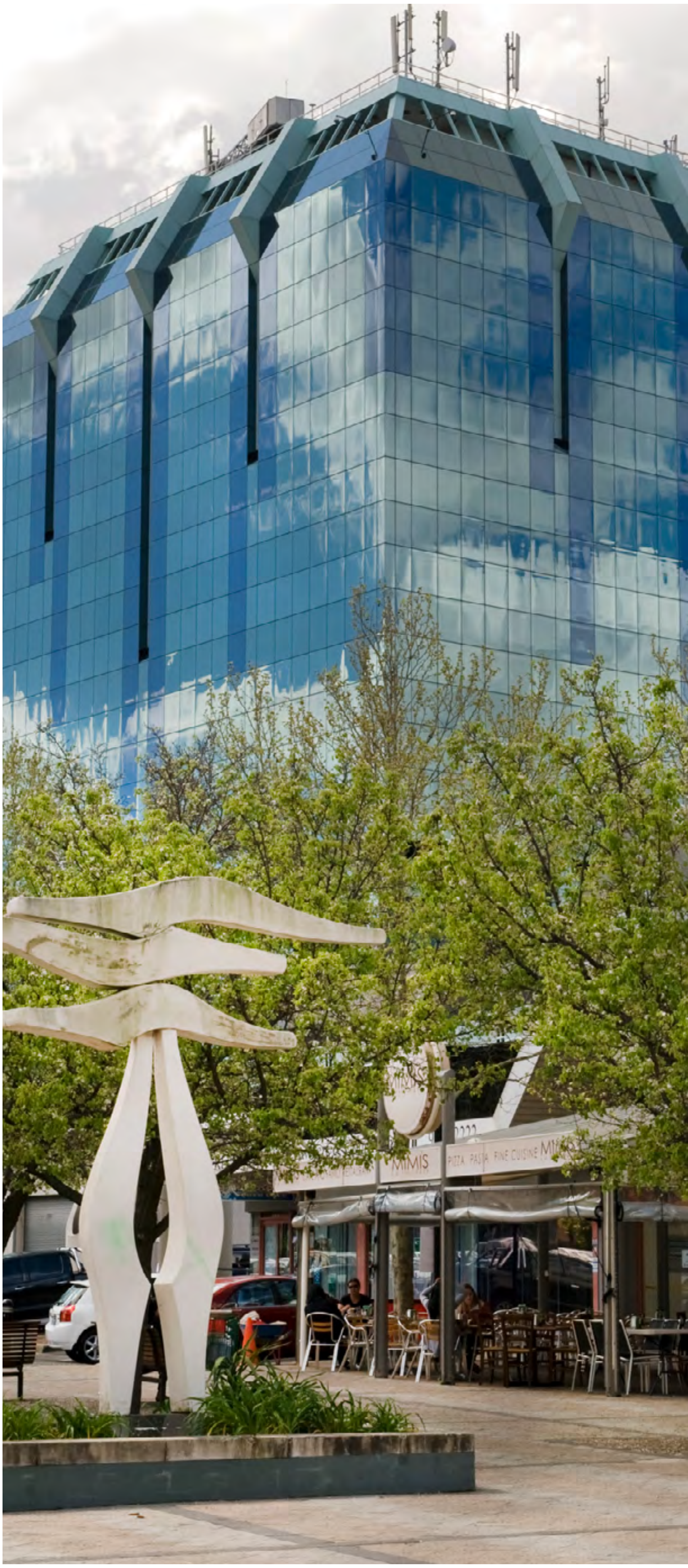
Prior to the merger of the Bankstown and Canterbury Councils in 2016, both former Councils identified in their Fit for the Future proposals that to be financially sustainable, reform would be required. Canterbury Council required the continuation of the existing Special Rate Variation (SRV), raising approximately $5 million per annum, and Bankstown Council required a new SRV of around $17 million per annum to address immediate needs.

Bankstown was one of only seven Sydney Metropolitan Councils that was determined to be fit to stand alone based on Scale and Capacity criteria as well as Financial Sustainability, Infrastructure and Service Management and Efficiency criteria (subject to $17 million increase to annual rates income). When brought together, IPART anticipated that the amalgamated Council would save around $5 million every year.

> CBCity has surpassed this estimate and averaging **$7.6 million in savings** and efficiencies each year since 2017.

	Annual Savings $M
Back office efficiencies	5.4
Materials/Contracts	2.1
Councillor remuneration	0.1
Total	**7.6**

While those savings have assisted, they were never going to meet the shortfall identified in each former council's Fit for the Future proposals, or the more recent income declines and expenditure increases. In fact, without these savings, the financial impact would be even greater now.



Keeping costs down

Council is proud of its achievements since May 2016 and the service changes and efficiencies implemented. It strives continually to provide a better, more efficient service for our residents. In addition to more efficient operations and 'back-office' efficiencies which have recouped $7.6 million every year, Council has embarked on a process to market test services and review the capacity of current assets to deliver desired outcomes. These savings however are not enough to address our long term financial needs.

CBCity isn't alone in this. Council's all across NSW are struggling with how to increase income, keep costs down, or even cut services to ensure long term sustainability. This has been covered in a great deal of detail in media across the state, highlighting in particular the challenges for merged councils.

Top 10 most expensive council rates in Sydney and NSW *Source: The Daily Telegraph 24 October 2020*

Council	Average Annual Residential Rate 2018-19 ($)
Narrabri	**$2,811.90**
Mid-Coast	**$1,843.33**
Wollondilly	**$1,810.29**
Blue Mountains	**$1,747.22**
Hunters Hill	**$1,736.25**
Wingecarribee	**$1,637.29**
Kiama	**$1,489.24**
Wollongang	**$1,468.88**
Lithgow	**$1,464.11**
Shellharbour	**$1,462.76**

As compared to the City of Canterbury Bankstown

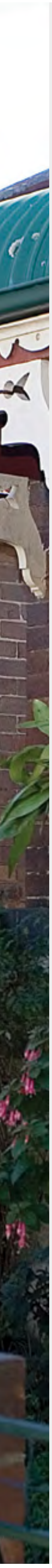
Council	Average Annual Residential Rate 2018-19 ($)
Canterbury	**$1,172.73**
Bankstown	**$1,054.93**

Doing more with less

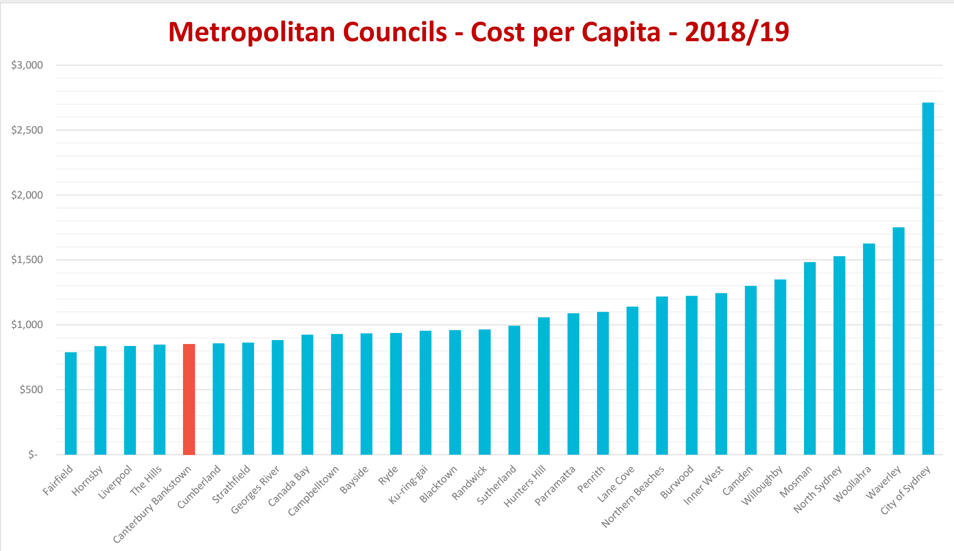
In 2018 Council adopted a Playgrounds and Play Spaces Strategic Plan to guide the future provision, development and management of playgrounds and play spaces over the next decade. The Strategic Plan was developed with a focus on providing quality, diverse and accessible play experiences that support a range of age groups and abilities. It required some tough decisions – closing under-performing facilities and those at the end of their asset life cycle to better allocate resources to other higher value playgrounds and play spaces.

> Council is replicating this approach with community facilities and sports facilities to ensure the best outcome for our community for these different major asset groups. Council works hard to keep operating costs down.

Council is already "doing more with less" - CBCity is already operating at maximum efficiency in the provision of assets and services to the City. Any further cuts in operating will only result in a reduction, or even removal, of services. This path isn't sustainable or desirable.



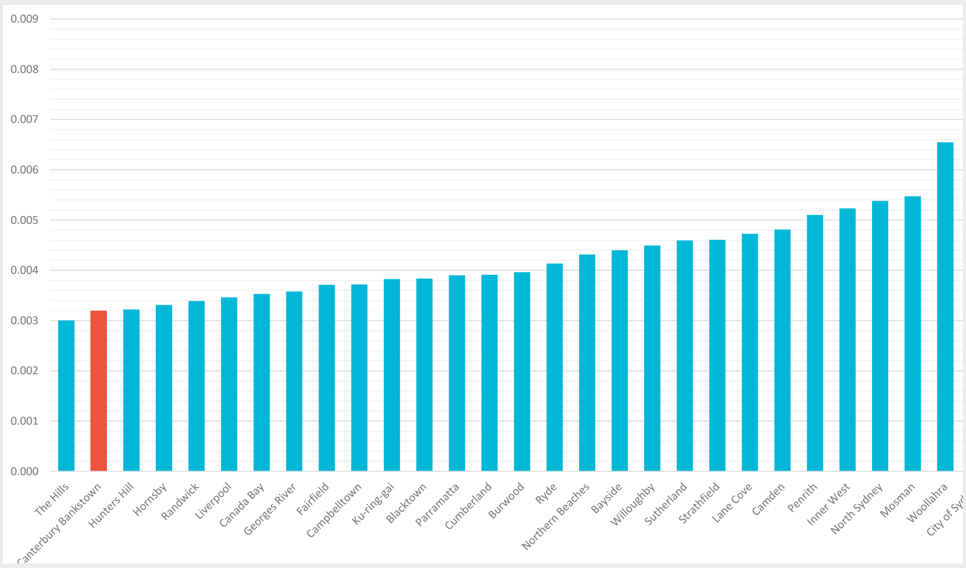
Metropolitan Councils - Cost per Capita - 2018/19



Both former councils operational cost per capita (as assessed by the Office of Local Government) was among the lowest of all metropolitan councils. These efficiencies continue to be achieved with some of the leanest operating costs per capita in metropolitan Sydney – around $800 per resident.

Metropolitan Councils - FTEs per Head of Population

At 305:1, or one staff member for every 305 City residents, Council's ratio of staff to population is also the second lowest of all Sydney metropolitan councils. This contributes to CBCity's low operating costs.



Managing assets

The assets provided by a local council are part of everyone's daily life. They range from the roads you travel to work on, the sporting fields you take your kids to, the libraries you learn in, the underground pipes and waterways that carry water away during rain, the playgrounds in which your children play, and even the trucks that pick up your garbage and the mowers that keep grass in check. They require constant maintenance, replacement or improvement to keep pace with the needs of the existing population and to provide for future growth.

The management of ageing assets, those in need of renewal and replacement, is a key issue facing local government throughout Australia. In 2018 the infrastructure backlog for NSW was estimated to be $3.6 billion.

> The asset portfolio managed by Canterbury Bankstown Council has a value of **$4.8 billion** comprising, in part, **over 900 kms of road, 600 parks, 430 community buildings and 1,200 kms of footpaths**.

Some assets are degraded and their condition warrants closure or demolition. Others are well maintained and operating at appropriate standards. Some are in good condition but no longer provide the best facility in terms of community needs and expectations.

Council needs to spend about $70 million every year on maintenance and renewal to keep them up to current standards. However, once Council pays for all the services we provide to the community, such as operating pools and libraries, keeping town centres clean and picking up rubbish, paying for electricity and water at Council owned buildings and facilities, assessing development applications and inspecting local shops and services, we only have $39 million left to maintain our assets. This leaves a shortfall of $31 million every year and effectively defers the maintenance and renewal of many assets, resulting in their deterioration.

Further, some assets have deteriorated to the point where they should be (or should have already been) replaced but, currently no funds are available to fund that replacement. This creates an "Asset Backlog". Council's Asset Backlog at 30 June 2020 was $40 million.

What we should be spending

What we put away to spend

The funding gap explained

Let's say you have a house with gutters that need replacing at a cost of $1,000. But instead of spending the money now, you leave it for 10 years. That would be fine if every year you put aside $100 (plus CPI) for house maintenance.

But because there are so many other essential works you have needed to carry out on your house, you have not put the money aside. And what's worse, the gutters that would have cost $1,000 to fix ten years ago, now cost much more.

The "gap" is the difference between what should be spent every year on assets to keep them in acceptable condition, and what is actually spent.

Development contributions

Links to financial shortfall

Under the *Environmental Planning and Assessment Act 1979*, a Council is able to levy payments or in-kind works, facilities or services from residential and commercial developers. These contributions help to offset the extent to which their development will contribute to local growth and therefore place additional burden on local assets, infrastructure and services.

Councils must prepare development contributions plans that outline how these contributions will be determined, how much money they are expected to raise and how accumulated funds will be spent. Because the contributions are levied to offset the impacts of growth, the planned works in the development contributions plans must be works that address the needs arising from the additional population/ population density. **This means councils are unable to use these funds for maintenance and like-for-like renewal of existing assets – the funding is there to provide new and/expanded facilities to meet the future needs of the community**.

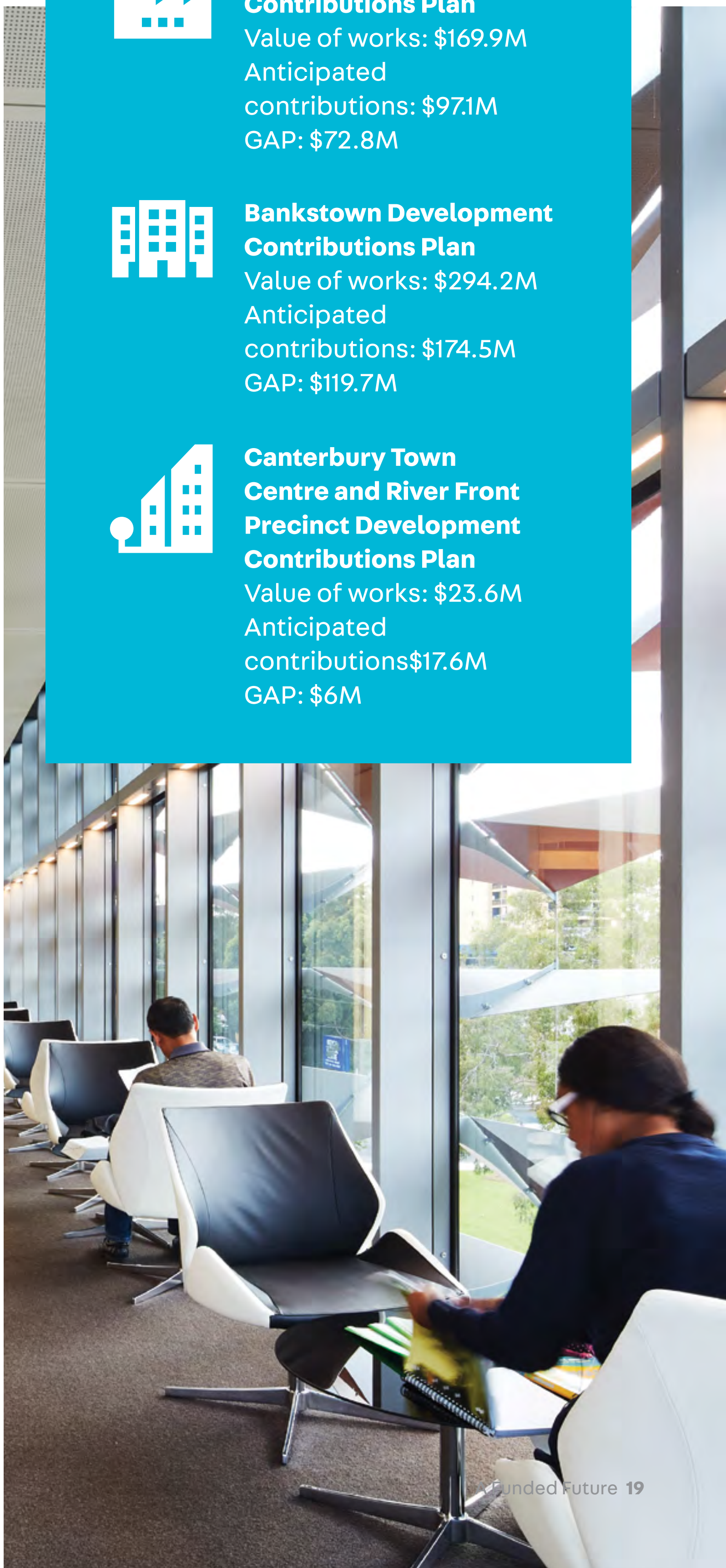
In addition to placing restrictions on what the funding can be spent on, the State Government also places restrictions on how Council can spend the funds. This limits the physical locations within which funding can be used, and the amount of funding that can be used. In fact, in most cases, each project listed in a development contributions plan needs matching funding from Council.

CBCity has accumulated $126 million in developer contributions funds for essential new infrastructure. However, under current State Government restrictions, until Council can address its asset backlog and renewal gap for existing infrastructure, it is constrained in providing matching contributions to make use of the funds provided through developer contributions. Nearly $200 million in additional Council funding is required to unlock $290 million predicted to be raised by the development contributions plans and to enact the plans in full to the benefit of the community.

Canterbury Development Contributions Plan
Value of works: $169.9M
Anticipated contributions: $97.1M
GAP: $72.8M

Bankstown Development Contributions Plan
Value of works: $294.2M
Anticipated contributions: $174.5M
GAP: $119.7M

Canterbury Town Centre and River Front Precinct Development Contributions Plan
Value of works: $23.6M
Anticipated contributions$17.6M
GAP: $6M



COVID-19

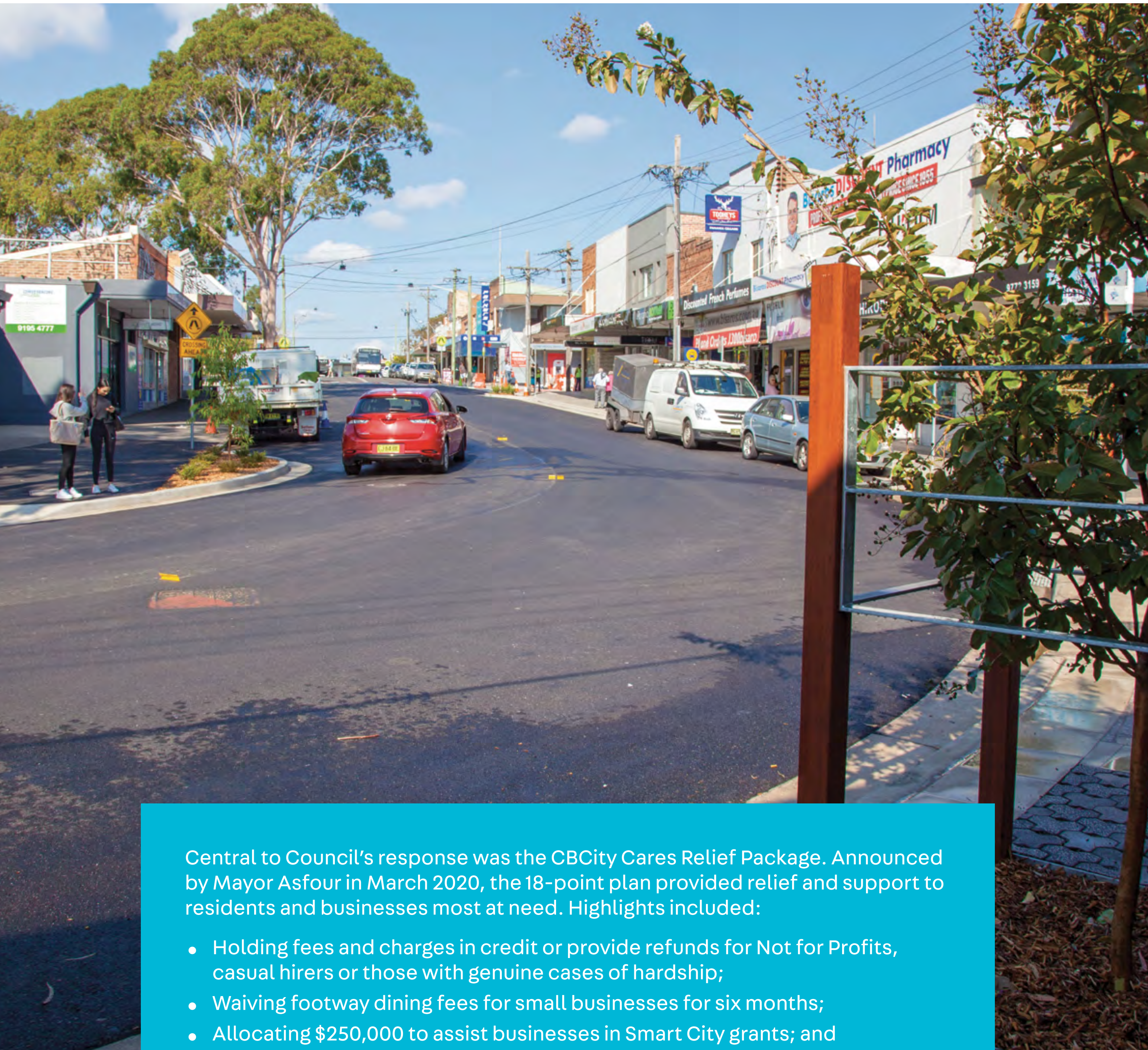
Resilient services

The unprecedented health challenges faced by the world were certainly felt across Canterbury-Bankstown.

Some services were closed and others reduced interests of public safety, however Council was committed to ensuring essential services like waste collection, street cleaning, parks maintenance, roads maintenance, development services, regulation and compliance, and Meals on Wheels continued to be delivered at current or even increased levels where needed.

Financial Impact – Income Variations (COVID 19)	2019/20 $M	2020/21 $M	Total $M
Aquatics	1.8	3.3	5.1
Property Rentals	0.7	1.7	2.4
Children's Services	1.0	1.3	2.3
Interest	-	2.2	2.2
Other Fees and Charges, Fines	0.3	1.4	1.7
Sports and Recreation	0.4	1.2	1.6
Regulatory and Fines	1.1	-	1.1
Community Halls and Facilities	0.4	0.5	0.9
Trade Waste	-	0.3	0.3
Small Business Smart Grants	0.3	-	0.3
Total COVID-19 Income Variations	6.0	11.9	17.9

Council is working to understand the ongoing impacts of the pandemic and will continue to monitor and review our response, and our delivery of services, programs and projects to provide for the changing needs of the community. However, the increased expenditure and operational subsidy, though necessary to support those in need, places further pressure on Council's financial position.



Central to Council's response was the CBCity Cares Relief Package. Announced by Mayor Asfour in March 2020, the 18-point plan provided relief and support to residents and businesses most at need. Highlights included:

- Holding fees and charges in credit or provide refunds for Not for Profits, casual hirers or those with genuine cases of hardship;
- Waiving footway dining fees for small businesses for six months;
- Allocating $250,000 to assist businesses in Smart City grants; and
- Waiving sporting association fees for winter season ground allocation.

In monetary terms it is forecast that COVID-19 will impact CBCity to the tune of nearly $18 million by June 2021.

Reaching financial sustainability

Council is obligated to provide services and facilities for today's residents and to ensure that the needs of future generations are met. Our community has told us that they expect:

A high standard of operational services like street sweeping and waste collection;

Maintaining our existing assets to at least their current level

Improved amenity throughout our town centres; and

New community facilities and infrastructure which provide greater options and flexibility for users

It goes without saying that Council will continue to implement strict budget management, pursue service efficiencies, and strive for value-for-money innovation. But it is also clear that the current financial position is unsustainable, and that changes will need to be made.

In order to address all the issues raised in this economic paper and in line with Council's adopted Financial Management Strategy, Council will need to raise additional funds every year to address the current shortfall in spending on:

- **Existing assets** – an additional $31 million each year is required for asset maintenance and renewal;
- **New services** – an additional $4 million per annum is required to provide new and enhanced services to address modern community expectations; and
- **Loan repayment** – an additional $5 million per year is required to repay a low-interest loan to implement CBCity's adopted Leisure and Aquatic Strategic Plan to provide modern facilities for our community.

In addition to this, in order to address the needs of the growing community, to provide new infrastructure across the City and to unlock funding from Council's development contributions plans, an **additional $20 million** a year for the next ten years would also be needed.

The impact of this financial scenario obviously has significant impacts for the future of CBCity. Council is committed to improving its financial position so that the budget is not just being balanced each year, but so that funding is being put aside for future assets. Determining the best way to do this in the most reasonable time frame, will be the most critical decision for CBCity in the next 12 months.

What you can expect to see

Meeting the future head-on

Suburbs and neighborhoods never stay the same. The former council areas of Canterbury and Bankstown in the 1960s were very different to today and will be very different in the coming decades.

By 2036 the population of Canterbury-Bankstown will be over 500,000. That population will require all the services and facilities currently enjoyed by existing residents and will likely demand new or improved services to suit the lifestyles of the future.

Council is already looking to provide for multipurpose community buildings; modernised library services, community services and sporting facilities; 24-hour economies; more cycleways; and e-everything!

This is how Council will ensure that you get the most out of your rate dollar.


before


after

Improved services

Our community has told us that they like living in the City but want to want to see improved service levels for:

- Cleanliness our streets, parks and town centres;
- Amenity in town centres and industrial precincts – art, seating, footpaths, shade, signage, activity;
- Programs to promote community harmony and well-being;
- City-wide and neighbourhood events and programs; and
- Recreation programs and activities.

These services contribute to the wellbeing of all and improve the pride we have in our City.


before


before


after
YAGOONA
COMMUNITY CENTRE


after


before


after

What you can expect to see

Improved facilities

The ability to fund initiatives rather than just keep up with maintenance will allow Council to build new, fit for purpose facilities that suit the current and future needs of our diverse community.

This could mean:

- Naturalising concrete drains to promote biodiversity and visual amenity;
- Upgrading community centres from the 1960s with more meeting rooms and modern, multiuse features;
- Upgrading sportfields so that they can be used year-round – more use, better use, multi use – and more cost efficient; and
- Better roads and improved connectivity for movement around the City.

For instance, the recent refurbishment of the Lang Road Bridge has turned the structure into a work of art for pedestrians and cyclists. The amazing sculpture includes peaceful surrounds and a
kayak launch.

When funds are able to be used to address multiple issues in a timely and considered manner, the results are always better than a bandaid, temporary solution.

A funded future

The first step of this journey has been pre-determined for us – the NSW Government legislation resulting in the current rate freeze at CBCity concludes on 30 June 2021. After this time, all councils will be required to operate under a single rating system by 1 July 2021. This means that regardless of location, CBCity residents and businesses will pay the same minimum rates and rate in the dollar for their rating category. This will result in a fairer, more equitable distribution of rates across the City. However, **it will not increase the total income for the City.**

Step 1: Harmonise with existing minimum
The harmonisation of rates across the City, with the minimum residential and business rates based on the lowest rates across the two former Council areas. The ratio of income from residential versus business rates would remain the same. Creates no change to other special rates, rebates and charges.

Result: This would produce a rating structure that aligns with legislative requirements and a fairer more equitable distribution of rates. No change to other special rates, rebates and charges. No additional income generated.

In addition to this compulsory action, Council will then need to consider the range of options to close the gap between actual and required spending to ensure that our financial security is assured not just for the next couple of years, but into the coming decades.

In a nutshell

One city – with different rate systems

CCC = Former Canterbury City Council
BBC = Former Bankstown City Council

CCC **$0.00549445**
BCC **$ 0.00207299**

Council Rate Charge (rate in the dollar)

CCC **$713.90**
BCC **$636.80**

Minimum Rates - Residential

CCC **$713.90**
BCC **$778.70**

Minimum Rates - Business

CCC **$0.00455657**
BCC **$0.00549445**

Council Rate Charge (rate in the dollar)

Residential **Business**

When faced with a financial crisis, Council, like any other individual or business, has the same options to address a difference between existing and required spending.

1. **Do nothing:** CBCity could continue to balance the budget year to year, with the funding available to invest into asset maintenance and renewal continuing to decline. This would also grow the asset backlog further, creating an even larger financial burden on Council in the future.

2. **Borrowing funds:** Low interest loans can provide an attractive source of immediate funding to councils. It allows infrastructure to be built when and where it is needed, so that the needs of the City can be met in a timely manner. Used in isolation, this option doesn't increase the income to Council and shifts the burden of payment to future generations. However, this might be a suitable option for councils that are also increasing revenue through other means (e.g. with large greenfield developments) to ensure that loan repayments can be made without impacting day to day services.

3. **Reducing expenditure:** Another way to reduce the financial burden on a Council is to reduce or eliminate things on which money needs to be spent. Making tough decisions to reduce, or indeed to cut, assets and services is not something a council does easily or lightly - because councils are committed to providing essential services and infrastructure to the community. But it is an option that CBCity may need to consider to ensure a sound financial future for the City.

4. **Increasing/ diversifying income streams:** This is a longer-term solution that better addresses the cause of the problem, ensuring that each generation is contributing to the costs of the assets and infrastructure they will use. This option has a variety of solutions that could be pursued, from user pays options (e.g. increased fees and charges) to reconsidering the local rate structure – increasing the minimum rates payable across the City and adjusting rates paid by residents and businesses across the City. CBCity currently has comparatively low rates compared to surrounding local government areas.

Increasing our income

If Council wishes to proceed with exploring different income options alongside the harmonisation process for 1 July 2021, they could include:

1. **Harmonisation + increase mimimum rate to $990 as a special rate variation to generate an additional $20 million per year.**

This option harmonises and increases rate minimums to $990 from 1 July 2021, changes/ increases the rate in the dollar paid by residential and business ratepayers each year and adjusts the ratio of income to bring in a higher proportion of rates from residential properties. Creates no change to other special rates, rebates and annual charges.

Result: This option has the potential to increase income by $20 million per year. It reduces, but does not fully eliminate the funding shortfall for asset maintenance and renewal, nor does it properly address long term financial sustainability concerns. This option does not enable Council to implement any further improvements or additional services, nor does it address Council's ability to implement the adopted Leisure and Aquatics Strategic Plan.

2. **Harmonisation + increase mimimum rate to $990 as a special rate variation (over 3 years subject), and applies a separate special rate variation to generate an additional $40 million per year by 2025/26.**

This option harmonises rates to $728.18 (residential) and $794.27 (business) in 2021/22 and increases rate minimums to $990 over 3 years from 1 July 2021. It keeps the initial income split between residential and business properties the same, but provides more flexibility for the future. Under this scenario, business rating subcategories would be added and the Bankstown CBD special rate would be discontinued.

Result: This option has the potential to increase income by $40 million per year. This equates to $31 million per year for asset replacement and $4 million per year for service improvement and ability to service a loan to fast track the implementation of the Leisure and Aquatics Strategic Plan ($5 million per annum). This option restores the $5 million income previously received from the Canterbury SRV (former Canterbury City Council residential ratepayers received a reduction of around $138 on their rate notice in 2019/20 or a 9.3% reduction).

Just as residential rates are changing to reflect a fairer, more uniform rating system across the City, so too is the way businesses are charged for rates. Business rates will be harmonised so that the whole City is operating under the same system. This means a milk bar in Earlwood will pay the same rate as a milk bar in Padstow.

Business rates will also be reformed to ensure greater equity across the different businesses categories. The new system will consider scale and capacity of businesses, and establish variety of business categories. As an example, the milk bar at the end of your residential street will be in a lower rating category than a major shopping centre. A consistent rate-in-the-dollar based on these categories will be applied across the City ensuring one rates system for residential and business ratepayers alike in Canterbury-Bankstown.

In addition Council will be considering options for a special rate variation to be applied.

Increased funding scenarios

	Harmonise	1	2
Rates equity	✓	✓	✓
Addresses asset shortfall	✗	Partial	✓
Provides for new initiatives	✗	✗	✓
Funds Leisure and Aquatics Strategy	✗	✗	✓

Asset/ Depreciation (net funding shortfall)
$31M

Services enhancements
$4M

Leisure and Aquatic – debt funding (20 years)
$5M

Total Funding Required
$40M

Reducing expenditure

Reducing the service level of a range of services or cutting services completely could be explored to reduce annual operating costs, and in fact this is currently being explored at our neighbouring Cumberland Council.

For example, Council could reduce the number of libraries from nine to five, keeping just one per ward, as well as removing the city cleaning (street sweeping and facility cleaning) and graffiti management services altogether. All of these cuts together would only reduce annual operating costs by approximately $9.6 million per year - it wouldn't even go so far as to address even a quarter of the funding needs. But what it would do is have a significant impact on the community and vulnerable groups that rely heavily on these services. The outcome would not be effective or welcome.

And the reality is, the community is actually calling on Council to increase many services across the City. Increased street/ town centre cleaning, addressing littering and dumping of rubbish and increased maintenance of roads and footpaths were all identified as high priorities for improving life in Canterbury-Bankstown in a 2019 satisfaction survey, and these issues are regularly raised during conversations with residents and businesses across the City.


VISIONS OF THE UNIVERSE
MACQUARIE

What are other councils doing?

These challenges are not unique to CBCity.

Each council that was merged in 2016 is required to align their rating structures for implementation by 1 July 2021. This ensures that regardless of location, residents are paying the same rate (based on land value and minimum rate structures) for services in their City. There is currently a different rate structure across the former cities of Canterbury and Bankstown but yet all residents are offered the same services from Council. This will change to a fairer, more equitable rating system on 1 July 2020.

Many other councils have sort and had approval to implement special rate variations.

Each year, councils can apply to IPART to either increase their minimum rates or to increase the income they can receive from their ratepayers as part of long-term financial considerations.

The following NSW councils were successful in applying for either a minimum rate increase (above the statutory limit) or a special rate variation in the last five years:

Council	Year	Type	Single or multi year increase	Cumulative SRV increase (%) OR Minimum Rate Increase ($)
Clarence Valley	16/17	SRV	Single, temporary	6.5%
Gwydir Shire	16/17	SRV	Single	30%
Lachlan Shire	16/17	SRV	Multi	32.3%
Lismore City	16/17	SRV	Single	3.6%
Penrith City	16/17	SRV	Multi	27%
Singleton	16/17	SRV	Multi	45.1%
Tweed Shire	16/17	SRV	Single	2.8%
Wagga Wagga	16/17	SRV	Multi, temporary	5.6%
Wingecarribee	16/17	SRV	Multi	45.3%
Yass Valley	16/17	SRV	Multi	38.6%
Yass Valley	16/17	Min rate increase	Multi	$683 (residential) $667 (business)
Ballina Shire	17/18	SRV	Single, temporary	4.9%
Bellingen Shire	17/18	SRV	Single	6%
Byron Shire	17/18	SRV	Multi	33.55%
Inverell Shire	17/18	SRV	Multi	22.21%
Port-Macquarie-Hastings	17/18	SRV (replaces existing)	Single	5.39%
Shoalhaven City	17/18	SRV	Single, temporary	13.2%
Ballina Shire	18/19	SRV	Multi	15.54%
Balranald Shire	18/19	SRV	Multi	94.87%
Bellingen Shire	18/19	SRV	Multi	19.1%
Clarence Valley	18/19	SRV	Multi	25.97%
Clarence Valley	18/19	Min rate increase	Multi	$647 (residential)
Hawkesbury City	18/19	SRV	Multi	31.29%
Kempsey Shire	18/19	SRV (replaces existing)	Single	6.5%
Kiama Municipal	18/19	SRV	Single	6%
Lismore City	18/19	SRV (replaces existing)	Single	2.71%
Muswellbrook Shire	18/19	SRV	Single	14.73%

Council	Year	Type	Single or multi year increase	Cumulative SRV increase (%) OR Minimum Rate Increase ($)
Randwick City	18/19	SRV	Multi	19.85%
Randwick City	18/19	Min rate increase	Multi	$897.08 (residential) $1,445.61 (business)
Shoalhaven City	18/19	SRV (replaces existing)	Multi	29.1%
Burwood	19/20	SRV	Multi	19.48%
Dungog Shire	19/20	SRV	Multi	76.02%
Hunters Hill	19/20	SRV	Single	9.74%
Kiama Municipal	19/20	SRV	Multi	16.42%
Ku-ring-gai	19/20	SRV	Single	7.7%
Lithgow City	19/20	SRV	Single	9%
Muswellbrook Shire	19/20	SRV	Single	15.13%
North Sydney	19/20	SRV	Multi	22.5%
North Sydney	19/20	Min rate increase	Multi	$644 (residential and business)
Randwick City	19/20	SRV	Single	5.9%
Richmond Valley	19/20	SRV	Multi	23.88%
Sutherland Shire	19/20	SRV	Single	8.76%
Sutherland Shire	19/20	Min rate increase	Single	$900 (residential and business)

A number of councils have already commenced the application and engagement process for a 2020/21 minimum rate increase and/or special rate variation.

Council has delivered many great outcomes for this City. Our economic vision statement, A Funded Future, sets out a number of priorities and strategies that need to be addressed by Council to ensure our financial sustainability, now and into the future. These measures will ensure that generations to come will be well-placed to both benefit and enjoy living in Canterbury-Bankstown.

CANTERBURY
BANKSTOWN