

OFFICE OF THE GENERAL MANAGER

Executive Assistant: Sue Matthew
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File Reference: D20/231689

28 September 2020

Mr Matthew Edgerton
Executive Director Local Government
Independent Pricing and Regulatory Tribunal
PO BOX K35
HAYMARKET NSW 1240

Dear Mr Edgerton

Notice of Intent - Special Variation and Minimum Rate Change Applications

I write to advise you of Georges River Council's intention to apply for a new Georges River Council Minimum Rating system along with a permanent multiyear special variation (SV) commencing 2021/22. The applications are intended to resolve the current inequity across the Local Government Area and resolve Council's financial sustainability issues.

Council resolved in 2018/2019 to develop a program for the preparation of a new residential and business rates structure for the Georges River Council Local Government area (LGA), which was also to include options that would strengthen Council's financial sustainability and replace the cessation of the former Hurstville City Council's SV from 1 July 2021.

During 2019/20 Council undertook extensive community consultation on a number of SV options and a preferred rate structure model. 2019/20 Community consultation results were based on more than 6,000 responses received from the community. The consultation found that 78% of respondents were supportive of introducing a consistent minimum rate across the city and 66% supported a minimum rate increase to \$965.80. Additionally, 54% of respondents were supportive of Council applying to IPART for a special rate variation (SRV) of 8.1% plus a rate peg of 2.5%.

At the Extraordinary Council Meeting held on Monday 10 February 2020, Council considered the community consultation results and whether to proceed with an application to IPART to introduce in 2020/21 a harmonised minimum rate, harmonised rate in the dollar and also a new SV to its rate base to improve Council's financial sustainability and replace the expiration of the former Hurstville Council SV.

Council resolved not to proceed with the application for the SV or the harmonisation of rates in 2020/21 and instead to investigate staff reductions and salary savings as part of future cost saving measures.

In response, the projected deficit in 2020/21 of \$13 million in Council's Long Term Financial Plan (LTFP) was reduced by \$9 million in deferred or deleted programs. However, this is not sufficient to resolve Council's long term financial forecast.

At its meeting of 24 August 2020, Council considered a report on the proposed New Rates Program for Georges River Council and resolved to seek community feedback and to notify the IPART of its intention to prepare applications for a SV and Minimum Rate Increase:- Council Resolution (Minute No. CCL049-20):

- “(a) That Council note the independent Audit Risk and Improvement Committee’s recommendation to immediately address key financial sustainability risks, including increasing revenues to secure Council’s immediate and long term future.*
- (b) That arising from consideration of the recommendation of the Audit Risk and Improvement Committee, Council endorse the 2021/2022 New Rates Program, which includes the Community Engagement Framework and proposed timeframe.*
- (c) That Council, in response to the community’s feedback for a fair and more equitable and uniform rating structure, eliminating the disparity between the Hurstville and Kogarah Minimum Rates and in compliance with the legislative requirement to harmonise Council’s rating structure, approve the General Manager to formally notify the Independent Pricing and Regulatory Tribunal (IPART) that following consideration of community engagement, Council’s intention is to submit an application to the IPART to establish a new Minimum Residential Rate of \$965.80 to take effect from the 2021/22 rating year.*
- (d) That Council, in response to the community’s feedback for a fairer and more equitable distribution of the rate burden between residential and business ratepayers and in compliance with the requirement to harmonise Council’s rate structure, Council approves the business properties within the Business sub-category “Major Commercial Centres of Hurstville and Kogarah” to have a higher Minimum Business Rate than other business sub-categories.*
- (e) That the General Manager formally notify IPART that following consideration of community engagement, Council’s intention is to submit an application to establish a new Minimum “Major Commercial Centres of Hurstville and Kogarah” Business Rate of \$1,500 to take effect from the 2021/22 rating year.*
- (f) That the General Manager formally notify IPART that following consideration of community engagement, Council’s intention is to submit an application to establish a new Minimum Business Rate for all other subcategories of \$1,100 to take effect from the 2021/22 rating year.*
- (g) That in the interest of having a harmonised, fairer and more equitable structure for Business Rates throughout the Georges River Council local government area, Council discontinues the use of the former Hurstville Town Improvement special rates across the Hurstville, Mortdale and Riverwood town centres, commencing in the 2021/22 rating year.*
- (h) That in response to overwhelming community support and feedback for a fairer and more equitable rating structure, Council approves the creation of a new business sub-category named “Major Shopping Complex” and the implementation of a rate in the dollar comparable to shopping centre rates in other metropolitan councils in the 2021/22 rating year.*



- (i) That Council acknowledges it must comply with its statutory obligations pursuant to Section 8B of the NSW Local Government Act 1993 on the principles of sound financial management as detailed in the report.
- (j) That in response to Council's obligations under Section 8B of the NSW Local Government Act 1993, the General Manager formally notify the IPART that following consideration of community engagement, Council's intention is to apply for a multi-year Special Variation (SV) of 5.8% to its rates in 2021/22 (3.3% Special Rate Variation (SRV) and 2.5% assumed rate peg) followed by 5.8% per year for 4 years (16.5% SRV and 12.5% assumed rate peg), in order to replace cessation of the former Hurstville City Council's SV and to ensure Council's long term financial sustainability.
- (k) That Council acknowledge that the proposed SV will not resolve the current gap in Council's forecast operating deficit, and an estimated \$8.7 million in favourable financial turnaround is required, either through other revenue increases and/or service reductions."

In conclusion, please find below specific information, relating to Council's proposed applications:

Information Required	Council Response
Type of application	<p>Section 508 of the Local Government Act 1993: Application for a special variation to the general income - it is intended that this would be a permanent increase which is retained within the rate base.</p> <p>Section 548 of the Local Government Act 1993: Application to increase minimum rates above the statutory limit - it is intended that this would be a permanent increase which is retained within the rate base.</p>
The percentage amount of the intended special variation	<p>A multi-year permanent increase (equivalent to Council's previously proposed permanent 10.6% SV that included 8.1% SRV and 2.5% assumed rate pegging increase) that did not proceed, but was supported by the community.</p> <p>The new proposal is for permanent multi-year SV, spread over 5 years. The first year in 2021/22 being to retain the former Hurstville expiring SV of 5.8% (3.8% SRV and 2% rate peg) followed by 5.8% per year for 4 years (17% SRV and 12% assumed rate peg).</p>



<p>The purpose of the funds for the special variation</p>	<p>Primary purposes:</p> <ul style="list-style-type: none"> • Ensure minimal disruption to existing services. • Deliver key priorities outlined in the Community Strategic Plan 2018 - 2028 and the Delivery Program 2018 – 2022. • Infrastructure renewal/maintenance. • Enhance and ensure financial sustainability (Section 8B of the NSW Local Government Act 1993).
<p>The percentage/dollar amount of the intended minimum rate</p>	<p>Former Hurstville City Council currently has a minimum rate of \$585.72 and Kogarah City Council has a minimum rate of \$966.73.</p> <p>The proposed application will seek a new minimum rate of \$965.80 across the entire Local Government area and a different minimum rate of \$1,500 for the Commercial Strategic Centres of Kogarah and Hurstville and \$1,100 minimum, for the remaining business subcategories.</p>
<p>The purpose of the minimum rate change</p>	<p>The purpose of the minimum rate change is to support the 2019/20 community consultation feedback, ensure equity across the Local Government area and comply with the NSW Local Government Act 1993, in terms of harmonising the rate structure following the amalgamation of the two former councils in May 2016.</p>
<p>Contact details for the application</p>	<p>Danielle Parker Chief Financial Officer Phone: [REDACTED] Email: [REDACTED]</p>

Council looks forward to again working with the IPART in relation to this SV and minimum rate change application.

Yours sincerely

[REDACTED]

Gail Connolly
General Manager