
Georges River Council – Ratepayer Summary

Georges River Council's (the council) operating results, excluding grants, have been in deficit and will continue to decline further when the former Hurstville Council's special variation expires on 30 June 2021. In addition, the council requires additional funding to deliver its Community Strategic Program and provide the same level of services for all ratepayers. To address these issues, the council applied to IPART to permanently increase its general income through a special variation¹ (SV) of 5.8% per annum (inclusive of the rate peg) for five years.

IPART has approved the SV application in full.

Impact on council's income

Purpose

- ▼ Improve financial sustainability
- ▼ Deliver key priorities in the Community Strategic Plan and the Delivery Program
- ▼ Maintain existing level of services



\$116.6m

Additional income
above the rate peg over
the next ten years

The council also applied to harmonise its minimum rates² (MR) for 2021-22 as follows:

- ▼ \$966 per annum for residential ratepayers
- ▼ \$1,100 per annum for business ratepayers, except those in the Hurstville or Kogarah commercial strategic centre or major shopping complex rating categories
- ▼ \$1,500 per annum for business ratepayers within either the Hurstville or Kogarah commercial strategic centre or major shopping complex categories.

The harmonisation of minimum rates will deliver a more equitable distribution of the rating burden among ratepayers.



IPART has approved the MR application in full.

¹ A special variation is the percentage by which a council's general income for a specified year may be varied as determined by IPART under delegation from the Minister.
² A minimum amount of the rate specified under section 548 of the *Local Government Act 1993*.

Coinciding with council's application is a rates harmonisation process, where a single rating system for all ratepayers will be adopted across the former Hurstville City and Kogarah City councils 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.


Some Georges River ratepayers that made submissions to IPART expressed concerns around the impact of the rate increases, however this needs to be balanced against the council's ongoing ability to provide services to its ratepayers.

Impact on rates from 2021-22 to 2025-26

	 Residential	 Business
Hurstville City	+26.1%	+39.4%
Kogarah City	+28.1%	+26.0%

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


Demonstrated
↓



Rationale for increasing minimum rates

The council expects that the proposed minimum rates will deliver a more equitable distribution of the rating burden among ratepayers.


Demonstrated
↓



Impact on ratepayers

The council considered the impact of the proposed minimum rates on each rating category.

Demonstrated
↓

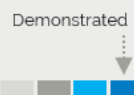


Consultation to obtain community views

The council used a wide range of consultation methods and clearly communicated the annual dollar value of the proposed minimum rate increase.

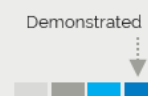
We assessed the council's SV application against the Guidelines issued by the Office of Local Government and determined that it largely demonstrated the criteria.

Financial Need



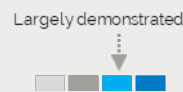
Without the special variation, the council's financial position will be significantly challenged. The council's operating results will continue to be in deficit and deteriorate further.

Community awareness



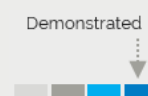
The council used a wide range of consultation methods. The council considered and responded to community feedback on the proposed special variation.

Reasonable impact on ratepayers



The council compared economic indicators and found that the impact on ratepayers is reasonable. However, the council did not compare its proposed rates with other comparable councils.

IP&R documentation



The council revised the relevant IP&R documents to include the proposed special variation. The council exhibited, approved and adopted its IP&R documents in a timely manner.

Productivity Improvement and Cost Containment



The council has realised savings through a number of initiatives over recent years. However, the council has yet to commit to the expenditure savings it has proposed for the next three years.

Response to 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 unaffordable, particularly for those in the former Hurstville area or on low incomes

We acknowledge that some ratepayers might find it difficult to afford the proposed rate increases. However, this increase is \$62 lower in the former Hurstville council area than the former Kogarah area. This is because the council is harmonising rates across the Georges River area, and average residential rates are currently higher in the Hurstville area.

We note that Georges River has a relatively low level of disadvantage compared to other council areas in NSW, which suggests the community generally has the capacity to pay the higher rates. The council has a hardship policy to assist ratepayers facing financial difficulties. It has also introduced measures to support ratepayers financially affected by the COVID-19 pandemic.

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. However, we found that it had considered alternatives to the proposed SV increase, including service reductions and staffing levels.

We also found the council has improved its financial management over recent years. For example, by combining services and facilities of the two former councils it reduced costs by \$1.2 million. By improving its business processes and increasing its efficiency, it reduced costs and increased revenue by around \$3 million. In addition, it has identified but not committed to a further saving of \$12 million over the next 3 years.

Despite these past and forecast savings, the council has demonstrated a clear financial need for additional revenue to improve its financial sustainability. It is currently operating at a loss, and even with the approved SV the council will continue to operate with a financial deficit.

On balance, we consider that the SV is appropriate to allow the council to improve its financial sustainability.

Stakeholders considered that the projects to be funded by the SV are unnecessary

The council has demonstrated a financial need for additional revenue to improve its financial sustainability.

However, some of these funds are to be used to deliver key priorities in the council's Community Strategic Plan. These include footpaths, parking, libraries, aquatic and sport and recreation facilities, which are delivered across the entire amalgamated council area.

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. The council provided a video on its website to explain why an increase in population, development, and land value does not automatically generate additional rates revenue.

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](#).