

Fact Sheet 8: Service Plus and Businesses

How might rate increases for Service Plus affect businesses?

Businesses in Waverley currently pay more in rates than residents. Like residents, their rates are a function of their land value but they pay a higher rate per dollar of land value.

Nevertheless, if it is determined that rates should be raised to fund **Service Plus**, then rates for businesses will need to rise by the same percentage increase that would be applied to residential rates. This would mean that business rates would be increased slowly over seven years until they are:

- **just over 70% higher than they are now (2010/11) to sustainably fund existing services**, compared to the 20-25% increase that will inevitably occur under the rate capping system in that time; **or**
- **about 120% higher than they are now (2010/11) to sustainably fund existing services plus the enhancements** requested during consultation on *Waverley Together 2*, compared to the minimum 20-25% increase that will inevitably occur in that time.

In percentage terms it would mean yearly rate increases for both residents and businesses of:

- 8.79% each year for seven years to fund existing services, or
- 12.59% each year for seven years to fund existing service plus all enhancements.

What do businesses pay in rates now?

The average annual rate paid by businesses in Waverley in 2010/11 is \$4,447.

Compared to other councils, the average business rate in Waverley is **slightly below the average for other urban medium and large sized councils** and almost 20% below the mid point of the business rates range charged by other Sydney councils (data source: NSW DLG Comparative Data 2008/09).

Compared to what residents in Waverley pay, however, **businesses pay approximately 5 to 7 times more than residents per dollar of land value**.

- Residential ratepayers in Waverley pay \$0.1132 cents per dollar of land value in rates.
- Business ratepayers in Bondi Junction pay \$0.7950 cents per dollar of land value in rates.
- Business ratepayers outside Bondi Junction but still in Waverley pay \$0.5550 cents per dollar of land value.

What services do businesses receive for their rates?

Businesses share in the benefit of most of the services provided by Waverley Council, although not so much as residents. Businesses particularly benefit from works done to maintain or upgrade urban open spaces and malls, from footpath upgrades, and from place management services which contribute directly to economic prosperity in the area by ensuring our major places are clean, well designed and able to host well organised and coordinated events.

Businesses also benefit significantly from parking services provided by Council, although these are not funded by rates. They are funded by parking fees. Parking systems provided by Waverley Council are very efficient and are set up to ensure that more than 20,000 parking opportunities

per day can be delivered from a mere 2,200 on-street parking spaces. This is a major benefit to businesses in Waverley.

Are businesses bearing their fair share of responsibility for rates?

Businesses represent 6% of the total number of ratepayers in Waverley. However they contribute 28% of the total \$ value of rates raised per annum. Bearing in mind that businesses benefit financially from Council's services, the fact that they contribute proportionally more than residents would not seem to be socially unjust, especially if we consider that the business rates are on the low side compared to the average for Sydney businesses.

Income from business rates funds only about 8% of the total cost of services provided by Waverley Council. Income from residential rates funds only about 20% of the total cost of Council's services. Together – residential and business rates fund just under 28% of the cost of services received by ratepayers.

Will Service Plus provide enhanced benefits for businesses?

Service Plus contains some significant extra benefits for business including:

- ✓ increased place management services
- ✓ substantial improvements to footpaths especially focussing on high traffic commercial areas
- ✓ enhanced traffic planning and management projects
- ✓ enhanced transport infrastructure such as bus shelters
- ✓ ongoing maintenance of malls and urban open spaces and selected commercial centre streetscape upgrades
- ✓ increased presence of Rangers to reduce anti-social behaviour, dumped rubbish and graffiti
- ✓ continued partnership with businesses in recycling, and water and energy conservation.

Could Service Plus be funded without raising business rates?

If a rate increase is preferred as a means of funding **Service Plus** then rate increases for businesses would need to be uniform in percentage terms with rate increases for residents.

Rate increases for both residents and businesses could be minimised if fees for on-street parking were substantially increased. Businesses would need to weigh up the pros and cons of this alternative, based on their view of the benefit provided by the parking system with its current low meter fees, compared to the benefit if meter fees are substantially increased.

Businesses could also choose to pay more in rates or developer charges if they wish. In this event, however, the extra rates and charges paid by the businesses could only be spent on services from which they directly benefit. It could not be used to subsidise benefits that are primarily for residents.

Could big businesses pay more to help support smaller businesses?

Under the current regulations for rating, activities of a like nature in geographic centres of population need to be rated on the same basis. Hence big commercial businesses right next to small commercial businesses must be rated on the basis of the same rate per dollar of land value. Commercial businesses in geographically distinct areas can be rated differently. In Waverley, commercial businesses in Bondi Beach attract lower rates per dollar of land value than those in Bondi Junction.