

Gundagai Shire Council's application to increase minimum rates

under section 548(3) of *Local Government Act 1993*

Local Government — Determination
May 2015



Independent Pricing and Regulatory Tribunal

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1 Determination

The Independent Pricing and Regulatory Tribunal of NSW (IPART) is responsible for setting the amount by which councils may increase their general income, which mainly comprises income from rates. Each year we determine a standard increase that applies to all NSW councils, based on our assessment of the annual change in their costs and other factors. This increase is known as the rate peg.

Under the *Local Government Act 1993* (the Act) councils must apply to IPART if they wish to increase their minimum rates above the statutory limit. If they wish to increase the minimum amount of a special rate (above the statutory limit of \$2), they must apply even if the proposed increase is equivalent to the rate peg.¹

IPART assesses these applications against criteria in Guidelines set by the Office of Local Government (OLG).²

Gundagai Shire Council applied to increase the minimum amount of its Town Improvement District (TID) special rate by 2.4% in 2015-16. This increase is in line with the rate peg of 2.4% that all councils may apply to their general income. After assessing the council's application, we have decided to allow the increase as requested. IPART has made this determination under section 548(3) of the Act.

1.1 Our decision

We determined that Gundagai Shire Council may increase the minimum amount of the TID special rate by 2.4% in 2015-16.

Table 1.1 IPART's decision on Gundagai Shire Council's application to increase the minimum level of the Town Improvement District rate in 2015-16

	Increase in 2015-16 (%)	Minimum rate in 2015-16 (\$)
Town Improvement District Special Rate Minimum	2.4	207.25

¹ IPART has previously suggested that the Local Government Act be amended to allow councils to increase the minimum amounts of special rates in line with the rate peg. We maintain this view.

² Office of Local Government, *Guidelines for the preparation of an application to increase minimum rates above the statutory limit 2015/16*, October 2014 (the Guidelines).

2 What did the council request and why?

Gundagai Shire Council applied to increase the minimum amount of the TID special rate by 2.4%, equivalent to the rate peg for 2015-16. The requested increase would result in the minimum amount of the TID rate being \$207.25, an increase of \$4.85 on the rate in 2014-15.

The TID special rate dates back to 1924 when Gundagai Shire Council was formed by the amalgamation of Gundagai Municipal Council and Adjungbilly Shire Council. It is assessed on properties in the town of Gundagai, and consists of an ad valorem amount that is subject to a minimum rate.

Currently the TID special rate applies to 1,074 ratepayers, 62% of whom pay the minimum rate. The council has indicated it intends to maintain this proportion in 2015-16.³

Whilst the council has historically considered the special rate as general revenue (labelled the 'TID fund'), it has limited expenditure from this fund to services within the Gundagai town area.

Examples of the recent use of TID revenue include contributions for services to the township by Fire and Rescue NSW, servicing costs of a TV translator providing coverage for black spot areas around the township, kerb and guttering, stormwater drainage, footpath reconstruction and street lighting.⁴

3 How did we reach our decision?

We assessed Gundagai Shire Council's application against the criteria in the Guidelines. We found that the application satisfactorily met the criteria.

Table 3.1 summarises our assessment against the criteria.

³ Gundagai Shire Council, *Application to Increase Minimum Rate above Statutory Limit for 2015/16, Part A (Gundagai, Application Part A)*, Worksheet 1.

⁴ Gundagai Shire Council, *Application to Increase Minimum Rate above Statutory Limit for 2015/16, Part B (Gundagai, Application Part B)*, p 2.

Table 3.1 Summary of IPART’s assessment of Gundagai Shire Council’s application against the criteria in the Guidelines

Criterion	IPART findings
1. Rationale for increasing minimum rates above the statutory amount.	The council will increase the minimum level of the TID special rate by 2.4% in 2015-16, consistent with the rate peg applied to its other rates. It is also consistent with the approach the council has applied in past years. Since 1993, the council has increased the TID special rate minimum rate by the amount of the rate peg each year.
2. Impact on ratepayers, including the level of the proposed minimum rates and the number and proportion of ratepayers that will be on the minimum rates, by rating category or sub-category.	The impact on ratepayers is minimal at \$4.85. The council has indicated the proportion of TID ratepayers paying the minimum amount will remain constant in 2015-16 at 62%. The council has an effective hardship policy.
3. Consultation the council has undertaken to obtain the community’s views on the proposal.	We consider the council’s level of consultation is sufficient, given the history of the TID rate and the minimal size of the increase. The council’s current Delivery Program indicates its intention to increase the TID (ad valorem and minimum) rates by the allowable rate pegging limit each year. The council sought submissions from the community on the proposed minimum rate increase through two advertisements in the Gundagai Independent, on 23 and 26 February 2015. No submissions were received.

Sources: Gundagai, *Application Part A and Application Part B*; Gundagai Shire Council, *Hardship Policy and Delivery Program 2014-18*, p 44.

4 What does our decision mean for the council and ratepayers?

Table 4.1 sets out the impact of the rate increase for affected ratepayers. The council estimates that in 2015-16 the TID special rate will apply to 1,072 ratepayers, 663 of whom (62%) will pay the minimum rate. Our decision will not increase the council’s general income above the rate peg, set at 2.4% in 2015-16.

Table 4.1 Increase to the minimum level of the TID special rate in 2015-16

Category	Minimum rate 2014-15 (\$)	Increase (%)	Increase (\$)	Minimum rate 2015-16 (\$)
TID special rate	202.40	2.4	4.85	207.25

Source: Gundagai, *Application Part A*, Worksheet 1.

