



Independent Pricing and Regulatory Tribunal

Gundagai Shire Council's application to increase minimum rates in 2013/14

**Local Government — Determination
June 2013**

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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 rates income. 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.

By the operation of the *Local Government Act 1993* (the Act), councils must apply to IPART if they wish to increase their minimum rates above the statutory limit. A council must also obtain approval on every occasion that it wishes to increase the minimum amount of a special rate, even if it is just by the rate peg.

We are required to assess councils' applications for minimum rates increases against the criteria included in the *Guidelines for the preparation of an application to increase minimum rates above the statutory limit* (the Guidelines).¹

In 2013/14 Gundagai Shire Council applied to increase the minimum amount of the Town Improvement District (TID) special rate by 3.4%. After assessing the council's application, we decided to allow the increase as requested. We made this determination under section 548(3) of the Act.

1.1 Our decision

IPART determined that Gundagai Shire Council may increase the minimum amount of the TID special rate by 3.4% in 2013/14. This increase is in line with the rate peg of 3.4% that all councils may apply to ordinary rates.

Table 1.1 sets out our decision.

Table 1.1 IPART's decision on Gundagai Council's application to increase the minimum level of the Town Improvement District rate in 2013/14

	Increase in 2013/14 (%)	Minimum rate in 2013/14 (\$)
Town Improvement District Special Rate minimum	3.4	197.85

¹ *Guidelines for the preparation of an application to increase minimum rates above the statutory limit*, October 2012, Division of Local Government, Department of Premier and Cabinet.

1.2 What did the council request and why?

Gundagai Shire Council applied to increase the minimum amount of the TID special rate by 3.4%, equivalent to the rate peg for 2013/14. The requested increase would result in the minimum amount of the TID rate being \$197.85, an increase of \$6.45 on the rate in 2012/13.

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 1,046 ratepayers, and 636 (60.8%) of these ratepayers pay the minimum rate.²

The council indicated that the revenue raised through this special rate is used to improve town amenities. Examples of the recent use of TID revenue include 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.³

1.3 How did we reach our decision?

We assessed Gundagai Council's application against the criteria in the Guidelines. We found that the application satisfactorily met the criteria, as summarised in Table 1.2.

Increasing the minimum level of the TID special rate by 3.4% in 2013/14 is consistent with the increases the council will apply to other rate categories and to the TID ad valorem rate. It is also consistent with the approach the council has applied in recent years. Since 1993, the council has increased the TID special rate minimum rate by the amount of the rate peg each year. Maintaining equity among ratepayers is consistent with the approach to minimum rates recommended in the Guidelines.

The council sought submissions on the proposed increase to the TID through 2 advertisements in the local newspaper. None was received. This is consistent with the community's view of the council's intended rating structures and related minimums at least since the introduction of the *Local Government Act 1993*. The consultation undertaken is sufficient, given the history of the TID rate and the modest size of the increase.

² Gundagai Shire Council, *Application to Increase Minimum Rate above Statutory Limit - Part A*, 22 March 2013 (Gundagai Application Part A).

³ Gundagai Shire Council, *Minimum Rate Increase above Statutory Limit - Application Form Part B*, 22 March 2013, p 1.

Table 1.2 IPART’s assessment against the criteria in the Guidelines

Criterion	IPART findings
1. Rationale for increasing minimum rates above the statutory amount.	The council's rationale is to apply the approved rate peg to the TID minimum rate, consistent with the allowable increase for other TID ratepayers. This is in line with past years' practice.
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 modest (\$6.45 per annum) and consistent in percentage terms with the rate peg applied to the council's other rates. The proportion of TID ratepayers paying the minimum amount will increase from 60.8% to 62.1% in 2013/14.
3. Consultation the council has undertaken to obtain the community's views on the proposal.	Given the history of the TID rate and the modest size of the increase, we consider the council's level of consultation sufficient. No submissions were received about the proposal.

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

Our decision will increase the minimum amount of the TID special rate by \$6.45 per year, taking it to \$197.85. In 2013/14, the council estimates that the TID special rate will apply to 1,072 ratepayers, and 666 (62.1%) of these ratepayers will pay the minimum rate.

Our decision means that Gundagai Shire Council may increase its general income by an estimated \$4,296 in 2013/14.⁴

1.5 Policy recommendation to Government

Section 548(3)(b) of the Act specifies that the minimum amount of any rate other than an ordinary rate (not being a water supply special rate or a sewerage special rate) may not exceed \$2 unless special Ministerial approval (as delegated to IPART) for a higher amount has been granted. Unlike the minimum amount for an ordinary rate, the Act does not provide the flexibility to increase this limit through an amendment to the Regulation.

IPART has previously suggested that the Act be amended to allow councils to increase the minimum amounts of special rates in line with the rate peg.⁵ We maintain this view and trust that it will be considered by the Local Government Acts Taskforce.

⁴ Gundagai Application Part A and IPART calculations.

⁵ IPART, *Report on IPART's functions in relation to local government in 2010/11*, October 2011, p 36.

