

Balranald Shire Council special rate variation application approved

The Independent Pricing and Regulatory Tribunal (IPART) has approved Balranald Shire Council's application to almost double the income generated by rates over the next seven years.

The council has received approval to permanently increase its general income by 10% per year for each of the next seven years, which includes the rate peg. The additional revenue will fund operating and capital expenditure for its key assets - roads, parks, buildings and recreation facilities - and improve its financial sustainability.

The cumulative increase of 95% is 76% more than the assumed rate peg increase over the seven-year period to 2024-25. It is in line with the council's action plan developed in response to the Performance Improvement Order (PIO) issued by the NSW Government in April 2017.

IPART Chair Dr Peter Boxall said whilst the percentage increase is significant, Balranald Council's average residential rate at \$283 per year in 2017-18 is substantially lower than the average rates charged by neighbouring and similar councils.

Even with the proposed increase, Balranald Council's average residential rate in 2024-25 at \$552 would be lower than neighbouring councils' current rates, and significantly below NSW's average residential rate (\$1,017 in 2015-16). The council's average rate as a percentage of average household income in 2024-25 is estimated to be 0.74%, which would be similar to its peers, and below NSW averages (1.3% in 2015-16).

Special variations are designed to give councils the flexibility to generate additional income above the rate peg to meet their specific needs, with an independent process to assess the increase.

"Balranald Council was able to meet the criteria for approval of the special variation by demonstrating a clear need for the additional revenue, that it had appropriately engaged the community about the proposed rate increases, and that it is taking steps to improve productivity and contain costs." Dr Boxall said.

The council intends to use the additional \$3.7 million to be generated over the next seven years for both operating and capital expenditure to maintain and improve assets, and improve its financial sustainability.

The application was assessed by IPART against the NSW Government's published criteria, taking into account the council's planning and reporting documents and financial need for the additional revenue, its community consultation on the proposed

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More information is available at ipart.nsw.gov.au

changes and the capacity and willingness of ratepayers to pay the requested increase.

“Based on the council’s application, the average residential rate will increase by \$28 in 2018-19 or by \$269 over seven years. Average business rates will rise by \$105 in the first year, while farmland rates will go up by an average of \$189,” Dr Boxall said.

“We consider the impact of the increase is substantial but reasonable given current average rates are lower than those in neighbouring and comparable local council areas.”

Requested special variation	94.9% cumulative increase over 7 years to be retained permanently in the rate base
Outcome (including rate peg)	Approved in full.
Increase in the average residential rate 2018-19	\$28
Total cumulative increase in resident rate over 7 years (including the rate peg)	\$269
Summary of purpose	Fund operating and capital expenditure for key buildings, roads, bridges and drainage networks, and improving financial sustainability

IPART has attached conditions to the approval requiring the additional income to be used for the purposes outlined in the application, and that council reports to the community about how the additional revenue is spent.

Balranald is one of 13 councils across NSW (of a total of 128) to make a special variation application to increase rates for 2018-19. IPART approved 9 applications in full, 2 applications were approved in part, and 2 were not approved.

IPART will set the next rate peg, to apply from 1 July 2019, in September this year to provide councils with more time to prepare annual budgets and consult with their communities if they are considering applying for a special rate variation.

The full reports on all of the councils’ applications are available on IPART’s website <<http://www.ipart.nsw.gov.au>>.

Note: All percentages include the 2.3% rate peg applicable to all NSW councils in 2018-19, and the estimated rate peg in subsequent years.