

Randwick City Council special rate variation application approved

The Independent Pricing and Regulatory Tribunal (IPART) has approved Randwick City Council's application to increase general income by more than the rate peg of 2.3% from 1 July 2018.

The council applied for an increase of 7.6% in 2018-19 followed by increases of 5.5% in both 2019-20 and 2020-21. If implemented as proposed by the council, the cumulative increase of 19.9% would be retained permanently in the rate base.

The impact of the increase on ratepayers would be offset by the expiry of a temporary 6% environmental levy in 2019-20, meaning the effective increase in rates from current levels is likely to be around 10% for residential ratepayers and 15% for most business ratepayers to 2020-21.

The council also intends to introduce a new business subcategory for 27 business properties at Port Botany, where rates would increase in total by 87% to 2020-21.

IPART Chair Dr Peter Boxall said the special variation would enable the council to fund new community facilities and projects, including a women's refuge centre and new public plazas; maintain and renew existing services and infrastructure, including an upgrade of the Heffron Park sports complex; and provide protective infrastructure to meet its anti-terrorism obligations.

"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," Dr Boxall said.

"In the case of Randwick City Council, we are satisfied the council has demonstrated the need for additional revenue, that the community was aware of the need for, and extent of, the rate rise. The council is taking steps to improve productivity and contain costs."

The rate increases are estimated to generate an additional \$19.7 million of revenue over the next three years.

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

Submissions received directly from ratepayers, community groups, business groups and other stakeholders were also considered.

“Based on the council’s application, the average residential rate will increase by \$65 in 2018-19 or by \$122 over three years,” Dr Boxall said.

“We consider the impact of the increase is likely to be manageable for most ratepayers. The 10% increase in residential rates over three years is 2.4% more than the assumed rate peg increase over the period.”

Requested special variation	19.9% cumulative increase over 3 years to be retained permanently in the rate base (partially offset by expiry of an existing 6% variation in 2019-20)
Outcome (including rate peg)	Approved in full.
Increase in the average residential rate 2018-19	\$65
Total cumulative increase in resident rate over 3 years (including the rate peg)	\$122
Summary of purpose	Maintain and improve service levels and key assets, address infrastructure backlog and improve 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 the council reports to the community about how the additional revenue is spent.

Randwick is among 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 applications 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.