

Special rate variation decisions for 13 NSW councils

The Independent Pricing and Regulatory Tribunal (IPART) today released decisions on applications made by 13 councils to increase general income above the 2.3% rate peg from 1 July 2018.

The applications made by nine councils – Ballina Shire, Bellingen Shire, Balranald Shire, Clarence Valley, Hawkesbury City, Kempsey Shire, Lismore City, Randwick City and Shoalhaven City - have been approved in full. Increases requested by Kiama Municipal and Muswellbrook Shire councils have been approved in part, while the applications from Upper Hunter Shire and Willoughby City were not approved.

Minimum rate applications made by Clarence Valley and Randwick were also approved in full, but Kiama's minimum rate application was not approved.

IPART Chair, Dr Peter Boxall said special variations are designed to give councils the flexibility to generate additional income above the rate peg to meet their specific needs, and have a direct impact on the rates paid by land owners.

“The rate peg is calculated each year to reflect changes in the standard operating costs of local government such as labour, electricity and construction works” Dr Boxall said.

“Councils requiring additional funds to improve services, financial sustainability or to fund new capital works can apply for a special rate variation after consulting with their communities and meeting other criteria set by the Office of Local Government (OLG).

“The applications from Kiama, Muswellbrook, Upper Hunter and Willoughby did not sufficiently detail their proposed special variations in their Integrated Planning and Reporting documents (IP&R).

“The OLG criteria emphasize the importance of councils communicating their proposed special variations through the IP&R process, to enable ratepayers to understand and provide feedback to councils on their proposals.”

“Upper Hunter Shire Council also failed to demonstrate the community was sufficiently aware of the proposed increase, while Willoughby City Council did not sufficiently demonstrate the financial need for the special variation,” Dr Boxall said.

If the approved special variations are implemented in full by the relevant councils, average residential rates would increase in 2018-19 by between \$18 (Kempsey) and \$107 (Hawkesbury).

The largest average cumulative dollar increase approved is for Hawkesbury where rates will rise on average by \$351 over the next three years. The largest cumulative

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percentage increase approved is for Balranald where residential rates will rise by an average of just under 95% or \$269 over the next seven years.

It is a matter for each individual council to determine how it collects rate revenue across different categories of ratepayer, and how the special variation increase is distributed amongst the ratepayer categories.

The impacts on individual ratepayers will also vary due to land re-valuations and the decisions made by councils about how to allocate rate changes amongst their communities.

IPART has attached conditions to the approvals requiring the additional income to be used for the purposes outlined in the application, and that councils report to their communities each year about how the additional revenue is spent.

Details of the special variation requested by each council and IPART's determinations are summarised below. Full reports can be found on IPART's website <<http://www.ipart.nsw.gov.au>>.

Council	Application	Outcome
Ballina	15.5% cumulative increase over 2 years to be retained permanently in the rate base.	Approved in full.
Balranald	94.9% cumulative increase over 7 years to be retained permanently in the rate base.	Approved in full.
Bellingen	19.1% cumulative increase over 3 years to be retained permanently in the rate base.	Approved in full.
Clarence Valley	26.0% cumulative increase over 3 years to be retained permanently in the rate base.	Approved in full.
Hawkesbury	31.3% cumulative increase over 3 years to be retained permanently in the rate base.	Approved in full.
Kempsey	6.5% single year increase to be retained in the rate base for 10 years	Approved in full
Kiama	19.1% cumulative increase over 3 years to be retained permanently in the rate base.	Approved in part: 6.0% temporary increase for one year only.
Lismore	2.7% single year increase to be retained in the rate base for 5 years	Approved in full.
Muswellbrook	14.7% single year increase to be retained permanently in the rate base.	Approved in part: 14.7% temporary

		increase for one year only
Randwick	19.9% cumulative increase over 3 years to be retained permanently in the rate base.	Approved in full.
Shoalhaven	29.1% cumulative increase over 3 years to be retained permanently in the rate base.	Approved in full.
Upper Hunter	20.1% cumulative increase over 3 years to be retained permanently in the rate base.	Not approved.
Willoughby	3.1% temporary single year increase to be retained in the rate base for 4 years.	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.

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