

Special rate variation requests approved for Ballina, Bellingen, Clarence Valley, Lismore and Kempsey

The Independent Pricing and Regulatory Tribunal (IPART) has approved applications from Ballina, Bellingen, Clarence Valley, Lismore and Kempsey councils to increase general income above the 2.3% rate peg from 1 July 2018.

If adopted, residential rates for these NSW North Coast councils would typically increase by between \$18 and \$78 in 2018-19. Other councils are able to increase their general revenue from rates by up to the rate peg of 2.3% from 1 July 2018.

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, with an independent process to assess the increase.

Applications are assessed by IPART against the NSW Government's published criteria, with submissions received directly from stakeholders also considered.

"In making these assessments, we have considered each 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," Dr Boxall said.

"Although the Bellingen, Clarence Valley and Lismore communities were generally opposed to the increases, the councils have demonstrated they have provided opportunity for input and considered the impact on ratepayers."

Through the rate peg and special variation process, IPART determines the allowable increases to councils' general income. Councils decide how to allocate the increase among different ratepayer categories, such as residential, business, farmland and mining.

Ballina Shire Council

Ballina Shire Council has received approval to permanently increase its general revenue by a cumulative 15.5% over the next two years to fund infrastructure asset renewal, the 'Health of Our Waterways' (Healthy Waterways program) and to improve its financial sustainability.

The decision follows last year's approval of a temporary 1-year increase of 4.9%. We required the increase above the rate peg to be removed at the end of 2017-18.

As a result of this expiring special variation reducing the council's general income by 3.2%, the net increase in general income over the next 2 years would be 11.8%.

“Based on the council’s application, the average residential rate will increase by \$54 from 1 July 2018, and by a total of \$116 over the next two years,” Dr Boxall said.

“The average business rate will rise by \$403 over the next two years, while farmland rates will go up by an average of \$179.”

Requested special variation	15.5% cumulative increase over 2 years to be retained permanently in the rate base
Outcome (including rate peg)	Approved in full.
Increase in the average residential rate 2018-19	\$54
Total cumulative increase in residential rate over 2 years (including the rate peg)	\$116
Summary of purpose	Fund infrastructure asset renewal, the ‘Health of Our Waterways’ (Healthy Waterways program) and to improve the council’s financial sustainability

Bellingen Shire Council

IPART has approved Bellingen Shire Council’s application to permanently increase rates by a cumulative 19.1% over the next three years, 11.6% more than the assumed rate peg increase over this period.

The additional revenue will fund sealed roads resurfacing and bridge renewal, reduce the council’s infrastructure backlog and improve its financial sustainability.

Dr Boxall said Bellingen Shire Council’s application was broadly consistent with its 2015 Fit for the Future proposal and follows IPART’s approval of a 6% permanent single year increase in 2017-18.

“Over 100 submissions were received opposing the Council’s application. Nevertheless, the application met the criteria for approval by demonstrating a clear need for the additional revenue to improve roads and bridges, and steps are being taken to improve productivity and contain costs.

“Based on the council’s application, the average residential rate will increase by \$66 in 2018-19, the average business rate will rise by \$72, while farmland rates will go up by an average of \$170,” Dr Boxall said.

Requested special variation	19.1% cumulative increase over 3 years to be retained permanently in the rate base
Outcome (including rate peg)	Approved in full
Increase in the average residential rate 2018-19	\$66

Total cumulative increase in residential rate over 3 years (including the rate peg)	\$212
Summary of purpose	Fund infrastructure renewal works as part of sealed roads resurfacing and bridge renewal program, reduce infrastructure backlog and to improve financial sustainability

Clarence Valley Council

IPART has approved Clarence Valley Council’s application to permanently increase rates by a cumulative 26.0% over the next three years, 18.5% more than the assumed rate peg increase over the period. The additional revenue will fund asset maintenance and renewal and improve financial sustainability.

Dr Boxall said the council’s financial sustainability was identified as an issue in the 2015 Fit for the Future assessment, along with its ability to manage its infrastructure and services for the community. Since then, the council was able to demonstrate that it has investigated alternative funding strategies, is making productivity improvements and has engaged the community on the need for a special variation.

“There was considerable opposition from the community to the rate increase proposed by council, and the impact on ratepayers will be significant,” Dr Boxall said.

“But should the council proceed with its plans, we have assessed that the increase is reasonable as current rates are lower than those in similar council areas, rate payments as a percentage of average income is similar to neighbouring council areas, and the council has a need for additional revenue to improve financial sustainability.”

Ratepayers on minimum rates within the LGA (generally coastal villages and residential sites out of town) will experience increases consistent with those allowed under the special rate variation.

Requested special variation	26.0% cumulative increase over 3 years to be retained permanently in the rate base
Outcome (including rate peg)	Approved in full.
Increase in the average residential rate 2018-19	\$78
Total cumulative increase in residential rate over 3 years (including the rate peg)	\$253
Summary of purpose	Fund asset maintenance and renewal, and improve the council’s financial sustainability

Lismore City Council

IPART has approved Lismore City Council's application to renew its special business rate levy for another 5 years. Taking into account this special variation replaces an existing levy, rates will rise by slightly more than the rate peg in 2018-19 by up to 2.34% for those businesses that continue to pay the levy.

This will allow the council to generate additional revenue of just over \$630,000 over the next five years to continue funding the city centre revitalisation program and the marketing activities of the Lismore Business Promotion Program which is now in its ninth year.

Requested special variation	2.7% single year increase to be retained in the rate base for five years
Outcome (including rate peg)	Approved in full.
Increase in the average business rate 2018-19	\$103 (Urban) and \$193 (Inner CBD)
Summary of purpose	Fund city centre revitalisation and the Lismore Business Promotion Program

Kempsey Shire Council

Kempsey Shire Council will be able to extend its environmental levy for a further 10 years following IPART's approval of the council's application for a 6.5% special variation. As the levy is already in place, rates within the shire will on average increase by the 2.3% rate peg in 2018-19.

This special variation will allow the council to continue to fund environmental restoration projects across the shire including bush regeneration, repair to local creeks and waterways, weed control, restoration of wildlife habitats and corridors, and flood mitigation works.

Requested special variation	6.5% single year increase to be retained in the rate base for 10 years
Outcome (including rate peg)	Approved in full
Increase in the average residential rate 2018-19	\$18
Summary of purpose	Replace an expiring special variation to fund environmental works

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

The five North Coast councils are 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 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.