

Kiama Municipal Council's special rate variation approved

The Independent Pricing and Regulatory Tribunal (IPART) has approved Kiama Municipal Council's application to increase general income by 16.42% over the next two years.

The cumulative increase includes a 9.83% rise from 1 July 2019, followed by a further 6.0% increase from 1 July 2020. If adopted by Council, the increase in revenue would be permanently retained in the rate base.

The additional revenue of around \$3 million over the next 2 years will go towards funding the maintenance of existing services, infrastructure and community facilities, allow for the renewal of infrastructure, and enhance the Council's financial sustainability. As the approved special variation is permanent, it would mean a cumulative increase in revenue of \$19.1 million above the assumed rate peg over the next 10 years.

IPART Chair Dr Paul Paterson 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.

"Kiama Council was able to meet the criteria for approval of the special variation by demonstrating a clear need for the additional revenue to fund asset renewals," Dr Paterson said.

"Although we noted some shortcomings in the Council's consultation with its community we assessed it to be sufficient overall. We found the impact to be reasonable and that the Council is taking steps to improve productivity and contain costs."

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 of ratepayers to pay the requested increase.

Dr Paterson said the approval replaces a temporary special variation which expires on 30 June 2019. That temporary variation was granted last year in place of the permanent variation requested by Council as it failed at that time to meet one of the OLG criteria. The criteria were met for 2019-20.

"Based on the Council's application, if the variation is adopted by Council, the average residential rate would increase by \$91 in 2019-20 and by \$187 over two years. The average business rate would rise by \$83 in 2019-20 and by \$190 over two years, while farmland rates would rise by \$158 in 2019-20 and by \$325 over two years," Dr Paterson said.

"We consider the impact on affected ratepayers would be reasonable, taking into account the proposed SV replaces the current expiring SV of 3.7%, the Council's implementation

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

of an incremental increase to the Pensioner Rebate Scheme to minimise the impact of the proposed increase on pensioners, and the Council's financial need for additional funding to be financially sustainable.

Requested special variation	16.42% cumulative increase over two years to be retained permanently in the rate base.
Outcome	Approved in full
Estimated increase in the average residential rate (including rate peg)	<ul style="list-style-type: none">• \$91 in 2019-20• \$187 total increase over two years
Summary of purpose	Fund maintenance and renewal of infrastructure assets and to enhance 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 report to the community about how the additional revenue is spent.

Kiama Council is among 13 councils across NSW (of a total of 128) to make a special variation application to increase rates for 2019-20. IPART approved eight applications in full, three applications in part, and two applications were not approved.

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 2.7% rate peg applicable to all NSW councils in 2019-20, and an estimated rate peg in subsequent years.

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