

Special rate variations determined for six Sydney councils

The Independent Pricing and Regulatory Tribunal (IPART) has approved applications from five Sydney councils, and partially approved another, to increase general income above the 2.7% rate peg from 1 July 2019.

Applications made by Burwood, Hunters Hill, Ku-ring-gai, Randwick and Sutherland councils have been approved in full.

North Sydney Council's application has been partially approved, with rates to increase by 22.5% over three years, instead of the 40.3% increase over five years requested by the Council.

If adopted in 2019-20, the increases in the average residential rates across these six NSW metropolitan councils would range from \$40 in the case of Ku-ring-gai, up to \$170 in Hunter's Hill.

These increases include the 2.7% rate peg, which can be applied by all councils from 1 July 2019.

Minimum rates for those living in Sutherland will increase from \$602.30 to \$900 from 1 July 2019. This represents around 25% of the ratepayers in Sutherland and brings their rates closer to the average residential rate charged across the council area.

IPART Chair Dr Paul Paterson said special variations give councils flexibility to generate additional income above the rate peg to meet specific needs.

Council applications are independently assessed by IPART against the NSW Government's published criteria. Submissions received directly from stakeholders are also considered.

"In making these assessments, we have considered whether there is a genuine financial need for additional revenue to allow a council to be financially sustainable, and fund infrastructure projects or asset renewal requirements of their regions," Dr Paterson said.

"We also look at efforts made by the various councils to reduce their costs and identify other sources of revenue, as well as the capacity and willingness of ratepayers to pay the requested increase.

Through the rate peg and special variation process, IPART determines the allowable increases to councils' general income. Councils decide whether to implement the increase and how it is allocated among different ratepayer categories, such as residential or business rates.

The six Sydney councils are among 13 councils across NSW (of a total of 128) to apply for special rate variations for 2019-20. Of the 13 applications, eight have been approved in full, three have been partially approved, and two (Port Stephens and Tamworth) were declined.

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 about how their additional revenue is spent.

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

Burwood Council

Burwood Council's application to permanently increase its general income by 19.5% over the next four years has been approved.

This includes a 4.7% rise from 1 July 2019, followed by 4.5% per annum increases over the subsequent three years.

The Council intends to use the additional \$4.9 million to be generated over the next four years to fund renewal of its infrastructure assets, including roads, footpaths, kerbs and gutters to reduce the infrastructure backlog.

Three submissions were received opposing the increase disputing the Council's need for additional funds and also citing affordability concerns for ratepayers.

IPART Chair Dr Paul Paterson said Burwood Council was able to meet the criteria for approval of the special variation by demonstrating a clear need for the additional revenue to reduce its infrastructure backlog.

"We determined that the Council had appropriately engaged the community about the proposed rate increases, that it had largely demonstrated its community has the capacity to pay the proposed rate increases, and that it is taking steps to improve productivity and contain costs," Dr Paterson said.

"Based on the Council's application, the average residential rate will increase by \$59 in 2019-20 or by \$254 over four years, while the average business rate will rise by \$257 in 2019-20 or by \$1,125 over four years," Dr Paterson said.

"We consider the impact of the increase is reasonable given the Council's need for additional funding to address its infrastructure backlog without compromising existing levels of service.

"We have also recognised the Council's incremental increase to the Pensioner Rebate Scheme to minimise the impact of the proposed SV on pensioners."

Requested special variation	19.5% cumulative increase over four 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"> • \$59 in 2019-20 • \$254 total cumulative increase over four years
Summary of purpose	Maintain existing services, fund maintenance and renewal of infrastructure assets and to address infrastructure backlog.

Hunter's Hill Council

IPART has approved Hunter's Hill Council's application for a 9.74% single year increase.

The variation includes a 4.04% 10-year temporary increase, which allows the Council to renew a previous special variation which expired on 30 June 2017 for its community facilities and asset renewal program, a 3.00% increase to be retained permanently in the rates base to fund ongoing operations, and the 2.7% rate peg increase.

The additional revenue will fund operating and capital expenditure for the Council's buildings, parks, reserves and playgrounds, allow the Council to maintain existing services and improve its financial sustainability.

Three submissions were received opposing the increase based on the Council's financial efficiency, the impact on its ratepayers and the Council's consultation with the community.

Dr Paterson said Hunter's Hill Council's application largely met the criteria in the Office of Local Government's Guidelines for approval of the special variation it requested.

"Based on the Council's application, the average residential rate will increase by \$170 in 2019-20, while the average business rate will rise by \$162."

Requested special variation	9.74% single year increase, of which 4.04% is to be retained in the rate base for 10 years and 5.70% is to be retained permanently in the rate base.
Outcome	Approved in full
Estimated increase in the average residential rate (including the rate peg)	\$170 in 2019-20
Summary of purpose	Fund ongoing operations such as infrastructure maintenance and renewals from continuing its community facilities asset renewal program, improve financial sustainability and maintain existing services.

Ku-ring-gai Council

IPART has approved Ku-ring-gai Council's application to permanently retain a 7.7% Environmental Levy, which was due to expire on 30 June 2019.

This decision enables the Council to continue to deliver a range of environmental and sustainability programs and works across the key areas of biodiversity, energy, water, sustainable transport, community recreation and engagement and environmental education.

'On balance, Ku-ring-gai Council's application met the criteria in the Office of Local Government's Guidelines' IPART Chair Dr Paul Paterson said. The Council has demonstrated strong community support for the levy.

"Ku-ring-gai Council was also able to meet the criteria for approval by demonstrating an appropriate level of community consultation through a range of engagement methods, and by meeting requirements in its planning and reporting documentation," Dr Paterson said.

"We consider the impact on affected ratepayers to be reasonable given the increase is partially offset by the Council's expiring special variation and a majority of ratepayers surveyed by the Council supported the proposal to make the existing environmental levy permanent. The Council also demonstrated that it is taking steps to improve productivity and contain costs."

IPART's decision means that the average residential rate will increase by \$40 and the average business rate will increase by \$176 in 2019-20.

Requested special variation	7.7% single year increase to be retained permanently in the rate base. The impact of the increase is partially offset by an expiring special variation 30 June 2019.
Outcome	Approved in full
Estimated increase in the average residential rate (including the rate peg)	\$40 in 2019-20
Summary of purpose	Fund a mix of capital works and operational programs that protect and enhance Ku-ring-gai's environment and help the community to live more sustainably; and to deliver a range of essential service functions to ensure best practice environmental management.

North Sydney Council

IPART has partially approved North Sydney Council's application for a special rate variation, reducing the requested 40.3% increase over five years to 22.5% over three years.

The decision reflects a range of factors including that the financial need for the larger increase could not be justified. The Council would be able to meet Office of Local Government benchmarks for financial sustainability and infrastructure backlog within three years under the proposed special variation.

IPART's approval means the Council is now able to increase the average residential rate by \$62 in 2019-20 or by \$184 over the next three years, and average business rates by \$190 in 2019-20 or by \$933 over the next three years.

The Council's request for an increase in the minimum rate has been approved and it will rise by \$37 in 2019-20 or by \$118 over the next three years.

"More than 70 submissions (including three petitions) were received opposing the Council's application, mainly on the grounds that the Council is in a strong financial position," Dr Paterson said.

"Nevertheless, we are satisfied the Council has partly demonstrated financial need for the additional revenue to improve its financial sustainability, maintain, renew and invest in its infrastructure, reduce its infrastructure backlog and maintain existing services. We are also satisfied that the Council largely demonstrated its community is aware of the proposed rate increases and that it is taking steps to improve productivity and contain costs."

Ratepayers subject to minimum rates within the North Sydney Council area will experience increases consistent with those allowed under the special rate variation.

The partial approval will allow the Council to begin implementing its expenditure program, whilst considering whether to apply for a further special variation in future years.

Requested special variation	40.3% cumulative increases over five years to be retained permanently in the rate base.
Outcome	22.5% cumulative increases over three years to be retained permanently in the rate base.
Estimated increase in the average residential rate (including the rate peg)	<ul style="list-style-type: none">• \$62 in 2019-20• \$184 total cumulative increase over 3 years
Summary of purpose	Fund ongoing operations such as maintenance and renewal of infrastructure relating to footpaths, roads, seawalls and drainage, invest in new infrastructure, reduce its infrastructure backlog, maintain existing services and enhance financial sustainability.

Randwick City Council

IPART has approved Randwick Council's application to amend its existing special variation by temporarily increasing its general income by an additional 5.90% in 2019-20 for five years. The increase must be removed from the rate base on 1 July 2024.

The additional revenue will be used to continue funding the environmental services and projects outlined as part of the Council's Sustaining our City program.

The approval follows an application made by the Council last year for a 19.85% cumulative increase over three years from 2018-19 to 2020-21 to be retained permanently in the rate base. This application was approved by IPART in 2018 and the first year's increase of 7.64% was applied in 2018-19.

This year's decision means that the Council may increase its rates by a combined 11.42% in 2019-20 and 5.52% in 2020-21, and that the temporary 5.9% component will be removed from the rate base on 1 July 2024.

Twelve submissions were received opposing the application, with concerns expressed about affordability and consultation.

IPART found that the Council largely demonstrated a financial need for the additional revenue above the rate peg to implement its proposed projects while remaining financially sustainable.

Despite the concerns raised, IPART determined that although the impact on ratepayers of the proposed rate increase would be considerable, it was largely reasonable when considering the community's willingness to pay, and that the Council demonstrated that the community was aware of the purpose of, and need for, the proposed special variation.

Requested special variation	An amendment to an existing special variation to increase general income by an additional 5.9% in 2019-20 and retain this increase in the rate base for five years.
Outcome	Approved in full
Estimated increase in the average residential rate (including rate peg)	\$70 in 2019-20
Summary of purpose	To continue funding the environmental services and projects outlined as part of the Council's Sustaining our City program.

Sutherland Shire Council

Sutherland Shire's application to increase its general income above the 2.7% rate peg from 1 July 2019 and raise minimum rates above the statutory limit has been approved.

The Council applied to increase its general income by 8.76% in 2019-20, including the rate peg, which is to be applied to minimum ratepayers only, through an increase in the minimum rate from \$602.30 in 2018-19 to \$900.00 in 2019-20.

IPART Chair Dr Paul Paterson said the Council was able to demonstrate that the change would allow the Council to fund asset renewals and reduce the infrastructure backlog. It is also trying to share the burden of future costs more equitably.

Based on the Council's application, ratepayers on the minimum rate will have a rate increase of \$298 in 2019-20, while rates for ratepayers who are not on the minimum will increase by the 2.7% rate peg.

Four submissions were received opposing the increase based on affordability and fairness.

"Whilst the percentage and dollar increase in minimum rates is significant, it reduces the gap between rates paid by minimum ratepayers and other ratepayers to reflect equity in the services consumed," Dr Paterson said.

"The current minimum rate (\$602.30) is 59.2% lower than the average residential rate of ratepayers who are paying above the minimum (\$1,476) and 87.2% lower than the average business ratepayer above the minimum (\$4,713)."

Requested special variation	8.76% single year increase to be retained permanently in the rate base.
Outcome	Approved in full
Increase in the minimum residential rate (including the rate peg)	\$298 in 2019-20
Summary of purpose	Improve equity and fund asset renewals to reduce the infrastructure backlog.

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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