

## CENTRAL WEST LOCAL COUNCIL RATE APPLICATIONS APPROVED

**3 June 2014**

The Independent Pricing and Regulatory Tribunal (IPART) has approved applications from Blayney Shire Council and Gilgandra Shire Council to increase general income above the rate peg of 2.3% from 1 July 2014, but declined an application from Weddin Shire Council.

The 3 councils in the central west region are among 32 of the 152 councils across NSW that made a special variation application to increase rates for 2014/15. Twenty-eight applications were approved in full, 1 was declined and 3 applications were partially approved.

Blayney Shire Council has received approval for 2 consecutive increases of 4.69% (2014/15) and 5.11% (2015/16), including the rate peg, to be retained permanently in its rates base.

IPART has also approved Gilgandra Shire Council's application for increases of 9.3% (2014/15), 10% (2015/16) and 10% (2016/17). These increases also include the rate peg and will be retained permanently.

In approving Blayney and Gilgandra councils' applications, IPART has imposed conditions requiring that the additional income be used for the purposes outlined in their applications, and that each council report to the community each year while the special variation is in place on the outcomes achieved.

The application from Weddin Shire Council for four consecutive increases of 7% per annum from 2014/15 to 2017/18 has been declined primarily due to concerns regarding the council's consultation with its community.

IPART Chairman 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 assessment process to approve the increase.

Applications are assessed by IPART against the NSW Government's published criteria, with submissions received directly from ratepayers, community groups, business groups and ratepayer associations also considered.

"In making these assessments, we have considered each council's long term financial plan, taking into account the financial need of the council and the capacity and willingness of ratepayers to pay the requested increase," Dr Boxall said.

"Blayney and Gilgandra councils were able to meet the criteria for approval of the special variation by demonstrating a clear need for the additional revenue, that they had appropriately engaged the community about the proposed rate increases, and that they are taking steps to improve productivity and contain costs.

“Although their communities were often divided about the increases, the councils have demonstrated that they have provided opportunity for input, weighed up community concerns against alternatives to the increases sought, and that they have considered the impact on ratepayers.”

“But while Weddin Shire Council’s need for the additional revenue was clear, we are not confident that it has effectively communicated the impact of this significant increase to the community.”

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

### **Blayney Shire Council**

Blayney Shire Council applied to increase its general income by 10.04% including the rate peg over the next 2 years, to be retained permanently in its rates base. This is less than the amount the council had proposed to the community, as it will not apply to rate revenue received under 2 existing special variations.<sup>1</sup>

The decision to approve the council’s application will generate an additional \$4.55 million above the rate peg over the next 10 years to renew community assets including \$2.69m for roads and bridges, \$1.57m for footpaths and \$290,000 for building renewals.

“Based on the council’s application, we estimate that average ordinary residential rates across the shire will increase by between \$22 and \$38, business rates by between \$17 and \$74, and farmland rates by \$140 in 2014/15,” Dr Boxall said.

“While there has been some opposition to these increases, we have determined that they are reasonable under the criteria given that average ordinary residential and business rates in Blayney Shire are below the average of comparable councils and while farmland rates are above the average, the council has committed to address this disparity in its long term strategy.”

In approving the application, IPART noted that the decision about how rates are applied to different ratepayer categories is a matter for the council as long as the overall impact is consistent with IPART’s determination.

Dr Boxall also noted that the council had considered the community’s concerns about affordability by lowering the level of the percentage increase sought before requesting approval for the special variation from IPART, and by committing to review both its rating structure and hardship policy.

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<sup>1</sup> These include a 10 year temporary special variation due to expire in 2018/19 to fund redevelopment of a community centre, applied equally across all ratepayers; and a permanent increase in 2012/13 applying to mining rates.

## **Gilgandra Shire Council**

Gilgandra Shire Council will be able to increase rates by a cumulative 32.25% including the rate peg over the next 3 years, and to permanently keep this increase following IPART's approval. The decision enables the Council to generate an extra \$1.6 million over the 3 years to help fund road improvements.

"Based on the council's application, we estimate that in 2014/15, average ordinary residential rates across the shire will increase by between \$44 and \$63, business rates by between \$18 and \$64, and farmland rates by \$317," Dr Boxall said.

"While the percentage increase appears large, and the impact on ratepayers is significant, it is reasonable given the clear need for the additional funds, extensive consultation undertaken and limited alternative options available to the council."

In 2012, the council applied for a 53.2% increase over 7 years, but this request was declined by IPART due to inadequate planning and consultation with a 1 year increase of 6.8% granted at that time."

"Over the past 2 years, the council has undertaken extensive planning in consultation with the community and while these increases will have an impact, we believe this application is reasonable given the council's financial position and the need for additional roads expenditure," Dr Boxall said.

In approving the application, IPART noted that the council has a hardship policy and late payment policy for waiving interest in exceptional circumstances.

## **Weddin Shire Council**

Concerns that the Weddin Shire community was not adequately consulted about the impact of the council's proposed special variation was the main reason leading to IPART declining the council's application.

"We have made this decision because, while the need for the additional income is clear, the proposed increases are substantial and we are not confident that the extent of the proposed rate increase was adequately communicated so ratepayers were fully aware of its likely impact," Dr Boxall said.

IPART's decision means that overall general income in Weddin Shire will be able to increase by the rate peg of 2.3% only in 2014/15. The council may reapply for a special variation in the future. This will also provide the council with a further opportunity to demonstrate a commitment to containing costs and improving productivity.

The full reports on each council's application are available on the IPART website at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

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**Central west councils – Special rate variation summary**

<b>Council</b>	<b>Increase in 2014/15 (including rate peg)</b>	<b>Residential rates \$ increase 2014/15</b>	<b>Summary of reasons</b>	<b>Total cumulative increase (including rate peg)</b>
Blayney  Increases over 2 years retained permanently	4.69%	\$22-\$38	To fund a program of infrastructure renewal and maintain service levels.	10.04%
Gilgandra  Increases over 3 years retained permanently	9.3%	\$44-\$63	To increase road maintenance and improve long-term financial sustainability.	32.25%
Weddin  Increases over 4 years retained permanently	Not approved		To help fund future capital projects.	