

BLACKTOWN CITY COUNCIL'S SPECIAL RATE VARIATION APPROVED

3 June 2014

The Independent Pricing and Regulatory Tribunal (IPART) has approved Blacktown City Council's application to increase general income by more than the rate peg amount of 2.3% to improve local roads, parks and community facilities.

The council applied for two consecutive increases of 6.70% from 1 July 2014, and a further 5.11% from 1 July 2015, including the rate peg, to be retained permanently in its rates base. The increases will generate an additional \$14.2 million above the rate peg over the next 2 years which will partially fund a planned \$20 million program to improve local infrastructure. The remaining funds will come from operational savings and council's infrastructure sinking fund.

In approving the council's application, IPART has imposed conditions requiring that the additional income be used for the purposes outlined in the application, and that the council report to the community in its Annual Report each year until 2023/24 on the outcomes achieved.

IPART Chairman Peter Boxall said the council's application was assessed against the NSW Government's published criteria. Submissions received directly from ratepayers, community groups, business groups and ratepayer associations were also considered.

"IPART has decided to approve the special variation in full, allowing Blacktown City Council to increase its general income from rates by 6.78% above the rate peg over the next 2 years, and to maintain it at this new base level in the future," Dr Boxall said.

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 and rural lands.

"Based on Blacktown City Council's application, residential, farmland and general business rates will increase by 3% above the rate peg in 2014/15 and in line with the anticipated rate peg of 3% in 2015/16, with an average residential rates increasing by \$46 in 2014/15, and a total of \$73 by 2015/16.

"But the impact will be greater under the council's plans to impose 10% increases above the rate cap on businesses in commercial centres in each of the next 2 years. The council has advised that these businesses are expected to benefit most from the additional expenditure."

Dr 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 increases.

“Blacktown City Council was 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,” he said.

“In making this assessment, we also considered the council’s long term financial plan and whether the impact of the variation on affected ratepayers is reasonable.

“Some in the community, particularly business owners, have raised concerns with the council and with IPART about the equity and affordability of the increase.

“While the issue of the equity of increases across different ratepayer categories is a matter for the council, Blacktown City Council was able to demonstrate that it has weighed up community concerns against alternatives to the increases sought, and that the impact on ratepayers has been considered,” Dr Boxall said.

Blacktown City Council is one of 32 councils that made an application for a special variation of the 152 councils in NSW. Twenty-eight applications were approved in full, 1 was declined and 3 applications were partially approved. IPART also approved 2 applications for increases to minimum rates and 3 applications for Crown Land adjustments.

The full report on Blacktown City Council’s application is available on the IPART website at www.ipart.nsw.gov.au.

Blacktown City Council – special rate variation summary

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| Increase in 2014/15 (including rate peg) | 6.70% |
| Residential rates \$ increase 2014/15 | \$46 |
| Summary of reasons | To fund asset renewal backlog reductions and future asset renewal requirements. |
| Total cumulative increase over 2 years (including rate peg) | 12.15% |

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