

BURWOOD COUNCIL'S SPECIAL RATE VARIATION PARTIALLY APPROVED

3 June 2014

Concerns about the affordability of Burwood Council's special rate variation application have led to the Independent Pricing and Regulatory Tribunal (IPART) halving the proposed increase.

The council applied for 7 consecutive increases including 5.5% in 2014/15, 6.5% in 2015/16, 7.0% in 2016/17 and 7.5% for each year from 2017/18 to 2020/21, all including the annual rate peg, to be retained permanently in its rates base. IPART has decided to limit the increases to those proposed in the first 4 years only, reducing the overall cumulative increase of 60.6% over the next 7 years to 29.2% including the rate peg retained permanently in its rates base.

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 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.

"After careful consideration, we have made the decision to partially approve the application because, while the additional income is clearly needed given the backlog of infrastructure maintenance and council's financial position, we are not confident that the proposed rate rise is affordable for the community," Dr Boxall said.

"The council's application represented one of the biggest percentage increases in NSW and we have carefully balanced the needs of the council against affordability.

"Rates in Burwood have risen by almost twice the rate peg for the past 10 years meaning that rates are already higher than those in neighbouring and comparable council areas, and as such we have determined that the quantum of the proposed increase is not reasonable."

IPART's decision means that Burwood Council will gain additional income by increasing its general income from rates by 17.4% above the rate peg over the next 4 years, and maintaining 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 Burwood Council's application, average ordinary residential rates will increase by between \$52 and \$57 in 2014/15. By 2017/18, residential rates will have increased by between \$278 and \$305.

Dr Boxall said the rate increases have been assessed in line with the NSW Government's published criteria. Submissions received directly from ratepayers, community groups, business groups and ratepayer associations were also considered.

Burwood 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 Burwood Council's application is available on the IPART website at www.ipart.nsw.gov.au.

Burwood Council – special rate variation summary

Increase in 2014/15 (including rate peg)	5.5%
Residential rates \$ increase 2014/15	\$52-\$57
Summary of reasons	To improve operating balance and reduce infrastructure backlog.
Total cumulative increase over 4 years (including rate peg)	29.2%

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