

IPART DETERMINES SPECIAL RATE VARIATION APPLICATION BY KEMPSEY SHIRE COUNCIL

Embargoed until 10.00am 4 June 2012

The Independent Pricing and Regulatory Tribunal (IPART) today announced its decision on Kempsey Shire Council's application to increase its general income by more than the rate peg amount of 3.6%.

The council applied for an increase of 16.05% in 2012/13, 14.33% in 2013/14 and 8.29% in 2014/15, under section 508A of the *Local Government Act 1993*. The purpose was to fund a program of roads and bridges maintenance and bypass works.

IPART Chairman, Dr Peter Boxall said, "After assessing the application against the NSW Government's published criteria, IPART has decided to partially approve the special variation by allowing a single increase in 2012/13 of 11.37% under section 508(2) of the Act. This will allow the council to begin its road and bridge maintenance program. Revenue from the special variation will remain permanently in the council's rates base."

Based on the council's application, we estimate that average residential rates will increase by \$91 in 2012/13 compared with the rates paid in 2011/12. (This increase is an estimate only. The council will determine its rating structure consistent with the limit on the council's general income set by this special variation decision.)

Dr Boxall said, "This decision involved a judgment taking into account the financial need of the council and the capacity and willingness of ratepayers to pay the requested increase."

"We did not approve the application in full because Kempsey Shire Council has not met all of the criteria for a multi-year special variation. The council demonstrated it needs the additional income to address a funding shortfall for road and bridge maintenance and bypass works. However, it has not yet implemented the Integrated Planning and Reporting Framework, which means that it has not developed its asset management and strategic plans sufficiently to support a multi-year rate increase. The impact of the proposed rate variation on ratepayers was high, particularly in light of capacity to pay indicators. In addition, the results of the council's community consultation indicated mixed views on the special variation. Whilst a majority supported the need for the works, it was unclear whether ratepayers were willing to pay for the program."

The council is required to report in its Annual Report from 2012/13 to 2021/22 on the use of the additional funds and the outcomes achieved.

This year, IPART received fewer applications for special variations than in 2011. Of the 152 councils in NSW, IPART received applications for special variations from 14 councils. Seven applications were approved in full and 6 were approved for a lower amount or for fewer years than the council requested. The decision on the 1 remaining application will be made later in June (Blayney Shire Council).

Reports on our decisions are available on the IPART website.

See: http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt

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