

IPART DETERMINES SPECIAL RATE VARIATION APPLICATION BY LAKE MACQUARIE CITY COUNCIL

Embargoed until 10.00am 4 June 2012

The Independent Pricing and Regulatory Tribunal (IPART) today announced its decision on Lake Macquarie City Council's application to increase its total rate revenue by more than the rate peg amount of 3.6%.

The council applied for annual increases ranging from 10.44% down to 4.75% over the next 7 years, equal to a cumulative increase of 73.24% (49.54% more than the rate peg). The purpose was to improve its financial sustainability while maintaining and enhancing the level of services to the community and its assets.

IPART has approved a smaller, but still substantial increase of 57.48% over 7 years, which is 33.78% more than the increase in the rate peg. Over the 7 years the annual increase in rates averages 4.83% more than the rate peg. The total increase in the first year is the largest, at 10.36%. In 2018/19, the increase will be 4.75%.

Our approval was based on the council's 'Option 2' that was included in its consultation with the community.

We estimate that average residential rates will increase by \$93 in 2012/13, and average business rates will increase by \$460 in 2012/13 compared with the rates paid in 2011/12. We estimate that average residential rates will be \$524 higher than they are currently are after 7 years (These figures include the rate peg amounts and are indicative only. The council will determine its rating structure consistent with the limit on the council's general income set by this special variation decision.)

"After assessing the application against the NSW Government's published criteria, IPART has decided to partially approve the special variation," said IPART Chairman, Dr Peter Boxall, "Our decision involved a judgment taking into account the council's financial plans and the impact on ratepayers."

"We consider that the council demonstrated the need for a significant rise in rates to improve its financial sustainability, and provided evidence that the community supports higher rates to pay for enhanced services, infrastructure and facilities, and has the capacity to pay them. However, we were not convinced that the council demonstrated the need, community support and capacity to pay for such a large cumulative increase as it requested."

IPART commended the council for its very thorough application that addressed all the criteria and for taking action to improve its financial sustainability while meeting community expectations about services.

Dr Boxall said there was a high level of community interest in Lake Macquarie's application.

“We placed particular emphasis on whether the council had consulted adequately with the community and had clearly communicated the impact of the increase on ratepayers in making our determination,” Dr Boxall said.

Lake Macquarie Council is required to report in its Annual Report for 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, 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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