

## **NORTH COAST COUNCILS' SPECIAL VARIATION APPLICATIONS DETERMINED**

**Tuesday 17 May 2016**

The Independent Pricing and Regulatory Tribunal (IPART) has approved applications from Lismore Shire Council and Tweed Shire Council to increase income above the rate peg of 1.8% from 1 July 2016. Clarence Valley Council's application was partially approved.

Lismore Shire Council has received approval for an increase of 3.6% in 2016-17, including the rate peg, to implement its Biodiversity Management Strategy. This will be retained permanently in the rate base.

IPART has approved Tweed Shire Council's application for an increase of 2.77% in 2016-17, including the rate peg, to be retained permanently in the rate base. The 0.97% increase above the rate peg will be levied on ratepayers in Cobaki to manage environmental lands within the new development area. Other ratepayers will not be affected.

Clarence Valley Council's application was partially approved. IPART determined that it could have a temporary increase to its rates of 6.5% for one year only, rather than 6.5% in each year for the next five years as requested. The increase above the rate peg is to be removed at the end of 2016-17. The council can consult with the community to decide whether to reapply for another special variation.

IPART Chairman Peter Boxall said applications are assessed by IPART against the NSW Government's published criteria. All submissions received from ratepayers, community groups and other stakeholders were also considered.

Through the rate peg and special variation processes, IPART determines the allowable increases to councils' general income. Councils decide how to allocate the increase among different ratepayer categories, such as residential, business and farmland.

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 increase.

"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.

"Lismore and Tweed Shire councils were able to meet the criteria for approval of the special variation by demonstrating a 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 some communities had differing views about the increases, the councils have demonstrated that they have provided opportunity for input and considered the impact on ratepayers.”

### **Lismore Shire Council**

Lismore Shire Council applied to increase its income by 3.6%, to be retained permanently in the rate base. The increase is estimated to generate an additional \$500,000 above the rate peg in 2016-17 to enable the council to fund its Biodiversity Management Strategy.

The council considers that business rates are already high and the increase will therefore only apply to residential and farmland ratepayers.

“Based on the council’s application, in 2016-17 the average residential rate will increase by \$45, and the average farmland rate by \$84, with the average business rate increasing by \$76, in line with the rate peg,” Dr Boxall said.

In approving the application, IPART noted that the impact on ratepayers is modest and reasonable given the small size of the special variation, and that the council has taken into account ratepayers’ willingness and capacity to pay.

### **Tweed Shire Council**

Tweed Shire Council has received approval for an increase of 0.97% above the rate peg in 2016-17, which it intends to levy as a special rate on future residents and businesses in the new Cobaki development. Revenue raised by the special rate will fund long term maintenance, management and ongoing minor restoration of the environmental protection lands at Cobaki Lakes. The council will progressively collect the extra revenue when the properties are developed in Cobaki.

In 2016-17, existing ratepayers will only pay the rate peg increase.

“Based on the council’s application, we estimate that average rates will increase in line with the rate peg in 2016-17. The average residential rate will increase by \$27, the average business rate by \$52 and the average farmland rate by \$36,” Dr Boxall said.

“In approving the special variation, we took into account the council’s need for the special rate, its consideration of the anticipated community’s priorities, capacity and willingness to pay, and the impact of the special rate on future ratepayers,” Dr Boxall said.

### **Clarence Valley Shire Council**

IPART has approved a temporary increase for just one year of Clarence Valley Shire Council’s application to permanently increase its general income by 37% over the next five years.

IPART Chairman Peter Boxall said one increase of 6.5% has been allowed, instead of the five consecutive 6.5% increases the council requested. This amount includes the 1.8% rate peg.

“We have made the decision to partially approve Clarence Valley Shire Council’s application for one year only, because the council did not adequately justify the need for the proposed special variation, or adequately communicate the impact of rate increases to the community,” Dr Boxall said.

“This made it difficult for the council to demonstrate the size of the increase needed, and that the community was aware of its extent and purpose.”

The council intended to apply for a larger special variation (cumulative 47%) included in its Fit for the Future proposal submitted in June 2015, also to improve its financial sustainability and reduce its infrastructure backlog and asset maintenance gap. IPART found that the council was ‘not fit’ as it did not satisfy the financial criteria.

“Giving the council a temporary increase for one year will allow the council to consult with the community about a potential special variation application in the future and also reconsider the size of the increase needed to improve its financial sustainability and reduce road infrastructure backlogs,” Dr Boxall said.

IPART did not approve the council’s request to apply the 6.5% increase to its minimum rates, as this would have permanently raised the minimum rate above the limit applying under the Local Government Act.

“Based on the council’s application, we estimate that in 2016-17, the average residential rate will increase by \$61, the average business rate by \$163 and the average farmland rate by \$85, but rates in 2017-18 will reduce unless another special variation is sought and approved,” Dr Boxall said.

The three North Coast councils are among 12 councils that made an application for a special variation out of the 152 councils in NSW. Another council (Gundagai Shire Council) applied to increase a minimum rate.

IPART approved nine applications in full and one (Clarence Valley Council) was partially approved. No decisions have been announced for applications from a further three councils – Great Lakes Council, Greater Taree City Council and Gundagai Shire Council – as the councils were dissolved under an amalgamation proclamation issued by the Governor on 12 May 2016.

The full report on the councils’ applications are available on IPART’s website <<http://www.ipart.nsw.gov.au>>.

### North Coast councils – special variation summary

<b>Council</b>	<b>Increase in 2016-17 (including rate peg)</b>	<b>Increase in average residential rate 2016-17 (\$)</b>	<b>Summary of purpose</b>
Lismore Shire Increase in 2016-17, retained permanently	3.6%	\$45	Implement the Biodiversity Management Strategy
Tweed Shire Increase in 2016-17, retained permanently	2.77%	\$27 (rate peg only increase)	Manage environmental lands within the new Cobaki development area
Clarence Valley Increase in 2016-17, temporary for 1 year	6.5%	\$61	Improve financial sustainability and reduce infrastructure backlogs

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