

CENTRAL WEST LOCAL COUNCIL RATE APPLICATIONS APPROVED

19 May 2015

The Independent Pricing and Regulatory Tribunal (IPART) has approved applications from Narromine Shire Council, Oberon Council and Weddin Shire Council to increase income above the rate peg of 2.4% from 1 July 2015.

The 3 councils in the central west region are among 22 councils across NSW (of a total 152) that have made a special variation application to increase rates for 2015-16. IPART approved 21 applications in full and 1 application was partially approved.

Narromine Shire Council has received approval for 2 consecutive increases of 5.9% in 2015-16 and 6.5% in 2016-17, including the rate peg, to be retained permanently in its rates base.

IPART has approved Oberon Council's application for 5 consecutive increases of 6.5% in 2015-16, 6.9% in 2016-17, 6.95% in 2017-18, and 7% in each of 2018-19 and 2019-20. These increases also include the rate peg and will be retained permanently.

Weddin Shire Council has received approval for 4 consecutive increases of 6.4% in 2015-16 and 7% in each year from 2016-17 to 2018-19, including the rate peg, to be retained permanently in its rates base.

In approving Narromine, Oberon and Weddin Shire councils' applications, IPART has imposed conditions requiring that the additional income be used for the purposes outlined in their applications, and that each council report to the community each year from 2015-16 to 2024-25 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.

Applications are assessed by IPART against the NSW Government's published criteria, with submissions received directly from ratepayers, community groups, business groups and ratepayer associations also considered.

"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.

"Narromine, Oberon and Weddin Shire councils were 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."

“Although their communities were divided about the increases, the councils have demonstrated that they have provided opportunity for input and considered the impact on ratepayers.”

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, farmland and mining.

Narromine Shire Council

Narromine Shire Council applied to increase its income by a cumulative 12.8% including the rate peg over the next 2 years, to be retained permanently in its rates base.

The decision to approve the council’s application will generate an additional \$525,000 above the rate peg over the next 2 years to improve local roads, make loan repayments and improve the financial position of the council.

“Based on the council’s application, average residential rates will increase by \$35 in 2015-16, business rates by \$88, and farmland rates by \$210,” Dr Boxall said.

In approving the application, IPART noted that the council had considered the community’s concerns about affordability by lowering the level of the percentage increase sought, and by recently adopting a hardship policy for ratepayers experiencing financial difficulties. Narromine Shire Council has concluded that, overall, its ratepayers have the capacity to pay the proposed rate increases.

Oberon Council

Oberon Council will be able to increase rates by a cumulative 39.4% including the rate peg over the next 5 years, and to permanently retain this increase. The decision to approve the application enables the Council to generate an extra \$2.27 million over the 5 years to help fund road improvements, reduce infrastructure backlogs, make loan repayments and improve the financial position of the council.

“Based on the council’s application, we estimate that in 2015-16, average residential rates will increase by \$41, business rates by \$80 and farmland rates by \$100,” Dr Boxall said.

“Oberon Council has not applied for a special variation before and it was able to show that the community is aware of the need for and extent of the rate increases.

“While the percentage increase appears large, and the impact on ratepayers is significant, we assess it is reasonable given that rates in Oberon are below the average of comparable councils and there is a clear need for additional funds,” Dr Boxall said.

Central west councils – special variation summary

Council	Increase in 2015-16 (including rate peg)	Increase in average residential rates 2015-16 (\$)	Summary of purpose	Total cumulative increase (including rate peg)
Narromine Increases over 2 years retained permanently	5.9%	\$35	Improve local roads, make loan repayments and improve council's financial position.	12.8%
Oberon Increases over 5 years retained permanently	6.5%	\$40	Help fund road improvements, reduce infrastructure backlogs, make loan repayments and improve the council's financial position.	39.4%
Weddin Increases over 4 years retained permanently	6.4%	\$31	Help council fund a new Weddin Aquatic Centre and a medical centre in Grenfell, and improve its financial position.	30.3%