

## **PENRITH CITY COUNCIL'S SPECIAL VARIATION APPROVED**

**Tuesday 17 May 2016**

The Independent Pricing and Regulatory Tribunal (IPART) has approved Penrith City Council's application to increase general income by more than the rate peg amount of 1.8% from 1 July 2016.

The council applied for an increase of 9.09% in 2016-17 followed by increases of 5.0%, 5.2% and 5.4% in each of the next three years from 2017-18 to 2019-20, a cumulative increase of 27%, that would be retained permanently in the rate base.

"IPART has approved the special variation in full. Over the four years, the cumulative increase in rate revenue will be 21.7%, not the full 27%, as the increase includes renewing the levy for Asset Renewal & Established Areas Strategy (AREAS) which ratepayers are already paying, but is due to expire at the end of June 2016," IPART Chairman Peter Boxall said.

"The average increase in rates in 2016-17 will be 4.5% after accounting for this expiring levy," Dr Boxall said.

"The increases are estimated to generate an additional \$45.9 million above the rate peg over the next four years to enable Penrith City Council to fund higher operating costs and capital works, with the balance used to repay debt and add to reserves."

The council indicated it intended to apply for a special variation of a similar size in its Fit for the Future proposal submitted to IPART in June 2015.

IPART Chairman Peter Boxall said the council's application was assessed 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 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 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.

"Based on Penrith City Council's application, in 2016-17 the average residential rate would increase by \$89 and the average farmland rate by \$268. While the average business rate would fall by \$483 in 2016-17, over the four years it would increase by \$524," Dr Boxall said.

The increases are not uniform due to recent land revaluations that were lower for business ratepayers, and the Council's plan for higher increases to minimum rates for residential and farmland ratepayers."

“Penrith City Council was 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,” he said.

“In making this assessment, we also considered the council’s long term financial plan and whether the impact of the variation on affected ratepayers is reasonable.”

The impact of the rate increases over the four years is significant, but reasonable taking into account current and projected rate levels in nearby councils, the socioeconomic position of residents and the purposes of the special variation.

“In making this decision, we are conscious that concerns have been raised both with the council and with IPART about the affordability of the increases, and the council’s performance,” Dr Boxall said.

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 2025-26 on the outcomes achieved.

Penrith City Council is one of 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 Penrith City Council’s application is available on IPART’s website <<http://www.ipart.nsw.gov.au>>.

### **Penrith City Council – special variation summary**

Increase in 2016-17 (including rate peg)	9.09%
Increase in the average residential rate 2016-17 (\$)	\$89
Summary of purpose	Maintain and improve services and infrastructure and continue an expiring special variation for Asset renewal and Established Areas Strategy (AREAS)
Total cumulative increase over 4 years (including rate peg)	27%

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