

## Shoalhaven and Kiama special rate variation applications determined

The Independent Pricing and Regulatory Tribunal (IPART) has approved Shoalhaven City Council application to increase rates by a cumulative 29.1% over the next three years.

The additional revenue will enable Shoalhaven to improve its financial sustainability, reduce its infrastructure backlog, reduce its operating deficit and fund asset renewal and maintenance.

IPART has approved in part Kiama Council's application, as it did not sufficiently detail the proposed special variation in its Integrated Planning and Reporting documents.

Instead of a permanent cumulative increase of 19.1% over three years, we approved a temporary 1-year increase in general income of 6.0%, including the 2.3% rate peg. The increase above the rate peg (3.7%) is to be removed at the end of 2018-19.

The additional revenue will allow Kiama to fund operating and capital expenditure in 2018-19 for its key assets - buildings, roads and bridges, parks and footpaths – while considering whether to reapply for a special variation in future years.

IPART Chair Dr 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 process to assess the increase.

Applications are assessed by IPART against the NSW Government's published criteria, with submissions received directly from stakeholders also considered.

"In making these assessments, we have considered each council's planning and reporting documents and financial need for the additional revenue, its community consultation on the proposed changes and the capacity and willingness of ratepayers to pay the requested increase," Dr Boxall said.

Through the rate peg and special variation process, 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.

### Shoalhaven City Council

Dr Boxall said Shoalhaven Council was able to meet the criteria for approval of the special variation by demonstrating a clear need for the additional revenue, that it had appropriately engaged the community about the proposed rate increases, and that it is taking steps to improve productivity and contain costs.

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More information is available at [ipart.nsw.gov.au](http://ipart.nsw.gov.au)

The approval follows an application made by the council last year for a 2-year cumulative increase of 29.0%. IPART granted a temporary 1-year increase of 13.2%, with Shoalhaven required to remove the increase above the rate peg at the end of 2017-18.

“Because the temporary increase is expiring, ratepayers will experience increases of around 5% in each of the next three years, or 16% in total, rather than the full 29.1%,” Dr Boxall said.

“Based on the council’s application, this means the average residential rate will increase by \$59 in 2018-19 or by \$182 in total over the next three years.”

Requested special variation	29.1% cumulative increase over 3 years to be retained permanently in the rate base (partially offset by an expiring variation)
Outcome (including rate peg)	Approved in full.
Increase in the average residential rate 2018-19	\$59
Total cumulative increase in resident rate over 3 years (including the rate peg)	\$182
Summary of purpose	Fund capital expenditure on buildings, recreation facilities, roads and parks, improve financial sustainability, and to fund loan repayments.

### Kiama Municipal Council

Dr Boxall said the decision to approve in part Kiama Council’s application enables the council to implement its expenditure program in 2018-19, whilst considering whether to apply for a special variation in future years.

“We are satisfied the council has demonstrated the need for additional revenue to improve its financial sustainability and to fund operating and capital costs,” Dr Boxall said.

“But we are not satisfied that the Integrated Planning and Reporting (IP&R) documents that were exhibited and adopted contained sufficient information for this application, or that the community had enough time to consider and respond to the information provided.”

In line with this decision, IPART has not approved the Council’s application to increase minimum business rates by the same amount, which would have allowed minimum rates to rise more rapidly than general rates over the next three years.

IPART’s decision means that the average residential rate will increase by \$86, average business rates will rise by \$139 and farmland rates will go up by \$147 on average from 1 July 2018.

Rates would decrease in 2019-20 to previous levels, adjusted by the annual rate peg increases, unless another special variation is sought and approved.

Requested special variation	19.1% cumulative increase over 3 years to be retained permanently in the rate base
Outcome (including rate peg)	6.0% single year temporary increase, the increase above the 2.3% rate peg or 3.7% is to be removed at the end of 2018-19.
Increase in the average residential rate 2018-19	\$86
Summary of purpose	Fund asset maintenance and capital renewal costs, and address infrastructure backlog.

IPART has attached conditions to the approvals requiring the additional income to be used for the purposes outlined in the application, and that the councils report to the community about how the additional revenue is spent.

Shoalhaven and Kiama are among 13 councils across NSW (of a total of 128) to make a special variation application to increase rates for 2018-19. IPART approved 9 applications in full, 2 applications were approved in part, and 2 were not approved.

IPART will set the next rate peg, to apply from 1 July 2019, in September this year to provide councils with more time to prepare annual budgets and consult with their communities if they are considering applying for a special rate variation.

The full reports on all of the councils' applications are available on IPART's website <<http://www.ipart.nsw.gov.au>>.

Note: All percentages include the 2.3% rate peg applicable to all NSW councils in 2018-19, and the estimated rate peg in subsequent years.