

Special rate variations determined for six Sydney councils

The Independent Pricing and Regulatory Tribunal (IPART) has approved applications from five Sydney councils, and partially approved another, to increase general income above the 2.7% rate peg from 1 July 2019.

Applications made by Burwood, Hunters Hill, Ku-ring-gai, Randwick and Sutherland councils have been approved in full.

North Sydney Council's application has been partially approved, with rates to increase by 22.5% over three years, instead of the 40.3% increase over five years requested by the Council.

If adopted in 2019-20, the increases in the average residential rates across these six NSW metropolitan councils would range from \$40 in the case of Ku-ring-gai, up to \$170 in Hunter's Hill.

These increases include the 2.7% rate peg, which can be applied by all councils from 1 July 2019.

Minimum rates for those living in Sutherland will increase from \$602.30 to \$900 from 1 July 2019. This represents around 25% of the ratepayers in Sutherland and brings their rates closer to the average residential rate charged across the council area.

IPART Chair Dr Paul Paterson said special variations give councils flexibility to generate additional income above the rate peg to meet specific needs.

Council applications are independently assessed by IPART against the NSW Government's published criteria. Submissions received directly from stakeholders are also considered.

"In making these assessments, we have considered whether there is a genuine financial need for additional revenue to allow a council to be financially sustainable, and fund infrastructure projects or asset renewal requirements of their regions," Dr Paterson said.

"We also look at efforts made by the various councils to reduce their costs and identify other sources of revenue, as well as the capacity and willingness of ratepayers to pay the requested increase.

Through the rate peg and special variation process, IPART determines the allowable increases to councils' general income. Councils decide whether to implement the increase and how it is allocated among different ratepayer categories, such as residential or business rates.

The six Sydney councils are among 13 councils across NSW (of a total of 128) to apply for special rate variations for 2019-20. Of the 13 applications, eight have been approved in full, three have been partially approved, and two (Port Stephens and Tamworth) were declined.

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

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

Burwood Council

Burwood Council's application to permanently increase its general income by 19.5% over the next four years has been approved.

This includes a 4.7% rise from 1 July 2019, followed by 4.5% per annum increases over the subsequent three years.

The Council intends to use the additional \$4.9 million to be generated over the next four years to fund renewal of its infrastructure assets, including roads, footpaths, kerbs and gutters to reduce the infrastructure backlog.

Three submissions were received opposing the increase disputing the Council's need for additional funds and also citing affordability concerns for ratepayers.

IPART Chair Dr Paul Paterson said Burwood Council was able to meet the criteria for approval of the special variation by demonstrating a clear need for the additional revenue to reduce its infrastructure backlog.

"We determined that the Council had appropriately engaged the community about the proposed rate increases, that it had largely demonstrated its community has the capacity to pay the proposed rate increases, and that it is taking steps to improve productivity and contain costs," Dr Paterson said.

"Based on the Council's application, the average residential rate will increase by \$59 in 2019-20 or by \$254 over four years, while the average business rate will rise by \$257 in 2019-20 or by \$1,125 over four years," Dr Paterson said.

"We consider the impact of the increase is reasonable given the Council's need for additional funding to address its infrastructure backlog without compromising existing levels of service.

"We have also recognised the Council's incremental increase to the Pensioner Rebate Scheme to minimise the impact of the proposed SV on pensioners."

Requested special variation	19.5% cumulative increase over four years to be retained permanently in the rate base.
Outcome	Approved in full
Estimated increase in the average residential rate (including rate peg)	<ul style="list-style-type: none"> • \$59 in 2019-20 • \$254 total cumulative increase over four years
Summary of purpose	Maintain existing services, fund maintenance and renewal of infrastructure assets and to address infrastructure backlog.

Hunter's Hill Council

IPART has approved Hunter's Hill Council's application for a 9.74% single year increase.

The variation includes a 4.04% 10-year temporary increase, which allows the Council to renew a previous special variation which expired on 30 June 2017 for its community facilities and asset renewal program, a 3.00% increase to be retained permanently in the rates base to fund ongoing operations, and the 2.7% rate peg increase.

The additional revenue will fund operating and capital expenditure for the Council's buildings, parks, reserves and playgrounds, allow the Council to maintain existing services and improve its financial sustainability.

Three submissions were received opposing the increase based on the Council's financial efficiency, the impact on its ratepayers and the Council's consultation with the community.

Dr Paterson said Hunter's Hill Council's application largely met the criteria in the Office of Local Government's Guidelines for approval of the special variation it requested.

"Based on the Council's application, the average residential rate will increase by \$170 in 2019-20, while the average business rate will rise by \$162."

Requested special variation	9.74% single year increase, of which 4.04% is to be retained in the rate base for 10 years and 5.70% is to be retained permanently in the rate base.
Outcome	Approved in full
Estimated increase in the average residential rate (including the rate peg)	\$170 in 2019-20
Summary of purpose	Fund ongoing operations such as infrastructure maintenance and renewals from continuing its community facilities asset renewal program, improve financial sustainability and maintain existing services.

Ku-ring-gai Council

IPART has approved Ku-ring-gai Council's application to permanently retain a 7.7% Environmental Levy, which was due to expire on 30 June 2019.

This decision enables the Council to continue to deliver a range of environmental and sustainability programs and works across the key areas of biodiversity, energy, water, sustainable transport, community recreation and engagement and environmental education.

'On balance, Ku-ring-gai Council's application met the criteria in the Office of Local Government's Guidelines' IPART Chair Dr Paul Paterson said. The Council has demonstrated strong community support for the levy.

"Ku-ring-gai Council was also able to meet the criteria for approval by demonstrating an appropriate level of community consultation through a range of engagement methods, and by meeting requirements in its planning and reporting documentation," Dr Paterson said.

"We consider the impact on affected ratepayers to be reasonable given the increase is partially offset by the Council's expiring special variation and a majority of ratepayers surveyed by the Council supported the proposal to make the existing environmental levy permanent. The Council also demonstrated that it is taking steps to improve productivity and contain costs."

IPART's decision means that the average residential rate will increase by \$40 and the average business rate will increase by \$176 in 2019-20.

Requested special variation	7.7% single year increase to be retained permanently in the rate base. The impact of the increase is partially offset by an expiring special variation 30 June 2019.
Outcome	Approved in full
Estimated increase in the average residential rate (including the rate peg)	\$40 in 2019-20
Summary of purpose	Fund a mix of capital works and operational programs that protect and enhance Ku-ring-gai's environment and help the community to live more sustainably; and to deliver a range of essential service functions to ensure best practice environmental management.

North Sydney Council

IPART has partially approved North Sydney Council's application for a special rate variation, reducing the requested 40.3% increase over five years to 22.5% over three years.

The decision reflects a range of factors including that the financial need for the larger increase could not be justified. The Council would be able to meet Office of Local Government benchmarks for financial sustainability and infrastructure backlog within three years under the proposed special variation.

IPART's approval means the Council is now able to increase the average residential rate by \$62 in 2019-20 or by \$184 over the next three years, and average business rates by \$190 in 2019-20 or by \$933 over the next three years.

The Council's request for an increase in the minimum rate has been approved and it will rise by \$37 in 2019-20 or by \$118 over the next three years.

"More than 70 submissions (including three petitions) were received opposing the Council's application, mainly on the grounds that the Council is in a strong financial position," Dr Paterson said.

"Nevertheless, we are satisfied the Council has partly demonstrated financial need for the additional revenue to improve its financial sustainability, maintain, renew and invest in its infrastructure, reduce its infrastructure backlog and maintain existing services. We are also satisfied that the Council largely demonstrated its community is aware of the proposed rate increases and that it is taking steps to improve productivity and contain costs."

Ratepayers subject to minimum rates within the North Sydney Council area will experience increases consistent with those allowed under the special rate variation.

The partial approval will allow the Council to begin implementing its expenditure program, whilst considering whether to apply for a further special variation in future years.

Requested special variation	40.3% cumulative increases over five years to be retained permanently in the rate base.
Outcome	22.5% cumulative increases over three years to be retained permanently in the rate base.
Estimated increase in the average residential rate (including the rate peg)	<ul style="list-style-type: none">• \$62 in 2019-20• \$184 total cumulative increase over 3 years
Summary of purpose	Fund ongoing operations such as maintenance and renewal of infrastructure relating to footpaths, roads, seawalls and drainage, invest in new infrastructure, reduce its infrastructure backlog, maintain existing services and enhance financial sustainability.

Randwick City Council

IPART has approved Randwick Council's application to amend its existing special variation by temporarily increasing its general income by an additional 5.90% in 2019-20 for five years. The increase must be removed from the rate base on 1 July 2024.

The additional revenue will be used to continue funding the environmental services and projects outlined as part of the Council's Sustaining our City program.

The approval follows an application made by the Council last year for a 19.85% cumulative increase over three years from 2018-19 to 2020-21 to be retained permanently in the rate base. This application was approved by IPART in 2018 and the first year's increase of 7.64% was applied in 2018-19.

This year's decision means that the Council may increase its rates by a combined 11.42% in 2019-20 and 5.52% in 2020-21, and that the temporary 5.9% component will be removed from the rate base on 1 July 2024.

Twelve submissions were received opposing the application, with concerns expressed about affordability and consultation.

IPART found that the Council largely demonstrated a financial need for the additional revenue above the rate peg to implement its proposed projects while remaining financially sustainable.

Despite the concerns raised, IPART determined that although the impact on ratepayers of the proposed rate increase would be considerable, it was largely reasonable when considering the community's willingness to pay, and that the Council demonstrated that the community was aware of the purpose of, and need for, the proposed special variation.

Requested special variation	An amendment to an existing special variation to increase general income by an additional 5.9% in 2019-20 and retain this increase in the rate base for five years.
Outcome	Approved in full
Estimated increase in the average residential rate (including rate peg)	\$70 in 2019-20
Summary of purpose	To continue funding the environmental services and projects outlined as part of the Council's Sustaining our City program.

Sutherland Shire Council

Sutherland Shire's application to increase its general income above the 2.7% rate peg from 1 July 2019 and raise minimum rates above the statutory limit has been approved.

The Council applied to increase its general income by 8.76% in 2019-20, including the rate peg, which is to be applied to minimum ratepayers only, through an increase in the minimum rate from \$602.30 in 2018-19 to \$900.00 in 2019-20.

IPART Chair Dr Paul Paterson said the Council was able to demonstrate that the change would allow the Council to fund asset renewals and reduce the infrastructure backlog. It is also trying to share the burden of future costs more equitably.

Based on the Council's application, ratepayers on the minimum rate will have a rate increase of \$298 in 2019-20, while rates for ratepayers who are not on the minimum will increase by the 2.7% rate peg.

Four submissions were received opposing the increase based on affordability and fairness.

"Whilst the percentage and dollar increase in minimum rates is significant, it reduces the gap between rates paid by minimum ratepayers and other ratepayers to reflect equity in the services consumed," Dr Paterson said.

"The current minimum rate (\$602.30) is 59.2% lower than the average residential rate of ratepayers who are paying above the minimum (\$1,476) and 87.2% lower than the average business ratepayer above the minimum (\$4,713)."

Requested special variation	8.76% single year increase to be retained permanently in the rate base.
Outcome	Approved in full
Increase in the minimum residential rate (including the rate peg)	\$298 in 2019-20
Summary of purpose	Improve equity and fund asset renewals to reduce the infrastructure backlog.

Note: All percentages include the 2.7% rate peg applicable to all NSW councils in 2019-20, and an estimated rate peg in subsequent years.

ends

Special rate variations determined for three Hunter Valley councils

The Independent Pricing and Regulatory Tribunal (IPART) has rejected Port Stephens Council's application to increase general income above the 2.7% rate peg from 1 July 2019, while approving and partially approving applications from Muswellbrook and Dungog councils respectively.

Councils can apply for a special variation to increase their general income above the rate peg which applies to all councils. IPART assesses these applications against the criteria set out in the Office of Local Government (OLG) Guidelines.

The decisions mean that rates in Port Stephens can increase only by the 2.7% rate peg, in line with other councils across NSW that did not apply for a special variation.

Dungog Council can increase its average residential rate by \$135 per annum from 1 July 2019, with similar increases in rates over the following four years. Muswellbrook ratepayers face a \$21 increase in 2019-20 if the Council proceeds to implement the approved change. These increases include the 2.7% rate peg.

IPART Chair Dr Paul Paterson said special variations give councils flexibility to generate additional income above the rate peg to meet specific needs.

Council applications are independently assessed by IPART taking into account submissions received directly from stakeholders.

"In making these assessments, we have considered whether there is a genuine financial need for additional revenue for a council to be financially sustainable, and to fund future infrastructure projects or asset renewal requirements in their regions," Dr Paterson said.

"We also look at efforts made by the various councils to reduce their costs and identify other sources of revenue, as well as the capacity and willingness of ratepayers to pay the requested increase.

In the case of Port Stephens we found that the impact on ratepayers is not reasonable due to the absence of a strong financial need and demonstrated willingness to pay for the proposed works."

Dr Paterson said the Council's proposed special variation would have resulted in a cumulative 65.9% increase in average residential rates over seven years.

"It is clear that Dungog Council has a clear and urgent need for increased funds. However, given the magnitude of the proposed increase and uncertainties around budgeting, IPART considered it was prudent to approve the special variation for a period of five years, not seven as requested," he said.

Muswellbrook Council met the special variation criteria set out in the OLG Guidelines.

Through the rate peg and special variation process, IPART determines the allowable increases to councils' general income. Councils decide whether to implement the increase and how it is allocated among different ratepayer categories, such as residential or business.

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

The three Hunter Valley councils are among 13 councils across NSW (of a total of 128) to apply for special rate variations for 2019-20. Of the 13 applications, eight have been approved in full, three have been partially approved and two (Port Stephens and Tamworth) were declined.

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

Dungog Shire Council

IPART has approved in part Dungog Shire Council's application for a special rate variation, reducing the requested 97.8% increase over seven years to 76.0% over five years.

The decision reflects IPART's decision that longer-term forecasts for expenditure and operating performance are uncertain, and that the proposed increase would have a substantial impact on the Council's ratepayers.

IPART's approval means the Council is now able to increase the average residential rate by \$135 in 2019-20 or by \$685 over the next five years. Average business rates will rise by \$135 in 2019-20 or by \$686 over the next five years, and average farmland rates will go up by \$334 in 2019-20 or by \$1,694 over the next five years.

"We received over 100 submissions opposing the Council's application, mainly on the grounds of affordability," Dr Paterson said.

"Nevertheless, we are satisfied the Council has demonstrated its need for the additional revenue to improve its financial sustainability and to fund necessary operating and capital costs, that it largely demonstrated its community is aware of the proposed rate increases, and that it is taking steps to improve productivity and contain costs."

The partial approval will allow the Council to begin implementing its expenditure program, whilst considering whether to apply for a further special variation in future years.

Requested special variation	97.8% cumulative increase over seven years to be retained permanently in the rate base.
Outcome	76.0% cumulative increase over five years to be retained permanently in the rate base.
Estimated increase in the average residential rate (including the rate peg)	<ul style="list-style-type: none"> • \$135 in 2019-20 • \$685 total cumulative increase over five years
Summary of purpose	Fund operating and capital expenditure for its key assets including its road network, timber bridges and community buildings, enhance its financial sustainability and reduce its infrastructure backlog.

Muswellbrook Shire Council

Muswellbrook Shire Council's application for a permanent 15.13% single year increase has been approved.

The approval replaces a temporary special variation of 12.43%, which expires on 30 June 2019. That temporary variation was granted last year in place of the permanent variation requested by Council as it failed at that time to meet one of the OLG criteria. The criteria were met for 2019-20.

The additional revenue will be used to fund operating and capital expenditure for the Council's key assets such as local roads and drains, maintain service levels at acceptable standards, improve stormwater infrastructure, fund the Job Creation program, and continue development of the Olympic Park Precinct and Regional Entertainment and Conference Centre.

IPART received five submissions opposing the increase, citing concerns around the Council's financial management, affordability for ratepayers and transparency of consultation.

Dr Paterson said the Council largely demonstrated its need for the additional revenue above the rate peg to implement its proposed projects while remaining financially sustainable, and that the impact on ratepayers of the proposed rate increase would be reasonable.

"The Council's consultation ensured the community was largely aware of the purpose of, and need for, the proposed special variation, and it undertook sufficient planning and exhibition in relation to its Integrated Planning and Reporting documents to allow IPART to approve the proposed rate increase," he said.

"Based on the Council's application, the average residential rate will increase by \$21 in 2019-20, while the average business rate will rise by \$76. Because this approval replaces

a temporary increase that is expiring, ratepayers will experience an increase of around 2.7% rather than the full 15.13%.”

Requested special variation	15.13% single year increase to be retained permanently in the rate base. The impact of the increase is partially offset by an expiring special variation.
Outcome	Approved in full
Estimated increase in the average residential rate (including rate peg)	\$21 in 2019-20
Summary of purpose	Maintain existing services, improve stormwater infrastructure, support the Job Creation program, upgrade its Olympic Park Sports Precinct, and develop the Regional Entertainment and Conference Centre.

Port Stephens Shire Council

IPART rejected Port Stephens Council’s application for a 7-year variation to increase its general income by 7.5% annually from 2019-20 to 2025-26 (inclusive), which would be a cumulative increase of 65.9% to be retained permanently in its rate base.

“Our decision reflects our finding that the Council’s application does not meet the criteria in the Office of Local Government’s Guidelines, and that there is a mismatch between the priorities of the Council and many of its ratepayers,” Dr Paterson said.

“It was not clear that the additional revenue is needed to meet infrastructure backlog or renewal requirements, and a significant majority of ratepayers were not willing to pay for the works the Council proposed be funded by the special variation.”

Dr Paterson said that while the Council had consulted the community and sufficiently demonstrated that the community was aware of the need for, and purpose of, the proposed rate increase, it did not fully demonstrate that the impact on ratepayers would be reasonable.

IPART received over 680 submissions, with the vast majority either opposed to or raising concerns about the magnitude of the proposed rate increase, the proposed expenditure and affordability.

“The additional revenue is not required to meet infrastructure backlog or renewal benchmarks. Further, it was clear from the survey conducted by the Council that the community is not willing to pay for the works the Council proposed be funded by the increase,” Dr Paterson said.

“Therefore, IPART has decided that approval of the Council’s application would not be reasonable in the circumstances.”

The decision means that the Council may only raise its general income by the rate peg of 2.7% in 2019-20. This does not prevent the Council from making a new application in the future.

“It will be a decision for Council whether to further consult with its community and consider whether to put forward an application in the future.”

Requested special variation	65.9% cumulative increases over seven years to be retained permanently in the rate base.
Outcome	Rejected
Summary of purpose	Fund new infrastructure and services and upgrade existing infrastructure, while remaining financially sustainable.

Note: All percentages include the 2.7% rate peg applicable to all NSW councils in 2019-20, and an estimated rate peg in subsequent years.

ends

Kiama Municipal Council's special rate variation approved

The Independent Pricing and Regulatory Tribunal (IPART) has approved Kiama Municipal Council's application to increase general income by 16.42% over the next two years.

The cumulative increase includes a 9.83% rise from 1 July 2019, followed by a further 6.0% increase from 1 July 2020. If adopted by Council, the increase in revenue would be permanently retained in the rate base.

The additional revenue of around \$3 million over the next 2 years will go towards funding the maintenance of existing services, infrastructure and community facilities, allow for the renewal of infrastructure, and enhance the Council's financial sustainability. As the approved special variation is permanent, it would mean a cumulative increase in revenue of \$19.1 million above the assumed rate peg over the next 10 years.

IPART Chair Dr Paul Paterson 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.

"Kiama Council was able to meet the criteria for approval of the special variation by demonstrating a clear need for the additional revenue to fund asset renewals," Dr Paterson said.

"Although we noted some shortcomings in the Council's consultation with its community we assessed it to be sufficient overall. We found the impact to be reasonable and that the Council is taking steps to improve productivity and contain costs."

The application was assessed by IPART against the NSW Government's published criteria, taking into account the Council's planning and reporting documents and financial need for the additional revenue, its community consultation on the proposed changes and the capacity of ratepayers to pay the requested increase.

Dr Paterson said the approval replaces a temporary special variation which expires on 30 June 2019. That temporary variation was granted last year in place of the permanent variation requested by Council as it failed at that time to meet one of the OLG criteria. The criteria were met for 2019-20.

"Based on the Council's application, if the variation is adopted by Council, the average residential rate would increase by \$91 in 2019-20 and by \$187 over two years. The average business rate would rise by \$83 in 2019-20 and by \$190 over two years, while farmland rates would rise by \$158 in 2019-20 and by \$325 over two years," Dr Paterson said.

"We consider the impact on affected ratepayers would be reasonable, taking into account the proposed SV replaces the current expiring SV of 3.7%, the Council's implementation

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of an incremental increase to the Pensioner Rebate Scheme to minimise the impact of the proposed increase on pensioners, and the Council's financial need for additional funding to be financially sustainable.

Requested special variation	16.42% cumulative increase over two years to be retained permanently in the rate base.
Outcome	Approved in full
Estimated increase in the average residential rate (including rate peg)	<ul style="list-style-type: none">• \$91 in 2019-20• \$187 total increase over two years
Summary of purpose	Fund maintenance and renewal of infrastructure assets and to enhance financial sustainability.

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

Kiama Council is among 13 councils across NSW (of a total of 128) to make a special variation application to increase rates for 2019-20. IPART approved eight applications in full, three applications in part, and two applications were not approved.

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 2.7% rate peg applicable to all NSW councils in 2019-20, and an estimated rate peg in subsequent years.

ends

Lithgow City Council's special rate variation partially approved

IPART has approved in part Lithgow City Council's application for a special rate variation, reducing the requested 11.7% increase to 9.0% from 1 July 2019.

The decision reflects IPART's concern that the Council did not ensure the higher figure was broadly understood by the community, in the context of the substantial impact of the proposed increase on ratepayers.

IPART's decision means the Council is now able to increase the average residential rate by \$29 in 2019-20. Average business rates would rise by \$165, average farmland rates by \$55 and average mining rates would increase by \$6,099 in 2019-20.

IPART Chair Dr Paul Paterson said 242 submissions regarding the proposed increase were received by IPART, with almost all opposed to the increase on the grounds of affordability for ratepayers.

"Nevertheless, we are satisfied the Council has demonstrated its need for additional revenue to improve its financial sustainability and to fund operating and capital costs, and that it is taking steps to improve productivity and contain costs.

"Over 66 submissions received from the community mentioned the 9.0% total cumulative impact instead of the requested 11.7% cumulative increase," Dr Paterson said. This stemmed from an unclear description of the proposed SV in some of the consultation materials used by the Council to engage with its community.

"Our decision reflects the percentage increase that was more consistently understood by the community" Dr Paterson said.

The application was assessed by IPART against the NSW Government's published criteria, taking into account the 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.

This decision enables the Council to commence implementing its expenditure program in 2019-20, whilst considering whether to apply for a special variation in future years.

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

Requested special variation	11.7% increase in 2019-20 to be retained permanently in the rate base.
Outcome	9.0% increase in 2019-20 to be retained permanently in the rate base.
Estimated increase in the average residential rate (including rate peg)	\$29 in 2019-20
Summary of purpose	Maintain existing services, fund maintenance and renewal of infrastructure assets, enhance financial sustainability and to address infrastructure backlog.

Lithgow Council is among 13 councils across NSW (of a total of 128) to make a special variation application to increase rates for 2019-20. IPART approved eight applications in full, three applications in part, while two application were not approved.

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 2.7% rate peg applicable to all NSW councils in 2019-20, and an estimated rate peg in subsequent years.

ends

Richmond Valley Council's special rate variation approved

The Independent Pricing and Regulatory Tribunal (IPART) has approved Richmond Valley Council's application to increase its general income by 23.9% over the next four years.

This includes a 5.5% rise from 1 July 2019, followed by further 5.5% per year increases in each of the next three years.

The additional revenue of \$3.9 million over the next four years will fund the maintenance of existing services, infrastructure and community facilities, allow for the renewal of infrastructure, and enhance the Council's financial sustainability.

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.

IPART Chair Dr Paul Paterson said whilst the percentage increase is significant, the Council was able to clearly demonstrate its financial need.

"Richmond Valley Council currently has average residential rates at \$960, which is lower than the average rates charged by similar councils," Dr Paterson said.

Twelve submissions, including two petitions with 360 and 289 signatures each, were received opposing the increase based on concerns about the Council's financial management and affordability for ratepayers.

"Despite this, Richmond Valley was able to meet the criteria for approval of the special variation by demonstrating a clear need for the additional revenue," Dr Paterson said.

"Although we noted some shortcomings in the Council's consultation with its community and Integrated Planning and Reporting documents, we assessed these overall to be sufficient. We also found that the impact on ratepayers would be reasonable, and the Council is taking steps to improve productivity and contain costs."

The application was assessed by IPART against the NSW Government's published criteria, taking into account the council's planning and reporting documents, its financial need for the additional revenue, its community consultation on the proposed changes, and the capacity of ratepayers to pay the requested increase.

"If adopted by the Council, the variation would result in average residential rates increasing by \$54 in 2019-20 and by \$238 over four years. Average business rates would rise by \$170 in the first year, while farmland rates will go up by an average of \$94," Dr Paterson said.

Requested special variation	23.9% cumulative increase over four years to be retained permanently in the rate base.
Outcome	Approved in full
Estimated increase in the average residential rate (including rate peg)	<ul style="list-style-type: none"> • \$54 in 2019-20 • \$238 total cumulative increase over four years
Summary of purpose	Fund operating and capital expenditure for key community assets and infrastructure and enhance financial sustainability.

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

Richmond Valley Council is one of 13 councils across NSW (of a total of 128) to make a special variation application to increase rates for 2019-20. IPART approved eight applications in full, three applications were approved in part, and two were not approved.

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 2.7% rate peg applicable to all NSW councils in 2019-20, and an estimated rate peg in subsequent years.

ends

Tamworth Regional Council's special rate variation rejected

The Independent Pricing and Regulatory Tribunal (IPART) has rejected Tamworth Regional Council's application to increase its general income to fund an Event Management and Attraction Strategy.

The Council applied to increase its overall revenue by 2.7%, in line with the state-wide rate peg from 1 July 2019, followed by increases of 2.84% in 2020-21 and 2.88% in both 2021-22 and in 2022-23, a cumulative increase of 11.79%.

The entire increase was to be levied on business ratepayers with a 2.7% increase in 2019-20 and a 4.5% increase in the average business rate in each year from 2020-21 to 2022-23.

IPART Chair Dr Paul Paterson said the decision to decline the application was based on the Tribunal's assessment that Tamworth Regional Council did not meet the criteria set by the Office of Local Government (OLG).

"Our analysis found that the Council had not sufficiently demonstrated that the community was aware of the special variation and its impact," Dr Paterson said.

"It was apparent that the majority of business ratepayers were not aware of the extent of the special variation and its impact, which was primarily communicated in various information sessions.

"While the overall increase in general revenue from rates appeared modest, the fact that it was to be levied on the 1,827 businesses within the Council area meant that there should have been effective engagement with affected parties. This concern was echoed in the majority of the 12 submissions that IPART received."

IPART also found that the Council did not demonstrate a strong financial need for the additional revenue to undertake its Event Management and Attraction Strategy and its Integrated Planning and Reporting Documents had not been appropriately updated, exhibited and approved to include the required information under the OLG Guidelines.

Dr Paterson said the decision does not preclude the Council from applying for a special variation in the future.

"It is the Council's decision whether to further consult with its community and consider putting forward an application in the future," he said.

In the absence of the special variation, increases to the Council's general income will be limited to the rate peg, which is 2.7% for 2019-20.

Requested special variation	11.8% cumulative increase over four years to be retained permanently in the rate base.
Outcome (including rate peg)	Rejected
Summary of purpose	Fund an Event Management and Attraction Strategy.

Tamworth Regional Council is among 13 councils across NSW (of a total of 128) to make a special variation application to increase rates for 2019-20. IPART approved eight applications in full, three applications were approved in part and two were not approved.

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

Note: All percentages include the 2.7% rate peg applicable to all NSW councils in 2019-20, and an estimated rate peg in subsequent years.

ends