

Media Release

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IPART Decisions on 17 Council Special Variation Applications

The Independent Pricing and Regulatory Tribunal (IPART) has announced its decisions on 17 NSW council applications for special variations to increase their general income by more than the rate peg (details in Table 1 below).

Every year IPART decides a rate peg for each council in NSW which sets the maximum amount councils can increase the general income they collect from ratepayers (rates income). For 2023-24, IPART set the base rate peg for 2023-24 at 3.7%. There is also an allowance for the level of population growth, meaning some councils have rate pegs up to 6.8%.

If the elected councillors agree that a council needs additional revenue, the council can apply to IPART for a special variation to increase rates income by more than the rate peg. In February and March this year, 17 councils applied for increases in rates income above the rate peg through special variations.

"IPART recently released a draft report suggesting the NSW Government consider commissioning an independent investigation of the financial model for councils in NSW. This call for an independent investigation is in response to a broad range of issues people have highlighted during consultation with IPART, including financial sustainability of councils, financial management and the affordability and fairness of council rates," said IPART Chair Carmel Donnelly.

"Many stakeholders expressed concerns about the special variation process during our recent review of the rate peg methodology," said Ms Donnelly. "We also received over 1800 submissions about these 17 special variation applications, including from people who raised broader issues about the financial model for councils."

IPART is required to assess special variation applications against criteria set by the Office of Local Government. The criteria require councils to demonstrate the need for the additional revenue, provide evidence that the community is aware of the need for and extent of a rate rise, exhibit relevant planning documents, explain council's productivity and cost containment actions and plans, and establish that the impact on affected ratepayers is reasonable.

"We considered everything raised in submissions including the impact of rates increases on ratepayers given current cost of living pressures," said Ms Donnelly. "We also considered the impact on communities if councils were unable to deliver services that people depend on."

IPART has now assessed the 17 special variation applications in accordance with the Office of Local Government guidelines. Based on compliance with the required criteria, the Tribunal has fully approved 14 of the applications received earlier this year. 3 applications were only partially approved.

"The Tribunal questions whether this year's large special variation applications reinforce IPART's recent call for the NSW Government to consider commissioning an independent investigation of the financial model for councils," said Ms Donnelly. "The independent investigation suggested by IPART could examine why some councils have decided the only way to address financial sustainability is through seeking substantial increases to rates income, and could also review the current special variation guidelines, criteria and process."

The next step following IPART's decisions on the rate peg and the special variations is for councils across NSW to decide how to set rates. The IPART decisions determine the *maximum* amount by which each of the 17 councils can increase their council rates income.

"We encourage councils to consult with the community to decide how best to implement the allowed increase, noting that elected councillors can choose how they set council's rates, including deferring any increases for up to 10 years and how they set rates across the rating categories," said Ms Donnelly.

Our reports on each of the 17 council special variation decisions and related documents are available on the IPART website.

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Background

Councils fund their operations from a mix of revenue sources. The income from rates and charges that IPART regulates through special variations and the rate peg is called "general income" in legislation. For many councils, general income consists entirely of rates income, so we also call it rates income. For a small number of councils, general income also includes some annual charges such as drainage levies. General income typically makes up around a third of council total revenue. The rest comes from government grants, development contributions, and user fees and charges.

Table 1 Summary of the councils' approved applications

Council	Cumulative increase	Annual increases
Special Variations		
Armidale Regional Council	58.8% over 3 years	16.67% in 2023-24, 16.67% in 2024-25 and 16.66% in 2025-26
Bega Valley Shire Council	48.3% over 2 years	24.0% in 2023-24 and 19.6% in 2024-25
Bellingen Shire Council	31.06% over 4 years	8% in 2023-24, 8% in 2024-25, 6% in 2025-26 and 6% in 2026-27
City of Canada Bay Council	32.53% over 4 years	15.49% in 2023-24, 4.81% in 2024-25, 4.69% in 2025-26 and 4.58% in 2026-27
Federation Council (Partial Approval)	39.2% over 2 years (Temporary)	19% in 2023-24 and 17% increase in 2024-25.
Hornsby Shire Council	31.05% over 4 years	8.5% in 2023-24, 7.5% in 2024-25, 6.5% in 2025-26 and 5.5% in 2026-27
Junee Shire Council	32.19% over 2 years	17.5% in 2023-24 and 12.5% in 2024-25
Lithgow City Council	45.78% over 1 year	45.7% in 2023-24 plus 0.08% Crown Land Adjustment
Liverpool Plains Shire Council	18.1% over 1 year	
Port Stephens Council	31.29% over 3 years	9.5% per year in 2023-24, 2024-25 and 2025-26
Queanbeyan-Palerang Regional Council	64.3% over 3 years	18% per year in 2023-24, 2024-25 and 2025-26
Snowy Monaro Regional Council (Partial Approval)	52.48% over 4 years	12.25% in 2023-24 and 10.75% per year in 2024-25, 2025-26 and 2026-27.
Strathfield Municipal Council	92.83% over 4 years	35.1% in 2023-24, 13.0% in 2024-25, 17.5% in 2025-26 and 7.5% in 2026-27
Tenterfield Shire Council (Partial Approval)	43% over 1 year	
Tweed Shire Council	6.35% over 1 year	
Walcha Council	57.74% over 3 years	36.5% in 2023-24, 8.0% in 2024-25 and 7.0% in 2025-26
Woollahra Municipal Council	22.23% over 2 years	13.7% in 2023-24 and 7.5% in 2024-25
Minimum Rate Increase		
City of Canada Bay Council	\$346 over 4 years	\$880 in 2023-24, \$954 in 2024-25, \$1,030 in 2025-26 and \$1,108 in 2026-27 (for both residential and business rates)
Strathfield Municipal Council	\$580 over 2 years (residential) \$446 over 2 years (business)	\$1,040 in 2023-24 and \$1,200 in 2024-25 (for both residential and business rates)

Note: All approved special variations, except for Federation council, are permanent. All stated increases are inclusive of the actual 2023-24 rate peg and an assumed rate peg of 2.5% for all other years.