

## FACT SHEET

# Council notifications of special variations received by IPART for 2012/13

December 2011

### Purpose

This fact sheet provides a list of councils that have advised IPART that they intend to apply for a Special Variation under the *Local Government Act 1993* from 2012/13.

Most councils are currently undertaking consultation with their communities about their proposed special variations. If councils decide to proceed with their applications, they must submit them to IPART by 24 February 2012.

### What is a special variation?

A special variation allows a council to increase its 'general income' by more than the rate peg. IPART has set the rate peg at 3.6% for 2012/13. General income mainly includes income from council rates, but also includes some other types of council income.

If a council wishes to increase its general income by more than the rate peg, it must apply to IPART for a special variation.

There are two types of special variations.

- ▼ Special variations under section 508(2) of the Local Government Act – for a single percentage increase in general income.
- ▼ Special variations under section 508A of the Local Government Act – for 2 to 7 consecutive annual increases in general income.

Councils may seek a section 508(2) special variation on a temporary or a permanent basis. However, special variations under section 508A are permanent. If a special variation is temporary, the additional income is collected for a specified period of time eg, a temporary levy for a specific program of works. If a special variation is permanent, the additional income is collected in all future years. The income is permanently included in the revenue base of the council.

## Process that IPART will use to assess applications

Councils were required to notify that they intend to apply for a special variation by 16 December 2011. We have compiled this fact sheet based on the notifications that we received.

Councils must submit completed applications for special variations by 24 February 2012. We will then assess applications against the criteria listed in Table 1. These criteria are set out in the *Guidelines for the preparation of an application for a special variation to general income 2012/13* that have been published by the Division of Local Government, Department of Premier and Cabinet. Copies of the Guidelines are available on IPART's website.

## Criteria for assessment of special variation applications

**Table 1 Criteria for assessment of special variation applications**

Section 508(2)	Section 508A
1. Demonstrated need for the rate increase implied by the special rate variation.	1. Demonstrated need for the rate increases derived from the council's Integrated Planning and Reporting framework, highlighting one or more of the following: <ul style="list-style-type: none"><li>- service provision requirements</li><li>- infrastructure backlogs that have adverse implication for the community</li><li>- special or unique cost pressures faced by the council.</li></ul>
2. Adequate community consultation regarding the special variation.	2. Demonstrated community support for the special variation.
3. Reasonable impact on ratepayers.	3. Reasonable impact on ratepayers.
4. Sustainable financing strategy consistent with the principles of intergenerational equity.	4. Sustainable financing strategy consistent with the principles of intergenerational equity.
5. An explanation of the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation.	5. An explanation of the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation.
	6. Implementation of the Integrated Planning and Reporting framework.
Any other issue that the Tribunal considers relevant.	Any other issue that the Tribunal considers relevant.

**Source:** Division of Local Government, Department of Premier and Cabinet, *Guidelines for the preparation of an application for a special variation to general income 2012/13*.

## **Councils are required to consult with their communities on rate increases and expenditure plans**

IPART will not hold public hearings as part of its assessment of applications. Instead, councils are required to consult with their communities regarding their expenditure and revenue plans as part of their Integrated Planning and Reporting activities or in preparation for a special variation. IPART encourages members of the community to participate in their council's community consultation and engagement processes. They should send comments to their council regarding its special variation proposals. Information on community consultation and engagement activities, such as community meetings, is usually available on council websites.

Although we do not solicit them, we will accept and consider submissions from interested groups or individual ratepayers regarding special variations. These may be emailed, by not later than 31 March 2012 (or 20 April 2012, in the case of Lake Macquarie), to [localgovernment@ipart.nsw.gov.au](mailto:localgovernment@ipart.nsw.gov.au) or sent by post to:

Local Government Team  
Independent Pricing and Regulatory Tribunal of NSW  
PO Box Q290  
QVB Post Office NSW 1230.

If you would like us to publish your submission on our website, please clearly indicate when writing to us that you consent to your submission being published on the IPART website. Once consent is provided, we will publish the submission and, unless otherwise requested, the name of the person making the submission. We generally remove contact details before publishing submissions. We may not publish certain submissions (or parts of submissions) due to an assessment of length, content, appropriateness or confidentiality.

## **Special variation notifications received from councils**

Table 2 lists the councils that have notified us that they intend to apply for a Special Variation. Some of the proposed increases may be estimates only. This is because the special variation percentages that have been notified to us may change following completion of a council's community consultation or the council's final deliberations on its revenue and expenditure plans for the coming year.

The notification letters we received are posted on our website at the following link: [http://www.ipart.nsw.gov.au/Home/Industries/Local\\_Govt/Special\\_Variations\\_and\\_Minimum\\_Rates/Notifications\\_received\\_201213\\_-\\_Special\\_Variations\\_Minimum\\_Rate\\_Increases](http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Special_Variations_and_Minimum_Rates/Notifications_received_201213_-_Special_Variations_Minimum_Rate_Increases).



### **Applications to increase minimum rates**

Councils that wish to increase minimum rates above the minimum rate statutory limit must obtain IPART's approval. However, they are not required to notify formally that they intend to apply. They are therefore not included in this list. Applications for increases to minimum rates above the statutory limit are due by 23 March 2012.

**Table 2 Councils that have notified us that they intend to apply for a Special Variation**

Council	Type of special variation and whether temporary or permanent	Notified special variation (including rate peg percentage)							Summary of reasons
		% increase in year							
		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	
City Of Sydney Council	508(2) – permanent	5.1%*							To continue a special variation that has been in place for 10 years and is due to end on 30 June 2012. The variation subsidises part of the cost of ‘Quality of Life’ services, including homelessness services, the closed circuit television (CCTV) network, and an accelerated graffiti removal program.
Cobar Shire Council	508(2) – permanent	13.6%							To fund and maintain community transport infrastructure.
Coffs Harbour City Council	508(2) – temporary – 10 years	5.6%*							To continue a special rate that has applied to business properties in the Coffs Harbour CBD for 12 years, but is due to expire on 30 June 2012. The council wishes to continue the levy for a further 10 year period to continue to provide funds for a capital works program for the CBD.
Gilgandra Shire Council	508A – permanent – 7 cumulative percentage increases	6.8%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	To maintain service levels, undertake capital works projects and increase spending on unsealed rural roads in accordance with the council’s 10 year financial plan.

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Hunters Hill Council	508A – permanent – 2 cumulative percentage increases	9.91%*	10.27%*						To renew 3 existing special variations – for road maintenance, infrastructure and an Environmental Special Rate – plus provide an additional 2% on top of the rate peg.
Kempsey Shire Council	508A – permanent – 3 cumulative percentage increases	16.04%	14.32%	8.29%					To fund infrastructure maintenance programs for roads and bridges and retain existing services. The council is also considering phasing special variation increase over a longer period (4 or 5 years).
Lake Macquarie City Council	508A – permanent – 7 cumulative percentage increases	10.44%*	10.34%*	9.77%	7.95%	7.29%	6.75%	4.75%	To improve financial sustainability so the council can maintain and improve assets and service delivery. Includes continuing permanently the existing Sustainability Levy (2.7%) which is due to expire on 30 June 2014.
Lane Cove Council	508(2) – temporary – for 2 years	4.63%							To levy a new special rate on certain business ratepayers in Lane Cove Business Park to fund a bus service for 2 years from Lane Cove Business Park to Chatswood.
Muswellbrook Shire Council	508(2) – permanent	7.6%*							To continue permanently a special variation of 4% that was approved for 1 year only in

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		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	
									2011/12. The special variation is levied on the mining rating category and is to be used to improve mine-affected roads and associated storm water drainage infrastructure.
Nambucca Shire Council	508(2) – permanent	10.04%*							Includes 5.04% to continue an existing Environment Levy, which is due to expire on 30 June 2012. The balance of 5% includes 3% for cost escalation and is to finance a loan of \$1.5m to fund repairs of sealed roads.
Newcastle City Council	508(2) – permanent	8.6%							To fund various civic projects to revitalise the city, including revitalising Hunter Street and the coast, new cycle ways, upgrading libraries and swimming pools and expanding the Art Gallery.
North Sydney Council	508A – permanent – 6 cumulative percentage increases	12.9*	15.4%*	5.5%	5.5%	5.5%	5.5%		In 2011/2012, IPART approved an SV of 5.5% per annum for 7 years. Four existing levies were not included in that approval. The aim is to replace the current IPART approval with another one, that maintains the already approved 5.5% per annum and continues on a permanent basis the 4 levies that are due

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		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	
									to end in either 2012/13 or 2013/14. The Infrastructure, Environment, Crows Nest Mainstreet and Neutral Bay Mainstreet Levies fund environmental programs, infrastructure renewal works and commercial precinct improvement programs.
Port Macquarie-Hastings Council	508(2) – part permanent and part temporary for 5 years	10.9%* or 15.33%* or 17.54%* or 19.76%*							Council is presenting various options to the community. All permanently continue the special variation of 7.3% approved in 2011/12 for 1 year for road and park maintenance. Further increases of either 4.43%, 6.64% or 8.86% to be built into the rate base for 5 years to address the infrastructure backlog.
Queanbeyan City Council	508(2) – permanent	9.4%*							To carry out asset maintenance for infrastructure assets including parks and reserves, roads and footpaths in accordance with the council's 10-year works program.
Tamworth Regional Council	508(2) – permanent	20.6%							To fund infrastructure maintenance gap.



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		% increase in year							
		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	
Upper Hunter Shire Council	508(2) – permanent	10%							To fund rural and sealed road maintenance, backlog and improvements.
Wingecarribee Shire Council	508(2) – permanent	7.09%*							To continue the Environment Levy to fund specified environmental projects.

<sup>a</sup> Under the *Guidelines for Special Variations* issued by the Division of Local Government, all s508A special variations are built into the base revenue of councils. Increases in more than one year have a compounding effect on revenue.

\* Includes a component to continue an existing special variation that is due to expire.

**Note:** We aim to report the variations sought by councils on a consistent basis. Special variation percentages in the table include the rate peg and an amount to reflect the continuation of special variations from previous years that were time-limited and due to expire. IPART has used the actual rate peg of 3.6% for 2012/13 and an assumed rate peg of 3.0% for future years. Note that there is no guarantee that the rate peg in future years will be 3.0%. It may be a lower or higher percentage.

## Background

- ▼ Since 1977, councils' general revenues have been regulated in NSW under 'rate pegging'. Rate pegging sets the maximum general revenue (mainly rates) that councils can collect.
- ▼ The rate peg for 2012/13 is 3.6%. The rate peg for 2011/12 was 2.8%.
- ▼ The Local Government Act makes provision for councils to increase revenues above the rate peg amount through the use of 'Special Variations'.
- ▼ There are 2 types of special variations:
  - Special variations under section 508(2) of the Local Government Act - a single percentage increase.
  - Special variations under section 508A of the Local Government Act - a percentage increase in 2 to 7 consecutive years.
- ▼ Special variations under section 508A of the Act are permanently built into the revenue base of the council. Special variations under section 508(2) of the Act may be temporary or may be permanently built into the revenue base of the council.
- ▼ The number of councils that seek a special variation in any year can vary. Approximately 20 to 40 councils have sought a special variation in any one year.
- ▼ Until 2010, the rate peg was set by the Minister for Local Government. The Minister also determined whether to approve applications for special variations. Since 2011/12, IPART has set the rate peg and has determined applications for special variations.