

FACT SHEET

Local Government applications for special rate variations received by IPART for 2011/12

6 May 2011

Purpose

This fact sheet provides a list of councils that have applied to IPART for a Special Rate Variation under section 508A or 508(2) of the *Local Government Act 1993* for 2011/12 and beyond. This fact sheet also lists councils that are seeking to increase their minimum rates by more than the rate peg percentage.

What is a special variation?

A special variation allows councils to increase rates above the rate peg percentage, which has been set by IPART at 2.8% for 2011/12.

- ▼ Section 508(2) of the Local Government Act allows a council to seek an increase in rates above the rate peg amount in one year.
- ▼ Section 508A of the Local Government Act allows a council to seek an increase in rates above the rate peg amount for a period of 2 to 7 years consecutively.

What are minimum rates?

Some, but not all, councils levy minimum rates. These are a specific type of rate, where a minimum amount may be levied on each parcel of land, regardless of land value.

Councils must obtain approval from IPART if they wish to increase their minimum rates in 2011/12 by an amount that is greater than the rate peg percentage of 2.8%.

Applications received by IPART in 2011

Twenty three applications were received from councils. Table 1 provides a summary of the types of applications we received.

Table 1 Number of applications received

| Types of application | Number received by IPART |
|-----------------------|--------------------------|
| Section 508A | 13 |
| Section 508(2) | 8 |
| Increase minimum rate | 2 |
| All applications | 23 |

Process that IPART will use to assess applications under section 508A

Councils were required to submit completed applications for special variations to IPART by 25 March 2011. IPART will assess these applications against the criteria that are set out in the Guidelines for Special Variations 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 applications

IPART will assess 508A Special Variation applications against the following criteria:

- ▼ Demonstrated need for the rate increase implied by the special variation.
- ▼ Demonstrated community support for the special variation.
- ▼ Reasonable impact on ratepayers.
- ▼ Sustainable financing strategy consistent with the principles of intergenerational equity.
- ▼ Productivity improvements that the council has realised in past years, and plans to realise over the special variation period.
- ▼ Implementation of the Integrated Planning and Reporting framework.

IPART will assess 508(2) Special Variation applications against the following criteria:

- ▼ Demonstrated need for the rate increase implied by the special variation.
- ▼ Adequate community consultation.
- ▼ Reasonable impact on ratepayers.
- ▼ Sustainable financing strategy consistent with the principles of intergenerational equity.
- ▼ Productivity improvements that the council has realised in past years, and plans to realise over the special variation period.



IPART will assess applications for increases in minimum rates against the following criteria:

- ▼ Council's rationale for increasing minimums above the statutory amount.
- ▼ Impact on ratepayers.
- ▼ Consultation that the council has undertaken to obtain the community's views.

Table 2 includes the list of councils that have applied to IPART for a Special Variation or to increase their minimum rates.

Table 2 Councils that have applied to IPART for a Special Rate Variation or to increase minimum rates

| Council | Type of application | Ongoing or time limited | Special variation % increase in year (including rate peg percentage) | | | | | | | Summary of reasons |
|------------------------|---------------------|-----------------------------------|--|---------|---------|-------------------|---------|---------|---------|---|
| | | | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | |
| Albury City Council | 508A | Ongoing | 5.64% | 5.69% | 5.55% | | | | | Range of projects linked to objectives in the community strategic plan, <i>Albury 2030</i> . |
| Auburn City Council | 508A | Ongoing | 11.74%* | 8.5% | 8.5% | 8.5% | 8.5% | | | Financial sustainability, construction of additional facilities identified in Community Strategic Plan and infrastructure renewals. |
| Bega Shire Council | 508(2) | Time limited. Expires in 20 years | 8.77%* | | | | | | | To support tourism development, fund infrastructure upgrades and increase financial sustainability. |
| Byron Shire Council | 508(2) | Ongoing | 5.33% | | | | | | | Maintenance for Byron Regional sport and Cultural Complex, Byron Bay Library, restore accumulated surplus to \$1 million. |
| Cessnock Shire Council | 508(2) | Time limited. Expires in 2 years | 9.06%* | | | | | | | Road network improvement. |
| Great Lakes Council | 508A | Ongoing | 19.3% | 7.88% | 7.83% | 14.06%* inc EL | 5.91% | 5.91% | | Maintaining funding for current service levels, infrastructure maintenance, asset renewal and improving financial sustainability. |

| Council | Type of application | Ongoing or time limited | Special variation % increase in year (including rate peg percentage) | | | | | | Summary of reasons | |
|-----------------------|---------------------|-----------------------------------|--|---------|---------|---------|---------|---------|--------------------|---|
| | | | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | | 2017/18 |
| Hornsby Shire Council | 508A | Ongoing | 7.8% | 6.0% | 4.0% | | | | | Fund community infrastructure enhancements, renewals and upgrades and financial sustainability. |
| Ku-ring-gai-Council | 508(2) | Time limited. Expires in 8 years. | 7.8%* | | | | | | | Retain environmental levy special rate (5%) approved for period 2005-2012. Fund new capital works and maintenance of natural environment. |
| Lane Cove Council | 508(2) | Ongoing | 10.24% | | | | | | | Maintenance and renewal of infrastructure, particularly roads, footpaths, and stormwater drainage. |
| Maitland City Council | 508A | Ongoing | 9.8% | 10% | | | | | | City appearance projects and a range of capital projects, including roads. Move towards financial sustainability. |
| Muswellbrook | 508(2) | Ongoing | 6.8% | | | | | | | Maintenance, renewal and replacement of infrastructure, particularly roads. |
| Narrabri | 508(2) | Time limited. Expires in 1 year. | 8.79% | | | | | | | To address deteriorating road infrastructure from increased traffic generated by mining companies. |

| Council | Type of application | Ongoing or time limited | Special variation % increase in year (including rate peg percentage) | | | | | | | Summary of reasons |
|-------------------------|---------------------|-------------------------|--|---------|---------|---------|---------|---------|---------|--|
| | | | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | |
| North Sydney Council | 508A | Ongoing | 5.5% | 12.93%* | 15.43%* | 5.5% | 5.5% | 5.5% | 5.5% | Maintain, replace and provide infrastructure identified in the 2020 Vision Community Strategic Plan. Includes extension of time- limited levies. |
| Parramatta City Council | 508A | Ongoing | 4.3% | 4.3% | 9.2% | | | | | To achieve a 'break-even' financial strategy, asset renewals and maintenance, provide CBD infrastructure and support economic development. 2013/14 includes a 4.9% increase to continue a special variation expiring in June 2013. |
| Penrith City Council | 508A | Ongoing | 6.3% | 6.0%* | 5.5% | 5.0% | | | | Maintain existing assets and service levels, enhanced services; City Centre upgrades and renewal for Penrith and St Marys. |
| Pittwater Council | 508A | Ongoing | 7.8%* | 7% | 6% | | | | | Balance budget. Fund \$38.95 m infrastructure program over 10 years. 2011/12 includes replacement of the last year of the 5% Environment Levy with the first year of the special variation. |

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|---------------------------------|---------------------|-------------------------|--|---------|---------|---------|---------|---------|---------|--------------------|--|
| | | | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | | |
| Port Macquarie-Hastings Council | 508A | Ongoing | 15.34%* | 6.0% | | | | | | | Roads works program and address infrastructure backlog. The 2011/12 variation includes renewal of an expiring special variation of 7.36%, previously approved for 2010/11 only. |
| Richmond Valley Council | 508(2) | Ongoing | 5.96% | | | | | | | | Rural road maintenance, establishing community land management plans gas and intermodal projects, volunteerism programs and resourcing town and village entrances. |
| Waverley Council | 508A | Ongoing | 14.5%* | 13.5% | 12.5% | 11.5% | 10.5% | 8.67% | 2.22% | | Maintain and enhance delivery of Council's services. Continuation of maintenance programs to renew infrastructure and assets. Create financial sustainability. |
| Wollondilly Council | 508A | Ongoing | 6.7% | 6.7% | 6.7% | 6.7% | 6.7% | 6.7% | 6.7% | | Addressing a shortfall in infrastructure maintenance funding. |
| Woollahra Council | 508A | Ongoing | 9.82%* | 10.41%* | | | | | | | Continue the Environmental and Infrastructure Renewal Levies 5.84% in 2011/12 and 6.27% in 2012/13. Partially recover cost of the State Government |

| Council | Type of application | Ongoing or time limited | Special variation % increase in year (including rate peg percentage) | | | | | | | Summary of reasons |
|------------|---------------------|-------------------------|--|---------|---------|---------|---------|---------|---------|------------------------------------|
| | | | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | |
| | | | | | | | | | | Emergency Management Contribution. |
| Gundagai | s548 Minimum rate | Ongoing | Increase in minimum rate: 3% in 2011/12 | | | | | | | |
| Willoughby | s548 Minimum rate | Ongoing | Increase minimum rates :13% or 3%, (depending on rating category) in 2011/12 | | | | | | | |

* Includes expiring special variation.

a Under the Guidelines for Special Variations issued by the Division of Local Government, Department of Premier and Cabinet, all section 508A special variations are built into the base revenue of councils. Increases in more than one year have a compounding effect on revenue.

Note: IPART has aimed to report the variations sought by councils on a consistent basis. Special variation percentages in the table include the rate peg amount and include 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 2.8% for 2011/12 and an assumed rate peg of 3% for future years. Note that there is no guarantee that the rate peg amount in future years will be 3%.

Background

Rate pegging

- ▼ 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 percentage for 2011/12 is 2.8%.
- ▼ The framework makes provision for councils to increase revenues above the rate peg amount through the use of 'Special Variations'.

Delegation of Minister's powers under the Act

- ▼ Until 2010, the rate peg percentage was set by the Minister for Local Government. The Minister also determined whether to approve applications for special variations.
- ▼ During 2010, the Minister for Local Government delegated certain rate setting functions to IPART. These include setting the rate peg percentage, determining special variations and determining minimum rate amounts. From the 2011/12 financial year, IPART sets the rate peg percentage and determines applications for special variations and determines applications for minimum rate amounts.

The rate peg

- ▼ The rate peg percentage for 2011/12 (2.8%) was set by IPART based on a Local Government Cost Index and a productivity factor. The rate peg amount was announced by IPART in December 2010.

Types of special variations

- ▼ There are 2 types of special variations:
 - One year special variations - Section 508(2) of Local Government Act.
 - Variations for 2 to 7 years - Section 508A of Local Government Act.
- ▼ Special variations under Section 508(2) of the Act allow a council to increase rates by a percentage amount that is above the rate peg for one year. The revenue generated from the rate increase may be built into the revenue base of the council permanently (ongoing), or may be removed in a future year (time-limited or expiring special variations).
- ▼ Special variations under Section 508(A) of the Act allow a council to increase rates by a percentage amount that is above the rate peg for a period of 2 to 7 years. The Guidelines for Special Variations issued by the Division of Local Government, Department of Premier and Cabinet, dictate that the revenue generated from a s508A special variation must be built into the revenue base of the council permanently (ongoing). S508A special variations are not time-limited or expiring special variations.



Minimum rates

- ▼ Councils are able to set a minimum amount of a rate to be levied on a parcel of land regardless of land value. The size of any minimum rate must not exceed certain statutory limits. IPART can approve higher minimum rates.