

FACT SHEET

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

25 February 2011

Purpose

This fact sheet provides a list of councils that have formally notified IPART that they intend to apply for a Special Rate Variation under section 508A of the *Local Government Act 1993* for 2011/12 and beyond.

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 508A of the *Local Government Act* specifically allows a council to seek an increase in rates above the rate peg amount for a period of 2 to 7 years consecutively.

Councils may also seek a special variation under Section 508(2) of the *Local Government Act* for a single year. Councils seeking a 508(2) special variation do not have to notify IPART of their intention to apply for a special variation. Therefore, this Fact Sheet generally excludes councils that will apply for a Section 508(2) special variation.

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

Councils must submit completed applications for special variations to IPART by 25 March 2011. IPART will then assess 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.

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

IPART will not be holding public hearings as part of its assessment of applications by councils for special variations. Councils are required to consult with their communities regarding their expenditure and revenue plans as part of their Integrated Planning and Reporting activities. IPART encourages members of the community to participate in their council's community engagement processes. Information on community engagement will be available on council websites.

Councils that seek a special variation will need to demonstrate to IPART that they have engaged with their community regarding their revenue and expenditure plans. Councils will also need to demonstrate to IPART that there is community support for the rate increases and expenditure plans that are proposed as part of the special variation.

IPART will accept submissions from interested groups or individual ratepayers regarding special variations. These may be submitted to:

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

Or by email to:
localgovernment@ipart.nsw.gov.au.



Special variation notifications received from councils

Table 1 includes a list of councils that have notified IPART that they intend to apply to IPART for a Special Variation.

At this stage, some of the proposed increases are estimates. The special variation that has been notified to IPART by councils may change following completion of community consultation processes and councils' final deliberations on their revenue and expenditure plans for the coming year.

Table 1 Councils that have notified IPART that they intend to apply for a Special Variation

Council	Period	Notified special variation (including rate peg percentage)							Summary of reasons
		% increase in year							
		2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	
Albury City Council	3 years	5.64%	5.69%	5.55%					Range of projects linked to objectives in the community strategic plan, <i>Albury 2030</i> .
Auburn City Council	5 years	11.74%	8.5%	8.5%	8.5%	8.5%			Financial sustainability.
Byron Shire Council	1 year Section 508(2) variation	5.25%							Maintenance for Byron Regional sport and Cultural Complex, Byron Bay Library, restore accumulated surplus to \$1 million.
Great Lakes Council	Council yet to determine special variation, but intention to apply signalled.	TBC							
The Hills Shire Council	Council yet to determine special variation, but intention to apply signalled.	TBC							Relates to capping of Section 94 developer contributions.
Hornsby Shire Council	Two options: Option 1: 3 years	7.8%	6.0%	4.0%					Fund community infrastructure enhancements, renewals and upgrade.
	Option 2: 5 years	7.8%	4.0%	3.0% rate peg estimate	3.0% rate peg estimate	rate peg + retain value of Hornsby Quarry Loan rate			

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Ku-ring-gai-Council	1 year Section 508(2) special variation for 5% levy. Commencement deferred until 2012/13.	2.8% (rate peg only)	5.0%						Retain environmental levy special rate (5%) approved for period 2005-2012. Fund new capital works and maintenance of natural environment. Note delayed start.
Lane Cove Council	1 year Section 508(2) special variation	TBC							
Maitland City Council	2 years	9.8%	10%						City appearance projects and a range of capital projects, including roads and other..
Newcastle (City Of)	3 options: Option 1:1 year	3.8%							Major capital improvements to community facilities such as pools, libraries, Hunter Street Revitalisation and Coastal Revitalisation Projects, skate parks, cycle-ways, Blackbutt Reserve and the Art Gallery.
	Option 2: 1 year	7.8%							
	Option 3: 5 years	3.8%	4.0%	4.0%	4.0%	4.0%			
North Sydney Council	7 years 6% increase per annum for 7 years, plus continuation of existing time-limited special variations for Infrastructure, Environment and 2 Main Street levies.	6.0%	12.8%	14.0%	6.0%	6.0%	6.0%	6.0%	6% increase per annum for 7 years, plus extension of time-limited levies. Maintain, replace and provide infrastructure identified in the 2020 Vision Community Strategic Plan.

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Parramatta City Council	3 years The 9.2% variation in 2013/14 includes 4.9% to continue a special variation expiring in 2012/13. This special variation was to achieve a 'break-even' financial strategy, provide CBD infrastructure and support economic development.	4.3%	4.3%	9.2%					Break-even operating result by 2014/15. Funding infrastructure renewal and maintenance. Fund new infrastructure and development services.
Penrith City Council	4 years 2012/13 includes partial reinstatement of existing special variation for environmental program and funding for Penrith Business Alliance.	6.3%	6.0%	5.5%	5.0%				Maintaining existing assets and service levels, enhanced services; City Centre upgrades and renewal for Penrith and St Marys.
Pittwater Council	3 years 2011/12 includes replacement of the last year of the 5% Environment Levy with the first year of the special variation. Council advises that proposed EI works for 2011/12 will be completed as planned.	7.8%	7%	6%					Balance budget against escalating costs, aging infrastructure and limited revenue. Fund a \$38 million infrastructure program over the next 10 years.

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Port Macquarie-Hastings Council	4 scenarios are on public exhibition. The Council's preferred option is for 2 years. The 15.34% variation in 2011/12 includes renewal of an expiring special variation of 7.36%, previously approved for 2010/11 only.	15.34%	6.0%						Roads works program and address infrastructure backlog.
Richmond Valley Council	1 year Section 508(2) special variation	TBC							TBC
Waverley Council	7 years. Includes replacement of the 3.71% environmental levy.	14.5%	13.5%	12.5%	11.5%	10.5%	9.5%	8.95%	Maintain and enhance delivery of Council's services. Continuation of maintenance programs to renew infrastructure and assets. Create financial sustainability.
Wollondilly Council	7 years Several options presented. Preferred option is for 8% pa for 7 years	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	Infrastructure maintenance.
Woollahra Council	2 years Continuation of the Environmental Levy and Infrastructure Renewal Levy (6.1%).	10.0%	10.2%						Continue the Environmental Levy and Infrastructure Renewal Levy (6.1%) and recover outgoings associated with the State Government Emergency Management Contribution.

^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

- ▼ 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 2010/11 was 2.6%. 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'.
- ▼ In previous years, approximately 20 to 40 councils have sought a special variation.
- ▼ 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 and determining special variations. From the 2011/12 financial year, IPART sets the rate peg percentage and determines applications for 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.
- ▼ 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.