

## IPART ANNOUNCES ITS DETERMINATIONS OF SPECIAL RATE VARIATIONS BY LOCAL COUNCILS

**Embargoed until 10.30am 10 June 2011**

The Independent Pricing and Regulatory Tribunal [IPART] today announced its determinations of local council applications that sought to increase total rate revenue by more than the rate peg amount or to increase certain minimum rates.

Longstanding government policy in NSW limits the increase in local council rate revenues each year in line with Council costs. In December 2010 IPART set this limit – the rate peg – at 2.8% for 2011/12. The majority of councils across the State will be subject to this rate peg in 2011/12. For ratepayers in these councils with an annual rate notice of \$1,000, the rate peg increase in 2011/12 amounts to \$28, or around 50 cents per week.

Councils may seek a special rate variation to increase rate revenue by more than the rate peg, if IPART determines that these variations are both necessary and appropriate. Special variations allow for differences in councils' revenue raising capacities and expenditure needs. For example, the rate peg does not allow for a lift in council services to meet any growing expectations of communities, nor does it allow any increase in expenditure needed to address backlogs in infrastructure maintenance that may have accumulated over past years.

IPART Chairman, Mr Rod Sims, said "The Special Rate Variations process allows councils to address their individual challenges. Special variations provide flexibility for individual council circumstances, while ensuring accountability to local communities. Councils need to consult with their communities on their expenditure plans and be transparent in their request to increase revenue."

"This is the first year in which IPART has responsibility for determining council special rate variations and minimum rates. Previously the Minister for Local Government made these determinations."

Mr Sims said: "There are 152 councils in NSW and we received applications from 23 councils. This is similar to the number that was received by the Minister for Local Government in prior years. Twenty one applications were for special rate variations and 2 applications were for increases in minimum rates. In some cases the increases were for a single year and temporary, while others included increases in more than one year which will be permanently included in council revenues. The size of the increases requested by councils varied substantially."

Nine of the applications received were approved in full, 9 were approved for a lower amount or for fewer years than the council requested, 4 were rejected outright and the decision for 1 application has been delayed until later in June as further information has been sought.

We estimate that the total increase in average residential ordinary rates in 2011/12 from our special variation decisions will be less than \$50 (around \$1 a week) for 14 councils and between \$50 and \$105 (between \$1 and \$2 a week) for 6 councils. These amounts include the rate peg.

“The general quality of the applications we received was high, although some councils failed to convince us that they had adequately met the criteria set by the NSW Government” Mr Sims, said.

“Each application was carefully assessed by IPART against the NSW Government’s published criteria. We also considered submissions received directly from ratepayers, business groups, community groups and ratepayer associations. Where an application sought larger increases, or the increases compounded over several years, we wanted to see a significant degree of community support for the expenditure items and a willingness to pay for them” Mr Sims said.

Mr Sims said “Before IPART approved any of the special rate variations a number of factors were examined, including demonstrated need for the increase, affordability of the increases for ratepayers and whether a council had sought to achieve significant productivity savings.”

Mr Sims also noted that the financial capacity of councils in NSW varies considerably. “Many of the councils that applied for a special rate variation had a backlog in infrastructure maintenance and renewal. The Tribunal accepted that in many cases these backlogs could not be adequately addressed without a real increase in rate income or a substantial reduction in the other services currently provided.”

“The Tribunal has placed a particular emphasis on councils consulting adequately and openly with their community. Council consultation must involve clear disclosure to the community of the proposal for a rate increase and of the nature of related expenditures.”

“All approved special variations have conditions to ensure that each council clearly reports on the expenditures and outcomes achieved as a result of the special variation in its annual report. Communities need to see that revenue from these rate increases are spent as intended.”

Details of each special variation request can be found on IPART’s website [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

**Editors note: The details of the special rate variation requested by each council and IPART’s determinations are listed in Table 1 in the attached Fact Sheet.**

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