

LOCAL GOVERNMENT SPECIAL RATE VARIATION DECISIONS

3 June 2014

The Independent Pricing and Regulatory Tribunal (IPART) today released its decisions on special variation applications made by 32 of the 152 councils across NSW to increase the income they receive from rates. There were also 2 applications to increase minimum rates.

Twenty-eight of the special variation applications were approved in full, 3 were approved for a lower amount or for fewer years than the council requested, and 1 was declined. Both minimum rate applications were approved in full.

IPART has attached conditions to most approvals requiring that the additional income be used for the purposes outlined in the application and that councils report to their communities each year until 2023/24 about how the additional revenue is spent.

IPART Chairman, Dr Peter Boxall said the impact of the special variations on council revenues and average residential rates in 2014/15 varies widely.

“Special variations are designed to give councils the flexibility to generate additional income above the rate peg to meet their specific needs, with an independent assessment process to approve the increase,” Dr Boxall said.

“Fourteen of the approvals will lead to average increases in residential rates of less than \$1 a week in 2014/15, 12 approvals will lead to increases of between \$1 and \$1.50, and 5 will increase rates by between \$1.50 and \$2.50. The biggest impact for rates in 2014/15 is in Gundagai where the average increase would be \$116 (\$2.23 a week).

“The largest cumulative increase we have approved is for Maitland where average residential rates could increase by an average of \$96 for each of the next 7 years.”

Applications for special variations were assessed against guidelines issued by the Office of Local Government, which emphasise integrated planning by councils with input from their local communities. All councils lodging an application must have demonstrated the need for the additional revenue, that their community has been appropriately engaged and that the council is taking steps to improve productivity and contain council costs.

IPART also considers each council’s long-term financial plan and the impact of the variation on affected ratepayers.

“While not a record number, the large volume and diversity of special variation applications we have assessed this year highlights the different challenges facing local government in NSW today,” Dr Boxall said.

“In previous years, the largest increases were in regional and rural areas where councils face financial stress and infrastructure backlogs, or high population growth. This year some outer metropolitan councils also requested substantial increases for similar reasons.”

Through the rate peg and special variation process, IPART determines the increases to councils' general income. Actual rates are set by councils that decide how to allocate the increase among their different ratepayer categories, such as residential, business and farmland ratepayers.

"We expect councils to have listened to their communities and considered their capacity and willingness to pay prior to applying to IPART. Councils are closer to their communities, and while IPART may approve a special variation, it is up to the councils to decide whether to implement it in full," Dr Boxall said.

As well as approving 28 applications in full, IPART has declined the application from Weddin Shire Council due to concerns about the level of community consultation and awareness.

Burwood Council received approval to increase its income by around half of the amount requested due to concerns about affordability for the community, while increases in Coffs Harbour were limited to 1 year instead of the 3 years requested by council due to inadequate community consultation. Warringah Council's application was the only application where a clear need for the increases was not demonstrated in the near future; increases were limited to be broadly in line with the rate peg for the next 3 years, followed by an approved increase of 9.4% in 2017/18.

IPART has granted special variations in 2014/15 for these councils:

Armidale Dumaresq	Coffs Harbour	Holroyd	Randwick
Bellingen	Corowa	Junee	Richmond Valley
Blacktown	Fairfield	Kempsey	Rockdale
Blayney	Gilgandra	Ku-ring-gai	Singleton
Burwood	Glen Innes Severn	Liverpool City	Tenterfield
Campbelltown	Greater Taree	Liverpool Plains	Warringah
Canterbury	Gundagai	Maitland	Wollongong
Cessnock	Guyra	Nambucca	

Minimum rates and Crown Land adjustments

Minimum rate applications were approved for Lane Cove and Gundagai. Both of these approvals do not increase the councils' overall income beyond the rate peg, but have the effect of redistributing rates among categories. In the case of Lane Cove, over the next 5 years the minimum residential rate is approved to rise by \$54 in 2014/15 and by a total of \$329 over the next 5 years. During the same period, other residential rates are expected to fall.

IPART has also approved 3 Crown Land adjustments for Great Lakes, Newcastle and Port Stephens. The adjustments allow the councils to increase their overall general income from rates from land that was not previously rateable. These adjustments usually occur when Crown Land is either sold, leased or is given a commercial licence. Crown Land adjustments should not affect the total amount of rates paid by existing ratepayers.

Details of the special variation requested by each council and IPART's determinations are in the attached fact sheet. Full reports can be found on IPART's website www.ipart.nsw.gov.au.

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