

LOCAL GOVERNMENT SPECIAL RATE VARIATION DECISIONS

10.00am, Tuesday 11 June 2013

The Independent Pricing and Regulatory Tribunal (IPART) today released its decisions on applications made by 24 local councils across NSW to increase the income they receive from rates.

Twenty-three councils applied for a special variation to increase their general income by more than the rate peg of 3.4% for 2013/14. Twenty of the 23 applications were approved in full, and 3 were approved for a lower amount or for fewer years than the council requested. We also approved a request from Gundagai to increase a minimum rate.

IPART Chairman, Dr Peter Boxall said the impact of the special variations on council revenues and average residential rates in 2013/14 varies widely from a \$5 increase in 2013/14 in Camden to a total increase of almost \$450 by 2016/17 in Shellharbour.

About half of the variations relate to the continuation of existing special variations so will have little or no impact on council revenues or rates, while some others represent significant increases in council revenue to fund infrastructure backlogs and improve financial sustainability.

“Special variations are designed to give councils the opportunity to generate additional income above the rate peg if needed, with an independent assessment process to determine if the increase is realistic, justifiable and affordable,” Dr Boxall said.

“Our objective in assessing these applications is to ensure that the councils demonstrate a clear financial need for the changes, that the potential impacts on ratepayers are reasonable and that the community has been appropriately consulted about the council’s plans.”

Dr Boxall said the applications for special variations were assessed against updated guidelines issued by the Division of Local Government in October 2012, which emphasise integrated planning by councils with input from their local communities. All councils lodging an application must demonstrate 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.

“The number and diversity of special variation applications that IPART has assessed this year highlights not only the different challenges facing local government in NSW today, but also the flexibility that councils have to exceed the rate peg if needed,” Dr Boxall said.

“This year, we saw more evidence that councils were actively engaging with their communities to establish their needs, priorities and long term plans to fund the council services and infrastructure that the local community expects.

“The large increases are in outer metropolitan, regional or rural areas where councils are taking steps to improve their financial sustainability or improve their infrastructure.”

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.

Based on the councils' applications, many of the special variations approved by IPART will have only minor impacts on average residential rates in 2013/14. Some councils such as Randwick, Upper Hunter and Walgett requested only small increases above the rate peg. Some councils are renewing an expiring special variation, so rates will actually rise by an amount similar to the rate peg increase of 3.4% which IPART announced last November. These councils include Blue Mountains, Camden, Cessnock, Kiama, Ku-ring-gai and Rockdale. In Lismore and Coffs Harbour, the special variation is mainly for the renewal of levies paid by some business properties.

IPART has approved some large cumulative increases in general income over the next 4 years for outer metropolitan or regional councils including Gunnedah, Parkes, Shellharbour and Wyong. Total average residential rate increases after 4 years range from \$220 to \$448 in these areas. For Bega and Upper Hunter, total increases after 3 years are \$129 and \$116 respectively.

Single year increases resulting in average residential rate rises of between \$56 and \$99 were approved for Cobar, Junee and Shoalhaven.

Three applications were not approved in full.

Dr Boxall said applications received from Great Lakes and Ku-ring-gai councils were only partially approved because IPART determined that ratepayers were not sufficiently aware of the detail of the proposals. For Great Lakes, the variation to continue the Environmental Dredging Levy was limited to the current 6% rather than the requested 6.45%, while in Ku-ring-gai the request to continue an existing variation was granted for 1 year instead of 5.

"Wyong Shire Council applied to raise general income by 6.9% (including the rate peg) each year for 7 years," Dr Boxall said. "But we have determined that the increases should be approved for 4 years due to concerns about the council's longer term financial planning."

IPART requires councils to report every year to their community about how the additional revenue has been spent. This year, to promote greater transparency, councils intending to use the extra revenue to improve their financial position/sustainability will also have to report against their projections for annual revenue, expenditure and operating result over the next 10 years.

IPART has granted approvals in 2013/14 for these councils:

Bega Valley	Corowa	Kiama	Rockdale
Blue Mountains	Great Lakes	Kogarah	Shellharbour
Camden	Gundagai	Ku-ring-gai	Shoalhaven
Cessnock	Gunnedah	Lismore	Upper Hunter
Cobar	Hunters Hill	Parkes	Walgett
Coffs Harbour	Junee	Randwick	Wyong

In addition to the special variation and minimum rate determinations, IPART has also approved Crown land adjustments for Great Lakes, Port Macquarie-Hastings, Port Stephens, Wingecarribee and the City of Sydney councils. These adjustments allow the councils to increase their overall general income for newly rateable land that is added to the council's area. This land is usually Crown land that is either being sold, leased or has 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.

A separate media release regarding the Crown land adjustments can also be found on IPART's website.

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