

SPECIAL VARIATION DECISIONS FOR 10 NSW COUNCILS

Tuesday 17 May 2016

The Independent Pricing and Regulatory Tribunal (IPART) today released decisions on special variation applications made by 10 of the 152 councils across NSW to increase the income they receive from rates.

IPART Chairman, Dr Peter Boxall said nine of the applications for special variations met the assessment guidelines of the Office of Local Government (OLG) and were approved in full.

The application from Clarence Valley Council was partially approved, with a temporary increase of 6.5% for 1-year granted instead of the requested 37% over five years, due to inadequate community consultation.

No decisions have been announced for applications from a further two councils – Great Lakes Council and Greater Taree City Council – as the councils were dissolved on 12 May 2016.

Of the approved applications, if councils decide to implement the approved increases in full, the average residential rates will increase in 2016-17 by between \$31 (Lachlan Shire) and \$108 (Wingecarribee). The largest cumulative increase approved is for Wingecarribee Shire Council (45.3%).

The only metropolitan council to apply for a special variation was Penrith City Council, where residential rates would increase by an average of \$89 in 2016-17. The approved cumulative increase in Penrith is 27% over four years.

In Tweed Shire, the increase above the rate peg would be paid only by future property owners in Cobaki when development occurs in that area.

“Special variations are designed to give councils the flexibility to generate additional income above the rate peg to meet their specific needs,” Dr Boxall said.

“Under the current system, the rate peg ensures that the increase in general revenue councils are able to collect is in line with the increases in their costs. Set at 1.8% for 2016-17, the rate peg is not designed to allow for improvements in services, improving a council’s financial position or to fund new capital works.”

“The special rate variation process is open to councils that need additional funds to address these needs, as long as they meet the assessment criteria.”

IPART has granted special variations in 2016-17 for the following councils:

Clarence Valley	Penrith City	Wagga Wagga City
Gwydir Shire	Singleton	Wingecarribee Shire
Lachlan Shire	Tweed Shire	Yass Valley
Lismore City		

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

An application to increase minimum rates in line with the special variation increase was approved for Yass Valley Council. In addition, Crown land adjustments were approved for Kiama, Port Stephens and Sutherland councils. Crown land is exempt from rates but generally becomes rateable when it is sold to private individuals or transferred to State Owned Corporations that are liable to pay rates. These three councils can now collect rates on this land.

Local government in NSW is undergoing significant reform, which has had an impact on this year's special variations process.

The number of applications received was lower than in previous years, at least partially due to the 35 merger proposals announced by the Government in December 2015, with councils subject to these merger proposals not eligible for a special variation in 2016-17. Decisions on Great Lakes Council, Greater Taree City Council and Gundagai Shire Council (which applied to increase a minimum rate) are not able to be implemented because they were dissolved under an amalgamation proclamation issued by the Governor on 12 May 2016.

The current IPART Review of the Local Government Rating System had no impact on the assessment of the 2016-17 special variation applications. A draft report recommending future changes to the rating system will be released in August 2016 for consultation.

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 <<http://www.ipart.nsw.gov.au>>.

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