

FACT SHEET

Summary of variations requested by councils and decisions by IPART

Based on IPART's assessment of council applications for special variations
4 June 2012

Background

It is longstanding NSW Government policy for local councils' general income to increase each year in line with council costs. This is achieved by allowing general income to increase in line with the 'rate peg'.

NSW Government policy also allows councils to seek to increase their general income by more than the rate peg through the 'special variations' process. General income mainly includes rates income. It excludes many other council revenues such as grants, user fees and charges, fines, developer contributions, local government charges for water supply and sewerage and for waste disposal.

In 2010, IPART was given the responsibility for setting the amount by which councils can increase their general income each year - by setting the rate peg and determining special variations. Previously, the Minister for Local Government set the maximum increase in general income.

IPART set the rate peg for 2012/13 at 3.6%.¹ Councils which apply for a special variation to increase their rates by more than the rate peg may do so either as:

- ▼ a variation allowing an increase in rates in a single year, or
- ▼ a variation allowing increases in rates in more than one year (multi-year).²

¹ The rate peg was calculated using a 3.2% increase in the productivity-adjusted Local Government Cost Index (LGCI), to which was added a carbon price advance of 0.4%. The LGCI is weighted to reflect the effects of inflation on an 'average' council.

² Single year increases relate to section 508(2) of the *Local Government Act 1993* (the Act), multi-year increases relate to section 508A of the Act. By the operation of the Act and relevant guidelines, single year increases may lead to a permanent or temporary lift in council general income, while multi-year increases lead to a permanent lift in general income.

Applications for a special variation must meet criteria as set out in Guidelines issued by the Division of Local Government.³ IPART assesses the applications. IPART also has responsibility for considering applications to increase certain minimum rates above statutory minimum amounts.

Applications in 2012

There are 152 councils in NSW. For 2012/13 IPART received 15 applications for special variations or minimum rate increases by the application dates.⁴ Of these, 13 were for special rate variations and 2 were for increases in minimum rates.

Of the 13 applications for special variations, 7 were approved in full, 6 were approved for a lower amount or for fewer years than the council requested, and no applications were refused. Both the minimum rate applications were approved in full.

Each application was carefully assessed by the Tribunal in the light of the criteria set out in the Guidelines (Table 1). The Tribunal also considered submissions received directly from ratepayers, community groups, business groups and ratepayer associations.

This *Summary of Variations* provides an overview of each council's request and IPART's decision in relation to the type of variation that was approved, the annual average and cumulative percentage increases over the period of the special variation and the estimated average increase in residential rates in 2012/13 (Table 2). Please note that all 508(2) approvals are a variation in a single year. We also show the percentage increases in general income in each year and the total cumulative increase, where applicable, and the reasons for the requested special variation (Table 3).

Many of the councils applying for special variations already have a time-limited special variation that is due to expire in the near future. Some councils have applied to IPART to renew that special variation either on a temporary or a permanent basis. Some councils have not sought to renew the existing special variation but have included the value of the existing special variation in the percentage increase that have requested.

Reports on IPART's decisions for each of the councils are publicly available on IPART's website.

³ *Guidelines for the preparation of an application for a special variation to general income in 2012/2013*, Division of Local Government (DLG), Department of Premier and Cabinet, September 2011.

⁴ IPART has also received a late application from Blayney Shire Council regarding a significant land revaluation relating to a single mine. A decision on this application will be made later in June.

Table 1 - Criteria used to assess special variation applications

Section 508 (2) – one year increase in general income	Section 508 A – multi-year increase in general income
Demonstrated need for the rate increase implied by the special variation.	Demonstrated need for the rate increases derived from council’s completed IP&R framework, highlighting one or more of the following: <ul style="list-style-type: none"> ▼ service provision requirements (eg, unmet demand for services, new demand for services, or community support for enhanced service standards). ▼ infrastructure backlogs that have adverse implications for the amenity, safety and health of the community. ▼ a special or unique cost pressure faced by the council.
Adequate community consultation regarding the special variation.	Demonstrated community support for the special variation.
Reasonable impact on ratepayers.	Reasonable impact on ratepayers.
Sustainable financing strategy consistent with principles of intergenerational equity.	Sustainable financing strategy consistent with the principles of intergenerational equity.
An explanation of the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation.	An explanation of the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the period of the proposed special variation.
	Implementation of Integrated Planning and Reporting Framework.
Any other factor the Tribunal considers relevant.	Any other factor the Tribunal considers relevant.

Table 2 Summary of approvals for special variations (SV) and minimum rate (MR) increases

Council	Decision	Type of variation, Number of years of variations (508A only)	Cumulative increase above rate peg, % (1)	Average annual increase above rate peg, % (2)	Cumulative increase above rate peg and existing SVs, % (3)	Average annual increase above rate peg and existing SVs (4)	Estimated increase in average rate in 2012/13 (residential unless stated) (5)
Coffs Harbour	Approved in part	508(2) – T	2.04*	-	0.0	-	\$92 - CBD business rates only
Gilgandra	Approved in part	508(2) - P	3.20	-	3.20	-	\$31
Gundagai	Approved	MR – P	-	-	-	-	\$6.60 - TID min rate only
Hunters Hill	Approved	508(2) - T	6.80*	-	2.00	-	\$74
Kempsey	Approved in part	508(2) - P	7.77	-	7.77	-	\$91
Lake Macquarie	Approved in part	508A – P – 7 years	33.78*	4.83*	32.90	4.70	\$93
Muswellbrook	Approved	508(2) – P	4.00*	-	0.0	-	\$27
Nambucca	Approved	508(2) – P	6.44*	-	1.40	-	\$28
Newcastle	Approved	508(2) – P	5.00	-	5.00	-	\$81
North Sydney	Approved	508A – P – 6 years	39.35*	6.56*	0.00	-	\$30
Port Macquarie-Hastings	Approved	508(2) - Part P & T	11.73*	-	4.43	-	\$81
Queanbeyan	Approved	508(2) – P	5.8*	-	0.00	-	\$31

Council	Decision	Type of variation and whether permanent (P) or temporary (T)	Cumulative increase above rate peg, % (1)	Average annual increase above rate peg, % (2)	Cumulative increase above rate peg and existing SVs, % (3)	Average annual increase above rate peg and existing SVs (4)	Estimated increase in average rate in 2012/13 (residential unless stated) (5)
Tamworth	Approved in part	508(2) – P	11.0	-	11.00	-	\$114
Willoughby	Approved	MR (23.6%)-P	-	-	-	-	\$130 min rate
Wingecarribee	Approved in part	508(2) – T	3.49*	-	0.00	-	\$34

Notes: SV = special variation. MR = minimum rate application. P or T indicates permanent or temporary variation.

* An asterisk indicates that the council has an existing special variation that is either being continued or replaced. The special variation percentage includes this. The rate peg is set at 3.6% for 2012/13 and is assumed to be 3% in each subsequent year.

Source: IPART and council applications.

Interpreting Table 2

Column 1

The percentage increase in the council's general income that was approved by IPART that is in excess of the rate peg. For North Sydney, this variation is calculated over 6 years. For Lake Macquarie, it is calculated over 7 years. For all other councils, it is for a single variation in 1 year.

Column 2

The average percentage increase per year in council general income that was approved by IPART that is in excess of the rate peg. We calculate this only for councils which received multi-year increases under section 508A of the Act.

Column 3

The percentage increase in the council's general income that was approved by IPART that is in excess of the rate peg and the value of existing or expiring special variations. For North Sydney, this variation is calculated over 6 years. For Lake Macquarie, it is calculated over 7 years. For all other councils, it is for a single variation in 1 year.

Column 4

The average percentage per year increase in council general income in excess of the rate peg and existing or expiring special variations. We calculate this only for councils which received multi-year increases under section 508A of the Act.

Column 5

The dollar increase in the average residential rate in 2012/13, compared with the average residential rate in 2011/12. Other rates may increase by different amounts. Non-residential rate increases are shown in the table where they are the focus of the special variation. Councils that received multi-year approvals will have additional increases in subsequent years.

Table 3 Summary of special variations (SV) requested by councils and determined by IPART – annual variation and purpose

Council		% increase in permissible income (including rate peg)							Cumulative % increase	Purpose of special variation
		12/13 %	13/14 %	14/15 %	15/16 %	16/17 %	17/18 %	18/19 %		
Coffs Harbour	Requested	5.64*							5.64	<ul style="list-style-type: none"> ▼ Requested to continue a special rate that has applied to business properties in the Coffs Harbour CBD for 12 years, but is due to end. The council requested to continue the special rate for a further 10-year period to provide funds for a new capital works program, further revitalisation and on-going growth of the city centre. ▼ Approved the extension of the special rate for 1 year, rather than 10 years. This will allow council to complete its Masterplan with CBD business ratepayers and develop its program of works. Approved variation also allows for the upgrade of Harbour Drive/Gordon Street Intersection.
	Approved in part	5.64*							5.64	
Gilgandra	Requested	6.8	6.2	6.2	6.2	6.2	6.2	6.2	53.22	<ul style="list-style-type: none"> ▼ Requested to undertake infrastructure maintenance and renewals in accordance with the council's 10-year financial plan and maintain service levels and enhance financial sustainability. ▼ Approved a single variation on a permanent basis
	Approved in part	6.8							6.8	
Gundagai	Requested	3.6							3.6	<ul style="list-style-type: none"> ▼ Requested to increase the minimum amount of the Town Improvement District special rate in line with the rate peg and other rate categories. ▼ Approved
	Approved	3.6							3.6	
Hunters Hill	Requested	10.4*							10.4	<ul style="list-style-type: none"> ▼ Requested to replace an existing special variation for 10 years to fund road renewal. ▼ Approved as requested on a temporary basis for 10 years
	Approved	10.4*							10.4	

Council		% increase in permissible income (including rate peg)							Cumulative % increase	Purpose of special variation
		12/13 %	13/14 %	14/15 %	15/16 %	16/17 %	17/18 %	18/19 %		
Kempsey	Requested	16.05	14.33	8.29					43.68	<ul style="list-style-type: none"> ▼ Requested to fund infrastructure maintenance programs for roads and bridges and bypass works. ▼ Partially approved. IPART approved a single variation for a lower amount on a permanent basis. Council will need to prioritise expenditures.
	Approved in part	11.37							11.37	
Lake Macquarie	Requested	10.44	10.34	9.77*	7.95	7.29	6.75	4.75	73.24	<ul style="list-style-type: none"> ▼ To maintain and enhance assets and service delivery, while securing long term financial sustainability, addressing the infrastructure backlog, and providing a program of infrastructure renewal. From 2014/15 includes the value of the existing Sustainability Levy (2.59%) which is due to expire on 30 June 2014. ▼ Partially approved. Council will be able to achieve sustainability and maintain service growth, but will need to prioritise projects and services.
	Approved in part	10.36	10.17	6.23*	5.58	5.25	4.75	4.75	57.48	
Muswellbrook	Requested	7.6*							7.6	<ul style="list-style-type: none"> ▼ To continue permanently a special variation of 4% that was approved for 1 year only in 2011/12. The special variation is levied on the mining rating category and is to be used to improve Thomas Mitchell Drive. ▼ Approved
	Approved	7.6*							7.6	
Nambucca	Requested	10.04*							10.04	<ul style="list-style-type: none"> ▼ Includes 5.04% to continue an existing Environment Levy, which is due to expire on 30 June 2012. The balance of 5% includes 3.6% for the rate peg to cover cost escalation and 1.4% to finance a loan to be used to improve sealed roads.
	Approved	10.04*							10.04	

Council		% increase in permissible income (including rate peg)							Cumulative % increase	Purpose of special variation
		12/13 %	13/14 %	14/15 %	15/16 %	16/17 %	17/18 %	18/19 %		
Newcastle	Requested	8.6							8.6	<ul style="list-style-type: none"> ▼ To fund various civic projects to revitalise the city, including revitalising Hunter Street and the coast, new cycle ways, upgrading libraries and swimming pools and expanding the Art Gallery. ▼ Approved
	Approved	8.6							8.6	
North Sydney	Requested	12.34*	14.57*	5.50*	5.50*	5.50*	5.50*		59.45	<ul style="list-style-type: none"> ▼ In 2011/2012, IPART approved an SV of 5.5% p.a. for 7 years. Four existing levies were not included in that approval. The aim is to replace the current IPART approval with another one, that maintains the already approved 5.5% p.a. and permanently continues the 4 levies (due to end in either 2012/13 or 2013/14) to fund environmental programs, infrastructure renewal works and commercial precinct improvements. ▼ Approved
	Approved	12.34*	14.57*	5.50*	5.50*	5.50*	5.50*		59.45	
Port Macquarie-Hastings	Requested	10.9*P +4.43 T							15.33	<ul style="list-style-type: none"> ▼ To permanently continue the special variation of 7.3% approved in 2011/12 for road and park maintenance, plus 4.43% to be built into the rate base for 5 years only to address the infrastructure backlog. ▼ Approved
	Approved	10.9*P +4.43 T							15.33	
Queanbeyan	Requested	9.4*							9.4	<ul style="list-style-type: none"> ▼ To continue an existing variation permanently to fund asset maintenance including parks and reserves, roads and footpaths in accordance with the council's 10-year works program. ▼ Approved
	Approved	9.4*							9.4	

Council		% increase in permissible income (including rate peg)						Cumulative % increase	Purpose of special variation
		12/13 %	13/14 %	14/15 %	15/16 %	16/17 %	17/18 %		
Tamworth	Requested	20.6						20.6	<ul style="list-style-type: none"> ▼ To fund the gap in the council's infrastructure maintenance. ▼ Partially approved. Council will need to prioritise expenditures.
	Approved in part	14.6						14.6	
Willoughby	Requested	3.6						3.6	<ul style="list-style-type: none"> ▼ Rebalance rates among ratepayer categories by increasing certain minimum rates by 23.6% . Most other rates are reduced or increase by less than rate peg. ▼ Approved
	Approved	3.6						3.6	
Wingecarribee	Requested	7.09*						7.09	<ul style="list-style-type: none"> ▼ To continue the Environment Levy permanently to fund specified environmental projects. ▼ Approved on a temporary basis for 7 years.
	Approved in part	7.09*						7.09	

Notes: * An asterisk indicates that the council has an existing special variation that is either being continued or replaced. The special variation percentage includes this.

Percentage increases are shown to 1 or 2 decimal places, depending on how the requested special variation was specified.

Source: IPART and council applications.

Interpreting Table 2 and Table 3

To help the reader interpreting Tables 2 and 3, we have included some examples of each of the types of applications and the decisions made by us.

508(2) special variation for a temporary increase in income

An example of a council applying for a single-year, temporary increase in general income is Hunters Hill Council. The council applied for a single increase in general income of 10.4% to remain in the rates base of the council for a period of 10 years under Section 508(2) of the Act. IPART approved the application in full.

508(2) special variation for a permanent increase in income

An example of a council applying for a single year, permanent increase in general income is Wingecarribee Council. The council applied under Section 508(2) for a single increase in general income of 7.09% to remain permanently in the rates base. IPART approved the application in part, approving a single increase of 7.09% for 7 years.

508A special variation

An example of a council applying for a multi-year, permanent increase in general income is Lake Macquarie City Council. The council applied for a permanent increase in general income with a variation in each of the next 7 years and a cumulative increase of 73.24%, or 49.54 percentage points above the rate peg. IPART approved the increase in part by approving lower percentage increases in several of the 7 years for a cumulative increase of 57.48%, or 33.78 percentage points above the rate peg.

Minimum rates

An example of an application to increase ordinary minimum rates above the rate peg is Willoughby. Willoughby sought to increase certain minimum rates by 23.6% including the rate peg. IPART approved the application in full. Since an approval to increase minimum rates does not increase total general income beyond the rate peg, the increase in total general income of the council remains tied to the rate peg of 3.6%.

Special variations to continue an existing special variations

Nine councils requested to continue an existing special variation that was due to end shortly. In these cases, the year on year increase in average rates resulting from the special variation will generally be lower than the special variation percentage. Applications that included existing special variations are shown in Tables 2 and 3 with an asterisk.