



SPECIAL VARIATION APPLICATION **TWEED SHIRE COUNCIL** FROM 2021-22



Final Report

May 2021

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The Independent Pricing and Regulatory Tribunal (IPART)

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1 Executive Summary

The Kings Forest development is a large scale project currently being undertaken within the Tweed Shire Council (the council) area. It will include around 4,500 lots and related infrastructure to be delivered in 4 stages.ⁱ A condition of the project approval is that environmental lands are to be maintained and managed in perpetuity. The council is seeking to ensure funding arrangements for the environmental works are in place upon dedication of the land to the council. It has therefore applied for a permanent increase in its general income in 2021-22 through a special variation (SV) of 4.35% (inclusive of the rate peg).ⁱⁱ

IPART has approved the application in full.

Impact on council's income

Purpose

- ▼ Fund management and maintenance of environmental protection land.

\$17.3m

Additional income
above the rate peg over
the next ten years

The special variation will be applied as a special rate to support and facilitate the Kings Forest development, in particular, the management and maintenance of the environmental lands. The council used a similar arrangement in 2016-17 to fund environmental works for the Cobaki development.ⁱⁱⁱ It is the council's intention to apply the 2.35% increase above the rate peg as a special rate only on ratepayers in the Kings Forest development. However, as the development is still at an early stage, the special rate will initially be levied on the developer, LEDA Manorstead Pty Ltd (LEDA) only.



\$1.5m

Funds generated for environmental
management works 2021-22

In time, the special rate will also be levied on other owners of land in the Kings Forest development. Ratepayers in the wider local government area (LGA) will not pay the special rate levy or fund any environmental works associated with the area, such as re-planting land that the council clears, which was a concern raised by one submission we received.^{iv}

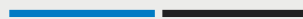
We assessed the council's application against the Guidelines issued by the Office of Local Government (OLG) and determined that it met the criteria.

Financial Need

Largely demonstrated

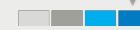


The council demonstrated the need for an additional income stream to fund the management and maintenance of the environmental lands in perpetuity.



Community awareness

Demonstrated

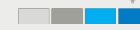


The council used an appropriate range of consultation methods given the intended use of the special variation funds.

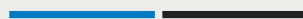


Reasonable impact on ratepayers

Demonstrated

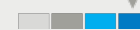


The special rate will initially be applied to the developer until the subdivided lots are sold to future ratepayers in the Kings Forest area.



IP&R documentation

Demonstrated

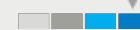


The required documentation was appropriately exhibited and adopted by the council.



Productivity Improvement and Cost Containment

Demonstrated



The council appropriately decided to not use revenue generated from the wider ratepayer base to fund the costs of environmental maintenance in the Kings Forest area.



2 Tweed Shire Council's application

The council has applied for an SV to increase its general income by 4.35% in 2021-22.^v The application is for an increase that remains permanently in the rate base.^{vi} The council indicated that the increase would be used to fund ongoing management of environmental protection land in the Kings Forest development.

The Kings Forest development site is about 20 kilometres south of the New South Wales and Queensland border.^{vii} Kings Forest was recognised in the New South Wales Government's Far North Coast Regional Strategy and also adopted in the "Tweed Urban and Employment Lands Release Strategy 2009".^{viii} This is a large scale development that will be undertaken in 4 stages and will include around 4,500 lots and related infrastructure to support the dwellings (see Attachment E for more detail about the development).^{ix}

Under the development approval issued by the Department of Planning & Infrastructure (DPI) (now DPIE - Department of Planning, Industry and Environment) and the Independent Planning Commission (formerly known as Planning Assessment Commission (PAC)), the developer LEDA, is currently responsible for the management of the land.^x A condition of the approval is "environmental lands are to be managed in perpetuity and that should the council accept the dedication of these areas, suitable arrangement will need to be made for the works".^{xi} Furthermore, funding will be required on an ongoing basis. The council expects to take over management of the environmental protection land once the establishment phase of the development is complete.^{xii}

The council indicated it is working closely with LEDA to establish a special rate for future Kings Forest land owners to fund the requirements of the Environmental Protection lands. This will also help signal to prospective land buyers that a special rate applies to ownership of land in the Kings Forest development.^{xiii} The council noted that it made similar arrangements with LEDA for funding environmental works in the Cobaki development through a special rate approved by IPART in 2016-17.^{xiv}

2.1 Purpose

The purpose of the proposed SV is to fund maintenance of environmental protection land at the Kings Forest development now as well as once it is dedicated to the council.^{xv}

Planned works include but are not limited to feral animal management, koala protection, Wallum sedge frog preservation, bushfire management and vegetation and weed management.^{xvi} The feral animal management plan aims to reduce the impact of these animals on native fauna and the impact of biting insects on people.^{xvii} There are monitoring plans for Koalas and Wallum sedge frogs as they are considered vulnerable under the *Commonwealth Environment Protection and Biodiversity Conservation Act 1999*.^{xviii} A proposed Bushfire Management Plan for residential and commercial development was developed to identify strategies such as separation from areas where there is overwhelming bushfire vegetation.^{xix}

The council estimated that this would cost \$1.54 million in 2021-22 indexed by the annual rate peg in subsequent years.

2.2 Need

The council identified the need for a special rate after discussions with LEDA and because the conditions in the Kings Forest project approval are similar to the conditions of the previous Cobaki development. The special rate will protect other ratepayers, ensuring they are not “out of pocket” when the council takes responsibility for the environmental protection land upon dedication, as only the Kings Forest land owners will be levied the special rate.^{xx}

2.3 Significance of proposal

The council’s application would mean a cumulative increase in its PGI of \$17.3 million above what the assumed rate peg would deliver over 10 years. This represents 2.3% of the council’s total cumulative PGI over the 10 year period (see Table 2.1).

Table 2.1 Permissible general income (PGI) of Tweed Shire Council from 2021-22 to 2030-31 under the proposed SV

Cumulative increase in PGI above rate peg (\$m)	Total PGI over 10 years (\$m)	SV revenue as a percentage of total PGI (%)
17.3	767.6	2.3

Note: The above information is correct at the time of the council’s application (February 2021).

Source: Tweed Shire Council, *Application Part A*, Worksheets 1 and 4 and IPART calculations.

Currently, the only impacted ratepayer is the developer, LEDA. The \$1.54 million increase in PGI above the rate peg in 2021-22 will be used exclusively for environmental protection land maintenance.

While the council intends to levy the special rate on all land owners in the Kings Forest development, this may still be some years ahead.

2.4 Resolution by the council to apply for a special variation

The council resolved to apply for the proposed SV on 4 February 2021. All councillors were in favour of the resolution with the exception of one council member who was absent (did not vote).^{xxi}

3 IPART's approach to assessment and community engagement

IPART assesses special variation applications from councils under delegation from the Minister for Local Government, under s506, s508 and s508A of the *Local Government Act 1993*. As part of our process we accept written submissions from interested stakeholders from the time councils first notify us of their intention to apply for a special variation, until three weeks after applications have been received.

3.1 Criteria for assessing council applications

The criteria for assessing applications are set by the OLG in special variation and minimum rate guidelines. The guidelines are intended to help councils in preparing an application to increase general income, by means of a special variation.

A special variation allows a council to increase its general income above the rate peg. Special variations can be either for a single year or over multiple years and can be temporary or permanent.

IPART applies the criteria in the guidelines to assess councils' applications. In brief, the six criteria for a special variation include:

- ▼ the need for, and purpose of a different revenue path for the council's General Fund must be clearly set out and explained in the council's IP&R documents
- ▼ there must be evidence that the community is aware of the need for and extent of a proposed rate rise
- ▼ the impact on affected ratepayers must be reasonable
- ▼ the relevant IP&R documents must be exhibited (where required) approved and adopted by the council
- ▼ the IP&R documents or the council's application must explain and quantify the productivity improvements and cost containment strategies of the council
- ▼ any other matter that IPART considers relevant.

More detail on the criteria is available in Appendix A, and the OLG Guidelines. We also provide comprehensive guidance on our approach to assessing special variation applications in [fact sheets](#) and [information papers](#) available on our website. Additionally, we publish information for councils on our expectations of [how to engage with their community](#) on any proposed rate increases above the rate peg.

3.2 Stakeholder submissions to IPART

In the first instance, we expect councils to be responsible for engaging with their communities so that ratepayers are fully aware of any proposed special variations and the full impact on them. This is one of the criteria we use to assess council applications as outlined above.

However, as part of our process, we also accept written submissions directly from stakeholders. Our submission portal is accessible to stakeholders from the time councils first notify us of their intention to apply for a special variation, until three weeks after applications have been received.

We consider all stakeholder submissions as well as all information received from councils in making our final decision on each special variation application.

3.2.1 Summary of submissions received by IPART for Tweed Shire Council

IPART received only 1 submission during the consultation period 1 December 2020 to 7 March 2021 in relation to Tweed Shire Council's application.

It commented on Tweed Shire residents being asked to pay to re-plant land the council had cleared in order to profit from land sales.^{xxii}

The special rate will not be levied on existing Tweed Shire residents and will initially be levied only on the developer. See Chapter 4 for further explanation and how we have considered this as part of our assessment of the council's application.

4 IPART's special variation assessment

To make our decision, we assessed the council's application against the criteria in the OLG Guidelines as outlined in Chapter 3.

While the criteria for all types of SVs are the same, the OLG Guidelines state that the extent of evidence required for assessment of the criteria can alter with the scale and permanence of the SV proposed.

4.1 Our special variation assessment

We found that the council's application meets the requirements of the criteria, as set out in the OLG Guidelines and we have decided to approve the application in full.

The council has demonstrated there is a need for an additional income stream to support and facilitate the development of the Kings Forest precinct.

Tweed Shire Council's proposed special rate is intended for the future ratepayers in the Kings Forest development. As the development is still in its early stages, currently, only the developer LEDA will be impacted by the special rate and it has the capacity and willingness to pay. The SV is intended to ensure that rates paid by other ratepayers will not be increased to cover the costs associated with this new development.^{xxiii}

The council has demonstrated the broader community was sufficiently aware of the need for and the extent of the proposed rate increase. The council provided a dedicated SV website page with links to IP&R documentation and contact details for the council, and advertised the SV in the Tweed Valley weekly newspaper. Whilst there was not a large variety of methods used to engage with ratepayers, the council was able to effectively communicate that the proposed SV was only applicable to the developer and isolated to the Kings Forest development.

The council demonstrated the impact of the SV is reasonable as the developer showed capacity and willingness to pay, through working with the council. We also assessed the reasonableness of the impact of the proposed SV on future ratepayers (noting this may be many years ahead) and found the special rate would be around \$342 per year per lot in 2021-22 which we consider reasonable, given the benefits to these ratepayers of the environmental works which will be isolated to the Kings Forest area. We note that as a result of the SV, the council intends that other ratepayers will not face increases in rates due to costs associated with this new development.

The Integrated Planning and Reporting (IP&R) criterion was also demonstrated. Documents were appropriately exhibited, approved and adopted by the council with the exception of the revised Long Term Financial Plan (LTFP). The revised LTFP was not exhibited but was made publicly available. It was endorsed by the council on 4 February 2021 and placed on the website on 8 February 2021.

The council has demonstrated the productivity improvements and cost containment criterion. We acknowledge the SV will have minimal impact on most ratepayers as the special rate is targeted at a specific group of ratepayers, hence we have amended the way we assessed this criterion. Under our assessment based on the impactor pays principle, the SV is deemed an appropriate way to raise funds to facilitate the ongoing maintenance of environmental land. The council will not use its existing ratepayer generated revenue to pay for the environmental maintenance expense, rather the developer will pay the special rate levy. This is an optimal scenario as the costs are allocated directly to the developer who is also expected to be the sole owner of the Kings Forest development until the date of dedication.

4.2 Need and purpose of a different revenue path for the council's General Fund

The OLG Guidelines require the council to clearly articulate and identify the need for, and purpose of, a different revenue path for its General Fund. This includes that:

- ▼ the council sets out the need for and purpose of the proposed SV in its IP&R documents, including its Delivery Program, LTFP and Asset Management Plan where appropriate
- ▼ relevant IP&R documents should canvas alternatives to the rate rise
- ▼ the council may include evidence of community need/desire for service levels or projects.

The majority of councils apply for SVs to improve financial sustainability. For this reason, we generally examine the council's financial performance and financial position, using key financial indicators such as the Operating Performance Ratio (OPR - which tells us whether a council's income can fund its costs) and its net cash (or net debt) position (which tells us if the council has significant cash reserves that could be used to fund the proposed SV expenditure).

Demonstrating financial need remains a key component of the SV process. However, we recognise there are circumstances where a council may propose an SV to fund expenditure to meet the particular needs or preferences of its community, rather than needing the SV to fund core infrastructure or services.

Tweed Shire Council's application is an example where financial sustainability, or funding core services is not the prime consideration for a 'different revenue path'.

Given the request for the special rate to support and facilitate the Kings Forest development and protect other ratepayers from a cost impost, we will consider if there are other justifications for the 'need to take a different revenue path for its General Fund'. In particular we will assess if there is 'willingness to pay' by the party impacted or if there are other mitigating reasons to warrant the council's proposed SV.

4.2.1 Assessment of the council's IP&R documents and alternatives to the rate rise

The council's Community Strategic Plan identified the protection and management of the environment as a key immediate and future priority.^{xxiv} The combined Delivery Program 2017-2021 and Operational Plan 2020-2021 has identified the need for and purpose of the proposed SV, which is to fund the "long term maintenance and management of environmental protection lands within the Kings Forest development".^{xxv}

The council's application did not indicate whether it considered alternatives to the proposed SV. However, we note the council and developer's proposed arrangement was similar to the approval of a special rate in 2016-17 to fund the environmental works for the Cobaki development.^{xxvi}

4.2.2 Assessment of the impact of the proposed SV on the council's financial performance

It is important to recognise the purpose of the SV is to fund mandatory environment protection works and not to improve financial sustainability. The council noted that the proposed SV will have minimal impact on its key financial indicators (General Fund), as the income received from the special rate and the associated expenditure are planned to be of equal amounts, both contained within the operating statement.^{xxvii}

Nevertheless, we examined the council's forecast OPR under 3 scenarios:

- ▼ the Proposed SV Scenario
- ▼ the Baseline Scenario, i.e. not including revenue and expenditure from the proposed SV
- ▼ the Baseline with SV Expenditure Scenario, i.e. including expenses, but not including the revenue from the proposed SV.

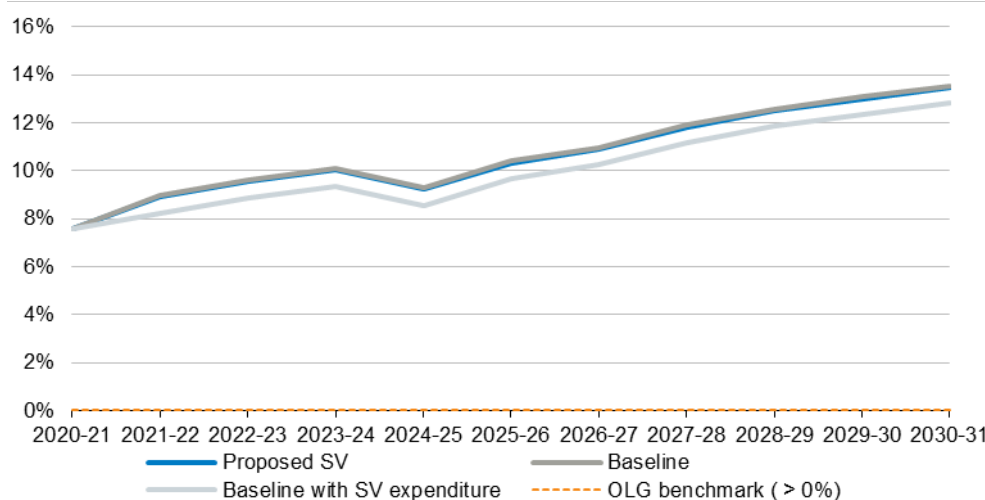
As expected, the financial impact is minimal as seen in Table 4.1 and Figure 4.1.

Table 4.1 Projected operating performance ratio (%) for Tweed Shire Council's proposed SV application (2021-22 to 2030-31)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Proposed SV	8.9	9.5	10.0	9.2	10.3	10.9	11.8	12.5	13.0	13.5
Baseline	9.0	9.6	10.1	9.3	10.4	11.0	11.9	12.6	13.1	13.6
Baseline with SV expenditure	8.2	8.9	9.4	8.5	9.7	10.2	11.2	11.9	12.4	12.8

Source: IPART calculations based on Tweed Shire Council, *Application Part A*, Worksheet 8.

Figure 4.1 Tweed Shire Council's Operating Performance Ratio (%) excluding capital grants and contributions 2020-21 to 2029-30)



Data source: Tweed Shire Council, *Application Part A*, Worksheet 8 and IPART calculations.

Our analysis indicates that over the next five years, the council's financial performance under each scenario results in a simple average OPR of:

- ▼ 9.6% under the Proposed SV Scenario
- ▼ 9.7% under the Baseline Scenario.
- ▼ 8.9% under the Baseline with SV expenditure Scenario.

4.2.3 Assessment of ratepayer 'willingness to pay'

Given Tweed Shire Council has not applied for this SV for the purpose of financial sustainability, but to support and facilitate the Kings Forest Development, in particular its environmental works, we have explored other reasons why this application is needed.

The council advised that the developer LEDA was working closely with it to further the Kings Forest development as a similar arrangement was used in 2016-17 for the Cobaki development:^{xxviii} IPART granted the full 2.77% (rate peg inclusive) increase to the council's general income for the Cobaki development. The funds generated allow the council to fund "the long term maintenance and management of environmental protection lands, and ongoing minor restoration works within a development at Cobaki Lakes".^{xxix}

We compared the council's proposed SV with the 2016-17 SV approval and identified the following similarities:

- ▼ Intention to have a special rate levy similar to the Cobaki agreement. We anticipate the developer will be provided with the special rate funds to maintain and manage the environmental protection lands.^{xxx}
- ▼ Initial environmental management costs are borne by the developer only and future ratepayers will be informed of the existence of the special rate.^{xxxi}
- ▼ The need to "protect and manage the environment" was identified as a goal in the council's Community Strategic Plan 2017-2027.^{xxxii} This objective was similar to the council's Community Strategic Plan 2013/23 whereby "Caring for the Environment" was identified as a high priority.^{xxxiii}
- ▼ The rate revenue generated ensures there is funding available for the environmental protection works immediately and into the future once the land is subdivided, sold and dedicated to council.

The intention to have a special rate levy similar to the Cobaki agreement is mutually beneficial for the developer and the council. The developer is required to pay for managing the environmental protection land. It also provides transparency about the cost and benefit to council as a special rate has been established that future landowners can be made aware of and gives an indication to council on future expected costs associated with the environmental protection land.

We note that as part of collaborating with LEDA, the council and developer agreed on costs for undertaking the environmental works, estimated at \$1.5 million in 2021-22. LEDA's readiness to collaborate with the council shows its willingness to pay the special rate.^{xxxiv}

Additionally, given DPIE's requirement for the works to be undertaken in perpetuity, it is equitable and appropriate for current and future Kings Forest landowners to pay for the management and protection of the environmental lands, as the work will be solely related to the area.

4.2.4 Overall assessment of the council's need for a different revenue path

We found that the council largely demonstrated it met this criterion on the basis of the developer's 'willingness to pay'.

We note that the council has a strong financial position which in itself, would not demonstrate a 'financial need' if the purpose of the application was for financial sustainability. However, as the purpose of the application is to facilitate the Kings Forest development and at the same time to protect the larger ratepayer base from the cost impost of the mandatory environmental works, we consider the council has largely demonstrated the need for the special rate.

However, we noted a minor shortcoming in that the council did not explore alternatives to an SV. We also noted that currently there isn't a legally enforceable agreement between the developer and the council in place, which means that the required environmental protection works and timeline of dedication of the land to the council has not yet been formally agreed. Nevertheless, these works are specified in management plans which are available on the Major Projects website.^{xxxv}

4.3 Community engagement and awareness

The OLG Guidelines outline consultation requirements for councils when proposing an SV application. Specifically:

- ▼ The council's Delivery Program and LTFP should clearly set out the extent of the General Fund rate rise under the proposed SV. In particular, councils need to communicate the full cumulative increase of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category (see Section 4.4 for this assessment).
- ▼ The consultation should include a brief discussion of the council's ongoing efficiency measures in explaining the need for this SV.
- ▼ The council's community engagement strategy for the proposed SV must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occurred.

Ultimately, we consider evidence that the community is aware of the need for, and extent of, a rate rise. That is, whether the consultation conducted by the council with ratepayers has been effective.

In this section, we assess the consultation process, including the clarity of the consultation, the timeliness of the consultation, and whether an effective variety of engagement methods were used to reach as many ratepayers as possible across all relevant rating categories.

We also examine the effectiveness of any direct community engagement and any council response to community feedback.

4.3.1 Assessment of consultation with the community

The council published an amended Delivery Program and Operational Plan in December 2020 to include the proposed SV application. It used these to guide and inform its consultation for the proposed SV.

Process and content

The material the council prepared on its proposed SV contained most of the elements needed to ensure the existing community were informed that the rate would only be applicable to prospective landowners in the Kings Forest area. The material also allowed the existing community the opportunity to engage with the council during the consultation process. Specifically, the council communicated:

- ▼ the proposed rate will be levied solely on properties in the Kings Forest development
- ▼ what the proposed SV would fund.

There is no arrangement or timeline indicating when the land will be dedicated to the council and council has advised that prospective landowners will be alerted to the SV.^{xxxvi}

The council's community consultation material did not outline the effect of a rate rise across various categories of ratepayers in dollar and percentage terms, which is appropriate as the council does not expect any wider ratepayer impact as the developer owns the Kings Forest development.

The council's consultation material did not outline or discuss any ongoing efficiency measures it has implemented or any progress made towards implementing these in its application. However, we recognise productivity or efficiency measures would have minimal impact as the purpose of the SV is to raise funds for maintenance of environmental land in the Kings Forest development through a levy on landowners in the area.

Clarity

The council's consultation material was largely clear in its presentation of the proposed SV and not likely to confuse ratepayers about the need for the proposed rate increase.

Timeliness

The council exhibited its IP&R documentation from 18 December 2020 to 29 January 2021 and community submissions on its proposed SV also closed on 29 January 2021.^{xxxvii} This consultation period provided sufficient opportunity for ratepayers to be informed and engaged on the proposed SV.

Engagement methods used

The council provided reasonable opportunities for community feedback, including an advertisement in the Tweed Valley weekly newspaper and a dedicated SV website page (Kings Forest proposed Special Rate Variation) which provided links to its IP&R documentation, links to submissions and contact details for the council.^{xxxviii}

We consider these methods provided sufficient opportunity for ratepayers to be informed and engaged on the proposed SV.

4.3.2 Assessment of outcomes of consultation with the community

Although this criterion does not require the council to demonstrate community support for the proposed SV, the council is required to consider the results of community consultation in preparing its application.

The council received 6 written submissions in relation to its proposed SV during the consultation period, of which one opposed the proposed SV and 4 submissions (around 66% of overall submissions) were in favour of the SV.^{xxxix} The remaining submission incorrectly assumed the income from the proposed SV would not be applied for the Kings Forest environmental land.^{xl}

The main reason for opposition was that there was no evidence to show an SV maintains or improves the environment.^{xli}

The main reasons in favour of the SV were:

- ▼ support for adopting a Koala Plan of Management for the development
- ▼ the need to protect biodiversity as it will be impacted by the housing estate
- ▼ fairness that a small levy is paid by the community within the Kings Forest development that will experience the most benefits from the environmental land.^{xlii}

4.3.3 Overall assessment of community engagement and awareness

We found that the council demonstrated that it met this criterion.

The Delivery Program and the Long-Term Financial Plan set out the extent of the General Fund rise under the SV. We saw evidence of community awareness and engagement with 66% of (a small number of) submissions overall in favour of the SV.

We consider the engagement methods used by the council were adequate given the size and nature of the proposed SV. The only relevant ratepayer was aware of the SV as it worked closely with the council prior to applying for the SV. The council also advised it will inform future potential owners of land about the existence of the special rate prior to purchase.

On balance, the council demonstrated that its community is sufficiently aware of the need for, and extent of, the proposed rate increase.

4.4 Impact on affected ratepayers

The OLG Guidelines require that the impact of the proposed SV on affected ratepayers must be reasonable, having regard to the current rate levels, the existing ratepayer base and the proposed purpose of the variation. Specifically, the Delivery Program and LTFP should:

- ▼ clearly show the impact of any rate rises upon the community
- ▼ include the council's consideration of the community's capacity and willingness to pay rates
- ▼ establish that the proposed rate increases are affordable, having regard to the community's capacity to pay.

Section 4.5 of this report considers the council's Delivery Program and LTFP.

Generally, the focus of this criterion is to examine the impact the proposed SV would have on ratepayers, and in particular consider the reasonableness of the rate increase in the context of the purpose of the proposed SV.

However, we note that in the short to medium term, the proposed special rate will only impact the developer LEDA, who has clearly shown capacity and willingness to pay and has not raised concerns about affordability. The council has indicated prospective land purchasers will be notified of the existence of a special rate. Future purchasers of Kings Forest land will have knowledge of the special rate prior to land purchase in the area. On this basis, we consider that this criterion is satisfied.

However, for completeness we also consider in the sections below the hypothetical impact on would-be Kings Forest landowners if they existed today as well as a general comparison of the council's current rates with neighbouring and OLG Group 5 councils.

4.4.1 Assessment of the council's consideration of impact on ratepayers

The council did not compare its average rates with other regional councils or examine socioeconomic data such as its SEIFA index ranking, 2016 Census data and outstanding rates and charges ratio to assess the impact on ratepayers.^{xliii}

We consider this is reasonable given the developer is the only ratepayer impacted and has not raised concerns about affordability and clearly has capacity and willingness to pay the special rate. In addition, information about the special rate and total rates payable will be available to buyers, at the time the subdivided lots are being sold. Potential buyers can factor this into any decision related to land purchases in the Kings Forest area. We note that the impact on the wider ratepayer base is zero.

4.4.2 IPART's consideration of impact on ratepayers

It is unclear when the Kings Forest development will be subdivided and sold and future landowners will become subject to the special rate.

The council estimated that the amount to be generated from the special rate on the Kings Forest development is \$1.54 million in 2021-22, based on a 4,503 lot subdivision, indexed with the rate peg in subsequent years.^{xliv}

Based on this, we calculated a per lot special rate of \$342 per year. We consider this is a modest amount, given the extent of the environmental works which are related solely to the Kings Forest development. Further, a special rate applied exclusively to these ratepayers will protect the council's wider ratepayer base from a rate impost that is unrelated to general council services.

We also compared the council's current (2018-19) rates with its peers (see Table 4.2) and the proportion of its revenue made up by its residential, business and farmland rates (Table 4.3).

We found that the council's average residential and farmland rates are higher, but its business rates are lower than OLG Group 5 and neighbouring councils.

Table 4.2 Comparison of Tweed Shire Council rates with neighbouring and Group 5 councils (2018-19)

Rate category	Tweed Shire Council	Group 5 councils	Neighbouring councils	Difference between Tweed Shire Council and Group 5 councils (%)	Difference between Tweed Shire Council and neighbouring councils (%)
Residential	1,407	1,341	1,160	4.9	21.3
Business	2,834	6,517	3,529	-56.5	-19.7
Farmland	2,083	1,741	2,026	19.6	2.8

Note: The neighbouring councils include Kyogle, Lismore City, Byron Shire and Ballina Shire Councils.

Source: OLG, Time Series Data 2018-19; ABS, *Socio-economic Indexes for Areas (SEIFA) 2016*, March 2020; ABS, 2016 Census DataPacks, General Community Profile, Local Government Areas, NSW, *Median Weekly Household Income* and IPART calculations.

We also found income from residential ratepayers accounts for the majority of rate revenue received by the council and business ratepayer revenue represents the second highest income generating category. We note that the overall development type in the Kings Forest area is classified as Residential and Commercial.^{xlv}

Table 4.3 Tweed Shire Council's proportion of total rate income paid by each rating category (2020-21)

Ratepayer category	Total number of assessments	Revenue	Proportion of total revenue (%)
Residential	37,713	55,697,050	85.7
Business	1,870	6,009,760	9.3
Farmland	1,429	3,251,390	5.0
Total	41,012	64,958,201	100

Source: Tweed Shire Council, *Application Part A*, Worksheet 2 and IPART calculations.

4.4.3 Overall assessment of the impact on affected current and future ratepayers

We found that the council demonstrated that it met this criterion.

The impact of the proposed SV is reasonable given the developer has worked closely with the council to apply for the SV in the form of a special rate. The special rate will be levied on LEDA, who is the current owner of the land.

We estimated a hypothetical special rate of around \$342 per lot if landowners currently existed in the Kings Forest development and consider this amount is reasonable. We compared Tweed Shire Council's residential, business and farmland rates with its peers, however it is difficult to draw any conclusion on how this would impact future landowners given it may be many years yet before the development is ready for subdivision and sale. Future landowners will be alerted to the special rate's existence prior to the purchase of land in the area.

Overall, we consider the impact of the proposed special rate is reasonable.

4.5 Integrated Planning and Reporting documents

The IP&R framework provides a mechanism for councils and the community to engage in important discussions about service levels and funding priorities and to plan in partnership for a sustainable future. The IP&R framework therefore underpins decisions on the revenue required by each council to meet the community's needs.

The OLG Guidelines require the council to exhibit, approve and adopt the relevant IP&R documents before submitting an application for a proposed SV, to demonstrate adequate planning.

The relevant documents are the Community Strategic Plan, Delivery Program, LTFP and, where applicable, Asset Management Plan. Of these, the Community Strategic Plan and Delivery Program require (if amended) public exhibition for 28 days (and re-exhibition if amended). The OLG Guidelines require that the Long-Term Financial Plan be posted on the council's website.

In this section, we assess whether the council has included the proposed SV in its IP&R framework as outlined in Criterion 1 to 3 of the OLG Guidelines and exhibited, approved and adopted its IP&R documents.

According to the OLG Guidelines, the elements that should be included in the IP&R documentation are:

- ▼ the need for, and purpose of, the proposed SV
- ▼ the extent of the general fund rate rise under the proposed SV
- ▼ the impact of any rate rises upon the community.

However, given the only affected ratepayer is the developer, it is appropriate for council to have not made quantitative assessments on the impact of any rate rises upon the community in the interim period. The Kings Forest development has not been completed at the time of writing this report.

4.5.1 Assessment of content of IP&R documents

The need for, and purpose of, the proposed SV

The council presented the need for, and purpose of, the proposed SV in the combined Delivery Program 2017-2021 (Delivery Program) and Operational Plan 2020-2021 that was amended in December 2020 to include the proposed SV.^{xlvi} The Delivery Program did not canvas alternatives to the rate rise.

The LTFP shows the financial impact of the SV, although it did not discuss the need for, and purpose of the proposed SV.^{xlvi}

The extent of the general fund rate rise under the proposed SV

The Delivery Program communicated the dollar impact in aggregate of \$1,540,000.^{xlvi} This is appropriate given the developer is the only ratepayer impacted. The council has noted potential land purchasers within the development will be forewarned of the special rate and the associated cost will need to be considered by purchasers prior to purchasing the property.^{xlix}

4.5.2 Assessment of the exhibition, approval and adoption of IP&R documents

The council publicly exhibited its Community Strategic Plan from 2 January 2017 to 25 February 2017 and adopted it on 6 April 2017.ⁱ The Delivery Program was publicly exhibited from 18 December 2020 to 29 January 2021, adopted by council on 4 February 2021 and placed on the council website on 8 February 2021.ⁱⁱ

The LTFP was revised to include the SV option. The council's application did not indicate whether the documentation was publicly exhibited.ⁱⁱⁱ However, the council did place the amended LTFP on its dedicated SV website page and endorsed the revised LTFP on 4 February 2021; it was placed on the council website on 8 February 2021.^{liii}

4.5.3 Overall assessment of the IP&R documents

We found that the council demonstrated that it met this criterion. The revised LTFP was made available to the public on its dedicated SV website although not in its Resourcing Strategy 2020 document where it has a comprehensive LTFP on its Integrated Planning and Reporting page.^{liv} We recommend the council should ensure documents are consistently reflected on relevant council website pages.

Overall, on balance, the council's IP&R documents contain sufficient information relating to the proposed SV, and most documentation has been appropriately exhibited, approved and adopted by the council.

4.6 Productivity improvements and cost containment strategies

The OLG Guidelines require councils to explain the productivity improvements and cost containment strategies that have been realised in past years and are expected to be realised over the proposed SV period.

Councils are required to present their productivity improvements and cost containment strategies in the context of ongoing efficiency measures and indicate if the estimated financial impact of the ongoing efficiency measures have been incorporated in the council's Long-Term Financial Plan.

Drawing on our experience in past years, IPART has placed a stronger emphasis on this criterion and how councils demonstrate that they have met it. Councils are required to provide evidence of strategies and activities and robust data quantifying the efficiency gains from productivity improvements in their operations and asset management, as well as cost-saving and revenue-raising initiatives.

However, given the unique nature of the council's application, we have modified our assessment of this criterion. The council explained its past efforts to improve productivity and contain costs but this has little relevance for this SV application.^{lv} A more appropriate assessment of productivity and efficiency for the council's application is the impactor pays principle which we discuss below.

4.6.1 Environmental costs are isolated to the developer under the impactor pays principle

The council's decision to apply for a special rate rather than a general rise to all ratepayers is consistent with the impactor pays principle. This principle's rationale is that costs "are allocated to those who create the need to incur the cost".^{lvi} The developer is the sole entity with responsibility for maintaining the environmental protection land until dedication of the land to the council.

The council has provided indicative annual management costs for its Kings Forest development as shown in Table 4.4.

Table 4.4 Indicative annual environmental management costs for 2021-22

Management Plan	Indicative annual management costs (\$) as at 1/03/2021
Koala Plan of Management (less Habitat Management costs)	147,714
Wallum Sedge Frog Management Plan (less Habitat Management costs)	120,000
Precincts 1-5 Vegetation and Weed Management Plan (less Habitat Management costs)	50,000
Precincts 1-5 Buffer Management Plan (less Habitat Management costs)	0
Precincts 1-5 Threatened Species Management Plan (less Habitat Management costs)	50,000
Precincts 6-11 Vegetation and Weed Management Plan (less Habitat Management costs)	50,000
Precincts 6-11 Threatened Species Management Plan (less Habitat Management costs)	50,000
Precincts 6-14 Buffer Management Plan (less Habitat Management costs)	0
Precincts 12-14 Vegetation and Weed Management Plan (less Habitat Management costs)	50,000
Precincts 12-14 Threatened Species Management Plan (less Habitat Management costs)	50,000
Feral Animal Management Plan	158,950
Annual Flora and Fauna Monitoring Report	10,000
Bushfire Management Plan (inc Koala Bushfire MP)	183,500
Drain Maintenance Management Plan (No 2020)	9,836
Habitat Management Costs	610,000
Total	1,540,000

Source: Email to IPART, Manager Financial Services Michael Chorlton, Tweed Shire Council, 2 March 2021.

The total indicative costs match the 2021-22 figures in the General Fund Income Statement breakdown of the Long-Term Financial Plan.^{lvii}

4.6.2 Assessment of the council's productivity strategy efficacy under the impactor pays principle

Total environmental management costs are only allocated to the impacted ratepayer as they occupy the Kings Forest area in the interim period.^{lviii} Without the proposed SV, the council would have to consider using its existing unrestricted cash reserves to fund environmental management works upon land dedication to the council. This would be inappropriate as the work is not related to the larger community outside the Kings Forest development. The work is related to the developer and future inhabitants in the Kings Forest area and potentially the preservation and protection of these lands may improve land values in the future.

4.6.3 Overall assessment of productivity improvements and cost containment strategies

We found that the council demonstrated that it met this criterion.

The council's decision to not use its existing funds to cover the cost of environmental maintenance is appropriate. The expected environmental work is directly related to the owner and has a much lesser bearing on the wider surrounding community. It is appropriate for the developer to cover the environmental costs as it is the sole owner of the Kings Forest land.

5 Our decision

We have approved the proposed SV, for a percentage increase of 4.35% in 2021-22 to be retained permanently in the rate base.

We have attached conditions to this decision, including that the council uses the income raised from the SV for purposes consistent with those set out in its application, as outlined in Box 5.1.

Box 5.1 IPART Decision – Tweed Shire Council

Approved Special Variation: percentage increases to general income

	2021-22
Increase above the rate peg – permanent	2.35%
Rate peg	2.0%
Total increase	4.35%

The approved increase is retained in the council's general income base permanently.

We have attached conditions with respect to this special variation increase as set out below.

Conditions attached

IPART's approval of the council's application for a special variation in 2021-22 is subject to the following conditions:

- ▼ The council uses the additional income from the Special Variation for the purposes of funding management and maintenance of environmental protection lands within the Kings Forest development as outlined in the council's application and listed in Appendix B.
- ▼ The council reports in its annual report for each year between 2021-22 and 2030-31 on:
 - the program of expenditure that was actually funded by the additional income
 - the actual revenues, expenses and operating balance against the projected revenues, expenses and operating balance, as outlined in the Long Term Financial Plan provided in the council's application, and summarised in Appendix C
 - any significant variations from its proposed expenditure as forecast in the current Long Term Financial Plan and the reasons for such variation
 - expenditure consistent with the council's application and listed in Appendix B, and the reasons for any significant differences from the proposed expenditure
 - the outcomes achieved as a result of the actual program of expenditure.

The approved variation to general income is the maximum amount the council may increase its income by in 2021-22.

5.1 Impact on the council

Our decision means that the council may increase its general income over the 1-year SV period from \$65.7 million to \$68.5 million in 2021-22.

Table 5.1 shows the percentage increases we have approved, and estimates the annual increases in the council's general income incorporating adjustments that will occur as a result of various catch-up and valuation adjustments.

Table 5.1 Permissible general income (PGI) of Tweed Shire Council in 2021-22 arising from the approved SV

	Increase approved (%)	Cumulative increase approved (%)	Increase in PGI above rate (\$'000)	Cumulative increase in PGI (\$'000)	PGI (\$'000)
Adjusted notional income 1 July 2021					65,652
2021-22	4.35	4.35	1,543	2,860	68,512
Total cumulative increase approved				2,860	
Total above rate peg			1,543		

Note: The information in Table 5.1 is correct at the time of the council's application (February 2021).

Source: Tweed Shire Council, *Application Part A*, Worksheets 1 and 4 and IPART calculations.

We estimate that in 2021-22, council will collect an additional \$1.5 million in rate revenue compared with an increase limited to the rate peg.

This extra income is the amount the council requested to enable it to fund environmental maintenance works in the Kings Forest development.

Table 5.2 Permissible general income (PGI) of Tweed Shire Council from 2021-22 to 2030-31 under the approved SV

Cumulative increase in PGI above rate peg (\$m)	Total PGI over 10 years (\$m)	SV revenue as a percentage of total PGI (%)
17.3	767.6	2.3

Note: The above information is correct at the time of the council's application (February 2021).

Source: Tweed Shire Council, *Application Part A*, Worksheets 1 and 4 and IPART calculations.

5.2 Impact on ratepayers

IPART sets the allowable increase in general income, but it is a matter for each council to determine how it allocates any increase across different categories of ratepayer, consistent with our determination and legislative requirements. The impact is isolated to the developer and it is also too early to adequately and feasibly estimate the impact of the special rate across rating categories in the Kings Forest development.

A Assessment criteria

A.1 Assessment criteria for special variation applications

Criterion 1 – Financial need

The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified in the council's IP&R documents, in particular its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate.

In establishing need for the special variation, the relevant IP&R documents should canvas alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios⁴:

- ▼ Baseline scenario – General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation
- ▼ Special variation scenario – the result of implementing the special variation in full is shown and reflected in the General Fund revenue forecast with the additional expenditure levels intended to be funded by the special variation.

The IP&R documents and the council's application should provide evidence to establish this criterion. This could include evidence of community need/desire for service levels/project and limited council resourcing alternatives. Evidence could also include analysis of council's financial sustainability conducted by Government agencies.

In assessing this criteria, IPART will also take into account whether and to what extent a council has decided not to apply the full percentage increases available to it in one or more previous years under section 511 of the Local Government Act. If a council has a large amount of revenue yet to be caught up over the next several years, it should explain in its application how that impacts on its need for the special variation.

⁴ Page 71, IP&R Manual for Local Government "*Planning a Sustainable Future*", March 2013

Criterion 2 – Community awareness

Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. In particular, councils need to communicate the **full cumulative increase** of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category. Council should include an overview of its ongoing efficiency measures and briefly discuss its progress against these measures, in its explanation of the need for the proposed SV. Council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur. The IPART fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations.⁵

Criterion 3 – Impact on ratepayers is reasonable

The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. The council's Delivery Program and Long Term Financial Plan should:

- ▼ clearly show the impact of any rate rises upon the community,
- ▼ demonstrate the council's consideration of the community's capacity and willingness to pay rates, and
- ▼ establish that the proposed rate increases are affordable having regard to the community's capacity to pay.

In assessing the impact, IPART may also consider:

- ▼ Socio-Economic Indexes for Areas (SEIFA) data for the council area; and
- ▼ Whether and to what extent a council has decided not to apply the full percentage increases available to it in one or more previous years under section 511 of the Local Government Act.

Criterion 4 – IP&R documents are exhibited

The relevant IP&R⁶ documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general income. It is expected that councils will hold an extraordinary meeting if required to adopt the relevant IP&R documents before the deadline for special variation applications.

⁵ <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-specialvariation-or-minimum-rate-increase>

⁶ The relevant documents are the Community Strategic Plan, Delivery Program, and Long Term Financial Plan and where applicable, Asset Management Plan. Of these, the Community Strategic Plan and Delivery Program require (if amended), public exhibition for 28 days. It would also be expected that the Long Term Financial Plan (General Fund) be posted on the council's web site.

Criterion 5 – Productivity improvements and cost containment strategies

The IP&R documents or the council’s application must explain and quantify the productivity improvements and cost containment strategies the council has realised in past years and plans to realise over the proposed special variation period.

Councils should present their productivity improvements and cost containment strategies in the context of ongoing efficiency measures and indicate if the estimated financial impact of the ongoing efficiency measures have been incorporated in the council’s Long Term Financial Plan.

Any other matter that IPART considers relevant.

The criteria for all types of special variation are the same. However, the magnitude or extent of evidence required for assessment of the criteria is a matter for IPART.

B Expenditure to be funded from the special variation above the rate peg

Table B.1 and Table B.2 show the council's proposed expenditure of the SV funds over the next 10 years under its application.

The council intends to use the additional SV revenue above the rate peg of \$17.3 million over 10 years to fund the Kings Forest environmental land works.

As a condition of IPART's approval, the council will indicate in its Annual Reports how its actual expenditure compares with its program of expenditure under the approved SV.

Table B.1 Tweed Shire Council – Revenue and proposed expenditure over 10 years related to the proposed SV (2021-22 to 2030-31) (\$000)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Total
SV revenue above assumed rate peg	1,543	1,581	1,621	1,661	1,703	1,746	1,789	1,834	1,880	1,927	17,285
Funding for operating expenditures – Kings Forest environmental land works	1,543	1,581	1,621	1,661	1,703	1,746	1,789	1,834	1,880	1,927	17,285
Total expenditure	1,543	1,581	1,621	1,661	1,703	1,746	1,789	1,834	1,880	1,927	17,285

Note: Numbers may not add due to rounding.

Source: Tweed Shire Council, *Application Part A*, Worksheet 6

C Tweed Shire Council's projected revenue, expenses and operating balance

As a condition of IPART's approval, the council is to report in 2021-22 to 2030-31 against its projected revenue, expenses and operating balance as set out in its LTFP (shown in Table C.1).

Revenues and operating results in the annual accounts are reported both inclusive and exclusive of capital grants and contributions. To isolate ongoing trends in operating revenues and expenses, our analysis of the council's operating account in the body of this report excludes capital grants and contributions.

Table C.1 Summary of projected operating statement for Tweed Shire Council under its proposed SV application (2021-22 to 2030-31)
(\$000)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Total revenue	223	229	235	242	249	257	266	274	283	291
Total expenses	189	194	198	204	208	213	218	223	228	234
Operating result from continuing operations	34	36	37	38	41	44	48	51	54	57
Net operating result before capital grants and contributions	19	20	22	21	24	26	29	32	34	36
Cumulative net operating result before capital grants and contributions	19	39	61	82	106	132	161	193	227	263

Note: Numbers may not add due to rounding.

Source: Tweed Shire Council, *Application Part A*, Worksheet 8

D Comparative indicators

Performance indicators

Indicators of council performance may be considered across time, either for one council or for a group of similar councils, or by comparing similar councils at a point in time.

Table D.1 shows how selected performance indicators for the council have changed over the four years to 2018-19. Table D.2 compares selected published and unpublished data about the council with the averages for councils in its OLG Group, and for NSW councils as a whole.

Table D.1 Trends in selected performance indicators for Tweed Shire Council (2015-16 to 2018-19)

Performance indicator	2015-16	1016-17	2017-18	2018-19	Average annual change (%)
FTE staff (number)	664	665	704	705	2.0
Ratio of population to FTE	139	141	135	136	-0.7
Average cost per FTE (\$)	80,063	81,027	79,241	80,306	0.1
Employee costs as % of operating expenditure (General Fund only) (%)	38	33	35	36	

Note: Except as noted, data is based upon total council operations that include General Fund, Water & Sewer and other funds, if applicable.

Source: OLG, unpublished data and IPART calculations.

Table D.2 Select comparative indicators for Tweed Shire Council (2018-19)

	Tweed Shire Council	OLG Group 5 average	NSW average
General profile			
Area (km ²)	1,308	2,155	5,530
Population (2016)	96,108	115,152	62,400
General Fund operating expenditure (\$m)	122.1	174.7	83.4
General Fund operating revenue per capita (\$)	1,576	1,819	
Rates revenue as % General Fund income (%)	50.5	49.4	45.5
Own-source revenue ratio (%)	77.4	74.4	69.7
Average rate indicators^a			
Average rate – residential (\$)	1,407	1,341	1,139
Average rate –business (\$)	2,834	6,517	5,709
Average rate – farmland (\$)	2,083	1,741	2,627
Socio-economic/capacity to pay indicators			
Median annual household income, 2016 (\$) ^b	55,480	61,860	77,484
Average residential rates to median income, 2016 (%)	2.5	2.2	1.5
SEIFA, 2016 (NSW rank: 128 is least disadvantaged)	65		
Outstanding rates and annual charges ratio (General Fund only) (%)	4.5	4.6	4.4
Unemployment rate (%)	3.8	5.3	
Productivity (labour input) indicators^c			
FTE staff (number)	705	737.9	376
Ratio of population to FTE	136.3	156.1	166.0
Average cost per FTE (\$)	80,306	93,355	94,358
Employee costs as % operating expenditure (General Fund only) (%)	36	36	39
General Fund operating expenditure per capita (\$)	1,270	1,518	1,315

^a Average rates equal total ordinary rates revenue divided by the number of assessments in each category.

^b Median annual household income is based on 2016 ABS Census data.

^c Except as noted, data is based upon total council operations, including General Fund, Water & Sewer and other funds, if applicable. There are difficulties in comparing councils using this data because councils' activities differ widely in scope and they may be defined and measured differently between councils.

Source: OLG, Time Series Data 2018-19; OLG, unpublished data; ABS, Socio-Economic Indexes for Areas (SEIFA) 2016, March 2020; ABS, 2016 Census DataPacks, General Community Profile, Local Government Areas, NSW, Median Weekly Household Income and IPART calculations.

E Extracts of Notification Letter

The following are extracts from the notification letter sent to IPART regarding Tweed Shire Council's intention to apply for a special variation, dated 26 November 2020.

Background

On 11 August 2013, the Planning and Assessment Commission, as delegate for the Minister for Planning, issued Project Approval No. 08_0194 for Kings Forest Stage 1 comprising the following key project elements:

- Subdivision of the site into ten development lots in 4 stages;
- Bulk earthworks across the site;
- Roadworks comprising:
 - Construction of the entrance road and associated intersection works with Tweed Coast Road;
 - Construction of the Kings Forest Parkway from Tweed Coast Road via Precincts 4 and 5 through to the western site precincts; and
 - Construction of two roads providing access to the southern site precincts;
- Plan of Development for Precinct 5;
- Development of 988sqm of floorspace for a rural supplies building and access arrangements to Precinct 1;
- Construction of subdivision and infrastructure works along Kings Forest Parkway and within Precincts 1 and 5;
- Subdivision of Precinct 5 into 376 residential lots comprising:
 - One (1) townhouse lot (7,860sqm)
 - 37 terrace house lots (minimum lot size 150sqm)
 - 25 duplexes (minimum lot size 450sqm)
 - 192 zero lot dwellings (minimum lot size 240sqm)
 - 121 traditional detached dwellings (minimum lot size 400sqm)

Following a number of modifications to the Project Approval, on 16 July 2020, the proponents lodged a Section 4.55(1A) application seeking to modify Conditions 5 (earthworks), 35 (landscape plan), 40 (Vegetation Management Plan), 41 (Buffer Management Plan), 42 (Weed Management Plan), 43 (Threatened Species Management Plan), 44 (Feral Animal Management Plan), 47 (Flora and Fauna Monitoring Report) and 48 (summary of management plans). This application was approved on 7 October 2020.

Funding Arrangement

Consistent with Conditions A13 of MP08_0194 (as modified) and B7 of MP06_0318 (as modified), the determination reports of the Department of Planning & Infrastructure (DPI) and the Planning Assessment Commission (PAC) explicitly state that the environmental lands are to be managed in perpetuity and that should Council accept the dedication of these areas, suitable arrangements will need to be made for the works required in the management plans to be funded on an ongoing basis.

One option available for Council is to levy a special rate upon dedication to Council of the environmental protection lands. All funds generated from the special rate levy, will be dedicated to Council's management of the environmental protection land within this development.

Council would take over management of the environmental protection land once completion of the establishment phase criteria has occurred, in accordance with the approved management plans. Prior to this the developer would be responsible for management of the land.

It is therefore proposed to apply for a permanent (S508(2)) special rate variation to generate sufficient rate income to fund the maintenance of the dedicated environmental protection land. The special rate would be levied solely on the properties associated with the Kings Forest development and be used only for the purposes for which it was raised, consistent with S495 and S409 of the NSW Local Government Act 1993 .

The amount required to be generated from the special rate on the Kings Forest development is \$1,540,000 in the first year (based on a 4,503 lot subdivision) – indexed with the rate peg in subsequent years. This equates to a 2.35% above the current 2020/21 total permissible income, giving an overall increase of 4.35% inclusive of the rate peg of 2.0%.

Glossary

ABS	Australian Bureau of Statistics
<i>Ad valorem</i> rate	A rate based on the value of real estate.
Baseline Scenario	Shows the impact on the council's operating and infrastructure assets' performance without the proposed SV revenue and expenditure.
Baseline with SV expenditure Scenario	Includes the council's full expenses from its proposed SV, without the additional revenue from the proposed SV. This scenario is a guide to the council's financial sustainability if it still went ahead with its full expenditure program included in its application, but could only increase general income by the rate peg percentage.
General income	Income from ordinary rates, special rates and annual charges, other than income from other sources such as special rates and charges for water supply services, sewerage services, waste management services, annual charges for stormwater management services, and annual charges for coastal protection services.
IPART	The Independent Pricing and Regulatory Tribunal of NSW
Local Government Act	<i>Local Government Act 1993</i> (NSW)
Minimum rate	A minimum amount of the rate specified under section 548 of the <i>Local Government Act</i> , 1993.
OLG	Office of Local Government
OLG SV Guidelines	Guidelines for the preparation of an application for a special variation to general income.
OLG MR Guidelines	Guidelines for the preparation of an application to increase minimum rates above the statutory limit.

PGI	Permissible General Income is the notional general income of a council for the previous year as varied by the percentage (if any) applicable to the council. A council must make rates and charges for a year so as to produce general income of an amount that is lower than the PGI.
Proposed SV Scenario	Includes the council's proposed SV revenue and expenditure.
Rate peg	The term 'rate peg' refers to the annual order published by IPART (under delegation from the Minister) in the gazette under s 506 of the <i>Local Government Act 1993</i> .
SEIFA	Socio-Economic Indexes for Areas (SEIFA) is a product developed by the ABS that ranks areas in Australia according to relative socio-economic advantage and disadvantage. The indexes are based on information from the five-yearly Census. It consists of four indexes, the Index of Relative Socio-economic Disadvantage (IRSD), the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD), the Index of Economic Resources (IER), and the Index of Education and Occupation (IEO).
SV or SRV	Special Variation is the percentage by which a council's general income for a specified year may be varied as determined by IPART under delegation from the Minister.

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- ⁱ Tweed Shire Council, *2021-22 Special Rate Variation application*, notification letter, pp 1, 3.
- ⁱⁱ Tweed Shire Council, *Application Part A*, Worksheet 1.
- ⁱⁱⁱ Tweed Shire Council, *Application Part B*, p 6.
- ^{iv} Anonymous, submission to IPART Special Variation Application, p 1.
- ^v Tweed Shire Council, *Application Part A*, Worksheet 1.
- ^{vi} Tweed Shire Council, *Application Part B*, p 3.
- ^{vii} Tweed Shire Council, [Kings Forest Development](#), accessed 18 March 2021.
- ^{viii} Tweed Shire Council, [Kings Forest Development](#), accessed 18 March 2021.
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