

**INDEPENDENT PRICING AND REGULATORY TRIBUNAL
(IPART) - SECTION 508 (2) -
SPECIAL VARIATION APPLICATION -
INFRASTRUCTURE LEVY
EXECUTIVE SUMMARY**

PURPOSE OF REPORT:

To advise Council of the IPART Guidelines and amend Council's resolution to apply for a Special Rate Variation under Section 508(2) of the *Local Government Act*.

BACKGROUND:

Council was recently advised of a one year extension to the Infrastructure Levy under Section 508(2) of the *Local Government Act*. This levy ceases on 30 June 2014.

COMMENTS:

The purpose of applying for a Special Variation under Section 508(2) is to assist with the funding of Council's assets in order to help reduce the backlog in bringing Council's assets up to a satisfactory standard.

RECOMMENDATION:

That Council apply to the Independent Pricing and Regulatory Tribunal for a Special Rate Variation under Section 508(2) of the *Local Government Act* as a permanent extension of the existing levy.

PURPOSE OF REPORT

To advise Council of the IPART Guidelines and amend Council's resolution to apply for a Special Rate Variation under Section 508(2) of the *Local Government Act*.

BACKGROUND

Council has been successful in its applications for a special rate variation for infrastructure assets in 2001, 2006 and 2013. The purpose of the special variation is to assist with the funding of much needed road works to help bring the standard of Council's roads to a satisfactory standard. Based on current calculations, there is backlog for Council's roads of approximately \$88 million. The backlog is based on those roads that have a condition rating less than fair and the estimated cost to return these roads to a good standard.

Council was recently advised by the Independent Pricing and Regulatory Tribunal (IPART) of a one year extension to the Infrastructure Levy under Section 508(2) of the *Local Government Act*. This levy ceases on 30 June 2014.

However, in the recent application, Council sought a five (5) year extension of the Infrastructure Levy but was advised only one year would be granted due to the need to undertake broader consultation with the whole community. Also, the guidelines specifically require Council to include in the Delivery Program that Council is planning to apply for a Special Variation Levy so the community can make comment about Council's intention to apply for a levy given the Delivery Program is advertised to the community for the statutory 28 day period.

A report was presented to Council in July 2013 requesting endorsement of the application to IPART for a 508 (A) levy. The 2014/15 guidelines have been released and a copy of the guidelines is **Attachment A** for this report. Under the guidelines, Council is seeking a special rate variation based on Scenario 2 of the guidelines which is a Section 508 (2) application.

COMMENTS

In Council's current Delivery Program, it was clearly stated in the General Manager's introduction and further throughout the document, and also the Resourcing Strategy, that Council will be applying for a Special Rate Variation under Section 508 of the *Local Government Act*. In particular to this matter, there were no public submissions or objections to Council applying for the levy. The purpose of applying for a Special Variation under Section 508(2) is to assist with the funding of Council's assets in order to help reduce the backlog in bringing Council's assets up to a satisfactory standard.

Section 508(2) of the *Local Government Act* provides for Council to receive a Special Rate Variation in perpetuity and this will assist in closing the gap on all of Council's assets.

Council currently receives around \$2.6 million per year from the Infrastructure Levy. These funds are fully allocated to roads.

Council has completed all its integrated planning documents and Asset Management Plans. The current stated backlog for all asset infrastructure is approximately \$156 million as at 30th June 2013. Consequently, it is proposed to apply for a Section 508(2) Special Rate Variation to provide funding for all of Council's assets.

Council has commenced its consultation program and included a letter in all Council Rates notice and information on the web site advising the community of its intention to apply for the extension of the infrastructure levy. A copy of the letter is **Attachment B** for this report.

It is intended to apply for the 5% levy which will remain permanently on the rate base.

Essentially the 5% levy is required for the renewal of roads to help close the gap. Council currently has two (2) other levies being the Environmental Levy which ceases in 2019 and a 3% levy for the construction of the North Turrumurra Recreation Area which ceases in 2015. In order to assist with closing the gap for the other asset classes, it is intended to apply for the extension of the 3% levy when it ceases for the purpose of the renewal of assets.

This is currently being communicated and consulted with the community and workshops will be held in early December for focus groups to advise Council of the community's support or otherwise.

GOVERNANCE MATTERS

For Council to apply for a Special Rate Variation, it needs to be transparent in its application to IPART and indicate that the application has received support from the broader community.

The IPART guidelines for the application for a Special Rate Variation are included on the IPART web site. Council is required to comply with the guidelines before consideration can be given to the application.

RISK MANAGEMENT

The risk of Council not receiving the levy of approximately \$2.6 million per year for Council's assets will either result in a deterioration of its assets or a significant reduction in the other services provided by Council.

FINANCIAL CONSIDERATIONS

Council in its Delivery Program, Resourcing Strategy and Long Term Financial Plan has indicated the need to provide additional funding for Council's assets. These documents include the assumption the levy will continue in perpetuity.

SOCIAL CONSIDERATIONS

The condition of Council's assets is a significant matter for the community as the users of Council's infrastructure and facilities. It is important Council strives to deliver quality assets for the community.

ENVIRONMENTAL CONSIDERATIONS

Inherent in all of Council's assets is the need to consider the environment. Prior to any Capital Works being undertaken, a Review of Environmental Factors (REF) or a Project Impact Statement (PIA) is carried out to assess any environmental impacts.

COMMUNITY CONSULTATION

It is proposed to undertake extensive consultation with the community on the need for a levy prior to submitting an application to IPART under Section 508(2) of the *Local Government Act*.

It is proposed to develop a consultation strategy and engage with IPART on the proposed strategy to seek their concurrence.

INTERNAL CONSULTATION

An application for a Section 508(2) involves input from a number of departments from Corporate, Community, Strategy and Operations.

SUMMARY

Council was recently advised by the Independent Pricing and Regulatory Tribunal (IPART) of a one year extension to the Infrastructure Levy under Section 508(2) of the *Local Government Act*. This levy ceases on 30 June 2014.

The purpose of applying for a Special Variation under Section 508(2) is to assist with the funding of Council's assets in order to help reduce the backlog in bringing Council's assets up to a satisfactory standard.

Section 508(2) of the *Local Government Act* provides for Council to receive a Special Rate Variation in perpetuity. This will assist in closing the gap on all of Council's assets.

Council currently receives around \$2.6 million per year from the Infrastructure Levy. These funds are fully allocated to roads.

Council has now completed all its integrated planning documents and Asset Management Plans.

The current stated backlog is around \$156 million. Consequently, it is proposed to apply for a Section 508(2) Special Rate Variation to provide funding for all of Council's assets.

RECOMMENDATION:

A. That Council apply to the Independent Pricing and Regulatory Tribunal for a Special Rate Variation under Section 508(2) of the *Local Government Act* for a permanent 5% increase to the rate base.

B. That Council support, in principle, the future application of a further 3% levy increase to the rate base at the conclusion of the NTRA levy.

Greg Piconi

Director Operations

Attachments:	A1 View	Guidelines - Special Rate Variation application	2013/293973
	A2 View	Resident notification - Special Rate Variation	2013/293970