



# Application for a special variation for 2020-21

## **Guide for Special Variation Application Form Part B**



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# Contents

<b>Preparing your application</b>	<b>1</b>
<b>Description and Context Questions</b>	<b>4</b>
<b>Criterion 1: Need for the variation</b>	<b>10</b>
<b>Criterion 2: Community awareness and engagement</b>	<b>14</b>
<b>Criterion 3: Impact on ratepayers</b>	<b>18</b>
<b>Criterion 4: Exhibition of IP&amp;R documents</b>	<b>21</b>
<b>Criterion 5: Productivity improvements and cost containment strategies</b>	<b>25</b>
<b>Criterion 6: Other relevant matters</b>	<b>28</b>
<b>Council certification and contact information</b>	<b>29</b>
<b>List of Attachments</b>	<b>30</b>



## Preparing your application

For special variation (SV) applications for 2020-21 IPART has prepared two separate documents, **the Special Variation Application Form Part B for 2020-21** (SV Application Form Part B) and this **Guide for SV Application Form Part B for 2020-21** (SV Application Guide).

The intention is to improve the readability of the completed SV Application Form Part B for ratepayers. This Guide is for council officers preparing the SV Application Form Part B. It provides instructions for completing the SV Application Form Part B, including how to attach supporting documents to enable IPART to assess councils' applications against the criteria in [OLG's SV Guidelines](#)<sup>1</sup>.

References are provided to other IPART and OLG publications which contain information and guidance relevant for preparing the council's responses in the SV Application Form. It cross-references the SV Application Form Part A 2020-21 (Excel spreadsheet) which must also be completed, and the Application Forms for an increase to minimum rates above the statutory limit (MR increase) which must be submitted if the council is applying for an MR increase (see Description and Context Question 3).

### Special variation Application Forms

Councils applying to IPART for an SV to general income either under section 508(2) or section 508A of the *Local Government Act 1993* (NSW) must complete:

- ▼ [Special Variation Application Form Part A 2020-21](#) (Excel spreadsheet)
- ▼ [Special Variation Application Form Part B for 2020-21](#) (MS Word document)

New councils (ie, formed by merger in 2016) can apply for an SV for 2020-21. In this case the councils should complete a different version of Part A:

- ▼ [Special Variation Application Form Part A – Merged councils 2020-21](#)

### Structure of the Application Form Part B

The SV Application Form Part B is structured to allow councils to provide the information we consider is necessary for us to assess an SV application according to the criteria for assessment in OLG's SV Guidelines.

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<sup>1</sup> Office of Local Government (OLG), *Guidelines for the preparation of an application for a special variation to general income*, October 2019 (OLG Guidelines).



The sections of the SV Application Guide are:

- ▼ Description and Context Questions
- ▼ Criterion 1: Need for the variation
- ▼ Criterion 2: Community awareness
- ▼ Criterion 3: Reasonable impact on ratepayers
- ▼ Criterion 4: Exhibition of relevant IP&R documents
- ▼ Criterion 5: Productivity improvements and cost containment
- ▼ Criterion 6 – Other relevant matters
- ▼ Certification and contact information
- ▼ List of attachments

In the sections of the SV Application Form relating to the criteria there are:

**Questions** – asking for information IPART will take into consideration in assessing whether the council has satisfied the criterion.

**Question boxes** – asking questions with Yes/No answers or for councils to provide specific data without any commentary.

**Text boxes** – for councils to insert information. Responses should clearly cross-reference supporting documents.

**Tables of Attachments** – for councils to list all supporting documents relevant for the questions in each section which are attached to the council’s application.

### **How much information should a council provide?**

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.

The amount of information that a council provides will be a matter of judgement for the council, but it should be sufficient for us to make an evidence-based assessment of the application. Generally, the extent of the evidence should reflect the size and complexity of the variation sought.

### **Attaching supporting material**

We encourage councils when filling in this Application Form to present data in tables or summaries, and include full versions of documents as attachments. Responses in the text boxes should clearly cross-reference where the information is located in the supporting documents attached to the council’s application. Extracts from IP&R documents and consultation material should be succinct and selected for relevance and significance.

## Confidential content in supporting material

IPART will post all applications (excluding confidential content) on the IPART website. Examples of confidential content are those parts of a document which disclose the personal identity or other personal information pertaining to a member of the public, or a document such as a council working document that does not have formal status, or a document which includes commercial-in-confidence content.

Councils should ensure supporting documents are redacted to remove confidential content where possible, or clearly marked as **CONFIDENTIAL**.

To protect confidential details in submissions from ratepayers, either redact or submit as a confidential attachment (see List of attachments).

## Submitting the application online

Applications must be submitted through IPART's Council Portal by Monday, 10 February 2020.

- ▼ A file size limit of 10MB applies to the Application Form Part B.
- ▼ For supporting documents (Attachments) a file size limit of 70MB applies to public documents, and another 50MB to confidential documents.

Contact Arsh Suri on 9113 7730 for assistance with using the Council Portal.

## Publishing the council's application

Councils should also post their application on their own website for the community to access.

## Description and Context Questions

These questions seek information not tied to a specific criterion in the OLG guidelines. Councils should provide a response where the Question is relevant to its application.

### **Question 1: What is the type and size of the special variation the council is applying for?**

This question attempts to characterise the SV, and a response could include:

- ▼ Whether the SV is a single year or multi-year SV (s 508(2) or s 508A)
- ▼ Whether the SV is permanent or temporary
- ▼ For a multi-year SV, for how many years are increases proposed
- ▼ For a temporary SV, for how long is the SV requested
- ▼ Percentage increase sought in each year of the SV
- ▼ For a multi-year SV, the cumulative percentage increase.

### **Question 2: What is the key purpose of the requested special variation?**

**In the text box** indicate at the highest level the key purpose(s) of the proposed SV. The purposes could include one, or a combination of:

- ▼ improving financial sustainability
- ▼ maintaining existing services and service levels generally
- ▼ providing new or enhanced services or service levels for specific council operations
- ▼ implementing new projects or activities, eg, environmental works
- ▼ reducing infrastructure backlogs for asset maintenance and/or renewals
- ▼ investing in new assets
- ▼ contributing to projects of regional significance
- ▼ meeting special cost pressures faced by the council
- ▼ meeting the shortfall where contributions for local infrastructure are capped.

This section should also include an outline of the key steps undertaken in reaching a decision to make an application.



### Question 3: Is the council proposing to increase minimum rates in conjunction with the special variation?

Complete this question if the council proposes to increase minimum ordinary or special rates in conjunction with the SV for 2020-21.

Councils may have to submit a separate application for an increase to minimum rates (MR increase) in addition to applying for the SV. This approach is different from that in place last year, when councils could submit a combined SV and MR application.

A separate MR increase application is needed in the following circumstances:

1. The council is currently charging a minimum ordinary rate *at or below the statutory limit*, and intends, as part of implementing the special variation, to apply a lower, higher or the same percentage increase as the requested special variation percentage, which would result in a minimum rate in any rating category or sub-category being *above the statutory limit* for the first time.
2. The council is already charging a minimum ordinary rate *above the statutory limit*, and the council is seeking to increase a minimum rate by a percentage *higher than* the proposed special variation percentage increase for any year.

In these situations, councils should also complete:

- ▼ [Minimum Rate Application Form Part A 2020-21](#) (Excel spreadsheet)
- ▼ [Minimum Rate Application Form Part B 2020-21](#) (Word document)

Councils **do not need** to submit a separate MR increase application if, in conjunction with the special variation, the proposed increase to minimum rates would result in minimum rates in all rating categories and/or sub-categories still being *below the statutory limit*.

To respond to this question, councils need only to provide the summary information required **in the question box**.

IPART will rely on data in the SV Application Form Part A and the MR Increase Application Form Part A for detailed information about how the proposed SV would increase minimum amounts of rates.

### Question 4: Does the council have an expiring special variation?

If the council has an expiring SV, IPART requires additional information to ensure the Instrument approving a new SV accurately calculates the amount the council has to remove from its general income before applying any adjustment to the council's general income which may be approved.

OLG's SV Guidelines specify that councils must contact OLG to confirm the calculation of the amount to be deducted from the council's general income for the expiring SV (section 5.1).

Complete this question if the council has a temporary SV which is due to expire:

- ▼ on 30 June 2020, or
- ▼ at the end of a later year in the period the requested SV would apply, and the council wants it to continue in place until it is due to expire.

A council should also complete this question if it has an SV which has been approved for the 2020-21 financial year or later years, but as part of the proposed SV, it is asking to terminate this SV early.

Councils created by merger in 2016 should complete this question if one of the former council areas has an expiring SV.

The council must calculate the amount to be removed from general income when the SV expires in accordance with the method explained in Attachment 1 to the SV Guidelines. It should also seek confirmation of this calculation from OLG (SV Guidelines section 5.1) and attach OLG's advice to the Application Form.

Provide the information as requested **in the question box**.

**Attachments required:**

- ▼ Instrument(s) approving any SV which expires at the end of the current financial year or during the period covered by the proposed SV.
- ▼ OLG advice confirming calculation of the dollar amount to be removed from general income as a result of the expiring SV.

**Question 5: Does the council have an existing (ongoing) s 508A special variation which applies in 2020-21?**

If the council has an ongoing s 508A SV and is seeking additional changes to general income during the term of that existing SV, IPART will need to vary the original instrument if the additional SV is approved, rather than issuing an additional SV instrument to apply for 2020-21 (or later years).

The council should understand that by completing this application form and seeking a further change to the council's revenue path, it is, in effect, applying to IPART to vary the original instrument.

IPART will assess the application using the same broad criteria (see Criteria 1 to 6 in this SV Application Guide), as for any application for a new SV.

While IPART's assessment will typically focus on the additional percentage increase sought, we may also consider whether it is appropriate to maintain the existing component of the s508A SV, especially in light of any circumstances which are materially different from those in place when the original increase was approved.

OLG's SV Guidelines (Section 6) now include additional items in the list of factors which IPART may take into account, one of which is compliance with conditions in instruments

approving previous SVs. When assessing applications for SVs in 2020-21 IPART will also take into consideration the council's compliance with conditions in instruments approving SVs in the previous five years.

The council's application should be clear about whether the information provided is in relation to the incremental increase being sought or the total cumulative increase that would be reflected in a varied instrument if the additional increase is approved.

Complete this question if the council has an existing s508A multi-year SV instrument which approves an increase to general income above the rate peg for 2020-21 and future years within the period covered by the council's SV application.

Councils created by merger in 2016 should complete this question if one of the former council areas has an existing SV.

You do not need to complete this question if, as part of the proposed SV, the council is asking to terminate as of 30 June 2020 the s 508A multi-year SV which would otherwise continue to apply. If this situation exists, the council should have completed Question 4.

In the text box, summarise the council's actions in complying with conditions in the instrument approving the original SV.

Supporting documents could include extracts from annual reports or any other publications in which compliance with the terms of the SV has been reported to ratepayers.

**Attachments required:**

- ▼ A copy of the instrument approving the SV
- ▼ A declaration by the General Manager as to the council's compliance with the conditions applying to the SV included in the instrument of approval
- ▼ Supporting documents providing evidence of the council's actions to comply with the conditions in the Instrument/s.

**Question 6: Has IPART approved a special variation for the council in the past five years?**

When assessing applications for SVs in 2020-21 IPART will take into consideration the council's compliance with conditions in instruments approving SVs in the previous five years. OLG's SV Guidelines (Section 6) now include additional factors which IPART may take into account, one of which is compliance with conditions in instruments approving previous SVs.

Complete this question only if IPART has approved an SV for the council in the past five years.

Councils created by merger in 2016 should complete this question if IPART has approved an SV for one of the former council areas in the past five years.

You **do not need** to complete the text box for this question if the relevant information has been provided in the council's response to Question 5.

**In the text box**, summarise the council's actions in complying with conditions in the relevant instrument/s.

Supporting documents could include extracts from annual reports or any other publications in which compliance with the terms of the SV has been reported to ratepayers.

**Attachments required:**

- ▼ A copy of the relevant instrument/s approving SVs issued by IPART in the past five years
- ▼ A declaration by the General Manager as to the council's compliance with the conditions applying to the SV included in IPART's Instrument of approval
- ▼ Supporting documents providing evidence of the council's actions to comply with the conditions in the Instrument/s.

**Question 7: Does a project to be funded by the special variation require a capital expenditure review?**

Complete **the question box** if the council intends to use any of the additional general income the council would receive if IPART approves the SV to undertake major capital project(s) which require a capital expenditure review.

OLG's Capital Expenditure Guidelines require a capital expenditure review for projects that are not exempt and cost in excess of 10% of council's annual ordinary rates revenue or \$1 million (GST exclusive), whichever is the greater (see OLG Circular 10-34).

A capital expenditure review is a necessary part of a council's capital budgeting process and should have been undertaken as part of the IP&R requirements in the preparation of the Community Strategic Plan and Resourcing Strategy.


**Question 8: Is the council a new council created by merger in 2016?**

In the past three years, the NSW Government required new councils created by merger in 2016 to maintain pre-merger rate paths for the next three rating years (the 'rate path protection period'). These councils were subject to a 'rate freeze', as they were not eligible to apply for an SV or MR increase in the rate path protection period.

The *Local Government Act 1993* was amended in June 2019 to extend the rate path protection period by 12 months, unless a council chooses to opt-out of the extension. On 21 October 2019 the Minister for Local Government issued an amendment to the original Ministerial Determination under section 218CB(4) of the *Local Government Act 1993* which:

- ▼ removes certain councils from the rate path protection, and
- ▼ permits other councils to apply if they have determined during their integrated planning and reporting that there is a need for a SV or to increase minimum rates.

IPART will assess applications for an SV from such councils according to the same criteria and in the same way as applications for all other councils. However new councils will need to provide additional information to demonstrate how they meet the criteria relating to financial



need, community awareness and engagement, and impact on ratepayers. Councils should refer to the sections relevant to those criteria in this SV Application Guide to determine the additional information which must be provided.

Complete this question only if the council was created by merger in 2016.

**In the text box** explain the basis for the council being eligible to apply for an SV for 2020-21.

The council should also have completed, as relevant for any of the council areas comprising the newly-merged council:

- ▼ Question 4 for a temporary SV due to expire in June 2020 or beyond,
- ▼ Question 5 for an ongoing section 508A SV, and
- ▼ Question 6 for an SV approved in the past five years.

## Criterion 1: Need for the variation

The Criterion 1 in the OLG Guidelines is:

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. ...

To satisfy Criterion 1: Need for the variation (Financial need) the council should demonstrate three elements:

1. The community's need for, and the purpose of the proposed SV.
2. The impact on the council's financial sustainability using revenue and expenditure forecasts under baseline, special variation and baseline with special variation expenditure scenarios.
3. The Council's IP&R documents clearly articulate the proposed SV and alternatives to the rate rise.

Refer to OLG's Guidelines Section 3.1 for the criterion in full.

Refer also to the IPART publication, *The Year Ahead – Special Variations in 2020-21* – Fact sheet.

### How to respond for Criterion 1

The response to this criterion should summarise the council's case for the proposed SV. It is necessary to show how the council has identified and considered its community's needs, as well as alternative funding options (to a rates rise).

You should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

Information and financial analysis contained in the council's IP&R documents and its application should demonstrate the financial need for the proposed SV. IPART will undertake its own analysis of the council's financial performance under scenarios with and without the SV, as explained in Box 1.1. The council's response to Criterion 1 should use the terminology included in Box 1.1.

### Box 0.1 IPART analysis of financial need using information in the council's application for a special variation

IPART uses information provided by the Council in its application to assess the impact of the proposed SV on the Council's financial performance and financial position in relation to its operating result and infrastructure spending.

Based on the Council's application and LTFP (where appropriate), we calculate financial forecasts under three scenarios:

1. **The Proposed SV Scenario** – which includes the Council's proposed SV revenue and expenditure.
2. **The Baseline Scenario** - which shows the impact on the Council's operating and infrastructure assets' performance **without the proposed SV revenue and expenditure**.
3. **The Baseline with SV expenditure Scenario** - which 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.

When responding to the three questions for Criterion 1, some councils will need to provide additional information, tailored to the specific circumstances of their application.

If the council is a **merged council**, the response should provide analysis and financial data from the council's IP&R planning to show how the need for an SV (and MR increase, if relevant) will assist in the transition from the rates path protection.

If the council has an **ongoing SV**, while the response should focus on the additional percentage increase to general income being sought, it should also specify:

- ▼ How the council has implemented the program of expenditure funded by the existing SV income.
- ▼ Whether any circumstances relating to the financial need for the additional revenue changed since it was approved, for example the council has received grant funding or income from other sources for the project.
- ▼ How changed circumstances have given rise to the need for an additional increase to general income.
- ▼ How closely revenue and expenditure in past years matched the projections made in the council's LTFP when applying for the original, and if relevant, the reasons for any significant differences.

Where the council **proposes to increase the minimum amount of rates** in conjunction with the SV, the responses to the questions should include information about the MR increases where relevant. However the council should explain the council's rationale for increasing minimum rates above the statutory limit when completing the MR Increase Application Form Part B in relation to Criterion 1: Rationale.



### **Question 1.1 Case for special variation – How did the council establish the need for the special variation?**

**In the text box**, the council's response should summarise and explain:

- ▼ How the council identified and considered the community's needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision.
- ▼ How the decision to seek higher revenues above the rate peg was made.
- ▼ Which other options were examined, such as changing expenditure priorities or using alternative modes of service delivery.
- ▼ Why the proposed SV is the most appropriate option: for example, typically other options would include introducing new or higher user charges and/or an increase in loan borrowings, public private partnerships or joint ventures.
- ▼ How the proposed SV affects the Long Term Financial Plan forecasts for the General Fund, and how this relates to the need the council identified. Our assessment will also consider the assumptions which underpin the council's Long Term Financial Plan forecasts.
- ▼ If the need for the expenditure is not required to meet a financial need, the council should provide evidence of the community's desires for the services or assets to be funded by the proposed SV and its willingness to pay for them.

### **Question 1.2 Financial sustainability of the council – What will be the impact of the proposed special variation?**

The proposed SV may be intended to improve the council's underlying financial position for the General Fund, or to fund specific projects or programs of expenditure, or a combination of the two. We will consider evidence about the council's current and future financial sustainability and the assumptions it has made in coming to a view on its financial sustainability.

**In the text box**, the council's response should explain:

- ▼ The council's understanding of its current state of financial sustainability, its long-term projections based on alternative scenarios and assumptions about revenue and expenditure.
- ▼ Any external assessment of the council's financial sustainability (eg, by auditors, NSW Treasury Corporation), indicating how such assessments of the council's financial sustainability are relevant to supporting the decision to apply for an SV.
- ▼ The council's view of the impact of the proposed SV on its financial sustainability.

### **Question 1.3 Financial indicators – What will be the impact of the proposed special variation on key financial indicators over the 10-year planning period?**

The council's response should indicate how the proposed SV would affect the council's key financial indicators (General Fund) over the 10-year planning period. It should include an analysis of council's performance based on key indicators, both current and forecast (this may be presented as an addendum to the Long Term Financial Plan).





## Attachments for Criterion 1

**In the table provided**, list all attachments to the application which the council relies on to demonstrate how it has met Criterion 1.

The Delivery Program and Long Term Financial Plan are mandatory attachments.

Where relevant, other attachments could include other IP&R documents such as the Community Strategic Plan, Asset Management Strategy and/or Plan(s), or the previous year's Operational Plan (ie, for 2019-20) if it contains relevant information, reports by other agencies (eg, TCorp's report on the council's financial sustainability), or reports commissioned by the council.

## Criterion 2: Community awareness and engagement

Criterion 2 in the Guidelines is:

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.

Information about how the council can engage the community is to be found in the [OLG Guidelines](#), and OLG's [IP&R manual](#).<sup>2</sup>

Refer to OLG's Guidelines Section 3.1 for the criterion in full.

Refer also to the IPART publications:

- ▼ *The Year Ahead – Special Variations in 2020-21* – Fact sheet
- ▼ *Community awareness and engagement for special variations* – Fact sheet

### How to respond for Criterion 2

The Application Form asks four questions for Criterion 2. Councils should provide evidence to demonstrate:

1. How it engaged with the community about the proposed SV and methods used.
2. How it present the impact of the proposed SV on ratepayers in the consultation material.
3. How effective were the various consultation strategies for engaging the community, ie, how the community was involved in and responded to the consultation, and the nature of the feedback given.
4. How the council responded to the feedback it received.

The council's response to Criterion 2 should also indicate how the required information is reflected in the Delivery Program and Long Term Financial Plan.

Council should provide relevant extracts of the IP&R documents that set out the rate rises under the proposed SV and attach relevant samples of the council's consultation material.

### Question 2.1 How did the council engage with the community about the proposed special variation?

The response should provide details and examples to demonstrate:

- ▼ the strategy the council used to consult the community

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<sup>2</sup> <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-special-variation-or-minimum-rate-increase>

- ▼ when the consultation occurred
- ▼ the range of methods used to inform and engage with the community about the proposed SV, and why these were selected.

## Question 2.2 How did the council present the impact of the proposed special variation in the consultation material?

The response should provide details and examples to demonstrate the clarity of information presented in the consultation materials, including information about:

- ▼ The need for the proposed SV.
- ▼ Specific programs or projects, levels and types of services, investment in assets and the options for funding them by rate increases.
- ▼ The proposed cumulative rate increases including the rate peg for each major rating category (in both percentage and dollar terms), particularly where the increase is to be applied differentially across ratepayer categories (ie, rates will not increase uniformly by the SV percentage).
- ▼ The annual increase in average rates that will result if the proposed SV is approved in full (and not just the increase in daily or weekly terms).
- ▼ The size and impact on rates where an existing SV will continue, expire, be renewed or replaced at the end of the current financial year or during the period when the requested SV will apply.
- ▼ The rate levels that would apply without the proposed SV (clearly showing the impact of any expiring SV).

Some councils will need to provide additional information in their response to demonstrate how consultation material explained to the community details about the proposed SV and its impact on rates to reflect the specific circumstances of their application, for example:

- ▼ If the council is a **merged council**, how the SV rate increases would apply across all the various rating categories and subcategories in each of the former councils.
- ▼ If the council is **renewing or replacing an expiring SV**, information was provided about the purpose, and duration of the expiring SV, the original and current percentage of general income the SV represents, whether the new SV is temporary or permanent, the amount of any *additional* increase above the rate peg being requested, and that if the proposed SV is not approved (ie, only the rate peg applies), the year-on-year change in rates would be lower, or that rates may fall
- ▼ If the council **has an existing (ongoing) s 508A AV** and is applying for an *additional* SV, how the consultation material explained details about the existing SV, its size and duration, and the impact on rate levels when it does expire, as well as the impact on rate levels and annual increases with and without the additional SV.
- ▼ If the council proposes to **increase minimum rates**, the increase to minimum amounts, and any change to the proportion of ratepayers on the minimum rate for all relevant rating categories which would occur as a result of the SV.

- ▼ Where the council intends to **make any changes to the rating structure in 2020-21** in conjunction with the proposed SV, such as changes to subcategories and adjusting ad valorem rates following new land valuations, the need for or purpose of the change and its impact was explained to the community.

### **Question 2.3 How effectively did the council's various consultation strategies engage the community about the proposed special variation?**

The response should demonstrate how effective were the various methods of engagement it used consultation strategy was summarise the outcomes and feedback received, by:

- ▼ Outlining evidence of residents and ratepayers being aware of the proposed SV.  
Outcomes could include the number of people reached by mail outs, the number of attendees at events and participants in online forums, the number of submissions made, surveys or feedback forms completed, as well as evidence of media reports and other indicators of public awareness of the council's SV intentions.
- ▼ Explaining how the community responded and the feedback the council received about its proposal.

The response should indicate how participants responded to any surveys, particularly the level of support for specific programs or projects, levels and types of services, investment in assets, as well as the options proposed for funding them by rate increases.

Where the council has received submissions from the community relevant to the proposed SV, the application should set out the views expressed in those submissions.

### **Question 2.4 How did the council respond to feedback from community consultation?**

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

The response should identify and document any action taken, or which will be taken, to address issues of common concern within the community about the proposed SV.

### **Attachments for Criterion 2**

**In the table provided**, list all other attachments to the application which the council relies on to demonstrate how the council has met Criterion 2.

The Delivery Program and Long Term Financial Plan are mandatory attachments.



Other attachments should include:

- ▼ samples of the council's consultation material
- ▼ data showing quantitative and/or qualitative responses to the proposed SV, such as survey results, and
- ▼ summaries of submissions, online comments or feedback at community meetings.

When attaching consultation material, particularly feedback from ratepayers, councils should ensure that all information of a confidential nature has been redacted. Refer to the guidance under the heading *Confidential content in supporting material* on pages 3 and 30 of this Guide.

## Criterion 3: Impact on ratepayers

Criterion 3 in the Guidelines is:

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 Delivery Program and Long Term Financial Plan should:

- clearly show the impact of any rises upon the community
- include 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.

Refer also to the IPART publications:

- ▼ *The Year Ahead – Special Variations in 2020-21* – Fact sheet
- ▼ *Community awareness and engagement for special variations* – Fact sheet

### How to respond for Criterion 3

The Application Form asks four questions for Criterion 3. Councils should to provide evidence to demonstrate:

1. the **impact on rates** of the proposed SV, including the **impact on minimum amounts** of any ordinary or special rate
2. how the council considered that the proposed rate rises were **affordable, having regard to ratepayers' capacity and willingness to pay**
3. how the council **addressed concerns about affordability** in determining the special variation is applied for, and
4. the council's plans for **addressing hardship** ratepayers may experience in meeting their obligations to pay rates in the future.

As well as considering the evidence provided by the council to demonstrate that the proposed rate increase is affordable for its community, IPART will undertake its own analysis of affordability by considering a range of data, including:

- ▼ The average growth in the council's rates in recent years, including previous SV increases.
- ▼ How the council's average rates current and under proposed SV compare with those in similar councils.
- ▼ Socio-economic indicators such as median household income, average rates to income ratio, outstanding rates ratio and SEIFA ranking.

The council's response to Criterion 2 should also indicate how the required information is reflected in the Delivery Program and Long Term Financial Plan.

### **Question 3.1 What is the impact on rates of the proposed special variation?**

Although much of the quantitative information we need on the impact of the proposed SV on rate levels will already be contained in Worksheets 5a and 5b of SV Application Form Part A, the response to this question should clearly set out:

- ▼ the impact on rates across the council's rating structure should the SV be approved, compared with
- ▼ the rate levels which would apply if the SV is not approved.

This information should be provided in a table indicating average rates in 2019-20, and then both the dollar and percentage increase for each rating category and subcategory for each year of the proposed SV, and the cumulative increases for the whole period.

A simple table is sufficient where the council intends to apply the proposed SV percentage increase in general income to all rating categories and subcategories.

The approach is likely to be more complex where the council is applying an increase differentially across ratepayer categories or making any changes to the rating structure in 2020-21. In this case, the council's response should explain the basis for allocating the increase to general income among the ratepayers and how the rating structure would be different from that which would apply if the SV is not approved, and why. This information will be relevant to our assessment of the reasonableness of the impact on ratepayers.

If relevant, the council's response should also indicate the impact of any other anticipated changes (eg, receipt of new valuations) in the rating structure, or any changes to other annual ratepayer charges such as for domestic waste management services.

### **Question 3.2 How has the council considered affordability and the community's capacity and willingness to pay?**

The council's response should provide evidence to establish:

- ▼ That the proposed SV is reasonable in the context of the current rate levels, ratepayer base and its purpose
- ▼ How the council considered the community's capacity and willingness to pay, and that the rate increases would be affordable for the community

Evidence about capacity to pay could include a discussion of such indicators as SEIFA rankings, land values, average rates, disposable incomes, the outstanding rates ratio and rates as a proportion of household/business/farmland income and expenditure, and how these measures relate to those in comparable or neighbouring council areas.

As many of these measures are highly aggregated, it may also be useful to discuss other factors that could better explain the impact on ratepayers affected by the proposed rate increases.

While councils should consider the affordability of the proposed rate increases for **all** affected ratepayers, in some circumstances, particularly where the increase will not be uniform for all ratepayers, councils should explain how the **affected** ratepayer capacity to pay was considered. This could apply, for example, where:

- ▼ The council is a **merged council**.
- ▼ The council intends to **apply the increase differentially across ratepayer categories**
- ▼ The council intends to **make changes to the rating structure in 2020-21** in conjunction with the proposed SV.
- ▼ The proposal would **increase minimum rates** by a significantly high percentage.

### Question 3.3 How does the council intend to address hardship?

The response should explain any measures the council has in place, or intends to introduce, measure for dealing with cases where ratepayers experience hardship in meeting their obligation to pay rates.

Evidence can relate to a formal hardship policy which the council has adopted, and/or processes the council has in place, or intends to implement. The response should explain who the potential beneficiaries are and how they are, or will be assisted. Alternatively, the response should explain why no such measures are proposed.

The council should also indicate whether the hardship policy or other measures are referenced in the council's IP&R documents (with relevant page reference or extract provided).

### Attachments for Criterion 3

**In the table provided**, list all attachments to the application which the council relies on to demonstrate how the council has met Criterion 3.

The Delivery Program and Long Term Financial Plan are mandatory attachments.

Examples of other attachments could include:

- ▼ any data, advice or report, either prepared internally or externally, or commissioned from a consultant, which the council used to consider whether the proposed rate increases were affordable and the community's capacity and willingness to pay them, and
- ▼ the council's Hardship Policy.



## Criterion 4: Exhibition of IP&R documents

Criterion 4 in the Guidelines is:

The relevant IP&R 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 revenue.

Criterion 4 requires the council to exhibit, approve and adopt the relevant IP&R documents in accordance with the statutory requirements **before it applies to IPART for an SV**

Criteria 1 to 3 require the council to include the required content in the relevant IP&R documents.

Information about the formal requirements for IP&R documents is to be found in the [OLG Guidelines](#), and the *Integrated Planning and Reporting Guidelines for Local Government in NSW* and the *Integrated Planning and Reporting Manual for Local Government in NSW* published by OLG in March 2013.<sup>3</sup>

Refer also to the IPART publication, *The Year Ahead – Special Variations in 2020-21* – Fact sheet.

### What are the relevant IP&R documents?

The OLG Guidelines specify that the ‘relevant documents’ are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, Asset Management Plan.

### What formal requirements apply to the relevant IP&R documents?

The formal requirements applying to IP&R documents are set out in the *Integrated Planning and Reporting Guidelines for Local Government in NSW* and the *Integrated Planning and Reporting Manual*.

Table 4.1 summarises the requirements for the IP&R documents relevant to an application for an SV.

For the purposes of applying for an SV, councils should note:

- ▼ If amendments to an adopted **Delivery Program** or **Community Strategic Plan** are needed to incorporate or update information about the proposed SV, the draft documents should be re-exhibited for a period of 28 days, and adopted before the council submits its Application Form to IPART.
- ▼ The exhibition period should be scheduled so that there is an opportunity for the council to formally consider and resolve to adopt the revised documents. It will be expected that a council will hold an extraordinary general meeting, if necessary, to meet this requirement.

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<sup>3</sup> See <https://www.olg.nsw.gov.au/councils/integrated-planning-and-reporting/development-and-support>.

- ▼ The council should adopt a version of the **Long Term Financial Plan** (LTFP) which incorporates modelling of the proposed SV before the council submitting the application to IPART.
- ▼ When applying for a special variation for 2020-21 councils do not need to prepare, exhibit or adopt the **Operational Plan for 2020-21**.
- ▼ If council has used supporting evidence from the **Operational Plan for 2019-20** to demonstrate how it satisfies other criteria, the council should also provide information about this document in its response to Criterion 4.
- ▼ Where the proposed SV is to fund asset management, the council's **Asset Management Strategy and Plan(s)** should be adopted before submitting the application to IPART.

**Table 4.1 Relevant IP&R documents**

Document	Requirements	Requirements – prior to submitting application
<b>Mandatory to submit</b>		
Community Strategic Plan	Exhibition (min 28 days)	Adoption by council
Delivery Program	Exhibition (min 28 days)	Adoption by council
Long Term Financial Plan	Publication on council website	Adoption by council
<b>Optional to submit</b>		
Operational Plan for 2019-20	Exhibition (min 28 days)	Adoption by council
Asset Management Strategy / Plan(s)	Publication on council website	Adoption by council

### What content should be included in the IP&R documents?

Councils should refer to the terms of Criteria 1, 2 and 3 in OLG's Guidelines. In essence, the Guidelines provide that the elements which the IP&R documentation should include are:

- ▼ the need for, and purpose of, the proposed SV (Criterion 1)
- ▼ the extent of the general fund rate rise under the proposed SV (Criterion 2), and
- ▼ the impact of any rate rises upon the community (Criterion 3).

The LTFP should reflect the financial impact of the proposal applying both the baseline and a special variation scenarios, the council's consideration of the community's capacity and willingness to pay rates and establish the affordability of the proposed rate increases.

IPART will consider the how the IP&R documents present details of the proposed SV, whether they canvass alternatives to the rate rise, and information in the documents explaining how the council developed the proposed SV together with its community.

### How to respond for Criterion 4

To demonstrate how the council has met the formal requirements the application should provide information which identifies for all relevant IP&R documents:

- ▼ the processes by which the council's proposed SV has been reflected in key revisions to the documents
- ▼ the dates of public exhibition period(s) where required
- ▼ responses to public exhibition
- ▼ the date(s) on which council approved and adopted the relevant IP&R documents, supported by evidence of extracts from council minutes.

The application should indicate in summary or an index table format the content of the documents related to the proposed SV.

#### **Question 4.1 What IP&R processes did the council use in determining to apply for a special variation?**

Indicate the progress of identifying the need for the SV being incorporated into the IP&R documents by providing information about community engagement and when key revisions were made to the IP&R documents.

#### **Question 4.2 When did the council meet the formal requirements for all relevant IP&R documents?**

The tables seek information which demonstrates that the council has met the formal requirements for the preparation, exhibition, adoption and publication of the current IP&R documents.

Complete Table 4.1 with dates on which the council met the formal requirements for the documents referred to in the criteria in OLG's SV Guidelines (mandatory). If relevant, complete Table 4.2 for other IP&R documents with material relevant to the council's application for an SV.

In Table 4.3 insert the web links for all IP&R documents included in Tables 4.1 and 4.2. Relevant extracts from the documents should be submitted as attachments to the council's application in relation to response for Criteria 1 to 3.

#### **Question 4.3 What, if any, relevant issues arose in the public exhibition of the IP&R documents?**

This question seeks information about issues that arose in the course of the council's undertaking its IP&R processes with the community by publicly exhibiting the IP&R documents, which could be relevant for IPART's assessment of the council's application.



#### **Question 4.4 Where is the proposed special variation referred to in the council's IP&R documents?**

Complete Table 4.4 for all documents included in Tables 4.1 and 4.2 by specifying the page numbers where content related to each criterion is located. Use section references if pages are not numbered. Add or delete rows as necessary.

#### **Attachments for Criterion 4**

As the relevant IP&R documents should have already been attached to the Application Form in and noted in the Tables of attachments for responses to the Criterion 1 Financial Need, Criterion 2 Community engagement and Criterion 3 Impact on ratepayers, it is not necessary to include them in Table 4.5.

It is not necessary to include evidence of the information in the Tables, however the council may wish to include other attachments such as copies of council business papers.

## Criterion 5: Productivity improvements and cost containment strategies

Criterion 5 in the Guidelines is:

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

Refer also to the IPART publication *The Year Ahead – Special Variations in 2020-21* – Fact sheet.

### How to respond for Criterion 5

The Application Form asks four questions relating to:

1. The approach to improving productivity in operations and asset management.
2. Outcomes realised from productivity improvements and cost containment strategies in past years.
3. Productivity improvements and cost containment strategies planned for future years.
4. Evidence of productivity and efficiency.

Councils can adopt a very broad range of strategies, initiatives or activities to improve the efficiency of their operations and the productivity of their workforce, and to contain costs and increase revenue. They may arise from reviewing service priorities, levels of service, labour and capital inputs, and organisational structures or services to be delivered.

Drawing on our experience in past years, we will be placing an emphasis on councils' applications demonstrating how they satisfy Criterion 5: Productivity improvements and cost containment strategies. To demonstrate that a council has met this criteria, it is not sufficient to list a series of cost-saving or revenue-raising initiatives. Councils should provide evidence of strategies and activities and robust data quantifying the efficiency gains.

#### **Question 5.1 What is the council's strategic approach to improving productivity in its operations and asset management?**

The council's response should identify how, as an organisation, it has approached improving productivity in its operations and asset management. It could refer to approaches such as:

- ▼ Comprehensive strategic-level review of council operations including service priorities, levels of service, labour and capital inputs
- ▼ Targeted reviews of discrete areas of council operations encompassing all aspects of processes, procedures, procurement, scheduling and equipment use
- ▼ Reviewing service standards so that the more closely align with community expectations

- ▼ Organisational restructure
- ▼ Redesigning processes such as financial reporting, people/performance/project management to achieve efficiencies
- ▼ Reviewing procurement strategies
- ▼ Pursuing opportunities for commercialisation and business improvement
- ▼ Review of assets in order to rationalise and divest property

### **Question 5.2 What outcomes has the council achieved from productivity improvements and cost containment strategies in past years?**

The council should, wherever possible:

- ▼ provide information about productivity improvements and cost containment strategies implemented during at least the past two years
- ▼ quantify in dollar terms the gains past initiatives have realised, and
- ▼ present these gains as a percentage of operating expenditure.

You may in this question provide evidence of overall improvements in the council's financial situation from productivity and operational improvements and provide specific examples of initiatives or activities such as:

- ▼ Introducing environmental and energy efficiency initiatives
- ▼ Adopting more efficient information and communications technology for a range of activities such as communications, document processing, financial transactions, outdoor staff operations, e-recruitment
- ▼ Shared purchasing through joint organisations of councils
- ▼ Improved management of workers compensation insurance claims and safety audit
- ▼ Seeking private contract works for road maintenance
- ▼ Contracting to provide services to other councils
- ▼ Reviewing community venue management to increase the utilisation of venues and associated revenues
- ▼ Reviewing charges to ensure greater cost-recovery for council-provided services
- ▼ Review of and refinancing loan borrowings
- ▼ Adopting waste management strategies to reduce landfill waste and associated costs

### **Question 5.3 What productivity improvements and cost containment strategies are planned for future years?**

The council should provide information that details initiatives planned for the next two years when requesting a one-year s 508(2) SV, or to match the duration of the proposed SV.

The response should, wherever possible:

- ▼ estimate the financial impact of strategies intended to be implemented in the future
- ▼ present these as a percentage of operating expenditure, and
- ▼ indicate whether the proposed initiatives have been factored into the council's Long Term Financial Plan.

Examples of initiatives which councils could include are provided in relation to Question 5.3.

#### **Question 5.4 How have the council's levels of productivity and efficiency changed over time, and compare with those of similar councils?**

To demonstrate how efficiency has changed over time, or measures against the performance of comparable councils could use data based on studies of the council itself, and also rely on comparative data produced by OLG data such as:

- ▼ number of full-time employees (FTE)
- ▼ ratio of FTE to population
- ▼ average cost per FTE
- ▼ Employee and on-costs as percentage of ordinary expenditure
- ▼ Consultancy/contractor expenses over time

#### **Attachments for Criterion 5**

**In the table provided**, list all attachments to the application which the council relies on to demonstrate how the council has met Criterion 5.

Relevant attachments could include strategic plans, summaries or extracts of council projects and reviews.

## Criterion 6: Other relevant matters

The SV Guidelines provide that IPART will assess each application based on its merits against the assessment criteria. In doing so, IPART will may consider “Any other matter that IPART considers relevant”. The SV Guidelines further provide that IPART may consider:

- size of the council
- resources of a council
- size (both actual \$ and %) of increase requested
- current rate levels and previous rate rises
- purpose of the SV
- compliance with this or any other applicable guideline
- compliance with the conditions of any previous special variations, and
- any other matter considered relevant in the assessment of a special variation application.

In assessing applications for SVs for 2020-21, IPART will continue its approach of assessing each of the five criteria, then making an overall assessment taking into account these other relevant factors.

The council should only respond to this question if it wishes to provide information in addition to that provided elsewhere in the Application which it would like IPART to consider when assessing its proposed SV. It is not necessary to specifically deal with several of the factors listed in OLG’s Guidelines such as the size of increase requested, current rate levels and previous rate rises, and purpose of the SV.

The response may refer to any other matters the councils considers relevant to IPART's deliberations.

You **do not need** to repeat information about compliance with previous SVs which has already been provided could be material in response to relevant Description and Context questions.

### Attachments for Criterion 6

**In the table provided**, list all attachments to the application which the council considers support the response for Criterion 6.



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## Council certification and contact information

### **Certification of application**

Councils must submit a declaration in the specified form. It should be completed by the General Manager and the Responsible Accounting Officer.

Once completed, scan the signed certification and attach it to the council's Application Form as a public supporting document.

### **Council contact information**

Councils should provide contact information as requested.

IPART's formal contact with the council will be with the General Manager.

During the assessment period, IPART officers are likely to contact the council with detailed queries about the application and supporting documents. Councils should provide details of the primary contact for such inquiries where this person is a council officer who is not the General Manager.

## List of Attachments

Table 8.1 will constitute the list identifying all attachments the council is providing along with this SV Application Form Part B, and act as a check so that all relevant documents are submitted.

Some documents are mandatory for all councils to submit, others only if applicable to the council's circumstances. Each council can determine which other supporting material to attach.

IPART will publish on our website the Application Forms and all material submitted as attachments to the application.

### Confidential content in supporting material

Councils are asked to redact personal identifying details from all attachments. Such information, including names, addresses and contact details, as well as details which would allow a person to be identified, can commonly be found in feedback material received during consultation. Personal details of council officers should be treated in the same way. IPART will check all attachments to ensure such information is not published, but councils should avoid the need for this to happen by reviewing all material and redacting as necessary before documents are submitted.

Councils may also request that a document, or part of a document attached to the application not be made publicly available. This would occur if, for example, it contains commercial-in-confidence material, or is an internal working document and not an adopted policy. In this case, the attachment must be listed in the separate section of Table 8.1.

### Completing Table 8.1

To complete Table 8.1 (adding rows as necessary):

1. Assign an identifying number and/or letter to each document.
2. Name each document.
3. Check the box to indicate that it is being submitted with the application.

To assist councils, Table 8.1 includes the names of some supporting documents commonly provided.