

Fact Sheet – Council applications for a special variation in 2017-18



23 February 2017



WHAT

This fact sheet summarises the applications made by councils to IPART under the *Local Government Act 1993* for a special variation to their general income (see Table 1).



WHY

Special variations may fund:

- ▼ improvements in the council's financial sustainability
- ▼ reductions in backlogs for asset maintenance and renewal
- ▼ new or enhanced services to meet the needs of the local community
- ▼ projects of regional significance, or
- ▼ special cost pressures being faced within the local government area.



HOW

We will assess the councils' applications against the criteria set out in the Office of Local Government's *Guidelines for the preparation of an application for a special variation to general income for 2017/18* (the Guidelines).



WHO

We received eight council applications for a special variation. The councils that submitted a special variation application are:

- ▼ Ballina Shire
- ▼ Bellingen Shire

- ▼ Byron Shire
- ▼ Inverell Shire
- ▼ Lockhart Shire
- ▼ Muswellbrook Shire
- ▼ Port Macquarie-Hastings
- ▼ Shoalhaven City

Most applications were received by the application deadline date of 13 February 2017. Two councils (Port Macquarie-Hastings and Ballina Shire) successfully applied to IPART for an extension to this date.

Of the 13 councils that notified us in December that they intended to apply for a special variation, five councils decided not to proceed with their applications.

Four of these councils are new councils or councils whose merger proposals are pending due to legal proceedings. These councils are not eligible for a special variation or minimum rate increase for the 2017-18 rating year under Guidelines released by the Office of Local Government (OLG) in December 2016.



WHEN

- ▼ **13 March 2017** – public submissions regarding most councils' proposed special variations close.
- ▼ **16 March 2017** - Port Macquarie-Hastings council public submissions close.
- ▼ **20 March 2017** - Ballina Shire council public submissions close.
- ▼ **16 May 2017** – by this date IPART publishes its determinations on all applications for special variations and minimum rates in 2017/18.

1 Purpose

This fact sheet sets out the councils that have submitted an application under the *Local Government Act 1993* (the Act) for a special variation for 2017/18.

2 What is a special variation?

A special variation allows councils to increase general income above the rate peg, which has been set by IPART at 1.5% for 2017-18. For most councils, general income consists of rates income. For a small number of councils, general income also includes some annual charges such as drainage levies.

The Act provides for two types of special variations:

- ▼ a single year percentage increase, under section 508(2), and
- ▼ successive annual percentage increases over a period of between two and seven years, under section 508A.

Applications for each of these may be either permanent ie, the rates base stays at the higher level following the special variation, or temporary ie, the rates base returns to its previous levels after the specified duration of the special variation.

3 Which councils have applied for a special variation?

Eight councils submitted applications for a special variation. Table 1 lists the councils that applied, with details of the increases requested and the purpose for which the funds are to be used.

Six of the applications are for multi-year increases under section 508A, the other two are for single year increases under section 508(2). All applications are for permanent increases.

In December 2016, 13 councils notified us that they intended to apply for a special variation. Five councils did not proceed with their application. Hunter's Hill and Willoughby City councils are subject to merger proposals that are pending due to legal proceedings, and Federation and MidCoast are councils newly created in 2016. Under guidelines released by the Office of Local Government (OLG) in December 2016, **new councils created in 2016 or councils whose merger proposals are pending due to legal proceedings will not be eligible for a special variation or minimum rate increase for the 2017-18 rating year.**

Kempsey Shire Council did not proceed with its application.

We have posted the applications on our website at:

<http://www.ipart.nsw.gov.au/Home/2017-18-SV-MR-Applications>

4 How will IPART assess the applications?

We will assess the councils' applications against the criteria set out in OLG's *Guidelines for the preparation of an application for a special variation to general income for 2017/18* (the Guidelines). The criteria are set out in Box 1.

A copy of the Guidelines is available on IPART's website.

For further information see our *Fact Sheet – How IPART will assess applications for special variations for 2017-18* which is also on IPART's website.

Box 1 The guidelines' assessment criteria for applications for 2017-18

1. The **need for, and purpose of, a different revenue path** for the council's General Fund (as requested through the Special Variation (SV)) is clearly articulated and identified in the council's Integrated Planning and Reporting (IP&R) documents, in particular its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing the need for the SV, 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 scenarios:

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

Evidence to establish this criterion could include evidence of community need or desire for service levels or projects and limited council resourcing alternatives. Evidence could also include the assessment of the council's financial sustainability conducted by the NSW Treasury Corporation.

2. **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 SV. The council's community engagement strategy for the SV must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur. IPART's fact sheet includes guidance to councils on the community awareness and engagement criterion for SV.
3. 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 rate 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.
4. The **relevant IP&R documents must be publicly exhibited** (where required), approved and adopted by the council before the council applies to IPART for an SV to its general income.
5. 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 SV period.

5 How can ratepayers comment on their council's proposal?

The Guidelines require councils to engage with their communities about the council's expenditure and revenue plans as part of the Integrated Planning and Reporting (IP&R) process. IPART encourages members of the community to participate in their council's community engagement processes.

IPART does not hold public hearings as part of its assessment of applications by councils for proposed special variations. As a council must engage with its community when

assessing options for a special variation, we expect that councils will have sought and considered community views on their proposed special variation.

Members of the community can make a submission to IPART. We will accept and consider all submissions from interested groups or individual ratepayers regarding special variations **until 13 March 2017**.¹

We will accept submissions using our electronic submission facility that is located on the 2017-18 special variations page of our website at:

<http://www.ipart.nsw.gov.au/Home/Industries/Local-Government/Council-Portal/Submission-Form>

Members of the community can indicate at the time of making their submission whether they prefer the submission, or any part of it, to be treated as confidential.

We will post all non-confidential public submissions on IPART's website after the submission closing date for each council. Before publishing submissions, we generally remove signatures and identifying information such as email and postal addresses, and telephone numbers.

Submissions may also be emailed to localgovernment@ipart.nsw.gov.au or posted to:

Local Government Team
Independent Pricing and Regulatory Tribunal of NSW
PO Box K35
Haymarket Post Shop NSW 1240

6 Applications to increase minimum rates

Councils that wish to increase minimum rates above the minimum rate statutory limit must obtain IPART's approval. Councils wishing to increase minimum rates above the statutory limit must submit their applications to IPART by **13 March 2017**.

¹ Port Macquarie-Hastings council public submissions close on 16 March 2017 and 20 March 2017 for Ballina Shire council.

Table 1 Council applications for a special variation for 2017-18

Council	Type of special variation	Special variation requested – % increase per year (includes rate peg ^a)							Cumulative % rise	Cumulative % rise above rate peg	Purpose
		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24			
Ballina Shire council ^b	508A	4.9	5.9	5.9					17.64	11.0	Fund renewal of core infrastructure and actions to improve health of waterways.
Bellingen Shire council	508(2)	6.0							6.0	4.5	New infrastructure investment, reduce infrastructure backlogs and enhance financial sustainability.
Byron Shire council	508A	7.5	7.5	7.5	7.5				33.55	24.24	Fund additional asset renewal and maintenance.
Inverell Shire council	508A	6.25	7.25	7.25					22.21	15.58	Maintain and renew infrastructure, reduce infrastructure backlog and improve financial sustainability.
Lockhart Shire council	508A	4.6	4.6	4.6	4.6	4.6	4.6	4.6	37.0	19.29	Improve financial sustainability, refurbish community infrastructure and repair flood damage to roads.
Muswellbrook Shire council	508A	4.0	5.0	5.0	5.0				20.39	11.09	Fund new infrastructure investment.
Port Macquarie-Hastings council ^c	508(2)	5.39							5.39	3.89	Maintain and renew the council's road network.
Shoalhaven City council	508A	13.2	14.0						29.05	25.01	Fund new infrastructure investment, reduce infrastructure backlogs and enhance financial sustainability.

a The rate peg increase for 2017-18 is 1.5%. Where councils have not assumed a rate peg in future years, IPART has assumed 2.5%.

b Ballina Shire council submission was received 20 February 2017

c Port Macquarie- Hastings council submission was received 16 February 2017.