

# Fact Sheet – Council applications for a special variation in 2019-20



15 February 2019



## WHAT

This fact sheet summarises special variation applications made by councils to IPART for 2019-20 (see Table 1) and details the process for public submissions.



## 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 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\*](#) (the Guidelines).



## WHO

We received 13 council applications for a special variation. The councils that submitted a special variation application are:

- ▼ Burwood
- ▼ Dungog
- ▼ Hunters Hill
- ▼ Kiama
- ▼ Ku-ring-gai
- ▼ Lithgow
- ▼ Muswellbrook
- ▼ North Sydney
- ▼ Port Stephens
- ▼ Randwick
- ▼ Richmond Valley
- ▼ Sutherland, and
- ▼ Tamworth.

Of the 14 councils that notified us that they intended to apply for a special variation, only Camden Council decided not to proceed with their application.

The applications are a mix of multi-year increases (8) and single year increases (5).

Of the multi-year applications, seven are for permanent increases and one is temporary. All of the single year applications are permanent.



## WHEN

- ▼ **14 March 2019** – public submissions to IPART regarding councils' proposed special variations close.
- ▼ **14 May 2019** – IPART publishes its determinations on all applications for special variations and minimum rates in 2019-20.

## 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, and how ratepayers can comment on a council's proposal.

## 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 2.7% for 2019-20. 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 rate base stays at the higher level following the special variation), or temporary (ie, the rate base returns to its previous levels after the specified duration of the special variation).

## 3 Which councils have applied for a special variation?

Thirteen councils submitted applications for a special variation. Eight of the applications are for multi-year increases under section 508A; seven of these applications are for permanent increases and one is for a temporary increase. Five of the applications are for single year increases under section 508(2); all of these are for permanent increases. For temporary SVs, the increase above the rate peg is removed from the council's general income in the year following the expiry of the SV.

Table 1 lists the councils that applied for increases. It includes the details of the increases requested and the purpose for which the funds are to be used.

We have posted the applications on our website [here](#).

## 4 How will IPART assess the applications?

We will assess the councils' applications against the criteria set out in the Guidelines. The criteria are set out in Box 4.1.

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

For further information see our [Fact Sheet – How IPART will assess applications for special variations](#), which is also on IPART's website.

#### Box 4.1 The guidelines' assessment criteria for 2019-20 SV applications

1. The **need for, and purpose of, a different revenue path** for the council's General Fund (as requested through the 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/desire for service levels/project and limited council resourcing alternatives. Evidence could also include the assessment of the council's financial sustainability conducted by Government agencies.

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. The [IPART fact sheet](#) includes guidance to councils on the community awareness and engagement criterion for SVs. 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.

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.

**Source:** OLG, *Guidelines for the preparation of an application for a special variation to general income*, October 2018.

## 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 directly 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 the councils that applied have already sought and considered community views on their special variation.

Members of the community can make a submission to IPART about the councils' applications. We will accept and consider all submissions from interested groups or individual ratepayers regarding special variations **until 14 March 2019**.

We will accept submissions using our electronic submission facility that is located on the council applications page of our website at:

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

We will post all non-confidential public submissions on IPART's website from the submissions 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](mailto: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

If a council wishes to increase minimum rates above a permissible limit for the first time, it must apply to IPART for approval. The 2019-20 statutory limit on the minimum amount that may be specified by a council when levying an ordinary rate is \$540, effective 1 July 2019. Councils must also apply to IPART for approval if they wish to increase the minimum rate by more than the rate peg or special variation percentage.

Two of the special variation applications made by councils for 2019-20 incorporate minimum rate increases. These are North Sydney Council and Sutherland Shire Council.

Other councils wishing to increase minimum rates above the statutory limit must submit their applications to IPART by **11 March 2019**.

**Table 1 Council applications for a special variation for 2019-20**

Council	SV requested - % increase per year including the rate peg							Cumulative % rise	Cumulative % rise above rate peg	Purpose
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26			
Burwood	4.7	4.5	4.5	4.5				19.5	8.9	Renew core infrastructure and reduce infrastructure backlog.
Dungog	15.0	15.0	10.0	10.0	10.0	6.0	6.0	97.8	78.7	Maintain existing services and essential infrastructure and improve financial sustainability.
Hunters Hill	9.7							9.7	7.0	Maintain and develop community facilities. 3% permanent, 6.7% Temporary for 10 years
Kiama	9.8	6.0						16.4	11.2	Fund maintenance and renewal of assets.
Ku-ring-gai	7.7							7.7	5.0	Deliver long-term environmental objectives (Make permanent expiring SV)
Lithgow	11.7							11.7	9.0	Reduce infrastructure backlog and improve financial sustainability (replace expiring SV)
Muswellbrook	15.1							15.1	12.4	Improve infrastructure and services (make permanent expiring SV)
North Sydney	7.0	7.0	7.0	7.0	7.0			40.3	26.9	Increase Minimum rates above statutory limit, fund improved levels of service and new infrastructure and infrastructure renewals
Port Stephens	7.5	7.5	7.5	7.5	7.5	7.5	7.5	65.9	46.8	Fund new infrastructure projects and asset renewals
Randwick*	11.4	5.5						17.6	12.3	Renew expiring environmental levy, variation of existing SV of 5.52%
Richmond Valley	5.5	5.5	5.5	5.5				23.9	13.3	Maintain service levels, infrastructure renewals and financial sustainability
Sutherland	8.8							8.8	6.1	Improve financial sustainability. Funded through proposed increase to minimum rate from \$602.30 to around \$900.
Tamworth	2.7	2.8	2.9	2.9				11.8	1.2	Events levy on business ratepayers to fund the attraction of major events to Tamworth.

\* Randwick has an existing SV that will increase rates by 5.5% in 2019-20 and 2020-21. This application is to vary the 2019-20 increase to 11.4%.