

Fact Sheet – Council applications for a special variation in 2020-21



12 February 2020



WHAT

This fact sheet outlines the special variation application made by Lismore City Council to IPART for 2020-21 (see Table 1), our assessment process, and 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 a council's application 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 one council application for a special variation. The council that submitted a special variation application is Lismore City Council (the Council). The application is for a multi-year, permanent increase. In its application, the Council has requested an increase of 24.0% cumulative over 4 years, which is 13.5% above the rate peg.

Of the three councils that notified us that they intended to apply for a special variation, Bega Valley Shire Council and Georges River Council decided not to proceed with their applications.



WHEN

- ▼ **4 March 2020** – public submissions to IPART regarding councils' proposed special variations close.
- ▼ **Mid-May 2020** – IPART publishes its determinations on applications for special variations and minimum rates in 2020-21.

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 a council to increase general income above the rate peg, which has been set by IPART at 2.6% for 2020-21. 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) of the Act, and
- ▼ successive annual percentage increases over a period of between two and seven years, under section 508A of the Act.

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?

One council, Lismore City Council, submitted an application for a special variation. The application is for a multi-year, permanent increase under section 508A.

Table 1 includes the details of the increase requested and the purpose of the proposed increase.

We have published the application on our website [here](#).

4 How will IPART assess the applications?

We will assess the Council's application 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 – The Year Ahead – Special Variations in 2020-21](#), which is also on IPART's website.

Box 4.1 Assessment criteria in OLG's SV Guidelines

1. **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 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 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 scenarios:
 - ▼ **Baseline scenario** – General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and
 - ▼ **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.

Evidence to establish this criterion could include evidence of community need/desire for service levels or projects and limited council resourcing alternatives. Evidence could also include analysis 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 special variation.

The 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.
3. **The impact on affected ratepayers must be reasonable**, having regard to 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 a special variation 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 special variation period.
6. **Other matters** IPART considers relevant.

Source: OLG, *Guidelines for the preparation of an application for a special variation to general income*, October 2019.

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 council's application. We will accept and consider all submissions from interested groups or individual ratepayers regarding special variations **until 4 March 2020**.

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 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 2020-21 statutory limit on the minimum amount that may be specified by a council when levying an ordinary rate is \$554, effective 1 July 2020.

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.

The special variation application made by Lismore City Council for 2020-21 does not incorporate a minimum rate increase.

Table 1 Council applications for a special variation for 2020-21

Council	SV requested - % increase per year including the rate peg							Cumulative % rise	Cumulative % rise above rate peg	Purpose
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27			
Lismore	7.5	9.4	3.9	3.2				24.0	13.5	Improve financial sustainability, reduce infrastructure backlog and deliver economic development objectives.