

Fact Sheet – Council applications for a special variation in 2018-19

22 February 2018



WHAT

This fact sheet summarises special variation applications made by councils to IPART for 2018-19 (see Tables 1 and 2).



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](#) (the Guidelines).



WHO

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

- ▼ Ballina
- ▼ Balranald
- ▼ Bellingen
- ▼ Clarence Valley
- ▼ Hawkesbury
- ▼ Kempsey
- ▼ Kiama

- ▼ Lismore
- ▼ Muswellbrook
- ▼ Randwick
- ▼ Shoalhaven
- ▼ Upper Hunter, and
- ▼ Willoughby.

Most applications were received by the application deadline date of 12 February 2018. Willoughby Council successfully applied to IPART for a one day extension to this date and submitted within the extended timeframe, and Randwick Council successfully applied for a three day extension and submitted within the extended timeframe.

Of the 17 councils that notified us that they intended to apply for a special variation, four councils decided not to proceed with their applications. These were:

- ▼ Cootamundra-Gundagai
- ▼ Hay
- ▼ Liverpool Plains, and
- ▼ Walgett.



WHEN

- ▼ **12 March 2018** – public submissions to IPART regarding most councils' proposed special variations close.
- ▼ **13 March 2018** – Willoughby Council public submissions close.
- ▼ **15 March 2018** – Randwick Council public submissions close.
- ▼ **15 May 2018** – by this date IPART publishes its determinations on all applications for special variations and minimum rates in 2018-19.

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.

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 2.3% for 2018-19. 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. Nine of the applications are for multi-year increases under section 508A; all of these applications are for permanent increases. Four of the applications are for single year increases under section 508(2); one of these applications is for a permanent increase while the other three SV applications are for temporary 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 permanent increases and Table 2 lists the councils that applied for temporary increases. The two tables have the details of the increases requested and the purpose for which the funds are to be used.

Seventeen councils notified us that they intended to apply for a special variation.¹ Four councils did not proceed with their application: Cootamundra-Gundagai, Hay, Liverpool Plains and Walgett. Of these, Cootamundra-Gundagai is a new council that is not eligible for a special variation or minimum rate increase for the 2018-19 rating year under Guidelines released by the Office of Local Government (OLG).

We have posted the applications on our website at:

<http://www.ipart.nsw.gov.au/Home/2018-19-SV-MR-Applications>

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.

¹ Fifteen councils notified us by the notification deadline of 15 December 2017, and we received notifications from Walgett and Upper Hunter on 19 January 2018. Councils who notify that they intend to put in an application are not then required to apply.

Box 4.1 The guidelines' assessment criteria for 2018-19 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*, November 2017.

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 12 March 2018**.²

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

Councils must get IPART's approval to increase minimum rates above the minimum rate statutory limit. Councils wishing to increase minimum rates above the statutory limit must submit their applications to IPART by **12 March 2018**.

² For Willoughby Council, public submissions close on 13 March 2018. For Randwick Council, public submissions close on 15 March 2018.

Table 1 Council applications for a special variation for 2018-19 – permanent rate increases

Council	SV requested - % increase per year including the rate peg							Cumulative % rise	Cumulative % rise above rate peg	Purpose
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25			
Ballina	9.1	5.9						15.54	10.68	Renewal of core infrastructure and improvements to health of waterways
Balranald	10.0	10.0	10.0	10.0	10.0	10.0	10.0	94.87	76.24	Maintain existing services, infrastructure renewal, reduce infrastructure backlog and improve financial sustainability
Bellingen	6.0	6.0	6.0					19.10	11.62	Transport infrastructure renewals
Clarence Valley	8.0	8.0	8.0					25.97	18.49	Asset maintenance and renewals and improve financial sustainability
Hawkesbury	9.5	9.5	9.5					31.29	23.81	Infrastructure maintenance and renewals, reduce infrastructure backlog and improve financial sustainability
Kiama	5.5	6.0	6.0					18.54	11.06	Infrastructure maintenance and renewals and improve financial sustainability
Muswellbrook	14.73							14.73	12.43	New infrastructure investment, infrastructure maintenance and renewals
Randwick	7.64	5.52	5.52					19.85	12.37	Maintain existing services, infrastructure renewal, new community facilities and projects, and anti-terrorism expenditure
Shoalhaven	17.1	5.0	5.0					29.10	21.62	Infrastructure maintenance and renewal, reduce infrastructure backlog and improve financial sustainability
Upper Hunter	6.3	6.3	6.3					20.12	12.64	New infrastructure investment, infrastructure maintenance and renewals, reduce infrastructure backlog and improve financial sustainability

Note: Muswellbrook applied for a single year permanent increase under section 508(2) of the Act. All other applications are for multiple yearly increases under section 508A of the Act.

Table 2 Council applications for a special variation for 2018-19 – temporary rate increases

Council	SV requested			Purpose
	% increase in 2018/19 including rate peg	% increase in 2018/19 above rate peg	Expiry date ^a	
Kempsey	6.50	4.20	2027-28	Environmental restoration projects
Lismore	2.71	0.41	2022-23	City centre revitalisation program and 'Lismore Business Promotion Program' marketing activities
Willoughby	3.06	0.76	2021-22	Upgrade of the Northbridge Plaza Car Park

Note: All three applications are for single year increases under section 508(2) of the Act.

a: The percentage increase above the rate peg is removed from the council's general income in the year following the expiry date listed in Table 2.