

## FACT SHEET FOR COUNCILS

# Applications to Increase Minimum Rates 2015/16

October 2014

This fact sheet is for NSW local councils that are considering applying for minimum rate increases above the statutory limit in 2015/16.

### Why do councils need to apply?

Councils need to apply to IPART to increase the minimum rate in a particular rating category or subcategory if that rate is above 'the statutory limit' (as defined in the *Local Government Act 1993*).

The statutory limit is different for the minimum amount of an ordinary rate, and minimum amount of a special rate.

### What is the statutory limit for ordinary minimum rates?

The statutory limit for the minimum amount of an ordinary rate is set in the *Local Government (General) Regulation 2005*. Clause 126 is amended each year to increase the statutory limit by the rate peg increase for that year. This amendment ensures that councils can maintain the relative rating burden between those paying the minimum amount and other ratepayers.

Councils may also have minimum rates previously approved. They are permitted to apply the rate peg increase to these rates each year without an application.

### What if a council is applying for a special variation?

Councils applying for a special variation are permitted to apply the same, or higher, percentage increase to ordinary minimum rates

as the increase approved to their general income, without the need to make a separate application. In either case, the council must clearly address the minimum rate increase in the special variation application.

Approved special variations will only increase the minimum ordinary rates and not the minimum amount of special rates, unless there is a separate application.

### What is the statutory limit for minimum amounts of special rates?

Minimums for special rates are treated differently to minimums for ordinary rates under the Act (section 548(3)(b)). The statutory limit for special rate minimums is set at \$2 in the Act which means that councils must apply every time they wish to increase the minimum amount of a special rate, even if just by the rate peg.

### Why do councils need to apply to IPART?

IPART was delegated ministerial powers to approve minimum rate increases under the Act.

In addition, IPART sets the rate peg in December each year, approves special variations, and considers council contributions plans when they are above the cap.

### How does IPART assess applications?

Minimum rate applications are assessed by IPART in accordance with the *Guidelines for the preparation of an application to increase minimum rates above the statutory limit 2015/16* (the Guidelines) published by the Office of Local

Government (OLG). The Guidelines set out the following three criteria for assessment:

1. Rationale for increasing minimums above the statutory amount.
2. Impact on ratepayers, including the level of the proposed minimum rates and the number and proportion of ratepayers that will be on the minimum rates, by rating category or sub-category.
3. Consultation the council has undertaken to obtain the community's views on the proposal.

### **What level of supporting information is required?**

The guidelines provide details of the information required for each criterion.

The minimum rates application forms (Parts A and B) on IPART's website provide further guidance.

In general, the council should provide well targeted data and research to support its rationale for the minimum rate increase. It should also show that the impact on affected ratepayers is reasonable and that it has consulted on the proposal. Where practical, councils should make reference to their Integrated Planning and Reporting documentation.

### **What rating structure is acceptable?**

Ultimately, it is a matter for councils to develop a rating structure that is perceived by the community as fair and equitable.

However, councils are generally encouraged to ensure that no more than 50% of ratepayers within each respective category or sub-category would pay the minimum rate.

### **How much consultation is necessary?**

The level of community consultation should be commensurate with the size of the proposed rate increases and associated impact on ratepayers.

Consultation may include publicly exhibiting the proposal and seeking feedback from affected ratepayers (both those on minimum rate and others in the category or subcategory) in workshops, online forums or surveys.

### **What is the timetable for the application process?**

All applications for minimum rate increases are due on Monday, 16 March 2015.

IPART will announce its determinations for minimum rates on 19 May 2015.

### **What are the steps for councils considering applying?**

- ▼ Step 1 - Call us to discuss the application: (02) 9113 7710.
- ▼ Step 2 - download the Guidelines from OLG's website at [www.olg.nsw.gov.au](http://www.olg.nsw.gov.au) and the application forms (Parts A and B) from IPART's website at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).
- ▼ Step 3 - consider the Guidelines and application forms and ensure that the council can meet the criteria in the Guidelines.
- ▼ Step 4 - Register on our Council Portal.
- ▼ Step 5 - Complete application forms Part A and B and submit these and any other application material via the Portal by **Monday, 16 March 2015**.

### **Want more information?**

IPART has also published factsheets on the special variation application process and community engagement for special variations.