

Fact Sheet – Council applications for a special variation in 2016-17

18 February 2016



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 2016/17* (the Guidelines).



WHO

By the due date of 15 February 2016, 12 councils submitted an application for a special variation.

Of the 20 councils that notified us in December that they intended to apply for a special variation, two (Bogan Shire and Bland Shire) did not submit an application.

Another six were unable to apply under Guidelines released by the Office of Local Government (OLG) on 15 January 2016. The Guidelines provided that councils that are the subject of merger proposals will not be eligible for a special variation or minimum rate increase for the 2016-17 rating year.

The councils that submitted a special variation application are:

- ▼ Clarence Valley
- ▼ Great Lakes
- ▼ Greater Taree City
- ▼ Gwydir Shire
- ▼ Lachlan Shire
- ▼ Lismore City
- ▼ Penrith City
- ▼ Singleton
- ▼ Tweed Shire
- ▼ Wagga Wagga City
- ▼ Wingecarribee Shire
- ▼ Yass Valley.



WHEN

- ▼ **14 March 2016** – public submissions regarding proposed special variations close.
- ▼ **17 May 2016** – IPART publishes its determinations on all applications for special variations and minimum rates in 2016-17.

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 1.8% for 2016-17. 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?

Twelve 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.

Nine of the applications are for multi-year increases under section 508A, to be retained permanently in the rates base. The other three are for single year increases under section 508(2); one is for a temporary increase and two are for permanent increases.

In December 2015, 20 councils notified us that they intended to apply for a special variation. Under guidelines released by the Office of Local Government (OLG) on 15 January 2016, **councils that are the subject of merger proposals will not be eligible for a special variation or minimum rate increase for the 2016-17 rating year**. Six councils that were the subject of merger proposals and had notified us of their intention to apply for a special variation did not submit applications.¹ Bogan Shire Council and Bland Shire Council notified IPART in December 2015 that they intended to apply, but did not proceed with their applications.

We have posted the applications on our website at:

[http://www.ipart.nsw.gov.au/Home/Industries/Local Govt/Special Variations and Minimum Rates/Applications Received Determinations](http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Special_Variations_and_Minimum_Rates/Applications_Received_Determinations).

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 2016/17* (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 2016-17* which is also on IPART's website.

¹ The councils are: Corowa Shire, Gundagai Shire, Guyra Shire, Murray Shire, Palerang and Snowy River Shire.

Box 1 Assessment criteria for applications for 2016-17

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 IP&R documents, in particular its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing 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:^a

- 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/project 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 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. IPART's 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 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 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. IPART's assessment of matters such as the size and resources of the council, the size and purpose of the increase requested, current rate levels and previous rate rises, and any other matter considered relevant.

^a OLG, *IP&R Manual for Local Government "Planning a Sustainable Future"*, March 2013, p 71.

Source: OLG, *Guidelines for the preparation of an application for a special variation to general income for 2016/17*, January 2016, pp 15-17.

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 14 March 2016**.

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 Govt/Special Variations and Minimum Rates/Applications Received Determinations](http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Special_Variations_and_Minimum_Rates/Applications_Received_Determinations).

Members of the community should indicate in writing 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 from 14 March 2016. 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 **16 March 2016**.

Table 1 Council applications for a special variation for 2016-17

Council	Type of special variation	Special variation requested – % increase per year (includes rate peg*)						Cumulative % rise	Cumulative % rise above rate peg	Purpose
		2016-17	2017-18	2018-19	2019-20	2020-21	2021-22			
Clarence Valley	508A	6.5	6.5	6.5	6.5	6.5		37.0	24.6	Maintenance of roads and renewal of related infrastructure
Great Lakes	508A	6.5	4.25	4.25	4.25			20.7	11.0	Renew infrastructure and reduce the infrastructure backlog, maintain services, and improve financial sustainability
Greater Taree City	508A	6.9	6.9	6.9	6.9	6.9	6.9	49.2	34.1	Improve maintenance and renewal of the local road network
Gwydir Shire	508(2)	30.0						30.0	28.2	Improve financial sustainability
Lachlan Shire	508A	6.8	7.4	7.4	7.4			32.3	22.7	Improve services and assets, reduce infrastructure backlog and improve financial sustainability
Lismore City	508(2)	3.6						3.6	1.8	Implement Biodiversity Management Strategy
Penrith City	508A	9.09	5.0	5.2	5.4			27.0	17.4	Maintain and improve services and infrastructure and continuation of expiring special variation for Asset Renewal and Established Areas strategy (AREAS)
Singleton	508A	9.75	9.75	9.75	9.75			45.1	35.5	Improve asset maintenance and renewal, including retaining permanently an existing special variation that expires in June 2017
Tweed Shire	508(2)	2.77						2.8	1.0	Levy on residents of a new urban release area to protect surrounding bushland

Council	Type of special variation	Special variation requested – % increase per year (includes rate peg ^a)						Cumulative % rise	Cumulative % rise above rate peg	Purpose
		2016-17	2017-18	2018-19	2019-20	2020-21	2021-22			
Wagga Wagga City	508(2) Temporary to 2020-21	5.63						5.6	3.8	Temporary increase for five years to fund upgrading of levee banks
Wingecarribee Shire	508A	8.55	9.25	9.25	12.15			45.3	35.7	Maintain and improve services, including renewal and improvement of infrastructure and environmental program (to be funded by permanent continuation of the Environmental Levy from 2019-20)
Yass Valley	508A	8.5	8.5	8.5	8.5			38.6	29.0	Improve financial sustainability

^a The rate peg increase for 2016-17 is 1.8%. Where councils have not assumed a rate peg in future years, IPART has assumed 2.5%.