

FACT SHEET

Council applications for special variations in 2013/14

21 March 2013 (Updated 28 March 2013)

Purpose

This fact sheet lists the councils that have applied to IPART for a special variation in 2013/14.

Background

A special variation under the *Local Government Act 1993* (the Act) allows a council to increase its general income by more than the rate peg. General income mainly includes council rate revenue.

For 2013/14, IPART has set the rate peg at 3.4%.

What are the types of special variations?

There are 2 types of special rate variations:

- ▼ a variation in a single year under section 508(2) of the Act
- ▼ a variation in 2 or more consecutive years (up to 7 years) under section 508A of the Act.

Special variations may be either 'permanent' or 'temporary'. A permanent increase is retained in the rates base, while a temporary increase is removed from the rates base in a future year.

How many special variation applications have we received?

We received 22 applications for special variations by the due date of 11 March and 1 more application (under section 508(2)) from Walgett Shire Council on 28 March.

The 23 applications include:

- ▼ 8 applications for 2 or more consecutive increases under section 508A of the Act
- ▼ 15 applications for a single variation under section 508(2) of the Act
 - 6 are for temporary increases in rates income
 - 7 are for permanent increases
 - 2 are for a special variation that is part-temporary and part-permanent.

Of the 23 applications, 12 are seeking to continue an existing special variation. This is often a temporary levy for a specific purpose. These are indicated in Table 1 using an asterisk.

We have given 2 councils - Wyong and Camden - additional time to submit part of their applications relating to their community engagement.

We have posted council applications on our website and they are available at the following link:

http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Special_Variations_and_Minimum-Rates/Applications_and_Determinations

How will we assess each application for a special variation?

We will assess applications against the criteria set out in the *Guidelines for the preparation of an application for a special variation to general income*. These Guidelines were published by the Division of Local Government, Department of Premier and Cabinet in October 2012. A copy is available on IPART's website.

Box 1 includes a short version of the criteria we will use to assess each application.

Box 1 Assessment criteria for special variation applications for 2013/14

The assessment of applications for a special variation will examine the extent to which councils have fulfilled their obligations under Integrated Planning and Reporting (IP&R), in accordance with the criteria. In summary, the criteria require the council to:

1. Demonstrate the need for the revenue requested in the special variation. This need is to be clearly articulated and identified through the council's Integrated Planning and Reporting documents, including its Delivery Program and Long Term Financial Plan.
2. Provide evidence that the community is aware of the need for, and the extent of, the rate rise and that the council has engaged with its community.
3. Show that the impact on affected ratepayers is reasonable, having regard to current rate levels, the existing ratepayer base and the proposed purpose of the variation. The proposed rise must also be affordable, having regard to ratepayers' capacity to pay.
4. Base its proposed Delivery Program and Long Term Financial Plan on realistic assumptions.
5. Explain the productivity improvements and cost containment strategies it has realised in past years, and plans to realise over the proposed special variation period.

Further, IPART will assess each application based on its merits against criteria 1 to 5 above, and in doing so, will also consider:

- ▼ the size of the council
- ▼ its resources
- ▼ the size (both actual \$ and %) of increase requested
- ▼ current rate levels and previous rate rises
- ▼ the purpose of the special variation, and
- ▼ any other matters it considers to be relevant.

Transitional arrangements have been included in the Guidelines for 2013/14 to allow IPART to approve a 508(2) special variation for a council that otherwise meets the criteria, but has not included all the necessary information in its IP&R documents.

These arrangements apply where we assess that the general principles of need, community awareness, reasonable ratepayer impact, realistic financial planning assumptions and cost containment and productivity achievement related to the assessment criteria are met by a council, but the evidence is not yet included in the council's IP&R documentation.

Councils are required to engage with their communities on rate increases

IPART does not hold public hearings as part of its assessment of council applications. The *Guidelines* require councils to directly engage with their communities about the council's expenditure and revenue plans as part of the Integrated Planning and Reporting process.

Submissions to IPART from the public

Although we do not solicit them, we will accept and consider submissions from interested groups and individual ratepayers regarding special variations up to 4 weeks after the relevant application deadline. For 2013, this date is 8 April 2013.

We prefer ratepayers to lodge submissions using the Local Government electronic submission facility that is included on our website with the council applications at:

http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Special_Variations_and_Minimum-Rates/Applications_and_Determinations

However, if, you wish to post your submission to us, our address is:

Local Government Team
Independent Pricing and Regulatory Tribunal of NSW
PO Box Q290
QVB Post Office NSW 1230

If you wish to use email, our address is: localgovernment@ipart.nsw.gov.au.

Please clearly indicate when writing to us whether you consent to your submission being published on the IPART website. Once your consent is provided, we will publish the submission. Unless the author requests confidentiality or to remain anonymous, we publish submissions from the public with contact details removed, excluding names. We may not publish certain submissions, or parts of submissions, if we assess them to be too long, or contain inappropriate or confidential material.

Applications to increase minimum rates

Councils that wish to increase minimum rates above the minimum rate statutory limit must obtain IPART's approval. Applications for increases to minimum rates are due by 25 March 2013.

For further information see our Fact Sheet - *Our role in local government rate setting and special variations* which is also on the IPART website.

Table 1 Councils that have applied for a special variation (SV) and the percentage variation sought

| Council | Type of SV | SV sought by council (including the rate peg) - % increase in year | | | | | | | Summary of reasons |
|-----------------------------|------------------------------|--|---------|---------|---------|---------|---------|---------|--|
| | | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | |
| Bega Valley Shire Council | 508A | 5.4% | 5.5%* | 5.0% | | | | | To maintain roads and other infrastructure. The SV includes 2.5% in 2014/15 to continue a levy that is due to end on 30 June 2014. |
| Blue Mountains City Council | 508(2) – permanent | 7.8%* | | | | | | | To continue an existing SV for infrastructure renewal and maintenance for roads, stormwater facilities and recreation assets. |
| Camden Council | 508(2) – temporary 6 yrs | 4.5%* | | | | | | | To continue an existing SV to partly fund an extension of the existing Community Infrastructure Renewal Program. |
| Cessnock City Council | 508(2) – temporary 1 yr | 9.45%* | | | | | | | To continue for 1 year an existing 6.05% SV for resealing and rehabilitating priority roads. |
| Cobar Shire Council | 508(2) – permanent | 25% | | | | | | | To assist with financial sustainability, to maintain acceptable service levels and for asset management. |
| Coffs Harbour City Council | 508(2) – temporary 10 yrs | 5.43%* | | | | | | | To fund a works program in the City Centre Masterplan, by extending for 10 years a CBD Special Rate (due to expire 30 June 2013). |
| Corowa Shire Council | 508(2) – permanent | 7.0% | | | | | | | To improve financial sustainability, address asset maintenance and renewals and account for rising costs. |

| Council | Type of SV | SV sought by council (including the rate peg) - % increase in year | | | | | | | Summary of reasons |
|-------------------------|--|--|---------|---------|---------|---------|---------|---------|---|
| | | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | |
| Great Lakes Council | 508(2) – part temporary 7 yrs, part permanent | 14.37%*# | | | | | | | To extend an existing Environmental and Dredging Levy at 6.45% until 30 June 2020 (due to end 30 June 2014). The variation also includes a previously approved permanent increase of 7.9% to improve financial sustainability and fund infrastructure maintenance and renewals. |
| Gunnedah Shire Council | 508A | 9.4% | 8.5% | 9.5% | 7.5% | | | | To address an infrastructure maintenance gap and increase renewal and replacement expenditure. |
| Hunters Hill Council | 508(2) – part temporary 10 yrs, part permanent | 10.67%* | | | | | | | To continue, for 10 years, 2 levies - the Infrastructure Levy and the Environment Levy. These are due to end on 30 June 2013 and total 5.27%. Also to increase council income by 2% permanently for operational catch-up. |
| Junee Shire Council | 508(2) – permanent | 10.0% | | | | | | | To fund road resealing works. |
| Kiama Municipal Council | 508(2) – permanent | 9.74%* | | | | | | | To permanently continue 2 SVs (due to end 30 June 2013 and 30 June 2014) to fund road asset renewal works. |
| Kogarah City Council | 508A | 5.8%* | 4.8% | 4.8% | 4.8% | | | | To continue 2 SVs (due to end 30 June 2013) and to fund levels of service in the revised Community Strategic Plan and detailed in the Delivery Program 2013/17. |

| Council | Type of SV | SV sought by council (including the rate peg) - % increase in year | | | | | | | Summary of reasons |
|----------------------------|--------------------------|--|---------|---------|---------|---------|---------|---------|--|
| | | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | |
| Ku-ring-gai Council | 508(2) – temporary 5 yrs | 8.4%* | | | | | | | To continue the Infrastructure Levy for 5 years. The extra revenue is for road infrastructure works. |
| Lismore City Council | 508(2) – temporary 5 yrs | 3.82%* | | | | | | | To continue a SV on businesses for 5 years to fund promotion of business in the Lismore urban area. |
| Parkes Shire Council | 508A | 13.0% | 13.0% | 13.0% | 13.0% | | | | To maintain, renew and increase assets as presented in the highest option in the council's community consultation. |
| Randwick City Council | 508A | 3.59% | 3.59% | 3.59% | 3.59% | | | | To fund the projects and services in the 2013-17 Delivery Program in line with community expectations and the Resourcing Strategy. |
| Rockdale City Council | 508(2) – permanent | 6.4%* | | | | | | | To permanently continue a SV (due to end on 30 June 2013) for the renewal of assets. |
| Shellharbour City Council | 508A | 8.4% | 9.0% | 10.0% | 10.0% | | | | To maintain and improve infrastructure. |
| Shoalhaven City Council | 508(2) – permanent | 8.0% | | | | | | | To fund a shortfall in spending on infrastructure assets. Additional revenue will fund road renewal and pedestrian facilities. |
| Upper Hunter Shire Council | 508A | 5.9% | 5.5% | 5.5% | | | | | To fund a program of upgrades to road and bridge infrastructure that has, or is waiting for, approval for interest subsidies under LIRS. |

| Council | Type of SV | SV sought by council (including the rate peg) - % increase in year | | | | | | | Summary of reasons |
|-----------------------|----------------------------|--|---------|---------|---------|---------|---------|---------|--|
| | | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | |
| Walgett Shire Council | 508(2) – temporary 1 yr | 6.4% | | | | | | | To fund local road network repairs and maintenance. |
| Wyong Shire Council | 508A | 6.9% | 6.9% | 6.9% | 6.9% | 6.9% | 6.9% | 6.9% | To ensure financial sustainability and reduce infrastructure backlogs. |

* includes an amount to continue a special variation that would otherwise end on 30 June in the previous year.

includes an amount to continue a special variation that would otherwise end in a future year.

Abbreviations: SV = special rate variation. LTFP = Long Term Financial Plan. AMP = Asset Management Plan. LIRS = Local Infrastructure Renewal Scheme.

Note: Rate peg in 2013/14 is 3.4%. Rate peg in other years is assumed to be 3%.