

FACT SHEET

Council applications for special variations in 2014/15

6 March 2014

Purpose

This fact sheet lists the councils that have applied to IPART for a special variation in 2014/15.

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 2014/15, IPART has set the rate peg at 2.3%.

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 means that the additional income is retained in the rates revenue, while a temporary increase means that the additional income is only retained in the rates base for a specified number of years and then removed from the rates base.

How many special variation applications have we received?

We received 32 applications for special variations by the due date of 24 February 2014. Five of the councils that notified us in December that they were going to apply decided not to apply in 2014/15. These councils are Ballina, Gwydir, Newcastle, Strathfield and Willoughby.

The 32 applications include:

- ▼ 20 applications for increases over 2 or more consecutive years under section 508A of the Act
- ▼ 12 applications for a single variation under section 508(2) of the Act
 - 3 are for temporary increases in rates income
 - 9 are for permanent increases.

Of the 32 applications, 9 are seeking to continue an existing special variation. These have generally been for a temporary levy for a specific purpose. All but 1 of these councils have sought to make these permanent in 2014/15. Those councils with an expiring special variation are indicated in Table 1 using an asterisk.

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 September 2013. A copy is available on IPART's website.

Box 1 lists the assessment criteria.

Box 1 Assessment criteria for special variation applications for 2014/15

1. The need for and purpose of a different revenue path (as requested through the special variation) is clearly articulated and identified through the council's Integrated Planning and Reporting (IP&R) documents, including its Delivery Program and Long Term Financial Plan. Evidence for this criterion could include evidence of community need/desire for service levels/project and limited council resourcing alternatives and the council's financial sustainability conducted by the NSW Treasury Corporation. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:
 - a) Baseline scenario – revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and
 - b) Special variation scenario – the result of approving the special variation in full is shown and reflected in the revenue forecast with the additional expenditure levels intended to be funded by the special variation.
 2. Evidence that the community is aware of the need for and extent of a rate rise. This must be clearly spelt out in IP&R documentation and the council must demonstrate an appropriate variety of engagement methods to ensure opportunity for community awareness/input. The IP&R documentation should canvas alternatives to a rate rise, the impact of any rises upon the community and the council's consideration of the community's capacity and willingness to pay rates. The relevant IP&R documents must be approved and adopted by the council before the council seeks IPART's approval for a special variation to its general revenue.
 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. Council's IP&R process should also establish that the proposed rate increases are affordable having regard to the local community's capacity to pay.
 4. The proposed Delivery Program and Long Term Financial Plan must show evidence of realistic assumptions.
 5. An explanation of the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the special variation period.
 6. IPART will assess each application based on its merits against criteria 1 to 5 above. In doing so, IPART will consider:
 - size and resources of the council
 - size (both actual \$ and %) of increase requested
 - current rate levels and previous rate rises
 - purpose of the special variation; andany other matter considered relevant in the assessment of a special variation application.
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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

The primary avenue for community consultation is via each council's planning processes. 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 2014, this date is 24 March 2014. We will only accept submissions received by this closing date.

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. Unless the author requests confidentiality or to remain anonymous, we publish submissions from the public with contact details removed. With your approval, we will post your submission on our website after the submission period is closed. 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. Councils wishing to increase minimum rates above the statutory limit must submit their applications to IPART by 24 March 2014.

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
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	
Armidale Dumaresq	508(2) Temp 7 years	12.3%							To address a \$2.1m shortfall for asset renewals (mainly roads, drainage and amenities).
Bellingen	508(2) Perm	11.8%							To fund road and bridge infrastructure works.
Blacktown	508A	6.7%	5.11%						To fund the asset renewal backlog and future asset renewal requirements.
Blayney	508A	4.69%	5.11%						To improve financial sustainability whilst maintaining assets and service levels.
Burwood	508A	5.5%	6.5%	7.0%	7.5%	7.5%	7.5%	7.5%	To improve the operating balance and increase capital spending so as to reduce the large infrastructure backlog.
Campbelltown	508(2) Perm	11%							For the maintenance and renewal of council assets and financial sustainability.
Canterbury	508A	7.5%	7.5%	7.5%					To maintain services and meet infrastructure maintenance and renewal requirements.
Cessnock	508(2) Perm	9.55%*							To continue permanently the program of priority road renewal now being funded by an existing, temporary, special variation.
Coffs Harbour	508A	7.9%	8.14%	7.75%					To ensure the sustainable management of council infrastructure assets through maintenance and renewal works.
Corowa	508A	7%	7%	7%	7%				For financial sustainability and containment of infrastructure backlog.

Council	Type of SV	SV sought by council (including the rate peg) - % increase in year							Summary of reasons
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	
Fairfield	508(2) Perm	10%*							To provide for outstanding infrastructure and community assets, particularly asset renewal backlog.
Gilgandra	508A	9.3%	10%	10%					To increase maintenance expenditure on rural roads, asset renewals for transport assets and improve long term financial sustainability.
Glen Innes Severn	508A	11.21%	10.02%	5.59%					To ensure financial sustainability, cash fund depreciation, achieve a breakeven operating position and address deterioration in infrastructure assets identified in the asset management plan.
Greater Taree	508(2) Temp 5 years	7.3%							For a new environmental levy to help fund the implementation of the Environmental Action Plan.
Gundagai	508(2) Temp 10 years	16.6%							To meet borrowing costs for a loan of \$3m to partially fund main street upgrade costing around \$4m.
Guyra	508(2) Perm	8%*							To renew an expiring SV for asset renewal and maintenance.
Holroyd	508A	8%	8%	8%	7%	7%			To address financial sustainability, enhanced services and infrastructure backlogs.
Junee	508A	11.9%*	9.5%	9%					To improve the council's financial sustainability in the short and medium term primarily by providing additional revenue to fund road renewal works.
Kempsey	508A	9.3%	10%	10%	4%				To adequately finance infrastructure maintenance programs and retain existing services to the community.

Council	Type of SV	SV sought by council (including the rate peg) - % increase in year							Summary of reasons
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	
Ku-ring-gai	508(2) Perm	7.3%*							To continue and make permanent the existing levy for road renewals.
Liverpool City	508(2) Perm	12%*							For capital works and annual maintenance programs for the delivery of adequate infrastructure and services to the growing community.
Liverpool Plains Shire	508(2) Perm	12.5%*							To address the infrastructure maintenance gap and required increase in renewal and replacement expenditure, as identified in the asset management plan. It will also assist to ensure the council's long term financial sustainability.
Maitland	508A	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	To maintain and enhance key services to ensure future financial sustainability.
Nambucca	508A	3.8%	5.0%	5.5%					For a local roads and bridges renewal levy.
Randwick	508A	9.59%*	3.59%	3.59%					To renew the council's environmental levy in 2014/15 for a further 5 years; amount sought would maintain the current arrangements which include 3.59% pa to 2016/17 approved in 2013/14 for the council's Delivery Program 2013-17.
Richmond Valley	508A	12.3%	6%	6%	6%	6%			To improve financial sustainability and fund asset renewals.
Rockdale	508A	6%	6%	6%	6%				To contribute to the renewal of assets.
Singleton	508(2) Perm	7.3%							To provide additional funds for renewing roads and associated infrastructure assets.
Tenterfield	508A	15%	10%	10%	10%				For asset renewal and improved financial sustainability.

Council	Type of SV	SV sought by council (including the rate peg) - % increase in year							Summary of reasons
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	
Warringah	508A	6.1%	6.0%	6.0%	5.9%				To improve the natural and built environment by increased services and new assets and to maintain financial sustainability.
Weddin	508A	7%	7%	7%	7%				To assist in funding future capital projects, in particular the Grenfell Medical Centre.
Wollongong	508A	6.13%	6.23%	6.24%					To assist with infrastructure renewal backlogs and achieve a surplus operating position overall.

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

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

Note: To report the variations sought by councils on a consistent basis, the SV percentages above include the rate peg and proposed continuations of SVs that were due to expire. We have used the actual rate peg of 2.3% for 2014/15 and have assumed, for the purpose of the table, a rate peg of 3.0% thereafter. Actual rate pegs for 2015/16 onwards are yet to be determined.

All 508A special variations are permanent unless otherwise noted

