

FACT SHEET

Council applications for special variations in 2015-16

19 February 2015

This fact sheet lists the councils that have formally applied to IPART under the *Local Government Act 1993* (the Act) for a Special Variation for 2015-16.

A special variation allows a council to increase its general income above the rate peg, which has been set by IPART at 2.4% for 2015-16. The rate peg determines the maximum percentage amount by which a council may increase its general income for the year. For almost all councils general income consists entirely 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), or
- ▼ 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 additional income from the special variation is retained in the rates base) or temporary (ie, the additional income from the special variation is removed after a specified number of years).

How many applications have we received?

We have received 19 applications for special variations for 2015-16. In December 2014, 23 councils notified us of their intention to apply for a special variation.

Four councils successfully applied to IPART for an extension to the application deadline date of 16 February 2015. These councils are Deniliquin, Marrickville, Newcastle City and Yass Councils. These councils each presented a case that justified the extension requested. Table 2 provides details of these councils' proposed applications.

Table 1 lists the councils that have applied by the application date with details of the proposed increases and the purpose for which the funds are to be used.

The 19 applications include:

- ▼ 16 applications for increases over two or more consecutive years under section 508A of the Act
 - 15 of these are for permanent increases in rates income
 - one (Willoughby Council) is for a temporary increase (ie the additional revenue will only be collected for seven years)
- ▼ three applications for an increase in a single year under section 508(2) of the Act
 - two are for permanent increases in rates income
 - one is for a temporary increase.

Of the 19 applications we have received, one council (Blue Mountains) is seeking to continue an existing special variation and to make it permanent in 2015-16. Another council (Mosman) has applied for a permanent SV in 2015-16. Although it is for a different purpose, it will replace an existing temporary SV that will now expire at the end of 2014-15, rather than 2016-17 as was previously approved.

We have posted council applications received to date on our website and they are available at the following link. We will post the others when they are received.

http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Special_Variations_and_Minimum_Rates/Applications_Determinations

What happens now?

Over the coming months IPART will assess each of the council 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 2015/2016*, October 2014 (the Guidelines). The assessment criteria are listed in Box 1. A copy of the Guidelines is available on IPART's website.

For further information see our fact sheet – *How does IPART assess applications for special variations by councils* – on IPART's website.

Box 1 Assessment criteria for applications for 2015-16

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 through the council's Integrated Planning and Reporting (IP&R) documents, including its Delivery Program and Long Term Financial Plan (LTFP) and Asset management Plan where appropriate. In establishing the need for the special variation, the relevant IP&R documents should canvas alternatives to a rate rise. In demonstrating this need councils must indicate the financial impact in their LTFP applying the following two scenarios:

- 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 approving 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 IP&R documentation 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 an opportunity for community awareness and input to occur.
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 IP&R processes should:
- clearly show the impact of any rises on the community
 - include the council's consideration of the community's capacity and willingness to pay the proposed special variation, and
 - establish that the proposed rate increases are affordable having regard to the local 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 revenue.^a
5. The council's IP&R documents or the 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.

^a The IP&R documents include the following documents that require public exhibition: the Community Strategic Plan; Delivery Program and Operational Plan. The IP&R suite also includes the Long Term Financial Plan, Workforce Plan and the Asset Management Plan.

How can ratepayers comment on their council's special variation proposal?

IPART does not hold public hearings as part of its assessment of council special variation applications.

As councils must engage with the community when assessing options for a special variation, we expect that councils will have already sought and considered the community's views on the special variation. However, some members of the community may wish to also make a submission to IPART. We will accept and consider all submissions from interested groups or individual ratepayers regarding special variations up until four weeks after the application deadline. For 2015, this date is 16 March.

We prefer individuals and groups to lodge submissions using the Local Government electronic submission portal that is located on our website (www.ipart.nsw.gov.au). This may be found on the council applications page. The submission portal will be available for submissions from 17 February to 16 March 2015. In general, unless confidentiality is requested, we will publish submissions from the public received within this timeframe on our website.

Submissions may also be sent by email to localgovernment@ipart.nsw.gov.au or by post to:

Local Government Team

Independent Pricing and Regulatory Tribunal of NSW

PO Box K35

Haymarket Post Shop NSW 1240

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 2015.

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

Council	Type of SV	SV (including the rate peg) applied for - % increase in year							Purpose
		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	
Ashfield	508A	7.5	8.2	8.9	9.3				Infrastructure renewal and maintenance and to reduce infrastructure backlogs
Ballina	508A	5.41	5.34						Refurbishment and upgrades to two swimming pools
Blue Mountains	508A*	6.6	9.6	9.6	9.6				Renewal and maintenance of built infrastructure and assets; environmental protection; improved services and financial sustainability
Coffs Harbour	508A	8.14	7.75						Funding asset maintenance and renewal shortfall
Eurobodalla	508A	6.37	6.37	6.37					Maintain services, enhance financial sustainability and a community and transport infrastructure program
Gloucester	508A	13.0	13.0	13.0					Roads and bridges infrastructure backlog
Greater Hume	508A	7.21	7.46	7.15					Funding shortfalls in the maintenance of Council's road infrastructure network
Gwydir	508A	15.0	15.0						Improve financial sustainability and to improve benchmark results and asset maintenance
Jerilderie	508A	10.0	10.0						Asset maintenance and financial sustainability
Kyogle ^a	508A	12.42	5.43	5.43	5.44	5.44			Financial sustainability, infrastructure backlogs and infrastructure maintenance
Mosman	508(2)*	13.0							Infrastructure renewal and maintenance to address infrastructure backlog, and operational service improvements and financial sustainability
Narromine	508A	5.9	6.5						Infrastructure backlog and LIRS repayments, maintain services and

Council	Type of SV	SV (including the rate peg) applied for - % increase in year							Purpose
		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	
									financial sustainability
Oberon	508A	7.5	7.5	7.5	7.5	7.5			Infrastructure backlog while maintaining financial sustainability
City of Ryde	508A	7.0	7.0	7.0	7.0				Financial sustainability, annual asset renewal funding shortfall and to reduce backlog
Shoalhaven	508(2) (temporary for 10 years)	3.89							To service a loan for the funding of infrastructure for the Jerberra Estate
Wakool	508(2)	7.0							Maintain service levels and financial sustainability
Weddin	508A	6.4	7.0	7.0	7.0				Capital construction and ongoing maintenance for a new regional medical centre and aquatic centre
Willoughby ^b	508A Temporary to 2021/22	6.9	4.6						Infrastructure levy
Wollondilly	508A	10.8	10.8	10.8	10.8				Reducing the infrastructure maintenance backlog and financial sustainability

* Includes an expiring special variation. Blue Mountains Council has an SV expiring at the end of 2014-15. Mosman Council has applied for a permanent SV in 2015-16. Although, it is for a different purpose, it will replace an existing temporary SV that will now expire at the end of 2014-15, rather than 2016-17 as was previously approved.

^a Assuming a 2.3% rate peg throughout the SV.

^b Assuming a 2.6% rate peg throughout the SV.

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.

Note: All 508A special variations are permanent unless otherwise noted.

Table 2 Councils that have been granted an extension to apply for a Special Variation (SV) and the percentage variation they notified

Council	Type of SV	SV (including the rate peg) applied for - % increase in year							Purpose
		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	
Deniliquin	508(2) (Temporary for 3 years)	4.6							Promote council as a tourist destination and business centre
Marrickville	508(2)	5.4							Infrastructure asset renewal funding shortfall
Newcastle	508A	8.0	8.0	8.0	8.0	8.0			Infrastructure backlog
Yass	508(2)	10.9							Financial sustainability

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Note: All 508A special variations are permanent unless otherwise noted.

