

FACT SHEET

Council notifications received by IPART for 2014/15 special variations

20 December 2013 (amended 23 December 2013)

Purpose

This fact sheet provides a list of councils that have formally notified IPART that they intend to apply for a Special Variation under the *Local Government Act 1993* (the Act) for 2014/15.

A special variation allows councils to increase general income above the rate peg, which has been set by IPART at 2.3% for 2014/15. General income mainly includes council rate revenue, but also includes certain annual user charges.

There are 2 types of special rate variations that a council may apply for under the Act:

- ▼ a variation in a single year under section 508(2) of the Act
- ▼ variations in more than 1 year (up to 7 years) under section 508A of the Act.

Most councils are currently undertaking consultation with their communities about their proposed special variations. If councils decide to proceed with their applications, they must submit them to IPART by 24 February 2014.

Process that IPART will use to assess applications

Thirty seven councils have notified us that they intend to apply for a special variation.¹

Councils must submit all applications for special variations by 24 February 2014. We will then assess applications against the criteria set out in the *Guidelines for the preparation of an application for a special variation to general income for 2014/2015*, September 2013 (the *Guidelines*), that have been published by the Division of Local Government, Department of Premier and Cabinet. A copy of the *Guidelines* is available on IPART's website. Box 1 lists the assessment criteria.

¹ 36 councils notified by 13 December 2013.

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; and
 - any 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 IP&R process. IPART encourages members of the community to participate in their council's community engagement processes. Information on community engagement will be available on council websites, in the local media or from councils directly.

Special variation notifications received from councils

Table 1 lists the councils that have notified us that they intend to apply for a special variation for 2014/15. Some of the proposed increases are estimates only. This is because the special variation percentages may change following completion of community consultation or the council's final deliberations on its revenue and expenditure plans for the coming year/s.

The notification letters we have received are posted on our website here: http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Special_Variations_and_Minimum_Rates/Applications_Received_Determinations

Submissions to IPART from the public

Although we do not solicit them, we will accept and consider submissions from interested groups or individual ratepayers regarding special variations up until 4 weeks after the relevant application deadline. For 2014, this date is 24 March 2014.

We prefer ratepayers to lodge submissions using the Local Government electronic submission portal that is located on our website (www.ipart.nsw.gov.au) on the page of council applications. This will be activated for submissions after council applications are received on 24 February 2014.

Submissions may also be sent by post to:

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

Or by email to: localgovernment@ipart.nsw.gov.au.

In general, unless confidentiality is requested, we publish submissions from the public on our website.

For further information see our fact sheet - *Our role in local government rate setting and special variations* on IPART's website.

Table 1 Councils that have notified us that they intend to apply for a Special Variation (SV) for 2014/15

Council	Type of SV	Notified SV (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	either: 20% or: 10%	(10%)**						To address a \$2.1m shortfall for asset renewals (mainly roads, drainage and amenities).
Ballina	508(2) Perm	3.9%							Request from Chambers of Commerce for increase to fund promotional activities for the business community.
Bellingen	508(2) Perm	either: 8.3% or: 11.8% or: 17.3%							To fund road and bridge infrastructure works.
Blacktown	508A	7.13%	5.07%						To fund the asset renewal backlog and future asset renewal requirements.
Blayney	508A	6%	6%						To improve financial sustainability whilst maintaining assets and service levels.
Burwood	508A	either: 5.5% or: 7.5%	6.5% 7.5%	7.0% 7.5%	7.5% 7.5%	7.5% 7.5%	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.

Council	Type of SV	Notified SV (including the rate peg) - % increase in year							Summary of reasons
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	
Corowa	508A	7%	7%	7%	7%				For financial sustainability and containment of infrastructure backlog.
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%	6.55%	6.78%					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	8.43%*							To renew an expiring SV for asset renewal and maintenance.
Gwydir	508A	either: 7.5% or: 5%	7.5% 5%						To improve financial sustainability.
Holroyd	508A	either: 9% or: 9%	9% 9%	9% 9%	9% 9%	8% 9%	9%		To address financial sustainability, enhanced services and infrastructure backlogs.
Junee	508A	13.2%*	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.

Council	Type of SV	Notified SV (including the rate peg) - % increase in year							Summary of reasons
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	
Kempsey	508A	9.3%	10%	10%	4%				To adequately finance infrastructure maintenance programs and retain existing services to the community.
Ku-ring-gai	508(2) Perm	7.3%*							To continue and make permanent the existing levy for road renewals.
Liverpool City	508(2) Perm or 508A	12%* 14.5%*	5.5%						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	8.35%	8.35%	8.35%	8.35%	8.35%	8.35%	8.35%	To maintain and enhance key services to ensure future financial sustainability.
Nambucca	508A	5.3%	6.0%						For a local roads and bridges renewal levy.
Newcastle	508(2) Perm	3.4%							To provide for the same increase as an expected and budgeted for 3.4% rate cap.
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	12.5%	5.5%	5.5%	5.5%	5.5%			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.

Council	Type of SV	Notified SV (including the rate peg) - % increase in year							Summary of reasons
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	
Strathfield***	5082	4-9%							Infrastructure renewal and upgrade.
Tenterfield	508A	15%	10%	10%	10%				For asset renewal and improved financial sustainability.
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.
Willoughby	508A	8.3%	5.5%	5%	5%	5%			To address the asset management works backlog.
Wollongong	508A	5-8%	5-8%	5-8%					To assist with infrastructure renewal backlogs and achieve a surplus operating position overall.

* Includes an expiring special variation.

** If Armidale Dumaresq Council decides to split its increase into 2 10% increases they will be making a 508(2) application for 2014/15 and a separate 508(2) application for 2015/16.

*** Strathfield Council notified after 13 December 2013.

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.

