

Draft Submission to IPART – Review of the Local Government Rating System

4.5 The Special Variation Process

Council recommended in its submission lodged on IPART's Issues Paper in May 2016, that rate pegging should be removed and councils should be responsible for the determination of the appropriate rates increase to be levied to ensure that the community's expectations are met in a financially sustainable manner, over the long term. Increases would be in line with the required amount as identified in the Integrated Planning and Reporting (IPR) documentation, in conjunction with community consultation.

The Draft Report of the Review of the Local Government Rating System outlines concerns raised from this, and other councils regarding the significant regulatory burden involved in the current Special Variation (SV) application process.

The Issues Paper outlined three options suggested by the Panel Report, none of which have been incorporated in the recommendations within the Draft Report. The reasoning outlined was that the proposed growth outside of the peg increases (via CIV) would reduce the number of SV applications required. This premise works for councils with significant levels of growth in terms of new residences or businesses, to cover future costs of this growth. Hawkesbury Council exhibits low growth, which is projected to continue into the 10 Year planning horizon.

Another assumption of this recommendation is that SV Applications are required due to increased costs associated with new development. While this assumption is correct and the proposal will address this issue, it ignores funding shortfalls that have arisen from previous rates pegs not meeting increased costs of providing services and renewing infrastructure to the community. Many of the SV applications submitted by councils since 2011/12 have been submitted to address shortfalls in asset maintenance and renewal, along with financial sustainability issues as a result of insufficient revenue to meet current demands – not future expenditure relating to new growth.

Many of the councils that have limited resources to dedicate to a SV application are those councils that most need these SVs, and further, do not exhibit sufficient growth to reduce the current need to increase revenue. The Draft Report does not provide any streamlining or increases in efficiency in relation to SV applications, outside of growth, which needs to be addressed.

Council reiterates its recommendation outlined in the May 2016 that rate pegging should be removed and that a council should be responsible for determining its own level of rates income in consultation with its community, similar to other states.