



2025-26 Guidance booklet for councils

# Special variations: How to prepare and apply

Local Government »



---

## **Acknowledgment of Country**

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

## **Contact details**

Enquiries regarding this document should be directed to a staff member:  
Daniel Suh (02) 9019 1975  
Sheridan Rapmund (02) 9290 8430

## **The Independent Pricing and Regulatory Tribunal**

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from [IPART's website](#).

---

# Contents

<b>Handbook version history</b>	<b>4</b>
<b>1 General Information</b>	<b>5</b>
1.1 How to apply for an SV and/or MR increase	5
1.2 How much information should a council provide?	6
1.3 Process and timeline	6
1.4 Our approach to publishing council's application and supporting materials	8
1.5 Our approach to assessment	8
1.6 How to use this booklet	9
<b>2 Application form description and context questions</b>	<b>10</b>
2.1 Part A Application Form elements	10
2.2 SV Part B Application Form questions	10
<b>3 OLG SV Criterion 1 – Financial need</b>	<b>18</b>
3.1 Our approach to assessing OLG Criterion 1	18
3.2 Part A Application Form	20
3.3 SV Part B Application Form	21
<b>4 OLG SV Criterion 2 – Community awareness and engagement</b>	<b>24</b>
4.1 Our expectations for a council to demonstrate OLG Criterion 2	24
4.2 SV Part B Application Form	25
4.3 Examples of presenting rate increases clearly	27
<b>5 OLG SV Criterion 3 – Impact on ratepayers</b>	<b>33</b>
5.1 Our approach to assessing OLG Criterion 3	33
5.2 SV Part B Application Form	34
<b>6 OLG SV Criterion 4 – Exhibition and adoption of IP&amp;R documents</b>	<b>37</b>
6.1 Our expectations for OLG Criterion 4	37
<b>7 OLG SV Criterion 5 – Productivity and cost-containment</b>	<b>38</b>
7.1 Our approach to assessing OLG Criterion 5	38
7.2 SV Part B Application Form	38
<b>8 OLG SV Criterion 6 – Other matters</b>	<b>41</b>
8.1 Our approach to OLG Criterion 6	41

## Handbook version history

Version	Date published	Changes made	Sections affected
2023 V1	3 November 2023	First publication	
2024 V2	12 August 2024	Re-introduced the notification of intent to apply for SV letter. Due date provided in the timeline.  The standard number of decimal places for the SV to be 1 decimal place unless stated otherwise.  Added instruction on proposed average rates outlined in the council's community consultation material.	<a href="#">section 1.3.1</a> and <a href="#">section 1.3.4</a>  <a href="#">section 2.2</a>  <a href="#">section 4.3</a>

# 1 General Information

A special variation (SV) allows a council to increase its general income by a specified percentage instead of the amount allowed by the rate peg. This may be to provide the services and infrastructure desired by their communities or to manage financial sustainability. An SV can be either for a single year or over multiple years and can be permanent or temporary, and it must be approved by IPART.

Some councils levy 'minimum rates' (MR) and, in some circumstances, they also need IPART approval to increase these minimums.

The Office of Local Government NSW (OLG) publishes the [Guidelines for the Preparation of an Application for a Special Variation to General Income](#) (SV Guidelines), for councils preparing an SV application which also guides and forms the basis of IPART's assessment. For MR increase applications and assessment, the OLG publishes the [Guidelines for the Preparation of an Application to Increase Minimum Rates above the Statutory Limit](#) (MR Guidelines).

IPART's role is to determine applications for SVs and MR increases. IPART assesses these applications against the criteria in the OLG's SV and MR guidelines. The most recent guidelines were published in November 2020 and are available on the OLG's website and IPART's website.

## 1.1 How to apply for an SV and/or MR increase

We provide 3 application forms on our website that councils must use to apply to IPART for an SV or MR increase. A council will need to complete at least 2 of the application forms to apply for an SV or MR increase. A council applying for both an SV and a MR will need to complete all three application forms. All application forms can be accessed [here](#). The 3 application forms are:

1. Application Form Part A (MS Excel), the same application form can be used for an SV and/or MR application
2. SV Application Form Part B (MS Word), for an SV
3. MR Increase Application Form Part B (MS Word), for an MR increase.

**Application form Part A** collects data on the SV/MR proposal, including on:

- current notional general income, and proposed general income for the SV years with rating structure (Worksheets 2, 3, 4, and 5)
- proposed MR increase (Worksheets 4 and 5)
- the impact of the proposed SV and/or MR increase (Worksheet 7)
- proposed expenditure program (Worksheet 8)
- financial data, including financial ratios and income and cash flow statements, with and without SV (Worksheets 9, 10, and 11)
- contextual data (Worksheet 12).

There is guidance provided in the excel spreadsheet.

The Part B application forms collect qualitative information to inform our assessment against the [OLG's criteria](#). This includes explanations and evidence of how the council has met the OLG criteria.

In some places they also collect basic data that is also in Part A. This is to ensure that the key data is available in an accessible format for stakeholders.

## 1.2 How much information should a council provide?

The amount of information that a council provides is a matter of judgement for the council. The SV Guidelines state the extent of evidence required for assessment of the criteria can alter with the scale and permanence of the SV proposed.

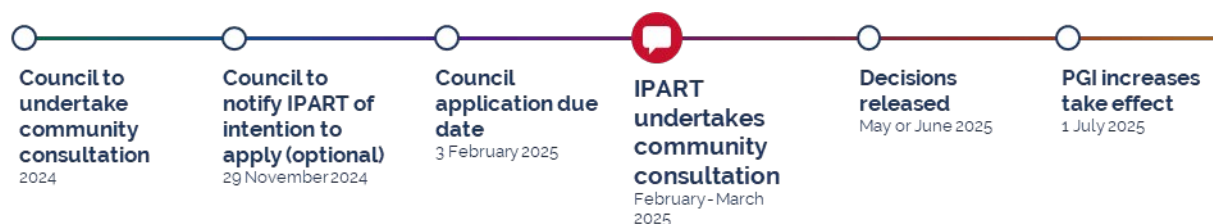
The information provided should be sufficient for us to make an evidence-based assessment of the application. Generally, the extent of the evidence should reflect the size and complexity of the variation sought.

We would expect to see more information from a council applying for a large permanent SV than from a council applying for a modest temporary SV.

## 1.3 Process and timeline

All councils considering applying for an SV should contact IPART as early as possible to discuss their proposal, and what they need to do to be able to demonstrate they have satisfied the criteria in the SV guidelines.

### 1.3.1 Timeline for 2025-26 SV applications



### 1.3.2 Applications due by 3 February 2025

We encourage councils to submit their applications as early as possible in 2025. We will generally not accept late applications, except where IPART has granted an extension due to exceptional circumstances.

### 1.3.3 Councils must resolve to apply for an SV before submitting an application

The council must have resolved to apply for an SV (see [OLG SV Guidelines](#), section 7.2) and a copy of the council's resolution must be submitted with the application form. IPART will not commence an assessment of the application unless a copy of the resolution is provided.

It is expected that a council will hold an extraordinary general meeting if necessary to meet this requirement by the application due date.

### 1.3.4 Councils can notify IPART they intend to apply for an SV

Councils that intend to apply for an SV for 2025-26 are urged to submit a notification letter to IPART by 29 November 2024. This is not compulsory. It is also non-binding - there is no requirement for a council that has submitted a notification letter to also submit an SV application.

A notification letter to IPART should include the following information:

- the percentage amount of the intended special variation or minimum rate
- the purpose of the funds for the special variation, and
- contact details for the application.

### 1.3.5 Councils must adopt all relevant Integrated Planning & Reporting (IP&R) documents before applying

Councils must adopt the relevant IP&R documents before applying for an SV. It is expected that a council will hold an extraordinary general meeting if necessary to meet this requirement.

However, the SV guidelines allow IPART to consider and approve an SV other than on the basis of adopted IP&R documents if there are exceptional circumstances ([OLG SV Guidelines](#), section 3.2). Councils should contact us as soon as possible if they have not adopted the relevant IP&R documents, but believe exceptional circumstances exist which warrant applying for an SV.

### 1.3.6 Council certification and SV application checklist

The General Manager (GM) and Responsible Accounting Officer (RAO) must certify that the information provided in the council's application is correct and complete to the best of their knowledge (section 8.1 of the SV Part B application form and section 8.1 of the MR Increase Part B application form).

Checklists must be completed for SV applications. We have provided a checklist which includes common errors councils have made in the past covering Part A and Part B application forms and a checklist of attachments to be provided (see sections 9 and 10 of the SV Part B application form). Incomplete applications, or those with many and/or major errors may need to be re-submitted, which will impact our assessment timeframe.

Checklists do not need to be completed for MR applications. The GM and RAO must still certify the MR Part B application form.

### 1.3.7 Use IPART's online LG Portal to submit documents

Applications must be submitted through IPART's [LG Portal](#) by 11:59pm on Monday, 3 February 2025.

A council will need to register before first using the LG Portal. You can find user information, including guidance for uploading notification letters and SV and MR applications [here](#).

Maximum file size allowed per document is 150 megabytes.

Contact Arsh Suri on (02) 9113 7730 or [localgovernment@ipart.nsw.gov.au](mailto:localgovernment@ipart.nsw.gov.au) for assistance with using the [LG Portal](#).

## 1.4 Our approach to publishing council's application and supporting materials

We will publish all applications (excluding any confidential content) on our website. The submission process allows councils to highlight confidential content. Examples of confidential content include personal information relating to a member of the public or a document which includes commercial-in-confidence content.

Councils should ensure supporting documents are redacted to remove confidential content where possible, or clearly marked as **CONFIDENTIAL**. To protect confidential details in submissions from ratepayers, either redact the information or submit it as a confidential attachment (see section 9 of the Part B application form).

**Councils should also publish their application on their own website for the community to access.**

## 1.5 Our approach to assessment

We use a qualitative rating system which provides councils and ratepayers with an indication of how well the council's application satisfied each of the 6 criteria in the SV Guidelines and 3 criteria in the MR guidelines. We determine if the criterion is:

- demonstrated, or
- not demonstrated.

We then make an overall assessment of the application, taking into consideration other relevant factors provided for in the SV guidelines. Factors include the size and resources of a council, and whether the council has complied with conditions imposed by SVs approved by IPART in the past.



For examples of how we have applied this rating system, please refer to the SV determination reports published in 2024-25, which are available on our [website](#). We encourage councils to review our assessment of past applications when they are updating their IP&R documents, undertaking community consultation and preparing their applications.

## 1.6 How to use this booklet

This booklet mainly provides guidance on how to complete the SV application form 'Part B' which is an MS Word document. For more detailed information on the application process for MR increase applications, refer to the 'MR Increase Part B' application form.

This booklet includes information about how we approach our assessment against the OLG SV criteria, including our minimum information requirements, and provides examples and some common errors that councils have made in the past. We recommend councils consult this guidance early and as they develop their community consultation packages, relevant IP&R documents, and start completing the SV Part B application form.

Councils should be familiar with the requirements in the OLG's [SV and MR guidelines](#), which set some minimum requirements to be met.

This booklet is set out in the same order as the SV Part B application form.

Application form Part A (MS Excel) and the MR application form Part B each contain guidance within them. This booklet also provides brief guidance on those applications forms, as needed.

## 2 Application form description and context questions

This part relates to sections in the Part A and SV Part B application forms that are not attributable to a specific OLG SV criteria.

### 2.1 Part A Application Form elements

The following worksheets (WS) collect general information:

- WS 1 Application
- WS 2 Proposal
- WS 3 Notional general income (NGI) for the current year 2024-25
- WS 4 NGI for 2025-26 (Year 1)
- WS 5 NGI for 2026-27 to 2031-32 (Years 2-7)

Please refer to the instructions in the Part A application form.

### 2.2 SV Part B Application Form questions

**Question 1: What is the type and size of the special variation the council is applying for?**

A section 508(2) SV is an SV increase in one year. A section 508A SV is for multi-year increases over 2 to 7 years.

For this question, please specify:

- whether the council is requesting an SV under section 508(2) or 508A of the LG Act, and
- whether the SV is to be permanent or temporary. *If the council intends to propose an SV that is part permanent and part temporary, please discuss with IPART prior to application.*

Please also specify:

- the percentage increases in each of the years in which the SV is to apply,
- the assumed rate peg for the period, and
- the cumulative increase for a section 508A SV (this will be auto calculated in Worksheet (WS) 2 of the Part A application form, if the council wishes to copy and paste that figure).

## The SV period for your application

The SV period includes all the years in which the council is proposing an increase that is not the rate peg. For example, if a proposal is for a permanent SV of 10% in each year of the next 2 years, then 2025-26 and 2026-27 would be the 'SV period'. If the proposal is for a temporary SV of 8% for 2025-26 to be retained in the rate base for 5 years, the SV period would be 2025-26 only.

## The SV must match the council resolution, including the number of decimal places

We will specify the maximum permitted percentage increase in an SV instrument to be the same as the cumulative increase as per the council resolution. If the cumulative increase is not specified in the council resolution, we will use 1 decimal place by default unless a council specifically requests a different number of decimal places. The SV instruments are the legal documents that give effect to the Tribunal's decisions.

Please see the example in Box 2.1. This should also be consistent with the Part A application form.

## Use compounding to calculate the cumulative SV percentage for multi-year variations

The cumulative percentage increase is the total increase in rates over the SV period using compounding, not addition.

For example, a permanent section 508(A) increase of 10.0% in 2025-26 and 15.0% in 2026-27 would result in a cumulative increase of 26.5% over the SV period. The cumulative increase is not 25% (i.e. it is not a sum of the annual percentages). The Part A form will automatically calculate the cumulative percentage in Worksheet 2 (WS 2 - Proposal) if you enter the requested annual percentages in WS 2.

## The percentage increase must include the rate peg

The percentage increase you request for each year must reflect the total percentage by which you intend to increase general income for that year (excluding Crown Land Adjustments which are discussed further below). That total percentage will incorporate the actual or assumed rate peg — it is not the incremental percentage above the rate peg. See the example in Table 2.2.

## Estimating future rate pegs for SV applications

Councils applying for a special variation in 2025-26 should use the 2025-26 rate peg set by IPART in their applications for the first year increase. We expect the rate pegs to be released in late September 2024.

Councils applying for a multi-year SV will have to assume a rate peg for future years. For future years, the SV Guidelines refer to an assumed rate peg of 2.5%. If a council elects to use a different assumed rate peg percentage, the rationale for doing so must be explained in its Part B application form. Councils may use the [Fact Sheet: Estimating future rate peg](#) to estimate future rate pegs for the second or later years of the application.

### Box 2.1 Example: Permanent 3-year SV of 10.0% each year

Table 2.1 Type of special variation

<b>What type of SV is this application for?</b> <b>Are you applying for Permanent or Temporary?</b>	<input type="checkbox"/> Section 508(2)	<input checked="" type="checkbox"/> Section 508A
	<input checked="" type="checkbox"/> Permanent	<input type="checkbox"/> Temporary

Table 2.2 The council's proposed special variation

	2025-26	2026-27	2027-28
Is this year in the SV period?	yes	yes	yes
Percentage increase (including the rate peg) <i>(These percentages must include the rate peg i.e. do not enter 6.1% which is 10%-3.9%)</i>	10.0%	10.0%	10.0%
Rate peg	3.9% <i>(Use the actual rate peg)</i>	3.0% <i>(If assumed rate peg is not 2.5%, explain below)</i>	3.0%
Cumulative percentage increase over the SV period for s 508A (including the rate peg)	10.0%	21.0%	33.1%
Indicate which years are permanent or temporary <i>(If the council would like a permanent + temporary SV – specify the break down here e.g. 6.0% permanent + 4.0% temporary).</i>	Permanent	Permanent	Permanent

Table 2.3 Further questions

Question	The council's response
Does the council wish its potential SV instrument to be rounded other than to 1 decimal place?	<a href="#">Click here to enter text</a>
If the council used an assumed future rate peg that is not 2.5%, please briefly justify why it did so.	<i>In this example, this must be completed as the council has assumed a rate peg that is not 2.5%.</i>

*In this example, the council has not specified a preferred number of decimal places. As a result, the council's instrument would be reflected to 1 decimal place (if approved):*

Year	Approved SV Percentage	Approved Cumulative Percentage
2025-26	10.0%	10.0%
2026-27	10.0%	21.0%
2027-28	10.0%	33.1%

## Question 2: Is the council applying for a Crown Land Adjustment (CLA) in 2025-26?

CLAs increase the general income of councils for parcels of Crown land that have become rateable. Crown land is generally exempt from rates. It usually becomes rateable if it is:

- sold or leased to private entities, or
- transferred to State Owned Corporations that are liable to pay rates.

CLAs allow councils to add the value of rates levied on the newly rateable land to their rate base. These adjustments allow councils to apply the full rate peg uniformly to all rating categories.

Do not enter the proposed CLA percentage in Question 1. Please provide the details in this question. Please also ensure that the proposed CLA details are entered into Worksheet 2 (WS 2) of the Part A application form.

The OLG will also issue an application form for councils applying for a CLA. You will need to complete this form and submit it to the OLG. This will likely be available by March 2025 from the OLG.

## Question 3: What is the key purpose of the requested special variation?

The purposes could include one, or a combination of:

- improving financial sustainability
- maintaining existing services and service levels generally
- providing new or enhanced services or service levels for specific council operations
- implementing new projects or activities, e.g. environmental works
- reducing infrastructure backlogs for asset maintenance and/or renewals
- investing in new assets
- contributing to projects of regional significance
- meeting special cost pressures faced by the council
- meeting the shortfall where contributions for local infrastructure are capped.

### Asset Management Plans

If a key purpose of the SV is asset related, the council should provide an Asset Management Plan as a supporting document.

An Asset Management Plan (or other high-level document) is acceptable if the purpose of the SV is to generally address asset concerns. However, if the purpose of the SV is to fund a specific asset (e.g. stormwater or swimming pool), we would expect the council to submit a specific Asset Management Plan for that asset class.

Section 6 provides further guidance around OLG SV Criterion 4 and IP&R documents.

#### Question 4: Is the council proposing to increase minimum rates in conjunction with the special variation?

Councils may have to submit a separate MR Increase Part B application form in addition to applying for the SV.

A separate MR increase application is needed if:

- The council is currently charging a minimum ordinary rate *at or below the statutory limit*, and intends to increase the minimum rate in any rating category or sub-category such that it would *exceed the statutory limit* for the first time (regardless of whether the increase is lower, higher or the same percentage increase as the requested SV percentage), or
- The council is already charging a minimum ordinary rate *above the statutory limit*, and the council is seeking to increase a MR by a *higher* percentage than the proposed SV percentage increase for any year, or
- The council proposes to charge a special rate (other than a water supply or sewerage special rate) above \$2, regardless of whether the increase is the same as the rate peg or proposed SV percentage, or
- The council already has approval from IPART to charge a special rate (other than a water supply or sewerage special rate) above \$2 and proposes to increase the amount of that rate.

In these situations, councils should complete Minimum Rate application form Part B 2025-26 (MS Word) available on our website [here](#).

Councils **do not need** to submit a separate MR application if:

- in conjunction with the SV, the proposed increase to minimum rates would result in the ordinary minimum rates in all rating categories and/or sub-categories and/or special rates still being *at or below the applicable statutory limit*.
- The minimum rates are already above the statutory limit (with previous approval) and increasing by the SV percentage or a lower percentage.

The statutory limit is set out in clause 126 of the *Local Government (General) Regulation 2021* and is typically increased each year.

Table 2.4 provides examples of potential MR increases and how we would expect a council to apply the principles outlined above.

## Table 2.4 Examples of different MR increase scenarios

The examples in the table assume that the statutory maximum limit for a minimum ordinary rate is \$600 and is \$2 for a special rate.

MR Increase Scenarios	IPART Guidance
Council 1 charges a minimum ordinary rate of \$700 (as it has been approved to do so in the past). The council wishes to apply for a 1-year permanent SV of 10% and proposes its minimum rate would increase from \$700 to \$770 (+10%).	A separate application is <b>not required</b> . This is because the council has already been approved to levy a minimum ordinary rate that is above the statutory limit and the increase does not exceed the headline SV percentage. However, using this same example, if the council proposed to increase its minimum ordinary rate by 20% (\$700 to \$840), then a separate MR application <b>is required</b> . This is because the minimum ordinary rate would increase by more than the proposed headline SV percentage of 10%.
Council 2 charges a minimum ordinary rate of \$580. The council wishes to apply for a 1-year permanent SV of 30% and proposes its minimum rate would increase by 19% from \$580 to \$690.	A separate application <b>is required</b> . This is because the council's minimum ordinary rate will exceed the example statutory maximum limit of \$600 for the first time. It is irrelevant that the council proposes to increase the minimum ordinary rate by less than the SV percentage of 30%. However, a separate application would not be required for this same example if the council proposes to increase the minimum ordinary rate to only the statutory maximum limit.
Council 3 wishes to apply for a 1-year permanent SV of 10% and proposes to increase its special rate of \$2.50 to \$2.55.	A separate MR application <b>is required</b> . Regardless of whether a council has been approved for a special rate in the past, a separate MR application is required each time the council wishes to increase the special rate to a figure that is above \$2.

More information about when a council should lodge an MR increase application is outlined in the OLG's [MR guidelines](#).

### Question 5: Does the council have an expiring special variation?

If the council has an expiring SV, and if the SV the council currently applying for is approved, we need additional information to ensure the Instrument approving a new SV is accurate. We must accurately calculate the amount the council must remove from its general income before any new SV is applied.

To calculate the amount to be removed from general income when the SV expires, the council must use the method in Attachment 1 to the [OLG SV Guidelines](#). The OLG's SV Guidelines also specify that councils must contact the OLG to confirm the calculation of this amount.

Details of the expiring SV are to be provided in Worksheet (WS) 2 of the Part A application form.

If the council has an expiring SV and the council is proposing to apply for an SV during the period where the temporary SV still applies, please get in touch with the key contact listed on IPART's website (see [here](#)).

### Question 6: Does the council have an existing (ongoing) section 508A special variation which applies in 2025-26?

If there is an existing s 508A instrument for 2025-26 (and future years) and the council is seeking a further change to the council's revenue path, IPART must vary the existing s 508A instrument, rather than issue a new instrument.

IPART will assess the application using the same [OLG SV Guidelines](#) (i.e. OLG SV Criteria 1 to 6), as for any application for a new SV.

While IPART's assessment will typically focus on the additional percentage increase sought, we may also consider whether it is appropriate to maintain the existing component of the section 508A SV, especially in light of any circumstances which are materially different from those in place when the original increase was approved.

The council's application should be clear about whether the information provided is in relation to the incremental increase being sought or the total cumulative increase that would be reflected in a varied instrument if the additional increase is approved.

Details of the existing SV are also to be provided in WS 2 in the Part A application form.

### Question 7: Has IPART ever approved a special variation (including 'Additional' SVs from 2022-23) for the council?

When assessing SV applications, IPART will take into consideration the council's compliance with conditions imposed on SVs we have approved, so that is any SVs approved from 2011-12.

We will base our consideration on the council's compliance with the conditions in the SV instruments, and compliance (or not) as reported to the community.

Please note that this also includes [additional special variations](#) (ASVs) approved in 2022-23.



Question 8: Does the council have deferred general income increases available to it?

Section 511 of the LG Act was amended in 2020 to allow councils to catch up any deferred general income increases over a period of 10 years.

In assessing an SV application, IPART will take into account whether a council has a large amount of revenue yet to be caught up over the next several years. There is also a question about deferred increases in the SV Part B application form, under OLG SV Criterion 1 (see Table 3.2).

## 3 OLG SV Criterion 1 – Financial need

### Box 3.1 OLG Criterion 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 in the council's IP&R documents**, in particular its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvas alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan 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 implementing 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.

The IP&R documents and the council's application should provide evidence to establish this criterion. This could include evidence of community need/desire for service levels/project and limited council resourcing alternatives. Evidence could also include analysis of council's financial sustainability conducted by Government agencies.

In assessing this criterion, IPART will also take into account whether and to what extent a council has decided not to apply the full percentage increases available to it in one or more previous years under section 511 of the Local Government Act. If a council has a large amount of revenue yet to be caught up over the next several years, it should explain in its application how that impacts on its need for the special variation.

Source: Office of Local Government, [Guidelines for the Preparation of an Application for a Special Variation to General Income](#), November 2020.

### 3.1 Our approach to assessing OLG Criterion 1

IPART assesses each application on its merits. However, generally, councils that have demonstrated this criterion have provided the following evidence:

- a deteriorating general fund income forecast if the council were to remain on the rate peg pathway (Baseline scenario)

- deteriorating forecasted OLG infrastructure performance indicators if the council were to remain on the rate peg pathway (Baseline scenario)
- a forecasted deterioration of general fund unrestricted cash
- that the council has large planned expenditure programs to fund core services and infrastructure
- the council has communicated its financial need to its community through the Delivery Program, LTFFP, Asset Management Plan and community consultation materials  
*(it is not sufficient to only articulate the council's financial need through IPART's Part A and B application forms)*
- that the council has canvassed other revenue raising strategies before deciding to pursue an SV
- willingness to pay for discretionary activities from the community (if applicable).

### 3.1.1 SVs longer than 5 years

For SVs longer than 5 years, we would expect to see strong financial need and a degree of certainty in the long-term expenditure forecasts. For longer multi-year SVs, we may limit the approval of the application to a shorter period of time. In this case, the council can then consider whether to apply for a further SV to take effect after the shorter time period. For an example of this, please refer to the [2019-20 Dungog Shire Council SV Determination Report](#).

### 3.1.2 The quantum of the SV and OLG Criterion 1

In principle, a council requesting a higher SV percentage should be able to demonstrate and provide stronger evidence of financial need than a council requesting a smaller SV.

### 3.1.3 Interaction of financial need and willingness to pay

Demonstrating financial need remains a key component of the SV application process. However, we recognise there are circumstances where a council may propose an SV to fund expenditure to meet the particular needs or preferences of its community, rather than needing the SV to fund core infrastructure or services.

It is important that any process carried out to demonstrate willingness to pay is comprehensive. This includes appropriately describing the context of proposed projects (i.e. funding breakdown and community demand) and that feedback is sought from a representative group of ratepayers who will fund the SV.

From past applications, examples included environmental programs, community sporting developments and town beautification projects. Where a council is seeking to demonstrate financial need for discretionary activities, we encourage councils to demonstrate ratepayer support through a willingness to pay study. We will examine the alignment of the council's proposed projects with the characteristics and conditions the council described to ratepayers when consulting with them on their willingness to pay for these types of projects.

Further information about willingness to pay is provided in section 5.2.2.

## 3.2 Part A Application Form

The Part A application contains 4 Excel worksheets to demonstrate OLG Criterion 1 (see Table 3.1 below for more information).

Table 3.1 What information the Part A application form collects for OLG Criterion 1

Worksheet	What it collects	IPART Guidance
<b>WS 8 – Expenditure Program</b>	This worksheet collects a 10-year expenditure forecast of how the council would plan its expenditure program, if approved for the requested SV.	This information should be consistent with what the council has told the community about how it would spend the additional SV funds in IP&R and other consultation materials). If the SV is approved, a condition of approval will be that the council report on its actual expenditure program compared to what is provided in WS8.
<b>WS 9 – Financials</b>	This worksheet collects actual financial results from the previous 5 years at the general fund level and forecasts for some balance sheet items, such as cash and investments.	Please provide actuals at the general fund level and not consolidated financial results.
<b>WS 10 – LTFP</b>	This worksheet collects general fund income statement and cash flow statement forecasts for its Baseline and SV scenarios.	The figures provided here should match what is in the council's LTFP. Councils are also requested to enter in key assumptions (growth in %) for certain areas. We use the information provided in this worksheet to calculate financial forecasts under three scenarios: 1. <b>The Proposed SV Scenario</b> – which includes the Council's proposed SV revenue and expenditure. 2. <b>The Baseline Scenario</b> – which shows the impact on the Council's operating and infrastructure assets' performance without the proposed SV revenue and expenditure. 3. <b>The Baseline with SV expenditure Scenario</b> – which includes the Council's full expenses from its proposed SV, without the additional revenue from the proposed SV. This scenario is a guide to the Council's financial sustainability if it still went ahead with its full expenditure program included in its application but could only increase general income by the rate peg percentage.
<b>WS 11 - Ratios</b>	This worksheet asks councils to input forecasted OLG financial and infrastructure ratios for its baseline and SV scenarios.	Please ensure OLG ratio forecasts are provided for each scenario (i.e. baseline and SV scenarios).

### 3.3 SV Part B Application Form

Table 6 in the application form asks for evidence against each component of the OLG criterion. Table 3.2 below provides some additional information that might assist with completing Table 6 in the application form.

Note: if you are also submitting an MR Part B application form, this section can be used to address MR Criterion 1 – Rationale for increasing minimum rates above the statutory limit section in the MR application form where the information is the same. It does not need to be repeated.

Table 3.2 Our guidance for completing Table 6 in the SV Part B Application Form

Criteria	IPART Guidance
The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the SV) is clearly articulated and identified in the council's IP&R documents	<p>Explain why an SV is needed and the purpose of it. The response should also address why the decision to seek higher revenues above the rate peg was made.</p> <p>Provide page numbers to the council's Delivery Program and LTFP which refer to the need for and purpose of an SV.</p> <p>If a key purpose of the proposed SV is to fund a specific asset, refer to the section/s of the Asset Management Plan that articulate the need for and purpose of the SV.</p>
In establishing need for the SV, the relevant IP&R documents should canvass alternatives to the rate rise.	<p>The response should:</p> <ul style="list-style-type: none"> <li>• address if any other options other than an SV were considered</li> <li>• explain why an SV is the most appropriate course of action.</li> </ul> <p>Provide page numbers to its Delivery Program, LTFP and Asset Management Plan to show where the council has canvassed alternatives to a rate rise.</p>
In demonstrating this need, councils must indicate the financial impact in their LTFP by applying the baseline and special variation scenarios.	<p>Provide page references to the council's LTFP in the Baseline and SV Scenarios where the following information is held:</p> <ul style="list-style-type: none"> <li>• financial statement forecasts for the council's general fund (i.e. balance sheet, income statement and cash flow statement)</li> <li>• OLG financial and infrastructure ratio forecasts</li> </ul>
Evidence of community need/desire for service levels/projects and limited council resourcing alternatives.	<p>The council should explain how it identified and considered the community's needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision.</p> <p>If the expenditure is for particular services or assets (i.e. not required to meet a financial need), provide evidence of the community's desires for the services and/or asset/s and its willingness to pay for them.</p> <p>If the purpose of the SV is to levy a rate on limited cohorts (e.g. a developer), we would expect to see evidence of willingness to pay from the impacted parties. Further information about willingness to pay is provided in section 5.2.2.</p>

Criteria	IPART Guidance
Evidence could also include the analysis of the council's financial sustainability conducted by Government agencies	If available, councils are encouraged to submit relevant financial sustainability analyses conducted by other Government agencies.
If applicable, has the council not applied the full percentage increases available to it in one or more previous years under section 511 of the Local Government Act? If a council has a large amount of revenue yet to be caught up over the next several years, it should explain in its application how that impacts on its need for the SV.	If the council has catch-up revenue available to it, this should be incorporated into the LTFP baseline and SV scenarios. The council must also explain why the financial need for an SV exists, despite the availability of catch-up revenue.

### 3.3.1 Additional information required for councils with an existing SV applying for an additional percentage increase

If the council has **an existing SV**, the response for this question should explain:

- How the council has implemented the program of expenditure funded by the existing SV income.
- Whether any circumstances relating to the financial need for the additional revenue changed since it was approved, for example the council has received grant funding or income from other sources for the project.
- How changed circumstances have given rise to the need for an additional increase to general income.
- How closely revenue and expenditure in past years matched the projections made in the council's LTFP when applying for the original, and if relevant, the reasons for any significant differences.

### 3.3.2 Any other factors that demonstrate the council's financial need (optional)

A response for this box is not compulsory and a council will not be disadvantaged for leaving this section blank.

Use this section to provide further information about the council's financial need not already covered in Table 6 and the relevant worksheets from the Part A application form.

For instance, the council may wish to discuss the impact of **non-rateable** properties. An additional worksheet 12 in the Part A application form is also available (WS 12), which a council may use to further support its response.

## 4 OLG SV Criterion 2 – Community awareness and engagement

### Box 4.1 OLG Criterion 2

#### **Evidence that the community is aware of the need for and extent of a rate rise.**

The Delivery Program and Long Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. In particular, councils need to communicate the **full cumulative increase** of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category. Council should include an overview of its ongoing efficiency measures and briefly discuss its progress against these measures, in its explanation of the need for the proposed SV.

Council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur. The IPART fact sheet [referring to the current document] includes guidance to councils on the community awareness and engagement criterion for special variations.

Source: Office of Local Government, [Guidelines for the Preparation of an Application for a Special Variation to General Income](#), November 2020.

### 4.1 Our expectations for a council to demonstrate OLG Criterion 2

This criterion requires IPART to assess whether the council's consultation with ratepayers has been effective (i.e. the community is aware of the need for and extent of a rate rise).

For 2025-26, this section will serve as the IPART 'fact sheet' mentioned in OLG's SV Guidelines (see Box 4.1). This year, there will be no separate fact sheet published by us that includes guidance to councils on the community awareness and engagement criterion for special variations.

Effective community awareness and engagement provides:

- members of the public with adequate opportunities to consider the proposed SV and/or MR increase/s and provide feedback to the council, and
- for the council to then consider this feedback.

Councils should follow the [IP&R Framework](#) in developing a community engagement strategy to consult with the community on the Community Strategic Plan, Delivery Program and Resourcing Strategy, and to comply with the formal requirements for public exhibition and adoption of IP&R documents.



When designing their community consultation strategy about a proposed SV, we expect councils will use a more comprehensive and targeted consultation strategy, based on the requirements of the community awareness and engagement criterion in the SV guidelines, and having regard to the guidance in this section.

In our assessment, we expect the council to demonstrate it has:

- clearly and transparently communicated the full impact of the proposed rate increases to ratepayers
- clearly articulated whether the SV will result in either a temporary or permanent increase in the council's total income
- clearly communicated what the SV would fund and its ongoing efficiency measures
- used an appropriate variety of engagement methods to ensure community awareness and input into the SV process
- made the community aware of the need for and extent of the rate rise.

We will examine:

- whether an effective variety of engagement methods were used to reach as many ratepayers as possible across all relevant rating categories, including its timeliness
- the content of the material used for consultation and its clarity
- whether the opportunities for input and feedback on the proposal made available to the community were effective
- the outcomes from consultation and any council response to community feedback
- how the IP&R documents set out the extent of the requested rate increases.

## 4.2 SV Part B Application Form

Table 7 of the Part B application form directs the council to provide responses against OLG Criterion 2 in of the application form.

Table 4.1 below provides guidance on what we are looking for in each section (row) of Table 7 of the application form.

Table 4.1 Our guidance for completing Table 7 in the SV Part B SV Application Form

Criteria	Evidence of meeting this criterion
Evidence that the community is aware of the need for and extent of a rate rise.	<p>The council should provide to us the number of people reached by, for example, mail outs, events and online forums, the number of submissions made, surveys or feedback forms completed, as well as evidence of media reports and other indicators of public awareness of the council's SV intentions.</p> <p>The engagement materials should also be clear and transparent by explaining:</p> <ul style="list-style-type: none"> <li>• why an SV is the most appropriate option (i.e. consistency with the community's priorities)</li> <li>• other options explored by the council that was not an SV</li> <li>• how the council intends to allocate the additional income from the proposed SV (this should also match <i>WS 8 - Expenditure Program</i> provided in the Part A application form)</li> </ul>

Criteria	Evidence of meeting this criterion
	<ul style="list-style-type: none"> <li>how the council would meet the community's needs (i.e. funding services), if it is not approved for the SV.</li> </ul> <p>Some common errors we have encountered for this are:</p> <ul style="list-style-type: none"> <li>when councils only present a worst-case scenario that threatens ratepayers with cuts to popular services</li> <li>when councils do not clearly communicate to ratepayers whether certain services would be maintained, reduced or stopped if it is not approved for an SV.</li> </ul> <p>We encourage councils to carry out meaningful community engagement where councils present a range of realistic funding scenarios, rather than an 'all or nothing' choice. One of these options could be to reduce services instead of increasing rates.</p>
<p>The council needs to communicate the full cumulative increase of the proposed SV in percentage terms, and the proposed total increase in dollar terms for the average ratepayer, by rating category.</p>	<p>Provide evidence of clear and transparent communication of the full impact of the proposed rate increase/s to ratepayers, including:</p> <ul style="list-style-type: none"> <li>the proposed cumulative (compounded) SV rates increases including the rate peg for each rating category in both percentage and dollar terms</li> <li>the annual (year-on-year) increase in average rates for each rating category in both percentage and dollar terms</li> <li>whether the SV will result in either a temporary or permanent increase in the council's total general income</li> <li>the rate levels that would apply without the proposed increase</li> <li>changes to minimum rates (if applicable)</li> <li>the impact of expiring or existing SVs (if applicable).</li> </ul> <p>Please also see Box 4.2 for common calculation traps to avoid.</p>
<p>The Delivery Program and LTFF should clearly set out the extent of the General Fund rate rise under the SV, for the average ratepayer, by rating category.</p>	<p>Include relevant references to the Delivery Program and LTFF.</p>
<p>Council should include an overview of its ongoing efficiency measures and briefly discuss its progress against these measures, in its explanation of the need for the proposed SV.</p>	<p>Refer to community consultation materials and/or IP&amp;R documents that explain why an SV may be needed despite ongoing efficiency measures. The response may also link with what is provided under OLG Criterion 1 (see Table 3.2 canvassing alternatives to the SV) and OLG Criterion 5 (see section 7).</p>
<p>The council's community engagement strategy for the SV must demonstrate an appropriate variety of engagement methods to ensure community awareness and input to occur.</p>	<p>Councils may provide information and capture community feedback/input about their proposals in a variety of ways, including, but not limited to:</p> <ul style="list-style-type: none"> <li>mail-out to all ratepayers, with a reply-paid survey</li> <li>fact sheets</li> <li>media releases</li> <li>online surveys</li> <li>surveys of ratepayers, random and appropriately stratified to capture the population characteristics of the local government area</li> <li>public meetings</li> <li>listening posts</li> <li>resident workshops</li> <li>online discussion forums, and</li> <li>discussions with particular community groups.</li> </ul> <p>Councils should choose methods that reflect the magnitude and impact of the proposed rate increase, and the resources of the council.</p>
<p>Explain the action, if any, the council took in response to feedback from the community</p>	<p>The council is required to consider the results of the community consultation in preparing the application. The response should identify and document any action taken, or which will be taken, to address issues of common concern within the community about the proposed SV. The council must explain how the community responded to the council's consultation and the feedback the council received about its proposal. Information could include:</p> <ul style="list-style-type: none"> <li>the number of attendees at workshops or meetings</li> <li>the percentage of respondents supporting, to various degrees, the proposal(s)</li> </ul>

Criteria	Evidence of meeting this criterion
	<ul style="list-style-type: none"> <li>the overall sentiment of representations (where the council has received submissions from the community relevant to the proposed SV, the application should set out the views expressed in those submissions)</li> <li>survey results, if undertaken (particularly the level of support for specific programs or projects, levels and types of services, investment in assets, as well as the options proposed for funding them by rate increases)</li> <li>any action proposed by the council to address issues of concern within the community.</li> </ul>

### Box 4.2 Common calculation traps to avoid

To help a council to transparently communicate its proposed SV, it should take care to address the 2 points below.

- Communicate the SV percentages as a total:** Proposed percentage increases should be expressed as a total amount (not just the incremental percentage 'above the rate peg').
- A multi-year cumulative SV percentage needs to be compounded:** The cumulative SV percentage and dollar impact is to be compounded and not added up.
  - An SV of 10.0% each year for 3 years (i.e. 10.0%, 10.0% and 10.0%) has a cumulative SV percentage of 33.1% because:  
 $(1+10.0\%) \times (1+10.0\%) \times (1+10.0\%) - 1 = 33.1\%$ .

## 4.3 Examples of presenting rate increases clearly

Below we provide best practice examples on how to communicate the impact of a proposed rate rise to common scenarios such as:

- Example 1 - SV only
- Example 2 - SV with an MR increase
- Example 3 - SV with differential increases across the rating categories
- Example 4 - SV after an expiring SV
- Variation of an existing (ongoing) SV

### Example 1 - SV only

Table 4.2 shows the impact of a multi-year section 508A SV of 7.5% over 4 years. For illustrative purposes, our example shows the impact on the category of residential ratepayers.

Please note the following best practice guidance:

- Councils are expected to adapt the table to show the impact on average rates of all categories of residential, business, farmland and mining ratepayers who would be affected by the proposed SV.
- Communicate the proposed SV percentage (not just the incremental percentage above the rate peg)
- Provide annual (year-on-year) increases in average rates
- Show what the rate levels would have been without an SV.

Where the SV would be kept permanent in the rate base, the council should also explain that the rate peg percentage would apply to rate levels with the SV (see footnote \*\* in Table 4.2).

Table 4.2 Impact on the average residential rate of a permanent SV of 7.5% each year for 4 years (33.5% SV)

	Base year	Year 1	Year 2	Year 3	Year 4	Cumulative increase
Average residential rate under assumed rate peg	\$1,000	\$1,035	\$1,061	\$1,087	\$1,115	\$115
Annual increase rate peg (%)		3.5% <sup>a</sup>	2.5%	2.5%	2.5%	11.5%
Annual increase rate peg (%) with an SV of 7.5% p.a. for 4 years	\$1,000	\$1,075	\$1,156	\$1,242	\$1,335 <sup>**</sup>	\$335
Annual increase with SV		7.5%	7.5%	7.5%	7.5%	33.5%
Cumulative impact of SV above base year levels		\$75	\$156	\$242	\$335	
Difference between SV and rate peg only scenarios		\$40	\$95	\$155	\$220	

**\*\*A permanent SV means that after the 4 years the rate peg percentage would continue compounding on the rate levels after the SV i.e. compounding on the \$1,335 figure.**

a. Use the actual rate peg for the first year of the SV.

b. The rate peg percentage increase of 2.5% in year 2 to 4 is based on what is recommended in the [OLG SV Guidelines](#). Councils can use a different assumed future rate peg and explain why. They could refer to guidance in section 3 of this [Fact Sheet](#).

c. These figures have been rounded in calculation and therefore summations on a whole may not appear to be correct.

## Example 2 - SV with an MR increase

Table 4.3 shows the impact of a multi-year section 508A SV of 33.5% over 4 years, but also includes a proposed MR increase. For illustrative purposes, our example shows the impact on the category of residential ratepayers.

The example in Table 4.3 shows the example of also ensuring ratepayers under MRs are kept in the loop, especially if the proposed MR increase percentages are higher than the headline SV percentage i.e. in this example the SV has a cumulative increase of 33.5% over 4 years, whilst the proposed MR increase would be a 50% increase in the same period.

Table 4.3 Impact on the average residential rate of a permanent SV of 7.5% each year for 4 years (33.6% SV) and residential minimum rates increase of \$250 over 4 years

	Base year	Year 1	Year 2	Year 3	Year 4	Cumulative increase
Average ad-valorem residential rate under the assumed rate peg	\$1,000	\$1,035	\$1,061	\$1,087	\$1,115	\$115
Annual increase rate peg (%)		3.5%	2.5%	2.5%	2.5%	11.5%
Annual increase rate peg (%) with an SV of 7.5% p.a. for 4 years	\$1,000	\$1,075	\$1,156	\$1,242	\$1,335	\$335
Annual increase with SV, including the rate peg (%)		7.5%	7.5%	7.5%	7.5%	33.5%
Cumulative impact of SV above base year levels		\$75	\$156	\$242	\$335	
Difference between SV and rate peg only scenarios		\$40	\$95	\$155	\$220	
<i>Residential minimum rate under the assumed rate peg</i>	<i>\$500</i>	<i>\$518</i>	<i>\$530</i>	<i>\$544</i>	<i>\$557</i>	<i>\$57</i>
<i>Annual increase rate peg (%)</i>		<i>3.5%</i>	<i>2.5%</i>	<i>2.5%</i>	<i>2.5%</i>	<i>11.5%</i>
<i>Annual proposed MR increase (\$)</i>	<i>\$500</i>	<i>\$600</i>	<i>\$650</i>	<i>\$700</i>	<i>\$750</i>	<i>\$250</i>
<i>Annual proposed MR increase (%)</i>		<i>20.0%</i>	<i>8.3%</i>	<i>7.7%</i>	<i>7.1%</i>	<i>49.9%</i>
<i>Cumulative impact of MR increase above base year levels</i>		<i>\$100</i>	<i>\$150</i>	<i>\$200</i>	<i>\$250</i>	
<i>Difference between the MR under rate peg and proposed MR increase scenarios</i>		<i>\$82</i>	<i>\$120</i>	<i>\$156</i>	<i>\$193</i>	

### Example 3 - SV with differential increases across the rating categories

A section 508A SV increases the total general revenue that a council is able to raise, but the distribution of the rate burden amongst ratepayers is a decision for the council.

That is, councils can choose to collect the proposed increase from different rating categories to achieve a specific objective. For example, councils may seek to recover a higher proportion of the rate increase from ratepayers in business centres because the purpose of the SV is to provide town centre improvements.

Table 4.4 shows the impact of a section 508A SV of 5.8% per year for 3 years (including the rate peg) across a council's different ratings categories. Councils may also apply the SV to the minimum rate for each of the rating categories. If the council's minimum rate is above the statutory amount of a minimum rate.

Table 4.4 Impact on the average rate of a section 508A SV of 5.8% per year for 3 years, weighted differently between the different rating categories

	Base Year	Year 1	Year 2	Year 3	Total cumulative dollar increase	Total cumulative percentage increase
Residential Average	\$1,169	\$1,233	\$1,300	\$1,371	<b>\$202</b>	
Residential Increase		5.5%	5.4%	5.5%		<b>17.3%</b>
Residential Minimum	\$966	\$990	\$1,015	\$1,040	<b>\$74</b>	
Residential Minimum Increase		2.5%	2.5%	2.5%		<b>7.7%</b>
Major Town Centre Average	\$3,311	\$3,558	\$3,822	\$4,106	<b>\$795</b>	
Major Town Centre Increase		7.5%	7.4%	7.4%		<b>24.0%</b>
Minor Town Centre Average	\$1,500	\$1,538	\$1,576	\$1,615	<b>\$115</b>	
Minor Town Centre Increase		2.5%	2.5%	2.5%		<b>7.7%</b>
Other Business Minimum	\$1,100	\$1,128	\$1,156	\$1,185	<b>\$85</b>	
Other Business Minimum Increase		2.5%	2.5%	2.5%		<b>7.7%</b>
Total Income Increase (%)		5.8%	5.8%	5.8%		<b>18.4%</b>

## Example 4 - SV after an expiring SV

Explaining the impact of an expiring SV can be complex. Councils can clearly explain the impact of an expiring SV by communicating to ratepayers:

- that an existing SV is about to expire or will do so during the period of the proposed SV
- the SV percentage being applied for will be higher than the year-on-year percentage change in the average rate due to the impact of the expiring SV
- whether the temporary expiring SV is being replaced with another temporary SV, or a permanent SV which will remain in the rate base
- that, if the SV is not approved when the existing SV expires, the year-on-year impact on rate levels would be lower and average rates may even fall below existing levels.

Table 4.5 demonstrates how a council may communicate the combined impact of an expiring SV with a proposed SV. In this example:

- An existing SV, equivalent to 4% of rates in the Base year, is to expire on 30 June of that year. The expiring SV reduces average rates from \$1,000 to \$960 at the end of the Base year. **The \$960 forms the basis for future increases due to the rate peg and/or proposed SV** (more information is also available in Table A.1 in the OLG's [SV Guidelines](#)).
- The council has proposed an SV to increase rates by 7.5% in each of the next 4 years.

Table 4.5 Impact on the average residential rate of an expiring SV and a s 508A SV of 7.5% per year for 4 years

	Base year	Year 1	Year 2	Year 3	Year 4	Cumulative increase
<b>Rate peg only (no new SV)</b>	\$1,000	\$984	\$1,009	\$1,034	\$1,060	\$100
Average residential rate under assumed 2.5% rate peg with a 4% expiring SV						
Annual increase (%)		-1.6% <sup>b</sup>	2.5%	2.5%	2.5%	10.4% <sup>a</sup>
<b>With proposed SV</b>	\$1,000	\$1,032	\$1,109	\$1,193	\$1,282	\$322
Average residential rate with a 4% expiring SV and a 7.5% pa SV commencing in Year 1						
Annual increase (%)		3.2% <sup>c</sup>	7.5%	7.5%	7.5%	33.6% <sup>a</sup>
Cumulative impact of SV above Base year levels after expiry		\$72	\$149	\$233	\$322	
Difference between SV and rate peg only scenarios		\$48	\$100	\$159	\$222	

a. The cumulative percentage over the four years is calculated with the base being the average rate as of 30 June in the Base year after the expiring SV has been removed (i.e. \$960 not \$1,000). Some figures in the table may not add due to rounding.

b. The 2.5% rate peg increase is calculated on the base year's residential rate of \$1,000 with the 4% SV removed, so \$960. Thus, \$960 x 1.025 is \$984. However, when reflecting the difference between the base year and Year 1 we use \$1,000 rather than the \$960, as the average ratepayer would have paid the amount with the 4% SV, hence the 1.6% decrease. Alternatively, as a formula this would be  $(1 - 4.0\%) \times (1 + 2.5\%) - 1 = -1.6\%$ .

c. Similar to note b, the 7.5% SV is applied on the \$960 rather than the \$1,000 for the base year i.e. \$960 x 1.075 is \$1,032. However, when reflecting the difference between the base year and Year 1 we use the \$1,000 figure rather than the \$960, as the average ratepayer would have paid the amount with the 4% SV, hence the 3.2% increase. Alternatively, as a formula this would be  $(1 - 4.0\%) \times (1 + 7.5\%) - 1 = 3.2\%$ .

The council needs to communicate the combined impact of the expiring SV being removed and the increase in rates as a result of either the rate peg only or the SV. In this example:

- Under the **rate peg only scenario**, the average residential rate would fall from \$1,000 in the base year to \$984 in Year 1 (or by a total of 1.6%). This reflects both the expiry of the 4% SV, causing a fall to \$960, and the assumed 2.5% rate peg causing an increase from \$960 to \$984. From Year 2 onward, the rate would increase by the assumed 2.5% per annum.
- Under the **SV scenario**, the council will need to communicate that rates would increase by \$72 (or 3.2%) in Year 1. Because of the expiring SV, the increase in Year 1 is lower than the 7.5% proposed SV. The cumulative increase over the 4-year period is actually 33.5% (or \$322 which is the difference between the Base year post-expiry \$960 and Year 4 \$1,282), and not 28.2% (or \$282 which is the difference between Base year \$1,000 and Year 4 \$1,282), because the proposed SV increase is applied to the post-expiring SV level of rates of \$960 in the Base year.

### Proposed average rates outlined in the council's community consultation material

The council's community consultation materials are required to provide information on the annual increase in average rates by rating category. Any differences between the average rates in the consultation material and Table 7.2, Worksheet 7 of the Part A application form must be explained in section 4.2 of the Part B SV Application Form. Some examples of where the differences may come from are changes in rating structure since the consultation or supplementary valuations.

### Variation of an existing (ongoing) SV

Section 5.2 of the [OLG SV Guidelines](#) outlines how a council can seek a variation during the term of an existing section 508A SV.

When consulting with the community on the proposed variation to an ongoing SV, councils must clearly communicate the full cumulative increase to rates (i.e. the impact of the existing SV plus the additional percentage sought by the variation). The council should also provide details of the existing SV such as its size and duration, and the impact on rate levels when it does expire, as well as the impact on rate levels and annual increases with and without the additional SV.

The OLG's [SV Guidelines](#) acknowledge that in these situations the focus of community consultation can be on the difference between the status quo (what ratepayers are currently paying including the existing SV) and what rate levels would be under the varied SV.



## 5 OLG SV Criterion 3 – Impact on ratepayers

### Box 5.1 OLG Criterion 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 council's Delivery Program and Long Term Financial Plan should:

- clearly show the impact of any rate rises upon the community
- demonstrate the council's consideration of the community's capacity and willingness to pay rates, and
- establish that the proposed rate increases are affordable having regard to the community's capacity to pay.

In assessing the impact, IPART may also consider:

- Socio-Economic Indexes for Areas (SEIFA) data for the council area: and
- whether and to what extent a council has decided not to apply the full percentage increases available to it in one or more previous years under section 511 of the Local Government Act.

Source: Office of Local Government, [Guidelines for the Preparation of an Application for a Special Variation to General Income](#), November 2020.

### 5.1 Our approach to assessing OLG Criterion 3

We will assess:

1. the impact on rates of the proposed SV, including the impact on minimum amounts of any ordinary or special rate
2. how the council considered that the proposed rate rises were affordable, having regard to ratepayers' capacity and willingness to pay
3. how the council addressed (or intends to address) concerns about affordability in determining the special variation is applied for.

Councils should also be able to reference where in its Delivery Program, LTFP and community consultation materials it has articulated the elements of OLG Criterion 3.

We will review the council's proposed rating structure provided in Worksheet 7 – Impact on Rates (WS 7) of the Part A application form.

We will also undertake our own analysis of affordability using a range of data, including:

- the average growth in the council's rates in recent years, including previous SV increases

- how the council's average rates, current and under the proposed SV, compare with those in similar councils, and
- socio-economic indicators such as median household income, average rates to income ratio, outstanding rates ratio and SEIFA ranking.

Worksheet 12 (WS 12) of the [Part A](#) application form requests data to inform our assessment, including additional information around:

- rates and annual charges outstanding
- pensioner concessions
- hardship policies.

## 5.2 SV Part B Application Form

### 5.2.1 How did the council clearly show the impact of any rate rise on the community?

Include references to the council's Delivery Program, LTFP and community consultation materials where the council:

- Provided information to the community indicating the average rates in 2025-26 (and beyond, if applicable), and then both the dollar and percentage increase for each rating category and subcategory for each year of the proposed SV, and the cumulative increases for the whole period. This also links with the guidance provided for OLG Criterion 2 in section 4.
- If applicable, clearly outlined the impact of and explained to the community the rationale for:
  - proposals to increase rates differentially across ratepayer categories and explain how the rating structure would be different from what would apply if the SV was not approved
  - changes to the rating structure in 2025-26
  - minimum rating structure.

### 5.2.2 How has the council considered affordability and the community's capacity and willingness to pay?

Provide evidence to establish that:

- the proposed SV is reasonable in the context of the current rate levels, ratepayer base and its purpose as articulated in Question 3 of the Description and Context section above.
- the council considered the community's capacity and willingness to pay (if applicable), and that the rate increases would be reasonable for the community.

Evidence about capacity to pay could include a discussion of such indicators as SEIFA rankings, land values, average rates, disposable incomes, the outstanding rates ratio and rates as a proportion of household/business/farmland income and expenditure, and how these measures relate to those in comparable or neighbouring council areas.

As many of these measures are highly aggregated, it may also be useful to discuss other factors that could better explain the impact on ratepayers affected by the proposed rate increases.

While councils should consider the affordability of the proposed rate increases for all affected ratepayers, in some circumstances, particularly where the increase will not be uniform for all ratepayers, councils should explain how the **affected** ratepayer capacity to pay was considered. This could apply, for example, where:

- The council intends to apply the increase differentially across ratepayer categories.
- The council intends to make changes to the rating structure from 2025-26 in conjunction with the proposed SV.
- The proposal would increase minimum rates by a significant percentage.

### Willingness to pay study

A willingness to pay study must be provided in instances where the council does not have a financial need but is applying for an SV to fund discretionary expenditure that is aligned with community priorities. More information about the interaction between financial need and willingness to pay is provided in section 3.1.3.

Also, in instances where the purpose of an SV is to levy a rate on limited cohorts (e.g. developer), we would expect to see evidence of willingness to pay from the impacted parties. This could be a letter from the impacted parties confirming their willingness to pay.

### 5.2.3 How has the council addressed concerns about affordability?

The response should explain any measures the council has in place, or intends to introduce, to deal with cases where ratepayers experience hardship in meeting their obligation to pay rates. The [Part A](#) application form also requests some additional data for us to better understand the impact of a proposed rate rise in WS 12.

Evidence can relate to a formal hardship policy which the council has adopted, and/or processes the council has in place, or intends to implement. The response should explain who the potential beneficiaries are and how they are or will be assisted, and whether the measures in place are temporary (e.g. for the duration of the SV) or permanent. The council must also explain how it makes its hardship provisions and other similar measures known to ratepayers.

5.2.4 Are there any other factors that may influence the impact of the council's proposed rate rise (optional)?

The council may wish to provide additional information here, such as the impact of non-rateable properties and provide data in WS 12 of the [Part A](#) application form.

This is an optional question and a council will not be disadvantaged for leaving the text box for this section blank.

## 6 OLG SV Criterion 4 – Exhibition and adoption of IP&R documents

### Box 6.1 OLG Criterion 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 income. It is expected that councils will hold an extraordinary meeting if required to adopt the relevant IP&R documents before the deadline for special variation applications.

*\* The relevant documents are the Community Strategic Plan, Delivery Program, and Long Term Financial Plan and where applicable, Asset Management Plan. Of these, the Community Strategic Plan and Delivery Program require (if amended), public exhibition for 28 days. It would also be expected that the Long Term Financial Plan (General Fund) be posted on the council's web site.*

Source: Office of Local Government, [Guidelines for the Preparation of an Application for a Special Variation to General Income](#), November 2020.

### 6.1 Our expectations for OLG Criterion 4

At a minimum, a council should ensure that:

- The Community Strategic Plan, Delivery Program, LTFP and Asset Management Plan (where appropriate) have been adopted before lodging an application to IPART.
- The Community Strategic Plan and Delivery Program have been publicly exhibited for 28 days. The exhibition period is scheduled so that there is an opportunity for the council to formally consider feedback and resolve to adopt the revised documents. It will be expected that a council will hold an extraordinary general meeting, if necessary, to meet this requirement.

Where the key purpose of a proposed SV is to fund asset management, the council's **Asset Management Plan** must be adopted before submitting the application to IPART. If the key purpose of the proposed SV is to fund a specific asset (e.g. stormwater, swimming pool etc.), we would expect a *specific* Asset Management Plan for the asset class.

## 7 OLG SV Criterion 5 – Productivity and cost-containment

### Box 7.1 OLG Criterion 5

**The IP&R documents or the council's application must explain and quantify the productivity improvements and cost containment strategies** the council has realised in past years and plans to realise over the proposed special variation period.

Councils should present their productivity improvements and cost containment strategies in the context of ongoing efficiency measures and indicate if the estimated financial impact of the ongoing efficiency measures has been incorporated in the council's Long Term Financial Plan.

Source: Office of Local Government, [Guidelines for the Preparation of an Application for a Special Variation to General Income](#), November 2020.

### 7.1 Our approach to assessing OLG Criterion 5

To demonstrate that a council has met this criterion, it is not sufficient to list a series of cost-saving or revenue-raising initiatives.

IPART is looking for evidence of strategies and activities the council has adopted in the past, and robust data quantifying the efficiency gains achieved. When considering future productivity improvements and cost containment activities, we expect councils would be able to explain their strategy, estimate the financial impact of planned initiatives, and indicate whether the impact has been incorporated in the council's Long Term Financial Plan.

### 7.2 SV Part B Application Form

#### 7.2.1 What is the council's strategic approach to improving productivity in its operations and asset management?

The council's response should identify how, as an organisation, it has approached improving productivity in its operations and asset management. It could refer to approaches such as:

- comprehensive strategic-level review of council operations including service priorities, levels of service, labour and capital inputs
- targeted reviews of discrete areas of council operations encompassing all aspects of processes, procedures, procurement, scheduling and equipment use
- reviewing service standards so that they more closely align with community expectations

- organisational restructure
- redesigning processes such as financial reporting, people/performance/project management to achieve efficiencies
- reviewing procurement strategies
- pursuing opportunities for commercialisation and business improvement
- review of assets in order to rationalise and divest property.

## 7.2.2 What outcomes has the council achieved from productivity improvements and cost containment strategies in past years?

The council's response should, wherever possible:

- explain its existing oversight processes and frameworks (e.g. ARIC – Audit, Risk and Improvement Committee) to identify and implement efficiency gains and cost savings in line with the community's expectation
- provide information about productivity improvements and cost containment strategies implemented in recent years
- quantify the gain in dollar terms and as a percentage of operating expenditure.

Where quantification is not possible, the council should explain how the initiative improved productivity and/or helped to contain costs. Also, the council should be able to demonstrate a robust internal process for identifying and implementing efficiency gains and cost savings.

You should provide evidence of overall improvements in the council's financial situation from productivity and operational improvements and provide specific examples of initiatives or activities. Examples include:

- introducing environmental and energy efficiency initiatives
- adopting more efficient information and communications technology for a range of activities such as communications, document processing, financial transactions, outdoor staff operations, e-recruitment
- shared purchasing through joint organisations of councils
- improved management of workers compensation insurance claims and safety audit
- seeking private contract works for road maintenance
- contracting to provide services to other councils
- reviewing community venue management to increase the utilisation of venues and associated revenues
- reviewing charges to ensure greater cost-recovery for council-provided services
- review of and refinancing loan borrowings
- adopting waste management strategies to reduce landfill waste and associated costs.

### 7.2.3 What productivity improvements and cost containment strategies are planned for future years?

The council should detail initiatives planned for the next two years when requesting a one-year section 508(2) SV or match the duration of the proposed multi-year section 508A SV.

The response should, wherever possible:

- provide evidence that supports the likelihood of implementation (e.g. documents that show concrete implementation plans, council minutes etc)
- estimate the financial impact of strategies intended to be implemented in the future
- present these as a percentage of operating expenditure
- indicate how the proposed initiatives have been factored into the council's Long Term Financial Plan.

In principle, a strong response to this section would demonstrate that a planned initiative is likely to be implemented.

### 7.2.4 How has the council's levels of productivity and efficiency changed over time, and compared to similar councils?

To demonstrate how efficiency has changed over time, councils could use data based on studies of the council itself, or measures against the performance of comparable councils, and also rely on comparative data produced by OLG data such as:

- number of full-time employees (FTE)
- ratio of FTE to population
- average cost per FTE
- employee and on-costs as percentage of ordinary expenditure
- consultancy/contractor expenses over time.



## 8 OLG SV Criterion 6 – Other matters

### Box 8.1 OLG Criterion 6

Any other matter that IPART considers relevant.

Source: Office of Local Government, [Guidelines for the Preparation of an Application for a Special Variation to General Income](#), November 2020.

### 8.1 Our approach to OLG Criterion 6

IPART considers the extent to which councils have complied with conditions imposed under IPART-approved SV instruments as a relevant matter (i.e. decisions from 2011-12). Please note that [Additional Special Variations](#) (ASVs) approved in 2022-23 were issued under s 508(2) and have reporting conditions attached to them like regular s 508(2) and s 508A SVs.

The compliance with past SV instruments will be assessed based on the council's response to Question 7 in Description and Context (see section 2.2).

IPART may also consider other matters relevant to its assessment based on the circumstances of a particular application.

---

© Independent Pricing and Regulatory Tribunal (2024).

With the exception of any:

- a. coat of arms, logo, trade mark or other branding;
- b. photographs, icons or other images;
- c. third party intellectual property; and
- d. personal information such as photos of people.

this publication is licensed under the Creative Commons Attribution-NonCommercial-NoDerivs 3.0 Australia Licence.



The licence terms are available at the [Creative Commons website](#)

IPART requires that it be attributed as creator of the licensed material in the following manner: © Independent Pricing and Regulatory Tribunal (2024).

The use of any material from this publication in a way not permitted by the above licence or otherwise allowed under the Copyright Act 1968 (Cth) may be an infringement of copyright. Where you wish to use the material in a way that is not permitted, you must lodge a request for further authorisation with IPART.

**Disclaimer**

Nothing in this document should be taken to indicate IPART's or the NSW Government's commitment to a particular course of action.

This document is published for the purpose of IPART fulfilling its statutory or delegated functions as set out in this document. Use of the information in this document for any other purpose is at the user's own risk, and is not endorsed by IPART.

**ISBN** 978-1-76049-753-8