

Fact Sheet – Council applications for special variations and minimum rate increases in 2021-22

12 February 2021

WHAT

IPART has received eight special variation applications which we will assess by May 2021.

We are now accepting submissions from ratepayers and other interested stakeholders on their council's proposed special variation and minimum rate increases in 2021-22.

We encourage ratepayers to make submissions on IPART's website.

WHY

A special variation allows a council to increase its general income above the rate peg. General income is mainly comprised of rates income.

Special variations (SV) may fund:

- ▼ improvements in the council's financial sustainability
- ▼ reductions in backlogs for asset maintenance and renewal
- ▼ new or enhanced services to meet the needs of the local community
- ▼ projects of regional significance, or
- ▼ special cost pressures being faced within the local government area.

Minimum rate increase applications (MR) allow councils to redistribute the rate burden between ratepayers. They do not increase the council's general income.

WHO

Ratepayers are invited to make submissions for the following councils:

- ▼ Armidale Regional (SV)
- ▼ City of Canterbury Bankstown (SV/MR)
- ▼ Central Coast (SV)
- ▼ Cootamundra-Gundagai Regional (SV)
- ▼ Federation (SV)
- ▼ Georges River (SV/MR)
- ▼ Liverpool Plains Shire (SV)
- ▼ Tweed Shire (SV)

IPART granted application extensions to:

- ▼ Central Coast (SV) until:
 - 1 March 2021 to provide its final application following community consultation
 - 5 April 2021 to provide its proposed harmonised rates structure
- ▼ Inner West (MR) until 1 March 2021
- ▼ Bayside (MR) until 1 March 2021

HOW

IPART will assess councils' applications against the criteria set out in the Office of Local Government's (OLG) Guidelines.

WHEN

- ▼ **7 March 2021** – public submissions for most councils' applications close.
- ▼ **21 March 2021** – public submissions close for councils with extensions.
- ▼ **May 2021** – IPART publishes its determinations for special variations and minimum rates in 2021-22.

1 Purpose

This fact sheet sets out the councils that have submitted an application under the *Local Government Act 1993* (the Act) for a special variation or a change in minimum rate.

2 What is a special variation and minimum rate increase?

Special variation

A special variation allows councils to increase general income above the rate peg. IPART has set the rate peg at 2% for 2021-22. For most councils, general income consists of rates income.

The Act provides for two types of special variations:

- ▼ a single year percentage increase, under section 508(2)
- ▼ successive annual percentage increases over a period of between two and seven years, under section 508A.

Applications for each of these may be either permanent or temporary. Permanent increases result in the rate base staying at the higher level following the special variation. Temporary increases mean the rate base returns to its previous level after the specified duration of the special variation.

Minimum rate

Section 548 of the Act allows a council to specify a minimum amount of a rate to be levied on each parcel of land. If a council makes an ordinary rate for different categories or sub-categories of land, it may specify a different minimum amount for each category or sub-category.

The maximum amount that a council can levy as a minimum rate is set out in section 548(3) of the Act and clause 126 of the *Local Government (General) Regulation 2005* (Regulation). The council may be approved a higher amount than legislated based on an application to IPART and issue of an instrument under the Act.

3 Which councils have applied for a special variation or minimum rate increase?

Table 6.1 lists the councils that applied for increases in their rates. The table also includes the details of the increases requested and the purpose for which the funds are to be used. We have excluded MR only applications from the table as these applications will be submitted on 1 March 2021.

Eight councils submitted applications for a special variation; with two councils, City of Canterbury Bankstown and Georges River, applying for a combination of special variation and minimum rate increases. Four of the applications, including the combination SV/MR applications, are for multi-year, permanent increases under section 508A of the Act. Four of the applications are for single year, permanent increases under section 508(2) of the Act.

We have posted the applications on our website at the [Special Variations and Minimum Rates 2021-22](#) page.

4 How will IPART assess the applications?

We will assess the councils' applications against the criteria set out in the OLG Guidelines. The [special variations guidelines](#) and [minimum rate guidelines](#) are available on our website and detailed in Box 4.1 and Box 4.2 respectively.

Our assessment of special variation applications involves determining whether or not a council's application has met the criteria prescribed in OLG's special variation guidelines. Minimum rate applications require applications to meet the criteria included in OLG's minimum rate guidelines.

For further information see our [Fact Sheet – How IPART will assess applications for special variations](#), or [The Year Ahead - Minimum Rates in 2021-22](#) which is also on IPART's website.

Box 4.1 Assessment criteria for 2021-22 SV applications

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^a:

- ▼ 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 criteria, 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.

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 includes guidance to councils on the community awareness and engagement criterion for special variations.^b

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.

4. The relevant IP&R documents^c 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.

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 have been incorporated in the council's Long Term Financial Plan.

6. Any other matter that IPART considers relevant.

Notes:

a Page 71, IP&R Manual for Local Government "Planning a Sustainable Future", March 2013

b <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-special-variation-or-minimum-rate-increase>

c 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: OLG, *Guidelines for the preparation of an application for a special variation to general income*, November 2020.

Box 4.2 Assessment criteria for 2021-22 MR applications

IPART will assess applications for minimum rates above the statutory limit against the following set of criteria (in addition to any other matters which IPART considers relevant):

1. the rationale for increasing minimum rates above the statutory amount,
2. the impact on ratepayers, including the level of the proposed minimum rates and the number and proportion of ratepayers that will be on the minimum rates, by rating category or sub-category, and
3. the consultation the council has undertaken to obtain the community's views on the proposal.

Source: OLG, *Guidelines for the preparation of an application to increase minimum rates above the statutory limit*, November 2020.

5 How can ratepayers comment on their council's proposal?

Ratepayers and other interested stakeholders can make a submission to IPART about the councils' applications. We will accept and consider submissions from interested groups or individual ratepayers regarding special variations and minimum rates **until 7 March 2021**. For councils which have received extensions, public submissions will close on **21 March 2021**.

We will accept submissions:

- ▼ using our electronic submission facility that is located on the council applications page of our website at: <http://www.ipart.nsw.gov.au/Home/Industries/Local-Government/Council-Portal/Submission-Form> or
- ▼ emailed to localgovernment@ipart.nsw.gov.au or
- ▼ posted to the following address:
Local Government Team
Independent Pricing and Regulatory Tribunal of NSW
PO Box K35
Haymarket Post Shop NSW 1240.

We may also post non-confidential submissions received on IPART's website. Before publishing submissions, we generally remove signatures and identifying information such as email and postal addresses, and telephone numbers.

6 SV and MR applications received for 2021-22

Table 6.1 lists councils that have applied for both special variations and minimum rate increases from 2021-22.

Councils applying for minimum rate increases only, must submit their applications to IPART by 1 March 2021.

Table 6.1 Summary of applications received

Council	Application types SV and MR	% total increase including the rate peg and stated purpose
Armidale Regional	SV only	10.5% single year increase, retained permanently in the rate base, to maintain current service levels, fund renewal of infrastructure and ensure financial sustainability.
City of Canterbury Bankstown	SV and MR	36.34% cumulative increase over five years, retained permanently in the rate base, to improve service levels, fund ongoing maintenance and renewal of assets and new infrastructure. Minimum rates are currently \$636.80 and \$778.70 for residential and business ratepayers respectively in the former Bankstown area. In the former Canterbury area, they are \$713.90 for both residential and business ratepayers. The council proposes minimum rates of \$728.18 for residential and \$794.27 for business ratepayers in 2021-22, to increase to \$850 and \$990 for both categories in 2022-23 and 2023-24 respectively.
Central Coast	SV only	15% single year increase, retained permanently in the rate base, to improve financial sustainability.
Cootamundra -Gundagai Regional	SV only	53.5% cumulative increase over four years, retained permanently in the rate base, to maintain service levels, fund asset renewals and improve financial sustainability.
Federation	SV only	8.0% single year increase, retained permanently in the rate base, to fund the ongoing costs of a new swimming pool in Corowa.
Georges River	SV and MR	32.6% cumulative increase over five years, retained permanently in the rate base, to maintain service levels, deliver key priorities in the Community Strategic Plan and Delivery Program, fund infrastructure maintenance and renewals, and improve financial sustainability. Minimum rates are currently \$586 in the former Hurstville area and \$967 in the former Kogarah area. The council proposes minimum rates of \$965.80 for residential, \$1,500 for CBD business and \$1,100 for other business ratepayers for 2021-22.
Liverpool Plains Shire	SV only	25.97% cumulative increase over three years, retained permanently in the rate base, to improve financial sustainability, improve and facilitate maintenance and increase capacity to renew deteriorating assets. The council notes the SV will also reduce its reliance on grant funding for asset renewals.
Tweed Shire	SV only	4.35% single year increase, retained permanently in the rate base, to fund long-term maintenance and management of environmental protection lands. The SV is to be recovered through a special rate only levied on ratepayers within the new Kings Forest subdivision.