

Guidelines for the preparation of an application for a special variation to general income for 2014/2015



September 2013

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1. Introduction

Special variations provide an opportunity for councils to vary general income by an amount greater than the annual rate peg.

The Independent Pricing and Regulatory Tribunal (IPART) will assess and determine special variation applications by councils under powers delegated by the Minister for Local Government. These powers include:

- setting the annual rate peg based upon an IPART-published Local Government Cost Index and productivity factor; and
- assessing and determining applications for special variations.

The Division of Local Government (the Division), Department of Premier and Cabinet, establishes guidelines for applying for special variations. These guidelines set the criteria against which applications will be assessed and provide information on how and when to apply.

All special variation applications must comply with the requirements set out in these guidelines.

It is the responsibility of councils to ensure their application is fully compliant and that all relevant information is provided as part of their application.

Any inquiries regarding these **Guidelines** should be directed to the Division of Local Government on (02) 4428 4100.

Council must apply to IPART for a special variation.

2. Integrated planning and special variations

The Integrated Planning and Reporting framework (IP&R) provides a mechanism for councils and the community to have important discussions about service levels and funding priorities and to plan in partnership for a sustainable future.

IP&R therefore underpins decisions on the revenue required by each council to meet the community needs and demands, and in particular, whether the council requires a special variation to meet those needs.

All NSW councils have implemented the IP&R. The special variation guidelines and IPART's assessment process are based on an expectation that councils will have engaged the community in a discussion on funding required through the IP&R process.

Before applying to IPART for a special variation to general income, councils must adopt their Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, Asset Management Plan. Councils may only apply to IPART for a special variation to general income on the basis of those adopted IP&R documents. However, councils do not have to adopt their Operational Plan for the coming year before applying to IPART for a special variation.

More information on what councils are expected to do for implementing IP&R can be found in the IP&R Manual for Local Government *"Planning a Sustainable Future"*, March 2013 located on the Division's website at:

www.dlg.nsw.gov.au/dlg/dlghome/dlg_IntegratedPlanningIndex.asp?sectionid=1&mi=20&ml=9&AreaIndex=IntPlanRept&index=1201

3. Purpose and types of special variations

Special variations are an important means of providing additional funding to councils in delivering services and infrastructure that the community has requested and the council is unable to fund within its existing revenue.

The reasons why an individual council may require a special variation are wide and varied. Special variations do not have to be tied to a particular project or series of projects. In some circumstances, councils may seek special variations for contributions plan costs when these are above the relevant cap (Attachment 2).

The need for additional funding through a special variation must be identified during the Council's IP&R process and the community engagement that underpins the preparation of these documents. This is most likely to occur during the preparation of a council's Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, Asset Management Plan. This framework provides councils with a clear path for consulting with its communities on its needs and priorities and their willingness to pay rates at levels above the projected rate peg. However, where there are exceptional circumstances that prevent councils from reflecting the special variation in their IP&R

documentation, IPART may approve a special variation (see section 4 for further details).

In the past a distinction was drawn between the types of special variations and the criteria for application. Now that every council has implemented IP&R, the criteria for each type does not vary.

The type of special variation that is appropriate will depend on councils IP&R deliberations. Although the criteria will not vary, Councils will still be required to apply for the type of application required. Further information on this issue is contained at section 3.1 below.

3.1 Types of special variations

There are two special variation options under the *Local Government Act 1993*. When seeking a special variation, councils may apply for:

- a one-off percentage increase under section 508(2); or
- multi-year percentage increases (of between two and seven years) under section 508A.

The type of special variation that is appropriate for each council will be determined by the revenue requirements of the council, as outlined in the adopted Long Term Financial Plan. This will depend on a number of factors including:

- the size of the variation required,
- the reason for the variation,
- the need for the increase to be ongoing or for a fixed term,
- the fluctuation of expenditure over time,
- the financial objectives of a council, and
- the rate at which a council wishes to recover its costs.

It is important to understand the difference between each type of variation and the impact each will have on a council's financial position, the provision of services and the ability of ratepayers to pay the additional rates.

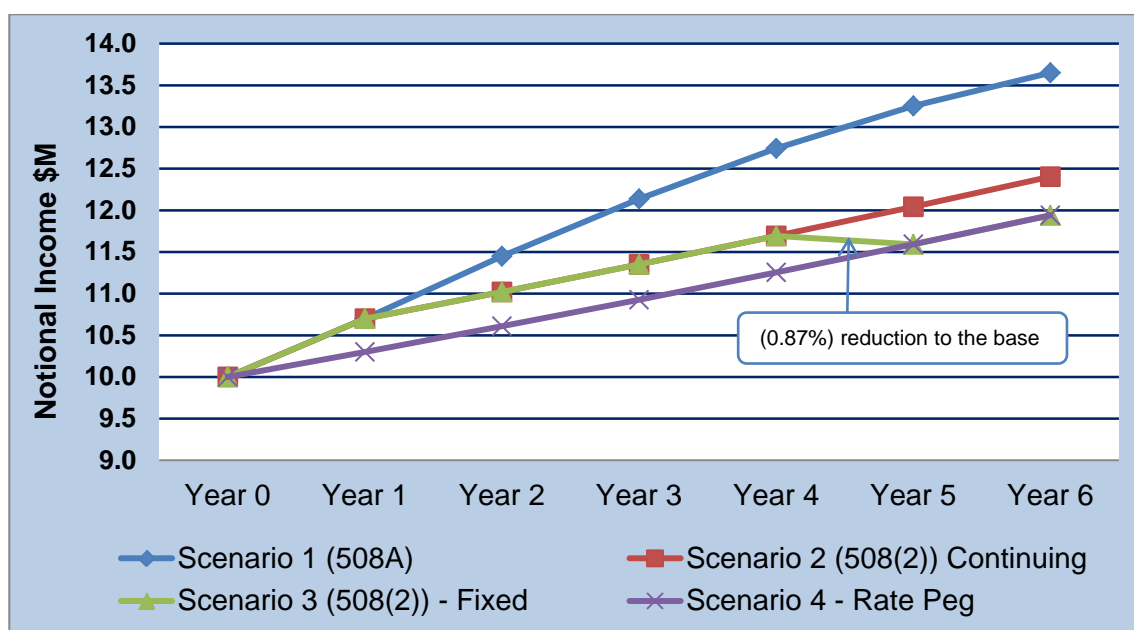
In general, a council's general income could follow one of four paths:

- Scenario 1 (*s508A of the Local Government Act 1993*): Successive annual percentage increases (between 2 and 7 years), which remain permanently in the rate base;
- Scenario 2 (*508(2) permanent*): a one-off (single year) percentage increase that remains permanently in the rate base;
- Scenario 3 (*508(2) fixed for x years*): a one-off (single year) percentage increase that remains in the rate base for x years. At the end of the fixed period the rate base is adjusted to match the rate peg path; or
- Scenario 4 (*Rate Peg*): IPART determined rate peg applies each year.

Although scenario 1 refers to permanent successive annual percentage increases under s508A, those increases may also be temporary. That is, they may remain in the rate base for a fixed period, with the rate base being adjusted to match the rate peg path at the end of that period.

Figure 3.1 below charts the resulting revenue path for a council under each of these scenarios¹.

Figure 3.1: Impact of special variation options on a council's rating income



¹ This chart is based on the following assumptions:

- Scenario 1 – successive increases of 7.0%, 7.0%, 6.0%, 5.0%, 4.0% which are permanently retained in the revenue base permanently. Rate peg applies in Year 6.
- Scenario 2 – one off increase of 7.0% in Year 1 which is retained in the income base permanently. Rate peg applies from Year 2.
- Scenario 3 – one off increase of 7.0% in Year 1 which is retained in the income base for four years. Rate peg applies from Year 2 but general income returns to the rate peg path in Year 5.
- All scenarios - annual rate peg increase of 3.0% in Years 1 to 6.

Scenario 1 (508A) variation

Scenario 1 allows multiple annual percentage increases to a council's general income for between 2 to 7 years.

The council identifies the additional revenue required over the period of the proposed increases, as indicated by the IP&R. The council then determines the annual percentage increases (including an assumed rate peg) required over the period to match this total amount. These percentages including the rate peg for each year, may be different from year to year.

There is no automatic adjustment to the approved percentage as a result of the actual rate peg in a particular year being higher or lower than what was assumed when the increase was approved.

The increases for each year for this variation are cumulative and compounding. The following example illustrates how this variation would operate for a council that was seeking to increase its general income by \$3.65 million at the end of a five year period. In doing so, the council is proposing to increase its rates by 7%, 7%, 6%, 5% and 4% over a 5-year period or a total amount of 32.53%. It is assumed that the rate peg is 3.0% in Year 6:

Table 3.1: Impact of a scenario 1 (508A) variation on total income yield

Year	Variation	Cumulative increase	Notional General Income (\$000s)
0	-	-	\$10,000
1	7%	7.00%	\$10,700
2	7%	14.49%	\$11,449
3	6%	21.36%	\$12,136
4	5%	27.43%	\$12,743
5	4%	32.53%	\$13,252
6	3.0% (rate peg)	36.50%	\$13,650

Under scenario 1, a council is able to phase in a potentially significant rate increase over a number of years, rather than concentrate the increase in rates in one year, as under scenario 2. This type of variation can have a significant impact on a council's rating income and ratepayers. This is due to the cumulative nature of the rate increases over multiple years and because the increases are retained permanently in the revenue base.

If the 508A variation were temporary, the council must either adjust its general income or apply for a new special variation on expiry of the fixed term (see expiring scenario 3 below).

Scenario 2 (508(2)) variations

Scenario 2 allows a single percentage revenue increase for a specified year that is greater than the rate peg for that year.

While the percentage increase in general revenue is only for a specific year, the period to which the increase in general income is to be retained in the council's income base may be permanent (scenario 2) or fixed for a determined number of years (scenario 3).

Under scenario 2 the percentage increase is a permanent one and therefore has a greater impact on income. That is the additional revenue generated from the special variation in the specified year permanently goes into the council's revenue base.

Scenario 3 (508(2)) variations

Under a fixed term special variation, the additional revenue generated from the special variation (excluding the rate peg increases) remains a part of a council's notional general income only for the term of the variation. This provides the council with the additional revenue for every year of the fixed term, indexed by the rate peg amount. On expiry of the fixed term, the council must either adjust its general income or apply for a new special variation (see expiring scenario 3 below).

The Council should be aware that while a fixed variation may allow infrastructure upgrades to be undertaken, these assets may require ongoing maintenance on completion. The additional funding may therefore still be required on an ongoing basis to meet this commitment.

Expiring scenario 3 variations

The value of an expiring special variation must be deducted from the council's general income on the date of the special variation's expiry.

The value of the deduction is equal to the total increase in the rate base above the rate peg path that would have resulted had the special variation not been approved.

Councils that currently have a fixed-term variation approaching its expiry date may:

- accept the required income adjustment on expiry of the variation, usually reflecting that the council no longer needs the additional funds, or
- apply for a new special variation to partially or fully continue the funding from the expiring variation and, in effect, avoid the income adjustment that would otherwise occur.

It is important for the council to clearly communicate the impact of the expiring variation when consulting with the community on a special variation proposal. This applies even if the new special variation is to continue essentially the same level of funding for the same projects.

For expiring variations, councils are encouraged to contact the Division to confirm the calculation of the expiring variation (see attachment 1 for more information). In exceptional circumstances a council may need to end an existing special variation earlier than its approved term to form part of a new special variation application.

Councils considering ending an existing special variation before the due date in order to factor it into a new special variation application are advised to contact IPART to discuss the implications and their options in this regard.

3.2 Other types of income adjustment

Councils may also seek other adjustments to their general income including:

- catch up or excess results from the previous year,
- valuation objections successfully claimed in the previous year, and
- Crown land adjustments for newly rateable Crown land.

The requirements of these guidelines do not apply to these adjustments. See Attachment 3 for further information.

Councils can also apply under sections 548(3)(a) and (b) of the *Local Government Act 1993* to increase minimum ordinary rates or special rates above the statutory limits. Applications to increase minimum amounts above the statutory limit are the subject of a separate assessment process also undertaken by IPART (see attachment 4 or visit the Division's website at: www.dlg.nsw.gov.au).

4. Assessment criteria for Special Variation applications

The assessment of applications for a special variation will examine the extent to which councils have fulfilled their obligations under IP&R, in accordance with the criteria.

The IP&R Manual for Local Government *“Planning a Sustainable Future”, March 2013*, outlines what is expected of councils in completing IP&R. In particular it discusses the importance of linking community outcomes and aspirations (as identified in the Community Strategic Plan) to key actions (the Delivery Program). It also identifies the need for councils to ensure that the appropriate resources are available at the right time (Resourcing Strategy).

The IP&R Manual states that in considering the likely revenue that will be available to meet the community’s long term objectives, the Long Term Financial Planning process needs to address capacity for rating, fees and charges, grants and subsidies, borrowings and cash reserves. In particular page 69 of the IP&R Manual states:

“The planning process should include an assessment of the community’s capacity and willingness to pay rates and whether there is the potential for changes in that capacity. In making that judgement, the council might review information relating to:

- *Separate or specific rates and charges*
- *The potential to reduce the reliance on rates through increased revenues from other sources e.g. fees and charges*
- *Potential growth/decline in rating revenues from changing demographic and industry makeup*
- *Possible need to increase reliance on rating due to reduction of revenues from other sources e.g. a decline in grants or subsidies*
- *Projected impact of the rate peg*
- *Opportunities for a special variation to general income*
- *Council’s current rating policy and likely changes to that policy in the future.”*

4.1 Criteria for special variation applications

Undertaking IP&R and in particular the Long Term Financial Plan as outlined in the IP&R Manual should provide sufficient information to meet the criteria against which IPART assesses applications. These criteria, which are based on what councils are required to do under IP&R, are:

1. The need for and purpose of a different revenue path (as requested through the special variation) is clearly articulated and identified through the council's IP&R documents, including its Delivery Program and Long Term Financial Plan. Evidence for this criterion could include evidence of community need/desire for service levels/project and limited council resourcing alternatives and the Council's financial sustainability conducted by the NSW Treasury Corporation. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios²:
 - Baseline scenario – revenue and expenditure forecasts which reflects the business as usual model, and exclude the special variation, and
 - Special variation scenario – the result of approving the special variation in full is shown and reflected in the revenue forecast with the additional expenditure levels intended to be funded by the special variation.
2. Evidence that the community is aware of the need for and extent of a rate rise. This must be clearly spelt out in IP&R documentation and the council must demonstrate an appropriate variety of engagement methods to ensure opportunity for community awareness/input. The IP&R documentation should canvas alternatives to a rate rise, the impact of any rises upon the community and the council's consideration of the community's capacity and willingness to pay rates. The relevant IP&R documents³ must be approved and adopted by the council before the council seeks IPART's approval for a special variation to its general revenue.
3. The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. Council's IP&R process should also establish that the proposed rate increases are affordable having regard to the local community's capacity to pay.
4. The proposed Delivery Program and Long Term Financial Plan must show evidence of realistic assumptions.
5. An explanation of the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.
6. IPART's assessment of the matters set out in Section 5.

² Page 71, IP&R Manual for Local Government *"Planning a Sustainable Future"*, March 2013

³ The relevant documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, Asset Management Plan.

The criteria for all types of special variation are the same. However, the magnitude or extent of evidence required for assessment of the criteria is a matter for IPART.

4.2 Exemption

There may be exceptional circumstances in which unforeseen events have occurred outside a council's control, which:

- have a demonstrated material impact on the council's general income; and
- prevent the council from being able to reflect the special variation in its IP&R documentation.

Should all of the above conditions occur, IPART may consider and approve the council's application for a special variation where it determines that the approval is appropriate, including whether the council would have met the criteria for a special variation even though the evidence that it would have done so is not necessarily reflected in the council's IP&R documentation.

5. IPART's assessment approach for special variation applications

IPART will assess applications for special variations against the criteria set out in these guidelines. Councils should be aware that if they provide all of the required information, this does not guarantee that applications will be approved by IPART. IPART will assess each application based on its merits against the assessment criteria. In doing so, IPART will consider:

- size of the council,
- resources of a council,
- size (both actual \$ and %) of increase requested,
- current rate levels and previous rate rises,
- purpose of the special variation, and
- any other matter considered relevant in the assessment of a special variation application.

Based on these considerations, IPART will determine the level and length of the increase in general income. It is generally expected that special variations will be for up to four years, to align with a council's Delivery Program and to avoid committing future councils to rate rises. However, it is recognised that in limited circumstances a period of

longer than 4 years may be appropriate. This should be a matter that is discussed in early conversations with IPART.

Smaller councils that have limited resources with which to prepare an application or councils that are considering a very small increase only should still consider applying.

IPART is required to consider the assessment criteria and the level of information required in relation to the **particular circumstances of individual councils**. Generally the application and evidence required is to be in keeping with the scale of the variation sought.

Councils are encouraged to contact IPART early in its application process, to discuss the information requirements for its particular circumstance.

To assist IPART in assessing the application while also reducing the burden on councils to provide additional documents, council applications must be based on their adopted IP&R documentation and relevant application forms should provide IPART with relevant extracts of the IP&R documentation (including weblinks to the relevant plans once they have been finalised and published on a council's website). It is not anticipated that a complete suite of IP&R documents is provided to IPART, unless requested. Some supplementary material will also be necessary, as outlined in the application forms.

6. Other information requirements

IPART may require some additional information from councils in their special variation applications that supplement the information provided to address the assessment criteria.

6.1 Reporting mechanisms

Where a special variation is approved, the council is issued with an Instrument of Approval, which sets out the conditions of that approval, including minimum annual reporting requirements.

For those councils seeking a special variation, it is expected that they will put in annual reporting requirements to transparently report to their communities. This may be done through supplements to existing reporting processes and should include reporting on:

- the additional income obtained through the variation, and
- if the special variation relates to a specific project:
- the projects or activities funded from the variation,

- details of any changes to the projects or activities funded from the variation compared with the council's initial proposal (any such changes must be consistent with the terms of the Instrument of Approval); and
- the outcomes achieved as a result of the projects or activities

The application must include the reporting mechanisms which should align with the reporting processes identified through IP&R. A council's Annual Report must provide a report on the achievements through the Delivery Program. The End of Term report should also outline detailed performance indicators to report against the Delivery Program achievements in relation to the special variation.

6.2 Council resolution

Councils must supply with its application a copy of the resolution(s) to apply for the special variation. IPART will not assess a special variation application unless the council demonstrates its commitment to its proposal.

7. Application process

7.1 Application forms

The forms for a special variation application consist of 2 separate parts:

- SV Part A – Microsoft Excel form that gathers data to calculate the amount of the special variation in terms of the dollar and percentage amounts, the impact on rates and the proposed program of expenditure. The form also seeks a council's contact information.
- SV Part B – Microsoft Word template for information to assist IPART in assessing the merits of the application. It also includes a certification page that must be signed by the council's General Manager and Responsible Accounting Officer.

Information on application process and forms is available from the IPART website at: www.ipart.nsw.gov.au/Home

Any inquiries regarding the application process should be directed to an IPART staff member:

Michael Seery	(02) 9290 8421
Tony Camenzuli	(02) 9113 7706
Heather Dear	(02) 9290 8481
Dennis Mahoney	(02) 9290 8494

All councils should contact IPART to advise of its intention to apply for a special variation well in advance of submitting its applications, by no later than by 13 December 2013.

7.2 Application Timetable

The following timetable applies to applications for 2014/15. IPART will accept applications before the 24 February 2014 and encourages councils to submit them as early as possible in the new year.

Date	Outcome
13 December 2013	Special Variation notifications due
24 February 2014	Special Variation applications due
24 March 2014	Minimum Rate variation applications due
mid June 2014	Decisions announced for special variations and minimum rates

IPART will make the **final decision** as to whether the proposed special variation is accepted, partially accepted or rejected. This decision is final and IPART will not reassess an application after it has made its decision.

Attachment 1 - Calculation of Expiring Special Variations

For illustration, a council is approved a scenario 3 (s508(2)) special variation for 2012/13 over a fixed term of 3 years to fund infrastructure projects with a new infrastructure levy.

This special variation will expire at the end of the 2014/15 rating year, having been in place for 2012/13, 2013/14 and 2014/15.

When this infrastructure levy ends, the additional income from the levy (or the value of this expiring variation) must be deducted from the council's notional general income (rate base) before the council may apply the rate peg or other special variation percentage in 2015/16.

The value of the expiring variation will equate to the original value of the special variation plus the equivalent cumulative proportion of this increase from any general variation increases or any special variation increases approved for the 2013/14 and 2014/15 rating years inclusive.

If the special variation approved in 2012/13 was 6% and the rate peg increase in 2013/14 and 2014/15 were 2.8% and 3.0% respectively, the value of the expiring variation would equate the dollar value of the initial special variation (detailed in the original special variation approval instrument) plus 2.8% for 2013/14, plus a further 3.0% for 2014/15 (note: each annual increase is cumulative).

Another example shows the impact on a council's general income where the council is seeking to continue the funding from an expiring variation and at the same time increase its general income over two years. The value of the expiring variation shown in Table A1 is \$50,000, but the council wants to continue the expiring special variation and further increase its income by \$45,000. In the following year Council wants an increase of \$104,500 (Note that this proposal would require a scenario 1 (s508A) application as it represents 2 years of increases above the rate peg percentage).

Table A.1: Example of the impact of an expiring special variation on permissible general income in a special variation application

Year	Unadjusted or Permissible General Income	Value of expiring variation	Adjusted General Income	Special Variation	Increase in income due to special variation	Net increase to income on previous year
Year 1	\$1,000,000	\$50,000	\$950,000	10%	\$95,000	\$45,000
Year 2	\$1,045,000	-	\$1,045,000	10%	\$104,500	\$104,500

In this example, the net increase in income in Year 1 is \$45,000. This is less than the increase due to the special variation of 10% (\$95,000) due to the deduction of the expiring special variation. The net increase in income in Year 1 is 4.5%, not the special variation percentage of 10%.

In these circumstances, the net increase in average rates levels in the first year is also likely to be around 4.5%. However, if the special variation was not approved, and assuming that the rate peg is 3% in the first year, the council's general income and average rates would actually fall by approximately 2.2% without the new special variation.

Attachment 2 - Special variations - contributions plan costs above relevant cap

The Minister for Planning and Infrastructure has issued a Direction under section 94E of the EP&A Act that limits local development contributions to a cap of \$30,000 per residential lot or dwelling for greenfield areas, and a cap of \$20,000 per residential lot or dwelling for all other areas (noting that exemptions also apply to certain plans).⁴

If a council's development contributions for a development area exceed the relevant cap, the council may seek to fund the gap by applying for a special variation. Councils may apply for a special variation to recover the costs in a contributions plan to the extent that the costs exceed the relevant cap.

Application and Assessment Process

Councils planning to submit a special variation application to IPART for the costs of essential works must have submitted its relevant contributions plan to IPART and IPART must have completed its review of the plan prior to the council submitting an special variation application.

Councils should ensure the development contributions plans comply with the requirements of the relevant Department of Planning practice note and any information required by IPART.

Councils have the discretion to determine whether its proposed special variation, which may be over one or more years, would be collected from all ratepayers, or as a special rate (under s495 of the Local Government Act) levied on only those ratepayers who will directly benefit from the enabling infrastructure.

IPART will assess the application against the relevant criteria for special variation applications as outlined in these guidelines.

Councils should note that special variations or components of special variations that are approved by IPART for contributions plan works will have conditions requiring that the additional revenue be spent only on works outlined in the relevant contributions plan.

⁴ The most recent Direction issued under s94E of the Environmental Planning and Assessment Act 1979 is available at www.planning.nsw.gov.au

Attachment 3 - Other adjustments to general income⁵

Councils may also be entitled to other adjustments to their permissible general income in the coming financial year (generally the first year of a new special variation period). These adjustments are for:

- catch up or excess results from the previous year
- valuation objections successfully claimed in the previous year, or
- Crown land adjustments for newly rateable Crown land.

These adjustments are monitored by the Division and councils need to consult with the Division about whether these adjustments apply in its case, how to apply for these adjustments, and what the correct adjustment amounts are. **The requirements of these guidelines do not apply to these adjustments.**

The adjustments to the income base for catch up/excess amounts and valuation objection income successfully claimed in the previous year will not form part of the special variation percentage which may be approved by IPART. However, should the special variation not be approved by IPART, the council will still be entitled to these income adjustments in addition to the rate peg.

Any income adjustment for newly ratable Crown Land must be approved by IPART as a special variation under s 508(2) of the *Local Government Act 1993*. If a broader special variation is approved, the percentage component for Crown Land rates income will form part of the total percentage approved. If a separate special variation is not requested by the council, this Crown Land adjustment will still be considered. The Division assesses whether the council is eligible for its general income to be adjusted by means of a Crown Land adjustment.

IPART will then decide whether to approve the increase under s508(2) having regard to DLG's assessment of eligibility, the council's application for the adjustment and any other matter considered relevant to the application.

Catch up/excess amounts and adjustments to income for successful valuation objection income claimed in the previous year **do not form part of the special variation percentage, but Crown Land adjustments do.**

⁵ This information is provided as a brief summary of the various adjustments which may be applicable to councils on an annual basis. For more detail, councils should refer to the Division's Rating and Revenue Raising Manual located at: www.dlg.nsw.gov.au

Attachment 4 - Increasing minimum rates

Section 548 of the *Local Government Act 1993* allows a council to specify a minimum amount of a rate to be levied on each parcel of land within a particular category or sub-category.

The size of any minimum amount must not exceed the relevant permissible limits provided for in section 548(3) and clause 126 of the *Local Government (General) Regulation 2005*, unless Ministerial approval for a higher amount has been granted.

The Minister for Local Government has delegated to IPART responsibility for approving higher minimum rates.

There are two application processes relevant to increases in minimum rates above the statutory limits:

1. The special variation process whereby minimum rates may be increased by the amount of an approved special variation.
2. A separate application process to increase minimum amounts of ordinary or special rates only above the determined maximum.

Councils making a special variation application are encouraged to apply the same percentage increase to minimum rates and general income, and maintain the same relative distribution of the rating burden between minimum and other ratepayers that was levied in the previous year. However, in some circumstances, it may be necessary for the council to apply a lower percentage increase to minimum rates than the requested increase in general income.

If a council is seeking to apply a higher rate of increase to its minimum rates than to its other rates in a special variation application, this must be clearly identified and addressed in the special variation application.

It may be appropriate to make a separate application for a minimum rate increase in addition to the special variation application. This would allow IPART to assess the merits of each application separately. Councils are encouraged to contact IPART to discuss the most appropriate application approach.

Minimum Ordinary Rates

Each year, clause 126 of the Regulation is amended to increase the statutory limit on minimum ordinary rates by the rate peg increase for that year. This means that councils do not need to make applications for minimum ordinary rate increases if the amount proposed is within that limit.

Minimum Special Rates

For special rates, s548(3)(b) of the Act specifies that the minimum amount of a special rate (other than a water supply special rate or a sewerage special rate) may not exceed \$2 unless Ministerial approval for a higher amount has been granted. The Minister for Local Government has delegated the function of approving higher amounts to IPART.

Unlike the minimum amount for an ordinary rate, the Act does not provide the flexibility to increase the special rate limit through an amendment to the Regulation. Rather, a council must obtain approval on *every* occasion that it wishes to increase the minimum amount on special rates.

If a council levy minimum amounts for ordinary or special rates **and** they are seeking a special variation, it must show the impact on these minimum rates by its proposed special variation as part of its special variation applications.

Minimum rates applications

If councils are not making a special variation application, it must submit a separate application to increase minimum rates above the statutory limit.

Councils considering increasing its minimum rates (ordinary or special) above the statutory limit must refer to the *Guidelines for the Preparation of an Application to increase Minimum Rates above the Statutory Limit*. These guidelines are available from the Division's website. Applications to increase minimum rates must be made on the Minimum Rates Application Form.