

Special Variation – Frequently Asked Questions

Background

At the Council meeting on 19 September 2023, Council resolved to go to the community and consult on a proposal to apply to the Independent Pricing and Regulatory Tribunal (IPART) for a permanent Special Variation (SV) of either:

- a one-year SV of 41.5% in 2024-25 (including the forecasted rate peg of 3%), or
- a two year SV of 25.5% in 2024-25 (including the forecasted rate peg of 3.5%) and 18.0% in 2025-26 (including the forecasted rate peg of 2.5%), representing a cumulative Special Variation of 48.1% over two years.

This Q&A is part of a suite of documents that can be accessed on Council's website [Special Variation | Narrandera Shire Council \(nsw.gov.au\)](https://www.narrandera.nsw.gov.au) and provides details of the proposal and the background information that led Council to make the decision.

SV Options	2024-25	2025-26	Cumulative increase over SV implementation period
Base Case	3.5%	2.5%	6.1%
Sustainability Scenario - 1 Year SV	41.5%	2.5%	45%
Sustainability Scenario - 2 Year SV	25.5%	18.0%	48.1%

1. What is a Special Variation (SV) and Rate-Pegging?

Normally general rates increase each year in line with an amount set by IPART. This amount is calculated annually based on methodology including a local government cost index and is commonly called the 'rate peg'.

For the 2023-24 financial year, the rate peg applied to NSW councils including Narrandera Shire Council is 3.7%. An assumed rate peg of 3.5% for 2024-25 and 2.5% for 2025-26 is being utilised as an estimate for the purposes of this consultation.

If a council's rate revenue is not sufficient to maintain service levels, undertake capital renewals and ensure sustainability, it can apply to IPART to increase general rate revenue by more than the rate peg. This is known as a Special Variation (SV).

To apply for an SV, councils must demonstrate to the community and IPART that they need the money and have implemented improvements to be as efficient and productive as possible. Since 2016-17 79 of the state's 128 general-purpose councils have applied to IPART for an SV. Those increases have varied from just 6.3% (Tweed) up to 92.8% (Strathfield). An annual list of approvals is published on the IPART website [Media Release \(nsw.gov.au\)](https://www.ipart.nsw.gov.au)

2. Is the SV increase permanent?

Yes, in this instance. If approved, the proposed SV will increase the general rate base permanently, commencing in 2024-25. The rate base as from 2025-26 for option one, or from the 2026-27 for option two, will increase by the annual rate pegging limit as set by IPART.

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3. What will the SV fund?

If implemented the special variation will generate an additional \$2.3m. These funds will be used as follows:

- Ensure financial sustainability.
- Upgrade of the Narrandera stormwater system (loan repayments on Council's share of that cost).
- Maintain existing service levels.
- Staff salary system improvements.
- Technology upgrades including cyber security and a new enterprise management system.
- Compliance including the Audit Risk and Improvement Committee and risk management.
- Infrastructure renewals to reduce the backlog in asset conditions.

4. Why is this increase in rates necessary?

Council's income from rates has not kept pace with increases in expenses and this has meant that Council has over time become unsustainable and almost totally dependent on grants for capital renewals. The need to upgrade the stormwater system in Narrandera is an important component of the challenge faced by Council, but it is only one of many factors impacting the long-term sustainability of the organisation.

The combined effects of ongoing rate pegging at levels below actual cost, fair value accounting for assets, increasing compliance costs, and growing community expectations fuelled by the Independent Pricing and Regulatory Tribunal process have taken their toll.

5. If Council has \$36 million in the bank why is this increase necessary?

Council holds \$36,279,382 in reserves, but only a small proportion is unrestricted or unallocated.

- \$19,973,503 is externally restricted and belongs to waste, water, sewer and unexpended grants, bonds, and crown reserves.
- \$16,091,874 is internally restricted for plant and vehicle replacement, employee leave entitlements, incomplete works, and the pre-paid Financial Assistance Grant.
- Only \$214,006 remained unallocated on 30 June 2023.

6. How can I have my say?

Narrandera Shire Council values community input and actively seeks feedback during the consultation period for the Special Variation (open until Friday 3 November 2023) .

You can email council@narrandera.nsw.gov.au or write to 141 East Street Narrandera, 2700. You can also make an online submission through the website [Special Variation | Narrandera Shire Council \(nsw.gov.au\)](#)

Community Engagement Sessions will be held as follows:

27 September 2023	5.30pm- 7:00pm	Narrandera Ex-serviceman's Club
10 October 2023	5.30pm- 7:00pm	Barellan Hall
11 October 2023	5.30pm- 7:00pm	Grong Grong Hall
12 October 2023	5.30pm- 7:00pm	Sandigo Hall
18 October 2023	10:00am-12:00pm	Narrandera Ex-Servicemen's Club

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One on one meetings can be booked by telephoning Council on 02 6959 5510. The Mayor and General Manager would be happy to attend meetings of your organisation if invited.

Following extensive community consultation, should Council resolve to apply to IPART for a Special Variation, members of the public will also be able to make a submission to IPART in February 2024.

7. Will water and other charges increase?

The SV will apply to your general rates only and will not apply to the waste management, water, and sewerage services, which are all funded through separate fees and charges. Those fees and charges are likely to increase for other reasons but are not affected by the SV.

8. How much additional revenue will this generate in 2024/2025?

The proposed SV is anticipated to generate an additional revenue of \$2.3M which will be used to fund asset renewals, compliance costs associated with risk management, the Audit Risk and Improvement committee activities, a new enterprise management system that will allow contemporary access for the community and agencies and will equip Council to meet the challenges and opportunities of the future.

It will also help fund increases in staff salaries to keep pace with the local government market and allow Council to recruit and retain qualified and competent staff. Over time residents will see an ongoing improvement in assets as renewals occur.

9. Does this SV guarantee no future SVs?

This SV will allow Council to become financially sustainable in the General Fund to maintain existing services and provide the capability to grow. Future regulation changes, additional State Government cost shifting, and capital works programs as determined by the asset management systems and Councillors may influence the need for future SVs.

10. With the cost of living going up so much now, how can we be expected to manage this increase?

The proposed SV is not a decision taken lightly. Council recognises the delicate balance between providing essential services, maintaining infrastructure, and ensuring affordability for our residents. Council offers the Pensioner Rebate Scheme, which financially supports this important group in our community. Council also has a Hardship Policy to accommodate the special needs of those unable to pay their rates in full on time.

11. What is Council doing to remediate the situation?

Regardless of whether an SV proceeds, Councillors and staff are committed to continuing to ensure that Council operates as efficiently and effectively as possible. Every area of operation is under review – a process that commenced several years ago and is ongoing.

12. What do land valuations have to do with my rates?

The NSW Valuer General's Office is responsible for the valuation of all rateable land in NSW and land is revalued every three (3) years. Rateable land within the Narrandera LGA was revalued during 2022 and these values were used to calculate rates for the 2023-24 rates. Of itself, the land revaluation process does not provide any additional rate revenue for Council. The total increase in rate revenue to Council is capped on an annual basis by the IPART. For the 2023-24 year, the rate cap increase is 3.7% above the 2022-23 level.

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Changes to land values will impact the rate amount payable for individual properties, but the total increase in rate income received by Council for the year does not exceed the rate cap as determined by IPART.

Whilst we acknowledge that some individual assessments have moved by much greater than the 3.7% rate pegging figure, many have also increased by less and in fact, some assessments have reduced in line with new land valuations.

13. What is the alternative to the proposed rate increases?

Without a Special Variation, Council would need to reduce the levels of service provided to the community to save costs and would not have the resources to fund asset renewals. Council would be reliant on grants to fund asset replacements. The stormwater project could not proceed unless 100% grant funded, and similarly the new industrial estate, deepening Lake Talbot and the proposals at the airport could not proceed without grants. Fees for the use of facilities would have to be reviewed.

Examples of services that would be impacted include the library, visitor information centre, parks and gardens, road maintenance and administration services. Cutbacks in these areas would result in a substantial reduction in staff numbers.

14. How much will the rates change?

Estimated average rates to 2025-26 under each scenario.

Estimated average rates to 2025-26			
Rate Category	Average Rate 2023-24	Average Rate 2024-25	Average Rate 2025-26
Residential			
No SRV	743	769	788
1 Year SV	743	1,051	1,078
2 Year SV	743	932	1,100
Business			
No SRV	1,265	1,309	1,342
1 Year SV	1,265	1,790	1,835
2 Year SV	1,265	1,588	1,873
Farmland			
No SRV	3,957	4,095	4,198
1 Year SV	3,957	5,599	5,739
2 Year SV	3,957	4,966	5,860

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15. How do my rates compare to other councils?

The Office of Local Government groups councils with other similar councils for comparison. Narrandera Shire Council is in Group 10 with 22 other councils. This group of councils represents a diverse cross-section of geographies and communities across NSW. The neighbouring Councils of Leeton and Griffith have also been included in this graphic for comparative purposes. (We have utilised the 2021-22 figures as those are the most recent published)

Rate Category	Average Rate 2021-22	Average Rate 2024-25 if the SV is implemented
Residential		
Narrandera	\$688	\$1,051
Group 10 average	\$848	\$971
Leeton	\$1,112	\$1,223
Griffith	\$1,078	\$1,260
Business		
Narrandera	\$1,233	\$1,790
Group 10 Average	\$1,679	\$1,941
Leeton	\$976	\$1,074
Griffith	\$2,865	\$3,350
Farmland		
Narrandera	\$3,669	\$5,599
Group 10 Average	\$3,106	\$3,580
Leeton	\$3,714	\$4,086
Griffith	\$3,815	\$4,461

A special variation estimator has been established and can be accessed by following this link <https://www.narrandera.nsw.gov.au/contact-us/have-your-say/special-variation> or you can make an appointment with council and sit down with a staff member to examine your circumstance.

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16. Timeline

Community engagement - program

