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## 10.5. Opportunity for adjustment to the 2022-23 rate peg

The Office of Local Government and IPART have established a one-off process to allow Council's to apply for an 'Additional Special Variation' for the 2022-23 financial year.

**Director Business & Governance**

### Officer's Recommendation

That Council:

1. Resolve the CEO makes an immediate application under the Additional Special Variation (ASV) one-off process for the 2022-23 financial year to ensure the percentage increase in rating revenue is 2.5%, applied permanently to the rate base as specified in the modelling and adopted in the Long Term Financial Plan.
2. Receive a further report from the CEO once an application determination has been received from IPART.
3. Participate in the IPART review of the rate peg methodology, including the Local Government Cost Index and advocate for further analysis into the new population growth component.
4. Support the preparation of the next suite of Integrated Planning and Reporting on the assumption that the 2.5% increase will be approved.

### Executive Summary

The Office of Local Government issued Circular 22-03 (Attachment 1) on 7 March 2022 advising that the Independent Pricing and Regulatory Tribunal (IPART) will accept and process an additional round of 2022-23 special variation applications (ASV) from Councils. In essence this process allows Council to apply for a variation to the rate-peg determination of 0.7% for FY2022-23 to be commensurate with the 2.5% increase modelled in our adopted Long Term Financial Plan (LTFP) for FY2022-23.

The timing associated with the process as outlined in the circular is as follows:

- IPART will accept applications until 29 April 2022;
- IPART will publish applications to enable community consultation for a period of at least three weeks; and
- IPART will notify councils of its decision no later than 21 June 2022.

The recommendation is seeking an immediate application with the expectation that the sooner the application is received by IPART the sooner it can be processed and a determination considered by Council.

Given the above timing for the ASV process and the program associated with the preparation of the next suite of Integrated Planning and Reporting documents (currently intended to be on public exhibition from 4 May) along with the unknown timeline for IPART to process and make a determination it is recommended that an assumption be made that the 2.5% increase will be approved for the purpose of preparing the 2022-23 budget and resourcing strategy, including the revised Long Term Financial Plan.

## Background

This is the first financial year that the rate peg is made up of two components- the traditional cost component and the new population growth component, which is understood to be the reason for the delay of the rate peg announcement. The rate peg is typically provided in September or October each year allowing Councils the chance to consider if a special rate variation (SRV) application would be required.

On the 13 December 2021 IPART advised that the traditional cost component of the rate peg for 2022-23 would be 0.7%. For Bega Valley Shire Council, IPART modelling for the population growth factor was negligible providing no further increase to the 0.7% traditional cost component (see link to [IPART website](#) for further detail). This is the lowest rate peg in two decades and less than half the previous record low of 1.5%, applied in 2017/18.

Council's Long Term Financial Plan adopted on 12 May 2021 (Attachment 2) had modelled the assumption based on previous years rate peg amounts with an increase of 2.5% retained across the life of the plan. Set out below is the rate peg applied over the past 10 years.

Year	Rate Peg
2021-22	2.0%
2020/21	2.6%
2019/20	2.7%
2018/19	2.3%
2017/18	1.5%
2016/17	1.8%
2015/16	2.4%
2014/15	2.3%
2013/14	3.4%
2012/13	3.6%

It was devastating news for councils already struggling with financial sustainability issues in the wake of drought, bushfire, floods and the COVID-19 pandemic. There was significant advocacy across the Local Government sector with the Minister for Local Government and relevant State Government agencies. This ASV process is a positive outcome from that advocacy. Perhaps more importantly it is the commitment by IPART, as advised in the circular, to undertake a broader review of its rate peg methodology. Considering the Local Government Cost Index in the review is expected to shape rate peg determinations for future years.

It is also recommended that the broader review by IPART should also include further analysis on the new growth rate formula that uses reflective population data, which boosted the rate cap for some councils in recognition of rising populations. It is noted that 78 of the state's 128 councils miss out. For Bega Valley a 0.0% population factor was determined for 2022-23

which clearly does not adequately consider the current regional relocation pressures as result of Covid.

In summary, it is recommended that an immediate application under the one-off Additional Special Variation (ASV) be applied for to make up the difference between the 0.7% rate peg that IPART advised in December 2021 on the basis that a 2.5% increase was modelled in our 2021-22 Integrated Planning and Reporting (IP&R) documents.

## Options

There are two options for consideration. As per the recommendation, Council should immediately apply for the ASV and seek the gap in the advised rate peg of 0.7% to our modelled figure of 2.5%. The other option is not to apply for the ASV and maintain a 0.7% increase only. It is important if supporting this option that Councillors note that the annual application of a rate peg has much longer-term cumulative impacts on Council's Long Term Financial Plan. Should Council not seek to apply for the ASV this will have long-term impacts on Council operations and will see the need for a reduction in services.

## Community and Stakeholder Engagement

### *Engagement undertaken*

As advised in the Circular the community engagement expectations associated with this application are underpinned by the consultation that was undertaken in developing and adopting the current IP&R suite of documents.

### *Engagement planned*

The timeline provided in the circular allows for IPART to publish applications received for a minimum 3 week period to enable community consultation. Council will ensure communication regarding this process is included in the broader messaging to the community regarding the exhibition and adoption of the 2022-23 IP&R suite of documents.

## Financial and Resource Considerations

The BVSC Long Term Financial Plan currently forecasts a rate peg of 2.5% for FY2022-23 estimated to generate additional revenue of \$509,000. A 0.7% rate peg will only generate \$187,500. Therefore, the projected revenue in FY2023 budget will be reduced by \$321,500.

Applying for the ASV will ensure Council can secure that additional revenue as was forecast in the LTFP. It is important to note however that Council continues to face other financial constraints including increases in the Emergency Services Levy, significant increases in insurance, fuel, electricity and materials costs along with reduced fees and charges revenue through Covid impacts. Should the ASV determination be successful the inclusion of this revenue will likely still result in a deficit operating position.

## Legal /Policy

The ASV process would be administered by IPART under section 508(2) of the *Local Government Act 1993 (the Act)*.

## Impacts on Strategic/Operational/Asset Management Plan/Risk

### *Strategic Alignment*

Community Strategic Plan 2040

OUTCOME 6: Strong Consultative Leadership

GOAL 12: We are financially sustainable, and services and facilities meet community need

### *Environment and Climate Change*

Nil impacts directly to environment and climate change as a result of presenting this report.

### *Economic*

The Office of Local Government and IPART have acknowledged that, due to the delayed council elections and the later than normal determination of the 2022-23 rate peg (December 2021) at a lower rate than councils had forecast, many Councils would not have sufficient funds to pay for required infrastructure and services. As outlined earlier in this report this would have significant immediate and long-term financial and economic impacts for the Bega Valley community.

### *Risk*

The most significant risk in not supporting the recommendation provided in this report is Council's financial sustainability and capacity to deliver services to our community. Ongoing cost escalations outside of our control and reduced revenue opportunities through an unrealistic rate peg of 0.7% significantly impacts on the annual and long-term operating position of Council.

### *Social / Cultural*

There are no immediate social and cultural impacts as a result of the recommendations presented in this report.

## Attachments

1. [Circular 22-03 - Guidelines for Additional Special Variation \(ASV\) Process for 2022-23](#)
2. [Long Term Financial Plan 2022-2031\\_ADOPTED\\_12 May 2021](#)

## MINUTE

## 10.5 Opportunity for adjustment to the 2022-23 rate peg

31/22

RESOLVED on the motion of Crs Allen and Nadin

That Council:

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2. Receive a further report from the CEO once an application determination has been received from IPART.
3. Participate in the IPART review of the rate peg methodology, including the Local Government Cost Index and advocate for further analysis into the new population growth component.
4. Support the preparation of the next suite of Integrated Planning and Reporting on the assumption that the 2.5% increase will be approved.

IN FAVOUR: Crs Fitzpatrick, Nadin, Griff, Seckold, Allen, Porter, O'Neil, Robin and Wright

AGAINST: Nil