



BLAND SHIRE COUNCIL *west wyalong*

Justification for Additional Special Variation Application – Bland Shire Council

At the March meeting of Bland Shire Council, a report was provided to Council with information relating to the impact of the determination by the Independent Pricing and Regulatory Tribunal (IPART) of the Rate Peg for the 2022-23 financial year and the options available to Council in response to that.

In December 2021, IPART announced that it had set the 2022/23 rate peg at 0.7%, a move that would result in Bland Shire Council receiving a reduction in income of **\$119,408**. Council would also see a reduction in total income of **\$750,000** over the remaining term of the Long Term Financial Plan, due to the compounding effect of the loss of the income from next year.

This significant reduction in Council revenue will severely impact the organisation's ability to meet community expectations for service delivery and infrastructure maintenance, let alone support any future capital projects designed to benefit the communities within Bland Shire. The reduced income potentially puts jobs and service delivery within the local community at risk.

When preparing its Long Term Financial Plan 2019-2029 (LTFP) as part of the Integrated Planning and Reporting Process, Bland Shire Council adopted a conservative approach to its revenue forecasting to ensure it did not overstate its income.

In the five years preceding the adoption of the LTFP, the average rate peg was in the vicinity of 2.3%. Since the 2018-19 rate peg was set, the average increase had been 2.4% until the announcement in December of 0.7%. In comparison, Council's calculations for the LTFP were based on an average 2.4% increase per annum.

The recommendation of staff was that the increase become permanent as it would allow Council to meet its commitments as already established through the IP&R process several years ago.

Councillors supported the recommendations, as detailed in the attached public supporting documents. Some of the comments from Councillors during the debate on the matter were¹:

"I think this is a positive move. It is something we have been concerned about because of the rate pegging arrangements the government has put on us. There are Councils like us have been penalised because we've been efficient, because our LTFP has worked on a section of efficiency, we have actually been capped at 2.4 because it was the average rate peg amount at the time. Because we have budgeted for that for the long term plan, we are actually being penalised. Our hands are tied on this particular one but again, it's another issue that Councils that are being efficient are being penalised by the State Government."

"I think this rate rise is absolutely essential – it's no larger than the rise we had last year. We are not asking for an excessive amount. If we only move at 0.7 we are going to go financially backwards and we will be financially unsustainable. There are more and more demands being

¹ Council meeting recording – March

<https://www.blandshire.nsw.gov.au/files/sharedassets/public/meeting-minutes/2022/audio-recording-march-2022.mp4>

made on us every year and we have got to meet the demand as much as we can. We have to get every dollar we can. It mirrors what we did last year. I think if we only put 0.7 we couldn't do what we did last year and even that wasn't enough. That's why I 100% support it. It is absolutely essential, our needs are growing all the time."

The accompanying media coverage clearly outlines to the community Council's position and intentions. Since these articles appeared in the local media, there has been no comment forthcoming from the community either directly to Council, through traditional media outlets or through social media channels. The matter will be further explored at upcoming Community Forums at which residents will be advised on the IPART process for considering the ASV application. Information will also be provided via Council's online platforms to give community members and opportunity to provide feedback directly to IPART.

Council's current financial benchmarks demonstrate a mixed result with improvements in its Operating Performance Ratio, percentage of Outstanding Rates, Unrestricted current Ratio, Debts Service Cover and Cash Expense Cover. However, there has been a reduction in Council's Own Source Revenue of almost 5% in the four years since the LTFP was adopted²

Balanced against ongoing increases in expenditure, a rate peg of 0.7% will negatively impact Council's result in this particular ratio. To continue to maintain current community service needs, Council is required to draw on existing reserves. However, these funds are not limitless. Council's DRAFT Budget for 2022/23 – which was calculated on a 0.7% rate increase - is currently in deficit and while approval of Council's Additional Special Variation application will assist in reducing this deficit, it is only one of a number of measures required to improve Council's financial position.

In approving the ASV, it is anticipated that the the expected income from rates in 2022-2023 would be \$7,185,421. The cumulative change over five years would be \$883,441 or 12.59%.

Alison Balind
Director Corporate and Community Services

² Annual Financial Statements 2020-2021

<https://www.blandshire.nsw.gov.au/Your-Council/Annual-Report-and-Annual-Financial-Statements/Annual-Financial-Statements-2020-2021>