

## 5 APPLICATION FOR A SPECIAL VARIATION TO IPART

### **Summary:**

*The purpose of this report is for Council to resolve that they intend to apply for an additional special variation to increase the 0.7% allowable increase for 2022-2023 by the NSW Independent Pricing and Regulatory Tribunal (IPART) to 2% and to make the increase permanent for the coming years in addition to any allowable rate peg.*

### **5.1 Introduction**

The purpose of this report is for Council to resolve that it intends to apply for an additional special variation to increase the NSW Independent Pricing and Regulatory Tribunal's (IPART) 0.7% allowable rates increase for 2022 to 2% and to make the increase permanent for the coming years in addition to any allowable rate peg.

### **5.2 Background**

Each year Council is notified by IPART of the maximum allowable percentage that Ordinary Rates can be increased by for the next rating period. Under the Local Government Act 1993 the rate increases are capped according to Rate Pegging Legislation.

Recent changes to the legislation now breaks the percentage increase up into two parts. The first part is based on a range of economic indicators and forecasts and the second part is a percentage based on population growth. The percentage granted for the population component for Bogan Shire Council was 0.7% and the percentage for financial component was 0%, therefore giving Council a Notional increase of 0.7% for 2022-23 rating period.

Many Councils had the same or similar percentage increases for 2022-23 and after much lobbying from Local Government NSW, the Office of Local Government (OLG) reviewed the IPART Rate Pegging increases and determined that Councils who received a combined percentage increase of less than 2.5% could apply for a Special Rate Variation for the 2022-23 rating period or a permanent yearly increase of up to 2.5% provided that the increase had been forecast in Councils Long Term Financial Plan.

### **5.3 Discussion**

Councils must provide a council resolution that states that the council has resolved to apply for a special variation under section 508(2) of the Local Government Act 1993, and whether or not they wish for the variation to be permanent or temporary.

The 0.7% increase would have meant an additional \$21,278 to Council's income and the increase to 2% would mean an additional amount levied to ratepayers of \$39,518 totalling income of \$60,796 if the special variation is approved.

The special variation is required to ensure Council can cover the ongoing increases to its operating costs. These costs include employee wages and on-costs (superannuation and workers compensation), fuel, increases to insurances due to a myriad of reasons, not limited to but including, cyber-attacks, floods, bushfires and Covid 19 and increase to the costs of Council provided services.

Council should consider the impact the increase will have on ratepayers and the community in 2022-23 as a one-off and in future years as well if the special variation is approved.

The impact of not applying for the variation of the increase to 2% in 2022-23 would mean Council has a loss in income of \$39,518 for 2022-2023 and Council would then commence the year in a deficit. There would also be a cumulative affect over a 10 year period of \$446,084 in loss of income from ratepayers if the percentage increase stayed at 0.7% instead of increasing to 2%.

Council had allowed for a 2% increase in the advertised 2021-2022 Long Term Finance Plan and then increases of 2.5% for the remaining 10 years.

A rates increase of 0.7% is not considered justified given the increases in the cost of inputs for Council's services.

#### **5.4 Recommendation**

Council having considered the impact on ratepayers and the community in 2022-23 and beyond and the need to continue Councils current levels of service applies for a permanent Special Rate Variation of 2% under Section 508(2) of the Local Government Act, 1993 yeilding an additional \$ 39,518 on top of the \$21,278 the 0.7 increase would have allowed making a total increase of ordinary rate income of \$60,796.

**Stephanie Waterhouse**  
**Director Finance and Corporate Service**

Precis of Correspondence to the Ordinary Meeting of  
Bogan Shire Council 24 March 2022



**The Hon. Wendy Tuckerman MP**  
Minister for Local Government

Mr Derek Francis  
General Manager  
Bogan Shire Council  
PO Box 221  
NYNGAN NSW 2825

Cir Glen Neill  
Mayor  
Bogan Shire Council

Via email: [admin@bogan.nsw.gov.au](mailto:admin@bogan.nsw.gov.au)

Dear Mr Francis and Cir Neill,

I am writing to advise that I have arranged for a new, special rates variation opportunity for the 2022-23 financial year. This one-off opportunity will support councils that had budgeted for a larger income increase than received when IPART announced its annual rate peg in December 2021.

I have carefully listened to the concerns of councils and others about the impact of the 0.7 per cent general rate peg and have taken immediate steps to respond. This new special rates variation opportunity, coupled with IPART's review of the methodology used to determine the general component of the annual rate peg, demonstrates that the NSW Government is serious about ensuring that our councils are financially sustainable so they can continue to deliver the key services and infrastructure communities need.

For councils wishing to avail themselves of this new opportunity, the Office of Local Government (OLG) has issued Circular 22-03 outlining the process to be followed. As advised in the Circular, IPART will release streamlined application forms and further information shortly.

I am pleased to be able to make this opportunity available to you, and would encourage your council to consider the guidance provided by OLG in Circular 22-03 when making its decision about whether to take it up.

Yours sincerely



**The Hon. Wendy Tuckerman MP**  
Minister for Local Government



Office of  
Local Government

## Circular to Councils

|                             |   |
|-----------------------------|---|
| <b>Circular Details</b>     | 22-03 / 7 March 2022 / A811946  |
| <b>Previous Circular</b>    | 20-38 Special Rate Variation and Minimum Rate Variation Guideline and Process           |
| <b>Who should read this</b> | Councillors / General Managers / Rating and Finance Staff                               |
| <b>Contact</b>              | Policy Team / 02 4428 4100 / <a href="mailto:olg@olg.nsw.gov.au">olg@olg.nsw.gov.au</a> |
| <b>Action required</b>      | Information   |

### Subject

**Guidelines for Additional Special Variation (ASV) Process for 2022-23**

### What's new or changing

- The Independent Pricing and Regulatory Tribunal (IPART) will accept and process an additional round of 2022-23 Special Variation (ASV) applications from councils.
- For applications made under the ASV process, the ASV Guidelines set out in this circular apply in place of the [Guidelines for the preparation of an application for a special variation to general income](#) issued by the Office of Local Government in 2020.
- For more information on when these ASV Guidelines apply, please see 'What this will mean for your council' below.
- This one-off ASV round is available for the 2022-23 financial year only.
- This one-off ASV round is for councils that can demonstrate the need for a special variation to meet the obligations they set for 2022-23 in their 2021-22 Integrated Planning and Reporting (IP&R) documentation.
- Councils seeking a permanent special variation will also need to demonstrate the financial need for the special variation to be included in their rate base on an ongoing basis.
- Separately, IPART has also agreed to undertake a broader review of its rate peg methodology, including the Local Government Cost Index, with outcomes from the review expected to shape rate peg determinations in future years.

### What this will mean for your council

- The ASV Guidelines set out in this Circular apply where council is applying for:
  - a temporary or permanent single year special variation for 2022-23 under section 508(2) of the *Local Government Act 1993* (the Act), AND
  - the percentage sought in the application is the lower of:
    - 2.5% (including population factor) or
    - the council's assumed 2022-23 rate peg as exhibited in its 2021-22 Long Term Financial Plan (LTFP) (including population factor)

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