

**5.2 IPART's Additional Special Variation Process**

File Number: D22/417

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**RECOMMENDATION**

1. That Council resolves to apply for the special variation under section 508(2) of the Local Government Act 1993 (the Act),
2. That Council resolves to apply to IPART for a “permanent” Additional Special Variation (ASV) before the due date of the 29<sup>th</sup> April 2022.
3. That the ASV be for an additional 1.7%, thus taking Council’s total rate peg for FY2023 to 2.4% and will result in additional income of approximately \$124,230.
4. That Council has considered the impact on ratepayers and the community in 2022-23 as part of this decision.

**INTRODUCTION**

Councillors will note the report tabled to the 28<sup>th</sup> March 2022 Ordinary Council Meeting which mapped out Council’s opportunity of applying for an adjustment to the FY2023 rate peg. Council has now received the information paper from IPART and this paper sets out a proposed response.

**BACKGROUND**

IPART published a revised information paper on 7<sup>th</sup> April 2022 which explains the process for applying for an “Additional Special Variation” (ASV).

In making an application Councils must provide a council resolution that states that the council has resolved to apply for the special variation under section 508(2) of the Local Government Act 1993 (the Act), and:

- whether the resolution is for a temporary or permanent special variation under section 508(2) of the Act, and
- the additional income that the council will receive if the special variation is approved, and
- why the special variation is required, and
- that the council has considered the impact on ratepayers and the community in 2022-23 and, if permanent, in future years if the special variation is approved, and considers that it is reasonable.

**Temporary vs permanent additional special variation.**

The Additional Special Variation (ASV) will relate only to the 2022-23 year (a single year increase) which is covered under section 508(2) of the Local Government Act 1993. A permanent special variation would allow an increase to be applied to the rates base for the 2022-23 year and retained in that base in the subsequent years after that.

A one-off reduction of 1.7% (2.4% - 0.7%) has a compounded effect of \$1.2m over 10 years. For a small regional Council, this has a material impact on operations and services that Council provides.

It is therefore crucial that any ASV is applied to the base calculation for the following year to avoid the loss of future compound interest.

It is for this reason that Council must apply for a “permanent” ASV.

### **Size of the additional special variation (ASV)**

The IPART rate peg determination for Cowra was 0.7%.

Council’s current (FY2022) Long Term Financial Plan (LTFP) which went on public exhibition and was endorsed by Council on the 28<sup>th</sup> June 2021 budgeted rate pegging over the 10 years at 2.4%.

It is recommended that Council applied for an additional 1.7% rate peg to bring the FY2023 budget inline with the forecasted 2.4%. The reason for this being;

- a) Council has already engaged the community at a rate of 2.4% which Council subsequently endorsed.
- b) Council has demonstrated financial need through its Long-Term Financial Plan.
- c) That 2.4% is within the range that Council can apply for without going through a more detailed application process.
- d) 1.7% amounts to \$124,230 and would bring the total rate peg value to \$175,380.

### **Why the special Variation is required?**

The special variation is required for the following reasons;

- It is required to maintain Councils current levels of services and operations to the Cowra Shire
- This is a large drop compared to prior rate pegs – the average rate peg over the past 10 year is 2.46%.
- There was no factoring of the real cost of COVID to Council operations in rate pegging calculations.
- Change in methodology was without any engagement of local Councils and extremely challenging to make up budget short falls.
- No consideration to Council’s engagement with the Community of its Long-Term Financial Plan.
- Extremely tight timeframes for appeal. Given the small size of our regional Council, State Government is again burdening Local Government with more bureaucracy. This can’t come at a worse time for Council staff in preparing all IP&R requirements of a newly elected

### **OTHER REQUIREMENTS**

Council must also provide a copy of their 2021-22 IP&R documentation which identifies a budgeted increase in general income above the percentage specified for the council for 2022-23 under section 506 of the Act.

### **TIMELINES**

19th April 2022	A draft resolution along with a completed application form to be provide to Councillors at the April Information Meeting
26th April 2022	Council to endorse resolution and submission of the completed application to IPART at April Ordinary Council Meeting
29th April 2022	Deadline for submissions to IPART
4 <sup>th</sup> May 2022	IPART - Public submissions Open
24 <sup>th</sup> May 2022	IPART - Submissions Close
21 <sup>st</sup> June 2022	Final Report from IPART – Council notified of outcome.

### RECOMMENDATIONS

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2. That Council resolves to apply to IPART for a “permanent” Additional Special Variation (ASV) before the due date of the 29<sup>th</sup> April 2022.
3. That the ASV be for an additional 1.7%, thus taking Council’s total rate peg for FY2023 to 2.4% and will result in additional income of approximately \$124,230.
4. That Council has considered the impact on ratepayers and the community in 2022-23 as part of this decision.

### ATTACHMENTS

1. IPART's Additional Special Variation Process - IPART – Information Paper – Additional Special Variations [7th April 2022]
2. IPART's Additional Special Variation Process - IPART – Submission Document (Excel) [7th April 2022]
3. IPART's Additional Special Variation Process - OLG Circular 22-07 Guidelines for Additional Special Variation (ASV) Process for 2022-23 [6th April 2022]
4. IPART's Additional Special Variation Process - DCS Paper – IPART’s Additional Special Rate Variation Process [28th March Ordinary Council Meeting]