

ORDINARY MEETING AGENDA

27 April 2022

Held in the Hilltops Council, [REDACTED] Chambers [REDACTED]

11. COMMUNITY RECOGNITION SCHEME

12. GENERAL MANAGER'S REPORTS

12.1 - 22/04 – ADDITIONAL SPECIAL VARIATION

Responsible Officer: Chief Financial Officer

PURPOSE

The purpose of this report is to advise Council of the Additional Special Variation (ASV) opportunity.

RECOMMENDATION

That Council:

- (a) Resolves to apply for the special variation under section 508(2) of the Act;
- (b) That the special variation under section 508(2) of the Act is for a permanent variation;
- (c) The additional income that council will receive if the special variation is approved is \$252,607 in excess of the IPART announced rate peg for the 2022-23 financial year which was set at an increase of 0.7%, amounting to \$98,236;
- (d) The special variation is required to meet key services and infrastructure needs; and
- (e) 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.

REPORT/SUMMARY/BACKGROUND

Independent Pricing and Regulatory Tribunal (IPART) announced its annual rate peg in December 2021 at 0.7 per cent.

However, The Hon. Wendy Tuckerman MP, The Minister for Local Government issued a letter to the General Manager and the Mayor on 10 March 2022 advising that she had arranged for a new special rates variation opportunity for the 2022-23 financial year. In summary the letter from The Hon. W Tuckerman MP states: "This new special rates variation, 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 to ensure that Councils are financially sustainable so they can continue to deliver the key services and infrastructure communities need."

Office Local Government issued Circular 22-07 on 7 April 2022 (refer Attachment 1)

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 set out in its 2021-22 IP&R documentation (including population factor)

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- For ASV applications made under the Guidelines set out in this Circular, councils will need to provide IPART with the following information:
 - Council's 2021-22 IP&R documentation identifying that council budgeted for an income increase above the percentage specified for the council for 2022-23 under section 506 of the Act; and
 - Where councils are applying for a permanent special variation, in addition to the Version: 1, Version Date: 07/04/2022 Document Set ID: 1025139 above information, the council's 2021-22 IP&R documentation identifying that the council forecast an average Operating Performance Ratio (OPR) of 2% or lower over the next 5 years or, alternatively, evidence of need, for example, but not limited to, that the council needs to maintain a higher OPR so it can meet its capital funding requirements; and
 - Council has resolved to apply for the special variation under section 508(2) of the Act and that the resolution clearly states:
 - whether the resolution is for a temporary or permanent special variation under section 508(2) of the Act; and
 - the additional income that 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.
- The ASV application process is a simpler more targeted application process.
- IPART will not require councils to demonstrate community consultation or criteria outside of the processes outlined above. To demonstrate community consultation, IPART will consider the consultation undertaken through the IP&R process and consider the resolution to apply for a ASV meets the requirements outlined above.
- Revised application forms and further information will be released by IPART shortly.
- Under this ASV round of applications:
 - 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.

OVERVIEW

- (a) Council has a demonstrated financial need as detailed in the Financial Position provided to Council in October 2021 (refer Attachment 2). Council has sustained an Operating Deficit since 2017 and had a deficit of \$5.518 million for the year ending 30 June 2021.
- (b) In addition, Council has an Unrestricted cash balance for the year ended 30 June 2021 of \$2.791 million.
- (c) If the Additional Special Variation is not considered in Council's rate base on an ongoing basis, the Operating Result will further deteriorate.

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- (d) Council's 2021-22 IP&R documentation budgeted for an income increase of 2.7% for the 2022-23 year and beyond. Council has considered the impact on the community in budgeting for a 2.7% increase in the rates to be levied (refer Attachment 3 – Adopted LTFP 2021/22).
- (e) The following analysis details the dollar impact of the rate peg:
 - a. 0.7%: \$ 98,236
 - b. 2.5%: \$350,843
 - c. Variance: \$252,607**

Assuming that wages can be capitalised and the current level of staffing is maintained the 2.5% rate peg will just cover the wage increase of 2% for 2022/23 under the Local Government Award.

ATTACHMENTS

Attachment 1 – Office Local Government Circular 22-07 - 7 April 2022 - Guidelines for Additional Special Variation (ASV) Process for 2022-23
Attachment 2 – Financial Position of Council 2021
Attachment 3 – Adopted Long Term Financial Plan 2021/22

POLICY AND LEGISLATION

- Local Government Act 1993

COMMUNITY STRATEGIC PLAN LINKAGE

3.1 Undertake Council activities within a clear framework of legislative compliance, strategic planning, policies, risk management, procedures and service standards.

FINANCIAL IMPLICATIONS

As presented in the report.

RISK IMPLICATIONS

- Council may have inadequate cash flow to fund its operations.

CONSULTATION AND TIMING

- Councillor Briefing