

ADDITIONAL SPECIAL VARIATION OVERVIEW

Hilltops Council adopted the following resolution at its meeting on 27 April 2022

12.1 - 22/04 – 12.1 - 22/04 – ADDITIONAL SPECIAL VARIATION

22/58 RESOLVED:

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.*

SUMMARY

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.”

As per the resolution above Hilltops Council is applying for the Additional Special Variation on a permanent basis as it meets all of the necessary criteria.

OVERVIEW

- (a) Council has a demonstrated financial need as detailed in the Financial Position provided to Council in October 2021 (refer Attachment 1). Council has sustained an Operating Deficit since 2017 and had a deficit of \$5.599 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 as detailed in the Audited Financial Statements for the year ended 30 June 2021.
- (c) If the Additional Special Variation is not considered in Council’s rate base on an ongoing basis, the Operating Result will further deteriorate.
- (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 to Adopted LTFP 2021/22) included in this application.

Each year Hilltops Council generates approximately \$14m in revenue from general rates. The total increase in rates revenue from amalgamation to 30 June 2021 equates to \$3.1m (14.59%). At present Council receives \$4.12m more in Operating Grants than from own source revenue. Proposed Analysis of Council's revenue shows Council's own source income is not enough to sustain Council's operations in the longer term, even when supported by grant funding.

(e) The following analysis details the dollar impact of the rate peg:

- a. 0.7%: \$ 98,925
- b. 2.5%: \$353,302
- c. Variance: \$254.378**

To emphasise the need for the Special Variation assuming that we can maintain the capitalisation of wages as in previous years, this will just cover the current level of staffing if is maintained at the 2.5% rate peg which will just cover the wage increase of 2% for 2022/23 under the Local Government (State) Award 2020.