

Additional Special Variations

28 March 2022

Additional Special Variations for 2022-23

IPART will be accepting and assessing a one-off round of special variation applications for 2022-23. The additional round is only for councils that can demonstrate a financial need i.e. without the additional special variation (ASV) the council will not meet their 2021-22 Long Term Financial Plan (LTFP) obligations in 2022-23. The ASV would be the *lower* of 2.5% or the council's assumed 2022-23 rate peg as exhibited in its LTFP (both including population factor).

IPART announced the 2022-23 rate peg as 0.7% (with a population factor of zero), which is lower than many councils had expected based on the historic average of the rate peg. With the delayed council elections, councils may not have had enough time to respond to the 2022-23 rate peg with a special variation application within the usual time frame.

The ASV process will not assess applications that need a special variation above 2.5% to achieve long-term financial sustainability. This should be addressed through the standard special variation process.

IPART will assess ASV applications with reference to ratios established by the Office of Local Government (OLG) to ensure consistency across councils.

The Local Government Minister has requested IPART to review the rate peg methodology to reduce volatility in the rate peg.

1.1 The size of the additional special variation

The size of the ASV is capped at the lower of:

- 2.5% (including population factor), or
- the council's assumed 2022-23 rate peg as exhibited in its 2021-22 LTFP (including population factor).

For councils with an approved ASV application, the ASV will replace the 2022-23 rate peg. No additional population factor will be added.

1.2 How does the council demonstrate financial need

Councils must have a demonstrable financial need. This means without the ASV the council does not have enough funds to meet its 2021-22 LTFP obligations as they fall due in 2022-23. IPART will apply OLG's unrestricted current ratio (UCR) indicator to determine if the council has enough funds to meet its obligations. OLG's UCR benchmark is 1.5 for all councils. If the council has a UCR above 1.5 it will need to include supporting documentation to justify its financial need.

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders, past, present and emerging. We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

1.2.1 Temporary vs permanent additional special variation

A temporary ASV means the extra general revenue from the ASV is available for 2022-23 only. This means the impact on ratepayers will be for one year only.

A permanent ASV means the ASV is retained in the council's rate base moving forward. Councils applying for a permanent ASV will have to also demonstrate the need to retain the ASV in their rate base. IPART will apply OLG's operating performance ratio (OPR) indicator to determine if the council needs a permanent ASV. OLG's OPR benchmark is 0% for all councils. If the council has average OPRs above 2% over the next 5 years, it must include supporting documentation to justify its need for a permanent ASV on an ongoing basis.

1.3 How to apply for an ASV

Councils can complete the application form on [Additional Special Variation \(ASV\) for 2022-23 | IPART \(nsw.gov.au\)](#) and submit via IPART's Local Government Portal [IPART - Council Portal \(nsw.gov.au\)](#). Councils will also be required to provide evidence, such as the LTFP and council resolution, to support their application.

We expect councils to hold an extraordinary council meeting if required to meet the application date.

1.4 Timing



1.5 Contact Person

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