
11.1 Application for Additional Special Rate Variation

CSP Objective: 4.0 Responsible civic leadership that is transparent, innovative and accessible

CSP Strategy: 4.1 Council is financially sustainable

Delivery Program: 4.1.2 Identify opportunities to diversify and maximise funding sources

Summary

This report notes that the NSW State Government has created an opportunity for Council's to apply for consideration by IPART for an Additional Special rate Variation (ASV).

Financial implication

The 2018/19 Long Term Financial Plan adopted by council on 7 November 2018 and noted the rate methodology of an ongoing 2.5% rate increase based on the 2018 rate peg amount.

This report recommends a ASV of 2.5 % and notes that this will yield a projected return of \$174,451 in the 22/23 financial year above the 2022/23 rate peg of 1.6%.

- 1.6% rate peg increase is \$310,135
- 2.5% rate peg increase total is \$484,586
- The ASV amount being the difference of \$174,451.

Risk implication

The financial position of Council is noted as requiring significant improvement. All opportunities to ensure the future sustainability of Council are to be considered in earnest.

Consultation (internal)

The Additional Special Variation (ASV) application process will be a simpler more targeted application process. Importantly, IPART will not require councils to demonstrate community consultation 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.

Communication/Community engagement

IPART will publish applications to enable community consultation for a period of at least three weeks.

Attachments

(cont)

1 22-07 Guidelines for Additional Special Variation (ASV) Process for 2022-23

Enclosures

Nil

RECOMMENDATION

That Council resolves

1. to formally apply for the special variation under section 508(2) of the Act for a temporary special variation under section 508(2) of the Act; and
2. the additional income that projected to be received if the special variation is approved is formally approved and will be used to fund the delivery of essential services and facilities for the benefit of ratepayers
3. to note the impact on ratepayers and the community in 2022-23 and, noting that this special rate variation is proposed as temporary and considers that it is reasonable impost given the challenges associated with recent disaster events, and ongoing impact of loss of revenue from COVID.

Background

The Independent Pricing and Regulatory Tribunal (IPART) will accept and process an additional round of 2022-23 Special Variation (ASV) applications from councils. 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.

For ASV applications made under the Guidelines set out in this Circular, councils will need to demonstrate that:

- Council has demonstrable financial need such that, in the absence of a special variation, council would not have sufficient funds to meet its obligations as identified in its 2021-22 LTFP as and when they fall due in 2022-23; and
- Where councils are applying for a permanent special variation, in addition to the above criterion, the council has demonstrable financial need for the special variation to be retained in its rate base on an ongoing basis; and

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- Council's 2021-22 IP&R documentation budgeted for an income increase above the percentage specified for the council for 2022-23 under section 506 of the Act; 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 will be a simpler more targeted application process. Importantly, IPART will not require councils to demonstrate community consultation 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.

Kiama Council is a high growth area and that has meant Council has had significant amounts of infrastructure development over the past four decades to meet community needs and expectations. In addition, the community has continued to maintain and, in fact, increased its expectations on the standard that this infrastructure is to be maintained at, through asset maintenance and renewal. Council has continually faced significant challenges in funding the required asset maintenance, over a number of years, and without the proposed ASV, will not be able to meet community expectations and unable to provide maintain of our current assets to an acceptable level for future generations at the same level provided to previous and present generations.

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11 REPORT OF THE CHIEF EXECUTIVE OFFICER

11.1 Application for additional Special Rate Variation

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22/0220C

Committee recommendation that Council resolves:

1. to formally apply for the special variation under section 508(2) of the Act for a temporary special variation under section 508(2) of the Act
2. that the additional income projected to be received if the special variation is approved is formally approved and will be used to fund the delivery of essential services and facilities for the benefit of ratepayers
3. to note the impact on ratepayers and the community in 2022-23 and, noting that this special rate variation is proposed as temporary and considers that it is reasonable impost given the challenges associated with recent disaster events, and ongoing impact of loss of revenue from COVID.

(Councillors Brown and Draisma)

**For: Councillors Brown, Draisma, Keast, Larkins, Reilly, Renkema-Lang,
Rice and Steel**

Against: Councillor Croxford