

# Oberon Council Additional Special Variation

20 June 2022

## Our decision

Oberon Council applied for a permanent Additional Special Variation (ASV) for a percentage increase in its general income of 2.1% in 2022-23. The rate peg for Oberon Council in 2022-23 was set at 0.7%. The council budgeted for a 2022-23 increase of 2.1%.

We have assessed this application against the three criteria set by the Office of Local Government (OLG). We found that Oberon Council's ASV application fully met all assessment criteria.



We have approved Oberon Council's application for a permanent 2.1% Additional Special Variation in 2022-23 (including the rate peg). Our decision means the council can increase its general income by 2.1% in 2022-23 and permanently keep this additional income in its rate base.

Table 1 Approved ASV – Oberon Council

	2022-23
Increase above the rate peg – permanent	1.4%
Rate peg	0.7%
Total increase	2.1%

Our decision means the council can increase its income by 1.4% above the rate peg. We estimate this to be around \$0.07 million in additional income in 2022-23 which it can keep in its rate base going forward. This allows the council an extra \$0.35 million over the next 5 years. The impact on rates from this ASV may be different for individual ratepayers and across different ratepayer categories. The ASV represents an allowed increase in general permissible income, the council decides how it collects that income from ratepayers.

## The ASV process

On 6 April 2022 the OLG announced guidelines for the Additional Special Variations (ASV) process for 2022-23 under [circular 22-07](#) (ASV guidelines). IPART has assessed applications from NSW councils for an ASV against the ASV guidelines.

## The council planned for a 2.1% increase in income

**Assessment criterion 1:** *The application amount is not higher than the lesser of 2.5% or the council's assumed 2022-23 rate peg (including population factor) in its 2021-22 Integrated Planning and Reporting (IP&R) documentation.*

Oberon Council's 2021-22 Long Term Financial Plan (LTFP) as part of its IP&R documentation budgeted a 2022-23 rate peg of 2.1% which matches Oberon Council's ASV application for 2.1% in 2022-23.



The increase the council applied for matches the increase in income it budgeted in its planning documents.

## Council supports the proposed increase in income

**Assessment criterion 2:** *The council must have made a resolution which clearly states:*

- *that the council has resolved to apply for the special variation under section 508(2) of the Local Government Act 1993 (the Act)*
- *whether the resolution is for a temporary or permanent special variation under section 508(2) of the Act*
- *the additional income that council will receive if the special variation is approved*
- *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.*

Oberon Council resolved on 17 May 2022 to apply for a permanent special variation under section 508(2) of the Act.<sup>a</sup> The council estimated it would receive around \$0.07 million of additional income in 2022-23. The council stated that the special variation is required to ensure that Oberon Council has the financial means to maintain its current levels of services and operations. The council stated that it considered the impact on ratepayers to be reasonable.



The council resolved to apply to increase its income by 1.4% above the rate peg or by around \$0.07 million in 2022-23. It explained the reasons why the ASV is required, and the council considers the impact on ratepayers to be reasonable.

<sup>a</sup> A decision to apply for the ASV was initially made at the 26 April 2022 meeting of the council's Works Committee. The decision was endorsed by the council in the council meeting of 17 May 2022.

## The council demonstrated financial need

**Assessment criterion 3:** *The council's 2021-22 IP&R documentation forecast an average Operating Performance Ratio (OPR) of 2.0% or lower over 2022-23 to 2026-27 OR it has provided other 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.*

The OLG describes the OPR as measuring how well local councils contain expenses within revenue.<sup>b</sup> The OPR represents what portion of a council's revenue is remaining after expenses. A positive OPR represents a surplus in income and a negative OPR represents a shortfall in income.

Oberon Council's 2021-22 LTFP forecast an average OPR of -3.0% over 2022-23 to 2026-27. An average OPR at or below 2.0% over the next 5 years demonstrates financial need.

Table 2 Oberon Council's OPR – 2022-23 to 2026-27

	2022-23	2023-24	2024-25	2025-26	2026-27	5-year average
OPR	-6.0%	-3.6%	-2.7%	-1.8%	-1.0%	-3.0%



The council's application shows it has a forecast average OPR of below 2.0%. This demonstrates a financial need for the additional income.

## Summary of submissions

Oberon Council's ASV application received 1 submission. The stakeholder raised concerns that the resolution to apply for the ASV occurred in the council's Works Committee meeting of 26 April 2022 rather than at an ordinary council meeting.<sup>c</sup> The council has provided a copy of the unconfirmed minutes of the council meeting on 17 May 2022 that show the council endorsed the decision of the Works Committee to apply for the ASV. Based on this, we are satisfied that the council resolved to make the ASV application.

The stakeholder also raised concerns about the recording of the 26 April 2022 Works Committee meeting. The first 10 minutes of the meeting were recorded without sound.<sup>d</sup> It is possible that during the time there was some preliminary discussion of the ASV application. However, there is audio and visual recording of the discussion of the ASV application later in the meeting, including the decision of the committee to apply for the ASV. Given this, we have accepted the decision of the Works Committee, as endorsed by the Oberon Council.

<sup>b</sup> NSW Auditor-General, *Report to Parliament | Report on Local Government 2018 | Appendix 9 – OLG's performance indicators from the audited financial statement – Descriptions*, February 2019, p 78.

<sup>c</sup> H. Draheim, Submission to Oberon Council's ASV application, 20 May 2022, p 1 & p 4.

<sup>d</sup> H. Draheim, Submission to Oberon Council's ASV application, 20 May 2022, p 1 & p 4.

The stakeholder noted concerns relating to a prior special variation granted in 2015-16.<sup>e</sup> They stated that the council had failed to meet the reporting requirements of that special variation, citing several specific examples of this non-compliance.<sup>f</sup> Monitoring compliance with special variation conditions is the responsibility of the OLG. It is also outside of the scope of this ASV assessment. We have forwarded these potential issues to the OLG.

The stakeholder also raised concerns with the council's ASV application and its representation of its LTFP general fund in the Part A application document. We note that the Part A application document is consistent with the council's 2021-22 operational plan and LTFP. Monitoring compliance with IP&R reporting requirements is the responsibility of the OLG and outside of the scope of this ASV assessment. We have forwarded these potential issues to the OLG.

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<sup>e</sup> That application and report are available on IPART's website [here](#).

<sup>f</sup> H. Draheim, Submission to Oberon Council's ASV application, 20 May 2022, pp. 1-2.