

Snowy Monaro Regional Council Additional Special Variation

20 June 2022

Our decision

Snowy Monaro Regional Council applied for a permanent Additional Special Variation (ASV) for a percentage increase in its general income of 2.3% in 2022-23. The rate peg for Snowy Monaro Regional Council in 2022-23 was set at 0.8%. The council budgeted for a 2022-23 increase of 2.3%.

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



We have approved Snowy Monaro Regional Council's application for a permanent 2.3% Additional Special Variation in 2022-23 (including the rate peg). Our decision means the council can increase its general income by 2.3% in 2022-23 and permanently keep this additional income in its rate base.

Table 1 Approved ASV – Snowy Monaro Regional Council

	2022-23
Increase above the rate peg – permanent	1.5%
Rate peg	0.8%
Total increase	2.3%

Our decision means the council can increase income by 1.5% above the rate peg. We estimate this to be around \$0.26 million in additional income in 2022-23 which it can keep in its rate base going forward. This allows the council an extra \$1.4 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 2.3% 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.*

Snowy Monaro Regional Council's 2018-19 Long Term Financial Plan (LTFP) as part of its IP&R documentation budgeted a 2022-23 rate peg of 2.3% which matches Snowy Monaro Regional Council's ASV application for 2.3% in 2022-23. Snowy Monaro Regional Council's most recent set of IP&R documents were adopted in 2018-2019. As 2021-22 IP&R documents are not available, we have used the council's preceding documentation to assess this criterion.



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, and*
- *why the special variation is required*
- *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.*

Snowy Monaro Regional Council resolved on 21 April 2022 to apply for a permanent special variation under section 508(2) of the Act. The council estimated it would receive around \$0.26 million of additional income in 2022-23. The council stated that the special variation is required to ensure that Snowy Monaro Regional Council has the funds necessary to cover the costs of the planned new library service to be introduced at Jindabyne in the 2022-23 year, and the ongoing costs of providing required infrastructure and services as planned in the current delivery plan and LTFP. The council stated that it considered the impact on ratepayers to be reasonable.



The council resolved to apply to increase its income by 1.5% above the rate peg or by \$0.26 million in 2022-23. It explained the reasons why the ASV is required, and the council considers the impact on ratepayers to be reasonable.

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.^a 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.

Snowy Monaro Regional Council's 2018-19 LTFP forecast an average OPR of -18.3% over 2022-23 to 2026-27. An average OPR at or below 2.0% over the next 5 years demonstrates financial need. Snowy Monaro Regional Council's most recent set of IP&R documents were adopted in 2018-2019. As 2021-22 IP&R documents are not available, we have used the council's preceding documentation to assess this criterion.

Table 2 Snowy Monaro Regional Council's OPR – 2022-23 to 2026-27

	2022-23	2023-24	2024-25	2025-26	2026-27	5-year average
OPR	-18.3%	-18.2%	-18.3%	-18.4%	-18.5%	-18.3%



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

Snowy Monaro Regional Council's ASV application received 4 submissions.

Some stakeholders raised concerns about the ASV being used to fund the Jindabyne library, a project which was not mentioned in the council's operational plan.^b In resolving to apply for the ASV the council stated the reason for the ASV was to fund the planned new Jindabyne library service, and the ongoing costs of providing infrastructure and services as planned in the current delivery plan. The business papers that the council considered in making the decision also discussed a range of other cost items and areas where reductions would need to take place if the ASV was unsuccessful.

^a 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.

^b See, for example, Anonymous, Submission to Snowy Monaro Regional Council ASV application, 19 May 2022, pp 3-4.

These stakeholders also raised concerns that this library was of a temporary nature and therefore does not warrant a permanent special variation. The assessment criterion for determining if an ASV should be granted on a permanent basis is a measure of the council's OPR, or additional evidence of financial need. The council is not required to identify specific expenditure that is required to be funded by the ASV revenue in demonstrating need for a permanent ASV.

Stakeholders raised concerns about the impacts of the council's proposed ASV on affordability and financial hardship.^c One stakeholder questioned the council's consideration of the impact on rate payers.^d We note that in marking the resolution to apply for the ASV Snowy Monaro Regional Council stated that it considered the impact on ratepayers and the community and considered that it was reasonable. The report considered by council in making the resolution also included a breakdown of the average additional cost impacts on a per ratepayer category basis.^e The ASV is also consistent with the planned rate increases that Snowy Monaro Regional Council consulted with its community on as part of the 2021-22 IP&R process.

A stakeholder questioned if the council had proved evidence that it had in its IP&R documents forecast an average OPR at or below 2.0% over 2022-23 to 2026-27. This is the threshold stated in the ASV guidelines to demonstrate financial need for a permanent ASV.^f In the council's Part A application and in its 2018-2028 resourcing strategy document it demonstrated that it had forecasted OPR deficits in all years between 2022-23 to 2026-27.^g

One stakeholder questioned the impact of the ASV process on IPART's independence.^h They stated that the ASV process undermines the integrity and public confidence in IPART's rate peg methodology and its usual process for assessing special variations. They stated that the ASV process undermines IPART's independence more generally. IPART has independently assessed the council's application on its merits in accordance with the ASV guidelines. We are satisfied that the application meets the criteria for an ASV.

Stakeholders raised other concerns about the council that are outside the scope of our ASV assessment. These include:

- The council's poor financial performance since amalgamation.ⁱ Some stakeholders noted areas where expenses had increased, and revenue had decreased with two stakeholders requesting a comprehensive audit of the council's finances.^j
- Concerns relating to the general financial management and financial reporting of the council.

We have forwarded these concerns to the OLG. Monitoring council financial performance and compliance with reporting requirements are the responsibility of the OLG.

^c Confidential, Submission to Snowy Monaro Regional Council ASV application, 19 May 2022, pp 2-3 & p 5.
Anonymous, Submission to Snowy Monaro Regional Council ASV application, 19 May 2022, p 4.

^d Anonymous, Submission to Snowy Monaro Regional Council ASV application, 19 May 2022, p 4.

^e Snowy Monaro Regional Council, *Report to ordinary council meeting of Snowy Monaro Regional Council – consideration of additional special variation application*, 21 April 2022, p 598.

^f Anonymous, Submission to Snowy Monaro Regional Council ASV application, 19 May 2022, p 4.

^g Snowy Monaro Regional Council, *2018-28 Resourcing Strategy*, 28 June 2018, p 15. & Snowy Monaro Regional Council, *Application for a Additional Special Variation – Part A*, 2 May 2022, WK8 – LTFP.

^h Anonymous, Submission to Snowy Monaro Regional Council ASV application, 19 May 2022, pp 1-2.

ⁱ Snowy Monaro Community Advocates, Submission to Snowy Monaro Regional Council ASV application, 25 May 2022, pp 1-3.

Anonymous, Submission to Snowy Monaro Regional Council ASV application, 19 May 2022, pp 4-5.

^j Anonymous, Submission to Snowy Monaro Regional Council ASV application, 19 May 2022, pp 4-5.

Snowy Monaro Community Advocates, Submission to Snowy Monaro Regional Council ASV application, 25 May 2022, pp 1-3.