

Uralla Shire Council Additional Special Variation

20 June 2022

Our decision

Uralla Shire Council applied for a permanent Additional Special Variation (ASV) for a percentage increase in its general income of 2.5% in 2022-23. The rate peg for Uralla Shire Council in 2022-23 was set at 0.7%. The council budgeted for a 2022-23 increase of 2.5%.

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



We have approved Uralla Shire Council's application for a permanent 2.5% Additional Special Variation in 2022-23 (including the rate peg). Our decision means the council can increase its general income by 2.5% in 2022-23 and permanently keep this additional income in its rate base.

Table 1 Approved ASV – Uralla Shire Council

	2022-23
Increase above the rate peg –permanent	1.8%
Rate peg	0.7%
Total increase	2.5%

Our decision means the council can increase income by 1.8% 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 \$0.39 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 2.5% 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.*

Uralla Shire Council's 2021-22 Long Term Financial Plan (LTFP) as part of its IP&R documentation budgeted a 2022-23 rate peg of 2.5% which matches Uralla Shire Council's ASV application for 2.5% 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, 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.*

Uralla Shire Council resolved on 26 April 2022 to apply for a permanent special variation under section 508(2) of the Act. The council estimate it would receive around \$0.07 million of additional income in 2022-23. The council stated that the special variation is required to ensure it is able to meet its obligations as identified in its 2021-22 LTFP. The council stated that it considered the impact on ratepayers to be reasonable.



The council resolved to apply to increase its income by 1.8% above the rate peg or by \$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.

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.

Uralla Shire Council's 2021-22 LTFP forecast an average OPR of -12.0% over 2022-23 to 2026-27. An average OPR at or below 2.0% over the next 5 years demonstrates financial need.

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

	2022-23	2023-24	2024-25	2025-26	2026-27	5-year average
OPR	-11.5%	-11.6%	-13.2%	-11.7%	-12.0%	-12.0%



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

Uralla Shire Council's ASV application received 16 submissions. Stakeholders highlighted a lack of community consultation, an inequality of services across the council and affordability as their main concerns.

Stakeholders expressed concern that the council did not conduct effective consultation and have not transparently communicated with the community. Submissions raised that some stakeholders in the community do not have access to online services, and that the council could have conducted more accessible and comprehensive communication with ratepayers.^b The ASV guidelines state that councils are not required to demonstrate community consultation beyond the criteria specified in the guidelines. The ASV guidelines state that we (IPART) will consider that the consultation undertaken through the IP&R process and the resolution to apply for an ASV meet those criteria.

^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 R. Goodall, Submission to Uralla Shire Council ASV application, 5 May 2022, p 2.
D. Goodall, Submission to Uralla Shire Council ASV application, 9 May 2022, p 2.
Confidential, Submission to Uralla Shire Council ASV application, 9 May 2022, p 1.
L. Dale, Submission to Uralla Shire Council ASV application, 12 May 2022, pp 1-2.

Stakeholders stated concerns that some services are not accessible in certain areas. Some stakeholders expressed that the council had not invested in services equally across the council district, as the more populated townships have access to greater services than the more rural areas.^c These submissions focussed on the lack of accessibility to services and that rates were therefore not reflective of the services they receive. The council is responsible for making decisions about the level of service it provides and that this issue is outside of the scope of our assessment. We note that as a condition of being granted the ASV the council will be required to report on its financial performance against the projections in the LTFP that underpins this application and the reasons for any significant differences. This aims to provide transparency for ratepayers on how the council has used the additional revenue from this ASV

Stakeholders raised concerns about the impacts of the council's proposed ASV on affordability and financial hardship. Stakeholders have indicated worsening financial circumstances brought about by the COVID-19 pandemic, drought and the increasing cost of living in recent months. Submissions also highlighted a lack of growth opportunities in the community.^d In resolving to apply for the ASV Uralla Shire Council consider the impact on ratepayers and the community and considered that it was reasonable. The ASV is also consistent with the planned rate increases that Uralla Shire Council consulted with its community on as part of the 2021-22 IP&R process.

^c W. Carroll, Submission to Uralla Shire Council ASV application, 21 May 2022, p 2.
R. Goodall, Submission to Uralla Shire Council ASV application, 21 May 2022, p 3.
C. Panuccio, Submission to Uralla Shire Council ASV application, 21 May 2022, p 2.

^d R. Goodall, Submission to Uralla Shire Council ASV application, 5 May 2022, p 3.
Anonymous, Submission to Uralla Shire Council ASV application, 9 May 2022, p 1.
Anonymous, Submission to Uralla Shire Council ASV application, 9 May 2022, p 1.
K. Casamir, Submission to Uralla Shire Council ASV application, 20 May 2022, pp 1-2.