



File Ref: PV: CF: 22/5176

28 April 2022

Independent Pricing and Regulatory Tribunal
PO Box K35
HAYMARKET POST SHOP NSW 1240

Dear Sir/Madam

ADDITIONAL SPECIAL VARIATION FOR 2022/23

Lockhart Shire Council has resolved to apply for the Additional Special Variation (ASV) of 2% for 2022/23. A copy of the Council resolution (minute no. 62-22) is attached.

It will be noted from the Council resolution that:

- The application is for a permanent special variation pursuant to section 508(2) of the Local Government Act; and
- The increase in permissible income, if the special variation of 2% is approved, is estimated to be \$52,000; and
- When exhibiting the Draft 2021/22 Operational Plan and Budget the Council's forward budget estimates incorporated an increase in ordinary rate income of 2% in 2022/23 and subsequent years.
- The special variation is required as a permanent increase because, based on the budget estimates for future years publicly exhibited in 2020/21, the Council's budget would fall into deficit or, alternatively, Council would not meet its obligations and be forced to cut services to the community if the forecast rate peg for ordinary rate income was reduced from 2% to 0.7% in 2022/23 and future years.
- The Council has considered the impact on ratepayers and the community in 2022/23 and in future years if the special variation is approved and considers that it is reasonable. In this regard it is noted that a 2% increase in ordinary rate income in 2022/23 (as publicly exhibited in 2021/22) will result in the following average increases for the respective rating categories:

Rating Category	Average Increase
Residential	\$ 4.74 per rateable assessment
Farmland	\$ 26.09 per rateable assessment
Business	\$ 7.62 per rateable assessment

- Council's forecast Operating Performance Ratio for the next five years is above the threshold of 2% and, as required, additional information has been submitted in the application form submitted through the portal. The additional

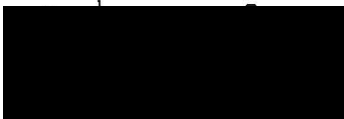
information shows adjusted Operating Performance Ratios in future years that are below 2%. The adjusted Operating Performance Ratios are premised on the following:

- The Long-Term Financial Plan (LTFP) includes Council's annual Roads to Recovery (R2R) grant income of \$706,578 as operating income.
- The R2R grant is required to be treated as operating income for accounting purposes and for the purposes of the Council's Audited Financial Statements notwithstanding that Council has the discretion to use the funds for maintenance (OPEX) or capital works (CAPEX).
- Council's R2R grant income has historically been expended on capital projects and is proposed to be expended on capital projects in 2022/23 and subsequent years.
- Council's Operating Performance Ratios therefore include the R2R grant income but not the matching expenditure due to the funds being expended on capital works.
- If the R2R grant income is excluded from the calculation of the Operating Performance Ratio on the basis that the income has been expended on capital works, the ratios fall below the 2% benchmark.

Thank you for the opportunity to make application for the one-off ASV based on a streamlined process and your favourable consideration of Council's application will be appreciated.

If further information is required, please contact Council's Director Corporate and Community Services, Craig Fletcher, by email at [REDACTED] or by phone on [REDACTED].

Yours faithfully



Peter Veneris
General Manager |