

**12.15 ADDITIONAL RATE VARIATION - APPLICATION PROPOSAL**

<b>Attachments:</b>	<b>A. Minister for Local Government - Guidelines for Additional Special Rates Variation Process for 2022-23</b>
<b>Responsible Officer:</b>	<b>Fiona Plesman - General Manager</b>
<b>Author:</b>	<b>David Walsh - Manager - Corporate Services &amp; Chief Financial Officer</b> <b>Josh Hogan - Financial Controller</b>
<b>Community Plan Issue:</b>	<b><i>A Council that is well managed, efficient and properly resourced and that is responsive to its communities and stakeholders</i></b>
<b>Community Plan Goal:</b>	<b><i>Maintain a strong focus on financial discipline to enable Council to properly respond to the needs of the communities it serves.</i></b>
<b>Community Plan Strategy:</b>	<b><i>Work towards the achievement of a sustainable Operating Budget result in the General Fund.</i></b>

**PURPOSE**

Provide Councillors information in order to decide on whether to support an additional special variation (ASV), and endorse an application by Council to IPART to seek a rate increase.

**OFFICER'S RECOMMENDATION**

**Council endorse an application to IPART seeking an additional rate variation of 1.8%.**

**Moved:** \_\_\_\_\_ **Seconded:** \_\_\_\_\_

**BACKGROUND**

IPART annually reviews council rates and charges and sets the maximum increase councils can apply to their general income from these charges – this is called the rate peg. For the budget period 2022/23, IPART has set a limit of 0.7%. This report seeks to outline the impacts that the low-rate peg will have on Council. Furthermore, IPART has provided for an Additional Special Variation (ASV) through an application to be made by 29<sup>th</sup> April 2020, with the ability for Council's to apply for a rate increase consistent with their 2021/22 LTFP. As such, this report will also provide an overview of how an additional increase of 1.8% could enable Council to provide a maintained level of service to the community.

**CONSULTATION**

Mayor

General Manager

Deputy General Manager

Financial Controller

Manex

Finance Committee

**REPORT**

Due to on-going cost pressures across Councils and a decision by IPART to set the rate peg at 0.7%, Councils across NSW have been put into a position of difficulty. As a result, IPART have released an

additional round of special variations (ASV) that Councils are able to apply for. In a departure from traditional SRV applications, the ASV is to be based on a simple application process allowing for Council's to seek permissions to increase their rates, provided Council endorses such an application through resolution, and that amounts sought are reasonable.

IPART are still to release all documentation and the application, so to date Council officers are limited in the information they are able to provide, however, some high-level modelling has been done to provide community impacts for the successful application of an ASV at different levels.

Rate Category	No. of Assess.	Increase at				Avg Increase at				Avg Increase at		
		0.70%	2.50%	4.00%	5.00%	0.70%	2.50%	4.00%	5.00%	2.50% vs 0.7%	4.00% vs 0.7%	5.00% vs 0.7%
Residential	6,603	\$ 40,456	\$ 144,485	\$ 231,177	\$ 288,971	\$ 6	\$ 22	\$ 35	\$ 44	\$ 16	\$ 29	\$ 38
Business	631	\$ 12,724	\$ 45,442	\$ 72,707	\$ 90,883	\$ 20	\$ 72	\$ 115	\$ 144	\$ 52	\$ 95	\$ 124
Farmland	474	\$ 10,404	\$ 37,156	\$ 59,449	\$ 74,311	\$ 22	\$ 78	\$ 125	\$ 157	\$ 56	\$ 103	\$ 135
Mining	9	\$ 74,690	\$ 266,751	\$ 426,801	\$ 533,502	\$ 8,299	\$ 29,639	\$ 47,422	\$ 59,278	\$ 21,340	\$ 39,123	\$ 50,979
Power Generation (Business)	2	\$ 1,924	\$ 6,871	\$ 10,994	\$ 13,742	\$ 962	\$ 3,436	\$ 5,497	\$ 6,871	\$ 2,474	\$ 4,535	\$ 5,909
<b>Grand Total</b>	<b>7,719</b>	<b>\$ 140,197</b>	<b>\$ 500,705</b>	<b>\$ 801,128</b>	<b>\$ 1,001,409</b>	<b>\$ 18</b>	<b>\$ 65</b>	<b>\$ 104</b>	<b>\$ 130</b>	<b>\$ 47</b>	<b>\$ 86</b>	<b>\$ 112</b>
Impact vs 0.7%			\$ 360,507	\$ 660,930	\$ 861,212							

- **What would be the overall revenue impact to apply an additional 1.8% in rates increases?**
  - @2.5% → 360k
  - @ 4% → 660k
  - @ 5% → 860k
- **What would that mean to the average household/business?**
  - @2.5% → \$16
  - @4% → \$29
  - @5% → \$38
- **How would that benefit the council over the medium term?**
  - 10-year cumulative additional revenue impact of around \$3.9m (@2.5% vs 0.7%; assuming 2% in subsequent years)
    - @4% → \$7.2m
    - @5% → \$9.4m
    - Without the increase, Council services would have to reduce (e.g. Reduced road maintenance and renewals, parks maintenance, etc)

Based on impacts to households and businesses being reasonable, it is proposed that Council endorse council officers to make an application to IPART for an ASV.

## OPTIONS

1. Endorse Council Officers to apply to IPART for an additional special variation (ASV) of, at a minimum, 1.8%, or
2. Leave the current rate increase as set by IPART at 0.7%.

## CONCLUSION

Council officers recommend council endorse an application to IPART for an ASV.

## SOCIAL IMPLICATIONS

As per the report.

## FINANCIAL IMPLICATIONS

As per the report.

**POLICY IMPLICATIONS**

Nil

**STATUTORY IMPLICATIONS**

Nil

**LEGAL IMPLICATIONS**

Nil

**OPERATIONAL PLAN IMPLICATIONS**

Nil

**RISK MANAGEMENT IMPLICATIONS**

Nil

**WASTE MANAGEMENT IMPLICATIONS**

Nil

**COMMUNITY CONSULTATION/MEDIA IMPLICATIONS**

Nil