

Muswellbrook Shire Council

**EXTRAORDINARY COUNCIL
MEETING**

BUSINESS PAPER

26 APRIL 2022



EXTRA ORDINARY COUNCIL MEETING, 26 APRIL 2022

MUSWELLBROOK SHIRE COUNCIL

P.O Box 122
MUSWELLBROOK
20 April, 2022

Councillors,

You are hereby requested to attend the Extra Ordinary Council Meeting to be held in the LOXTON ROOM, Administration Centre, Campbells Corner, 60-82 Bridge Street, Muswellbrook on **26 April, 2022** commencing at 6:00pm.

Fiona Plesman
GENERAL MANAGER

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MUSWELLBROOK SHIRE COUNCIL

AGENDA

1 ACKNOWLEDGEMENT OF COUNTRY

2 CIVIC PRAYER

3 APOLOGIES AND LEAVE OF ABSENCE

4 DISCLOSURE OF ANY PECUNIARY AND NON-PECUNIARY INTEREST

Section 451 of the Local Government Act requires that if a councillor or member of a council or committee has a pecuniary interest in any matter before the council or committee, he/she must disclose the nature of the interest to the meeting as soon as practicable and must not be present at, or in sight of, the meeting, when the matter is being discussed, considered or voted on.

A pecuniary interest is an interest that a person has in a matter because of a reasonable likelihood or expectation of financial gain or loss (see sections 442 and 443 of the Local Government Act).

A non-pecuniary interest can arise as a result of a private or personal interest which does not involve a financial gain or loss to the councillor or staff member (eg friendship, membership of an association, or involvement or interest in an activity). A councillor must disclose the nature of the interest to the meeting as soon as practicable.

Council's Model Code of Conduct now recognises two forms of non-pecuniary conflict of interests:

- Significant
- Less than significant

A Councillor must make an assessment of the circumstances and determine if the conflict is significant.

If a Councillor determines that a non-pecuniary conflict of interests is less than significant and does not require further action, they must provide an explanation of why it is considered that the conflict does not require further action in the circumstances.

If the Councillor has disclosed the existence of a significant non-pecuniary conflict of interests at a meeting they must not be present at, or in sight of, the meeting, when the matter is being discussed, considered or voted on.

5 PUBLIC PARTICIPATION

8.2 ADDITIONAL RATE VARIATION - APPLICATION PROPOSAL

Attachments: A. **Minister for Local Government - Guidelines for Additional Special Rates Variation Process for 2022-23**[↓](#)
 B. **Information-Paper-Additional-Special-Variations-2022-23-7-April-2022.pdf**[↓](#)

Responsible Officer: **Fiona Plesman - General Manager**

Author: **David Walsh - Manager - Corporate Services & Chief Financial Officer**
 Josh Hogan - Financial Controller

Community Plan Issue: ***A Council that is well managed, efficient and properly resourced and that is responsive to its communities and stakeholders***

Community Plan Goal: ***Maintain a strong focus on financial discipline to enable Council to properly respond to the needs of the communities it serves.***

Community Plan Strategy: ***Work towards the achievement of a sustainable Operating Budget result in the General Fund.***

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 a permanent 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 29th 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
Grand Total	7,719	\$ 140,197	\$ 500,705	\$ 801,128	\$ 1,001,409	\$ 18	\$ 65	\$ 104	\$ 130	\$ 47	\$ 86	\$ 112
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?**
 - 1.8% Increase to 2.5% → 360k
1.
- **What would that mean to the average household/business?**
 - 1.8% Increase to 2.5% → \$16
2.
- **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)
 - 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 a permanent ASV.

OPTIONS

1. Endorse Council Officers to apply to IPART for a permanent 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



The Hon. Wendy Tuckerman MP
Minister for Local Government

Ms Fiona Plesman
General Manager
Muswellbrook Shire Council
PO Box 122
MUSWELLBROOK NSW 2333

Clr Steve Reynolds
Mayor
Muswellbrook Shire Council

Via email: council@muswellbrook.nsw.gov.au

Dear Ms Plesman and Clr Reynolds,

I am writing to advise that I have arranged for a new, special rates variation opportunity for the 2022-23 financial year. This one-off opportunity will support councils that had budgeted for a larger income increase than received when IPART announced its annual rate peg in December 2021.

I have carefully listened to the concerns of councils and others about the impact of the 0.7 per cent general rate peg and have taken immediate steps to respond. This new special rates variation opportunity, coupled with IPART's review of the methodology used to determine the general component of the annual rate peg, demonstrates that the NSW Government is serious about ensuring that our councils are financially sustainable so they can continue to deliver the key services and infrastructure communities need.

For councils wishing to avail themselves of this new opportunity, the Office of Local Government (OLG) has issued Circular 22-03 outlining the process to be followed. As advised in the Circular, IPART will release streamlined application forms and further information shortly.

I am pleased to be able to make this opportunity available to you, and would encourage your council to consider the guidance provided by OLG in Circular 22-03 when making its decision about whether to take it up.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Wendy Tuckerman'.

The Hon. Wendy Tuckerman MP
Minister for Local Government

Additional special variations 2022-23

7 April 2022

This Information Paper explains the process for applying for an Additional Special Variation (ASV) for 2022-23 and the information that IPART will require to process a council's application, based on the Office of Local Government's updated ASV Guidelines (22-07).^a

What type of special variation can a council apply for?

A council can apply for either a temporary or permanent ASV which is capped at the lower of:

- 2.5% (including population factor), or
- the council's assumed 2022-23 rate peg in its 2021-22 Integrated Planning and Reporting (IP&R) documentation (including population factor).

If IPART gives an ASV instrument, the amount specified in that instrument will replace the 2022-23 rate peg. No additional population factor will be added.

What will councils need to provide to IPART for all ASV applications?

Councils will need to provide their 2021-22 IP&R documentation which identifies a budgeted increase in general income above the percentage specified for the council for 2022-23 under section 506 of the Act.

Councils must provide a council resolution that states that the council has resolved to apply for the special variation under section 508(2) of the *Local Government Act 1993* (the Act), and:

- whether the resolution is for a temporary or permanent special variation under section 508(2) of the Act, and
- the additional income that the council will receive if the special variation is approved, and
- 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.

^a The updated ASV Guidelines set out in Circular 22-07 apply in place of, and supersede, the ASV Guidelines issued in Circular 22-03.

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders, past, present and emerging. We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

What will councils need to demonstrate to IPART for a permanent ASV?

Where a council is applying for a permanent special variation, in addition to providing the above information, the council must demonstrate that it has, in its 2021-22 IP&R documentation, forecast an average Operating Performance Ratio (OPR) of 2% or lower over 2022-23 to 2026-27.

If a council has forecast an average OPR of higher than 2% over the next 5-years it will need to provide other evidence of need.

How can councils provide other evidence of need?

Councils applying for a permanent ASV that need to provide additional evidence of need can demonstrate that the 2% OPR benchmark is too low for that council's circumstances. For example, a council may demonstrate that it needs to maintain a higher OPR to meet its capital funding requirements.

Alternatively, or additionally, a council may submit justifications as to why specific revenue and/or expenses should be included/excluded in the calculation of the OPR. These adjustments can be items that were not included in the council's 2021-22 IP&R documentation due to unforeseen events or changes in circumstance since the adoption of the IP&R documentation.

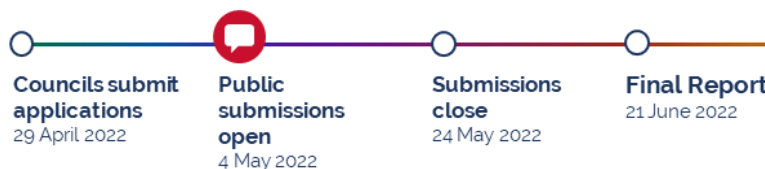
We will consider the evidence provided by councils that they need to maintain a higher OPR.

IPART has published an updated ASV application form to capture these adjustments. We will also accept applications using the original ASV application form. However, this form does not capture the information required to assess an application proposing that we use an adjusted OPR in our analysis. The original application form also asks for additional information that is no longer necessary. We recommend that applicants use the updated application form to ensure that all information needed to assess against the updated guidelines can be incorporated into IPART's analysis.

How to apply for an ASV

Councils can complete the application form and submit via IPART's Local Government Portal ([here](#)). Councils will also be required to provide evidence, such as the LTFP and council resolution, to support their application.

1.1 Timing



Contact person

If you have any questions about this process or the information required, please contact:

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