

**DCCS21/22. Additional Special Rate Variation**  
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## Executive Summary

The purpose of this report is to advise of the recently released guidelines on an Additional Special Variation (ASV) process for 2022/23 and to obtain an updated Council resolution to apply for an ASV under section 508(2) of the *Local Government Act, 1993*.

This report follows on from the report DCCS12/22 - Revenue Policy – Rating Policy, adopted at the Council meeting on 19 April 2022. IPART requires a more prescriptive council resolution to go with the ASV application that was recently lodged.

**RECOMMENDED** that Council:

1. Notes its previous resolution (DCCS12/22 – 19 April 2022) to apply for an Additional Special Variation of 2.00 percent.
2. Makes a *permanent* Additional Special Variation Application of 2.00 percent under section 508(2) of the *Local Government Act 1993*, being 1.30 percent higher than the IPART approved increase of 0.70 percent, which will generate an additional \$307,000 general rate income in the first year.
3. Can demonstrate financial need such that, in the absence of a special variation, Council would not have sufficient capacity to meet all its obligations as identified in its Financial Year 2021-22 LTFP as and when they fall due in Financial Year 2022-23.
4. Has considered the impact on ratepayers and the community in 2022-23 and will provide assistance using Council's Hardship Policy to ratepayers if required and that the amount of the increase is reasonable to ensure Council's long term financial viability.

## Report

On 6 April 2022 the Office of Local Government (OLG) released Council Circular "22-07 Guidelines for Additional Special Variation Process for 2022-23". This circular contained details on the guidelines for an ASV Process for 2022/23.

All NSW councils are subject to rate pegging which sets the maximum allowable increase on rates each year as determined by the Independent Pricing and Regulatory Tribunal (IPART). In December 2021 IPART announced the rate peg for the 2022/23 financial year for Singleton Council was 0.70 percent, which was significantly lower than the 2.00 percent Council was anticipating and had used in the preparation of the Long Term Financial Plan (LTFP). Approximately, 35 percent of Council's revenue comes from general rates. A decrease from 2.00 percent to 0.70 percent equates to \$307,000 lost revenue per year than was previously forecast (in the 2021/22 LTFP) for 2022/23. The estimated impact across the next 10 years is \$3.4 million in lost rates revenue.

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The Independent Pricing and Regulatory Tribunal (IPART) has since advised that it will accept and process an additional round of 2022/23 ASV applications from councils via Council circular 22-07.

The one off 2022/23 ASV is a mechanism to allow councils that received a rate peg of less than 2.5 percent to apply for the difference between the rate peg they have been advised and the greater of a maximum rate peg of 2.5 percent or what was in their 2021/22 LTFP (2.0 percent for Singleton) for the 2022/23 financial year. The application can be a once off or permanent increase. A permanent increase would only be a one-off increase of 2.0 percent, but the revenue gained from this would be retained in the rate base as is the rest of Council's rate revenue, whereas a once off would be removed from the rate base in 2023/24. Council's application is recommended to be permanent.

The use of 2.5 percent is due to this being the recommended rate peg value that IPART recommend councils use for long term financial modelling. It is understood that most councils used between 2.0 percent and 2.5 percent for the rate peg forecast in their LTFPs. A rate peg lower than 2.0 percent will reduce the level of funding available for the maintenance of essential assets and the provision of community services.

IPART has stated that councils requesting an ASV will need to demonstrate that:

- Council has financial need such that, in the absence of a special variation, council would not have sufficient funds to meet its obligations as determined in its 2021-22 LTFP as and when they fall due in 2022/23 and
- Where councils are applying for a permanent special variation, in addition to the above criterion, the council has demonstrable financial need for the special variation to be retained in its rate base on an ongoing and
- Council's 2021-22 IP&R documentation budgeted for an income increase above the percentage specified for the council for 2022-23 under section 506 of the Act and
- Council has resolved to apply for the special variation under section 508(2) of the Act and that the resolution clearly states:
  - a) whether the resolution is for a temporary or permanent special variation under section 508(2) of the Act and
  - b) the additional income that council will receive if the special variation is approved and
  - c) why the special variation is required; and that 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.

To demonstrate community consultation, IPART will consider the consultation undertaken through the IP&R process and consider the resolution to apply for an ASV meets the application requirements.

Under this ASV round of applications:

- IPART will accept applications until 29 April 2022 (Council has applied to IPART on 26 April 2022)
- IPART will publish applications to enable community consultation for a period of at least three weeks and
- IPART will notify councils of its decision no later than 21 June 2022.

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**Assessment**

Not applying for the ASV means missing the opportunity to keep funding for rate revenue at the level determined in Council's adopted LTFP and the subsequent impact on Council's key financial indicators such as operating performance ratio for General Fund.

As indicated earlier an ASV of 2.00 percent will generate an additional \$307,000 in rate revenue compared with the approved rate peg increase of 0.70 percent. The draft budget for 2022/23 (endorsed for exhibition at the April Council meeting) has a \$274k surplus. Hence, if the \$307,000 is not applied, Council will be in a deficit position, which will necessitate difficult decisions around levels of services and use of reserves. Further, eight of the next ten years in the draft 2022-23 LTFP have results lower than a \$307,000 surplus. This means the loss of the \$307,000 would result in eight on the next ten years being in deficit.

The impact of the ASV on the average rate per category/sub-category is shown in the table below:

**Impact on the Ratepayer: 0.70% vs 2.00%**

<b>Category</b>	<b>2.00%</b>	<b>0.70%</b>	<b>LV</b>	<b>\$ Increase</b>	<b>% Movement</b>
Residential Urban	\$1,177.97	\$1,162.98	138,080	<b>14.99</b>	<b>1.29%</b>
Residential Rural	\$1,661.37	\$1,640.55	272,536	<b>20.82</b>	<b>1.27%</b>
Residential Village					
Broke	\$ 784.64	\$ 774.71	115,480	<b>9.93</b>	<b>1.28%</b>
Jerrys Plains	\$ 784.64	\$ 774.71	115,480	<b>9.93</b>	<b>1.28%</b>
Residential Ordinary	\$1,201.84	\$1,186.08	358,585	<b>15.76</b>	<b>1.33%</b>
Business Singleton	\$3,201.90	\$3,164.90	254,976	<b>37.00</b>	<b>1.17%</b>
Business Mount Thorley	\$4,059.24	\$4,007.72	332,308	<b>51.52</b>	<b>1.29%</b>
Business Village					
Broke	\$1,393.73	\$1,376.11	110,752	<b>17.62</b>	<b>1.28%</b>
Jerrys Plains	\$1,393.73	\$1,376.11	110,752	<b>17.62</b>	<b>1.28%</b>
Business Ordinary	\$1,545.38	\$1,519.12	360,684	<b>26.26</b>	<b>1.73%</b>
Farmland Ordinary	\$2,469.31	\$2,437.65	738,959	<b>31.66</b>	<b>1.30%</b>

**Community Strategic Plan**

The Community Strategic Plan identifies the following strategies relevant to this matter:

**Our Leadership**

- 5.7 Infrastructure services, facilities and Council are managed in a financially sustainable way.

*Corporate and Commercial Services Report (Items Requiring Decision) - DCCS21/22***Delivery Program/Operational Plan**

The adoption of the additional special rate variation will meet the following outcomes of Council's Delivery Program and Operational Plan:

- 5.7.6 Develop annual Operational Plan budget and review the Long Term Financial Plan.
- 5.7.6.1 Develop the annual budget including Fees and Charges for adoption by Council by 30 June each year.

**Council Policy/Legislation**

Section 508(2) of the *Local Government Act 1993*, Special Variation.

Council's Hardship Policy is also relevant, as this policy provides financial assistance to ratepayers who are experiencing genuine financial hardship with the payment of rates and charges. Council continues to have very low levels of outstanding rates (3.21 percent at 30 June 2021 compared the OLG benchmark of 10 percent).

**Financial Implications**

If IPART approves the ASV, Council will generate \$24.1 million in general rate income to fund essential services, which are provided to the community along with funding to enable Council to maintain its infrastructure assets at the required level and to remain a financially sustainable entity.

**Consultation/Social Implications**

A Councillor briefing regarding the proposed rating structure as part of the Operational Plan 2022/23 was held on 1 March 2022 and a further Councillor briefing on rates and the ASV was held on 12 April 2022. Council adopted to place the Revenue Policy for Rating on public exhibition on 19 April 2022.

The draft 2022/23 Operational Plan has been placed on public exhibition on 20 April 2022 in accordance with the requirements of the *Local Government Act, 1993*.

**Environmental Consideration**

Nil.

**Risk Implications**

Risk	Risk Ranking	Proposed Treatments	Proposed Risk Ranking	Within Existing Resources?
There is a risk of not increasing rates this year by the additional special variation may lead to longer term	High	Adopt the recommendation	Low	Yes

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Risk	Risk Ranking	Proposed Treatments	Proposed Risk Ranking	Within Existing Resources?
financial impacts and the limit the ability of Council to provide services to the Community.				
There is a risk of community dissatisfaction with the level of rate increases at this moment which may lead to reputational damage to Council.	Medium	Develop communications plan to explain increases and advising of Council's Hardship Policy to assist ratepayers experiencing financial hardship.	Low	Yes

### Options

The following options are available to Council:

1. That Council makes a *permanent* Additional Special Variation Application of 2.00 percent under section 508(2) of the *Local Government Act 1993*, being 1.30 percent higher than the IPART approved increase of 0.70 percent, which will generate an additional \$307,000 general rate income in the first year.
  - a. Council can demonstrate financial need such that, in the absence of a special variation, Council would not have sufficient capacity to meet all its obligations as identified in its Financial Year 2021-22 LTFP as and when they fall due in Financial Year 2022-23.
  - b. Council has considered the impact on ratepayers and the community in 2022-23 and will provide assistance using Council's Hardship Policy to ratepayers if required and that the amount of the increase is reasonable to ensure Council's long term financial viability.
2. Council does not apply for an Additional Special Variation Application and adopts a 0.7 percent rates increase, which would have negative short and long term impacts.

Option one is recommended.

### Conclusions

Adopting an additional special variation to take up a 2.0 percent general rate increase in line with Council's previously adopted Long Term Financial Plan.

### Attachments

There are no attachments for this report.