

14 ADMINISTRATION AND FINANCE**13.1 ADDITIONAL SPECIAL RATE VARIATION****File Number:** REP22/373**Author:** Director of Administration & Finance**Authoriser:** Director of Administration & Finance**Attachments:** Nil**REPORT**

Following the announcement of an historically low-rate peg of 0.7% the Office of Local Government have provided for a one off Additional Special Variation (ASV) to allow Councils to apply for an increase in their general rates income above the 0.7% rate peg to a maximum of 2.5%. The OLG guidelines require a Council resolution to apply for an ASV.

The percentage sought in the application is to be the lower of 2.5% or the Council's assumed 2022/23 rate peg as exhibited in its 2021/22 Long Term Financial Plan (LTFP). Council's most recent LTFP was adopted in June 2021 and assumed a 2% increase in general rates income.

The ASV is for Councils who can demonstrate the need for a special variation to meet the obligations they set for 2022/23 in their 2021/22 IP&R documentation.

Councils applying for a permanent special variation also need to provide documentation identifying that Council has forecast an average Operating Performance Ratio (OPR) of 2% or lower over the next 5 years. Council's forecast 5-year average General Fund OPR is -2.6%. It is recommended that Council apply for a permanent special variation.

The additional funds raised from the special variation are required to fund the purchase of essential materials, including fuel, in a period of high inflation. Other costs such as freight and insurance are also expected to increase. Inflation is forecast to reach 4% by the end of 2022. A rate increase of 2% falls far short of this.

The 0.7% rate peg increase provides Council with an additional \$31,066, while a 2% ASV will generate \$87,288, being an additional \$56,222 that would be permanently included in Council's rate base.

If an ASV were approved ratepayers will be faced with rates increases similar to those experienced in recent years. Council has increased rates in line with recent rate pegs which were 2% in 2021-22, 2.6% in 2020-21 and 2.7% in 2019-20. The financial impact on average rates across the different rating categories is outlined in the table below.

Category	No of Assessments	0.7% Rate Peg Increase Total	2.0% ASV increase total	Average 0.7% increase	Average 2% increase	Difference \$
Farmland	886	\$13,364	\$39,036	\$15.08	\$44.06	\$28.98
Residential	2,520	\$11,673	\$32,855	\$4.63	\$13.04	\$8.41
Business	359	\$6,029	\$15,397	\$16.79	\$42.89	\$26.09
Total	3,765	\$31,066	\$87,288			

RESOLUTION 75/2022

Moved: Cr Belinda Bushell

Seconded: Cr Max Oliver

It was resolved that:

1. Council apply for a permanent Additional Special Variation of 1.3% in addition to the 0.7% rate peg, resulting in a total rate increase of 2% for 2022/23 pursuant to section 508(2) of the Local Government Act, providing an additional \$56,222 in general rate income.
2. Council has determined that the Additional Special Variation is required to fund the increasing operating costs of materials including fuel, along with freight and insurance and to fulfill the objectives specified in Council's Delivery and Operational Plans.
3. Council has considered the impact on ratepayers and the community in 2022/23 and future years and consider the impact to be reasonable.

CARRIED

Report by Elizabeth Smith