

**ITEM 7 APPLICATION FOR CHANGE IN LOCAL GOVERNMENT COST INDEX VARIATION 2022-23****THEME: PROACTIVE LEADERSHIP****MEETING DATE: 26 APRIL 2022****COUNCIL MEETING****GROUP: FINANCE AND ORGANISATIONAL PERFORMANCE****AUTHOR: ACTING MANAGER ASSETS, RATES AND PAYROLL  
AVA CHEUNG****RESPONSIBLE OFFICER: GROUP MANAGER FINANCE & ORGANISATIONAL PERFORMANCE  
CHANDI SABA**

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**PURPOSE**

In NSW, annual rate income increase is capped by the rate peg set by the Independent Pricing and Regulatory Tribunal (IPART). If a council seeks to increase its rate income by more than the rate peg percentage, it must obtain approval for a 'special variation' of the rate peg from IPART. Although many Councils have applied for special rate variations to manage their day to day operations, this Council has not applied for a Special Rate variation in the last 3 decades.

Council's rate peg for 2022-23 has been set at 1.6%, comprising Local Government Cost Index (LGCI) factor of 0.7% and population growth factor of 0.9%. The rate peg is well below the inflation forecast of 4.25% in FY21/22 and 3% in FY22/23 as published in the Federal Government's 2022-23 Budgets.

Given current inflationary pressures there has been widespread criticism of the rate peg and the NSW Government has provided a mechanism for all Councils to apply a rate variation to address the shortfall. As a result, the NSW Minister for Local Government has announced through IPART, an additional round of Special Variation (ASV) applications for 2022-23 for all councils. It is unfortunate that financially prudent Councils such as Hills need to consider making an application for a special variation in response to a mandated rate peg which causes the deterioration of Council's otherwise strong financial position.

The Minister has also required a review of the IPART decision and to undertake a broader review of its rate peg methodology, including the Local Government Cost Index. This announcement is welcomed as residents would expect the annual rate peg to keep pace with rising costs and given the rarity of any community request to reduce services. The outcomes from the review are expected to shape rate peg determinations in future years.

The relevant requirements and guidelines for the ASV application were first released by OLG and IPART on 29 March 2022, but were subsequently revised and republished on 7 April 2022.

The purpose of this report is to:

1. Highlight issues faced by Council under the current rate peg
2. Provide an overview of the requirements, guidelines, and process of the ASV
3. Detail a proposed ASV application - amount, reason, and impact
4. Seek Council's approval to proceed with the proposed ASV application

Subject to Council's approval, this report will form part of the ASV application which will need to be submitted to IPART by 29 April 2022. All ASV applications will be published by IPART to enable community consultation for a period of at least three weeks. Councils will then be notified of IPART's decision no later than 21 June 2022.

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## **RECOMMENDATION**

Council approve the application for a **permanent ASV in 2022-23 of 0.9% (\$731,584)** to address the inflationary pressures under section 508(2) of the Local Government Act as detailed in this report.

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## **IMPACTS**

### **Financial**

Application of the ASV will increase Council's 2022-23 operating income by **\$731,584**. This will have a compounding impact of **\$8.0m** over 10 years and narrow the gap between current rate peg and inflation expectation not only for 2022-23 but in perpetuity. Inadequate rate income in one single year will not only have impact on the relevant year but also a compounding impact as it is the rate base that is being impacted. Until a correction is made at some point in the future, e.g. via a special variation, such impact is perpetual.

Application of the ASV is essential in setting Council's rate income on the right trajectory and to support Council's long term financial sustainability as detailed in this report.

## **LINK TO HILLS SHIRE PLAN**

### **Strategy:**

4.2 Maintain a strong financial position that supports the delivery of services and strategies and ensures long term financial sustainability.

### **Outcomes:**

4 Prudent management of financial resources, assets and people for long term sustainability

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## **REPORT**

### **Background**

Rate income provides approximately 48% of the total recurrent income. As Council's biggest recurrent funding source, rate income has a direct relationship with Council's long term financial sustainability.

Special variation is available only to councils with demonstrable financial need in the short term. Given Council's prudent financial management as reflected in its healthy financial position special variation is not generally available for this Council.

The current round of additional special variation (ASV) is once-off in nature and it entails a less onerous process. It has been offered to all councils in recognition of the clear inadequacy of the current 2022-23 rate peg in keeping pace with inflation expectations.

Failing to address the gap between the current rate peg and inflation will set Council's rate base behind inflation for 2022-23. This will also have a compounding impact on expenditure for future years. It is recommended that application for this ASV be considered as explained in this report.

### **Part 1: Issues under the current rate peg**

The current rate peg has 2 components: LGCI and population growth factor. The LGCI is designed to measure movements in prices of a fixed 'basket' of goods and services used by an average council. For the 2022-23 rate peg, weighting of expenditure in the 'basket' was calculated based on councils' expenditure in 2017-18 and 2018-19 and price changes on this 'basket' of expenditure were based on CPI movements between June 2021 and June 2020.

As shown above, expenditure weighting and price indexes used in the LGCI calculation are retrospective. Historic movements in prices should not be used as reference for councils' expenditure for the future. The problem is particularly apparent in the current inflationary environment, as the LGCI calculation ignores actual and forecast price movements beyond 30 June which are more relevant for the year ahead.

The population growth factor is included in the rate peg for the first time in 2022-23. It has been introduced with the objective of ensuring councils can continue to provide quality services to their communities as their population grows. However the objective of the population growth factor is not being fulfilled in 2022-23. In addition, Council is now having to sustain additional long term cost impacts arising from our response to disaster recovery efforts that are not otherwise fully covered by government, as well as increases in the market demand for contracts and services.

These issues are detailed below.

#### **1.1 Inflation**

Inflation has hit the headline in every major global economy. In Australia, inflation in 2021-22 is already doubling the rate peg of 2.0% for the year. The Federal Government's Budgets noted inflation forecast of 4.25% in FY21/22 and 3% in FY22/23. The LGCI of 0.7% in the current rate peg, which was calculated based on June 2021 prices, will set Council further behind the inflation curve. The compounding impact of this will further undermine Council's ability to catch up with actual price levels for many years to come.

Furthermore, the rate peg of 1.6% is below the rate peg of 2.5% assumed in last year's Hills Shire Council Long Term Financial Plan and which was exhibited to our community. This indicates that the rate peg is well below Council's expectation. Whilst Council is budgeting a surplus for 2022-23, this is a reflection of Council's strict adherence to its Financial Charter rather than sufficiency of the rate peg to keep pace with inflation. Council's Financial Charter prioritises delivering operational surplus by ensuring that its total operating revenue for each year is sufficient to meet its expenditure in line with the rate peg. Council always endeavours to live within its means.

It is clear that the 0.7% LGCI component within the FY22/23 rate peg is significantly below both current and forecast inflation levels as well as Council's expectation.

## **1.2 Population Growth Factor**

The population growth factor, which was introduced in 2022-23 and purposed for supporting growth councils, has now been effectively 'removed' in its first year of introduction. The current rate peg of 1.6%, which is below current and forecast inflation levels, means that there will be effectively no population growth factor in 2022-23. There are new parks and increased bushland maintenance required at 29 various locations and at least 9 kilometres of new local roads that will be dedicated to Council by June this year that will require maintenance in 2022-23. It is estimated the cost of maintaining these new locations alone will be in excess of \$643k. With a 1.6% rate peg, maintenance of these new parks will need to be funded by a reduction in the current level of service in order to live within its means and balance budget.

It is therefore important that Council considers the application of ASV to ensure adequate funding can be given to maintain the desired level of service to the community. It is unfortunate that financially prudent Councils need to make such a decision in response to a mandated rate peg.

Furthermore, an observation of the current ASV guidelines is that, councils that were not originally assigned a population growth factor may be given a bigger ASV than growth councils due to their lower rate peg compared to the maximum ASV of 2.5%. This result is counterintuitive and undermines the original purpose of the population growth factor. If a majority of Councils apply for this ASV it has a compounding impact into the future and it will further undermine Council's ability to catch up with actual price levels for many years to come compared to other Councils.

## **Part 2: Overview of the ASV**

Included in Attachment 1 and 2 are the below information relevant to the ASV process:

Attachment 1: IPART - Information Paper - Additional Special Variations 2022-23

Attachment 2: OLG – Guidelines for Additional Special Variation (ASV) Process for 2022-23

As noted in these documents, the maximum ASV Council can apply for is 0.9%, being the ASV cap of 2.5% less Council's current rate peg of 1.6%. The ASV will therefore increase Council's 2022-23 rate peg to 2.5%, providing an additional income of \$731,584 for the year.

The ASV can either be temporary or permanent. Temporary ASV means that the 2023-24 rate peg will need to be reduced by 0.9% to remove the impact of the temporary increase given for 2022-23 (i.e. rate income will return to original path from FY23/24 as anticipated by IPART but not our Long Term Financial Plan (LTFP). Permanent means that there will be no adjustments required to the 2023-24 rate peg (i.e. impact of the current ASV will be retained permanently in Council's rate base).

Assuming a rate peg of 2.0% from 2023-24 onwards, a permanent ASV will provide \$8.0m additional income to Council over the next 10 years.

The ASV application will need to be based on Council's 2021-22 Integrated Planning & Reporting (IP&R) documentation. For a permanent special variation, Council will need to provide one of the following given that its 5-year average OPR, Operating Performance Ratio (based on 2021-22 IP&R), is above 2%:

1. Evidence of need to maintain an OPR above 2%; or
2. Justification as to why specific revenue and/or expenses should be included /excluded in the calculation of the OPR

This requirement is addressed in Part 3 below.

### **Part 3: PROPOSED - THSC ASV APPLICATION**

This section of the report is proposed to form part of Council's ASV application to IPART should Council resolve to proceed with the application. It provides evidence and justification for Council's need and is structured to mirror the ASV application requirements.

#### **3.1. Is this a temporary or permanent special variation under section 508(2) of the Act?**

THSC is applying for a permanent special variation.

#### **3.2. What is the additional income that council will receive if the special variation is approved?**

Consistent with Year 2 of our exhibited LTFP in 2020/2021, THSC is applying for ASV of 0.9% which will increase Council's rate income by \$731,584.

#### **3.3. Why is the ASV required?**

This section should be read in conjunction with Attachment 3 – THSC ASV Application Form.

As required by the OLG guidelines, Council's ASV application has been based upon the long term financial plan (LTFP) 2021-2031 that formed part of the 2021-22 IP&R documents. These documents were adopted by Council on 8 June 2021.

### **Adjusted LTFP and justification**

Whilst the 2021-2031 LTFP projected an average OPR above 2% over the next 5 years, this plan was based upon the assumption of a 2.5% rate peg for 2022-23. Given that the rate peg for 2022-23 is now 1.6%, an adjusted LTFP is presented in the application form (Attachment 3). The original LTFP budgeted \$116.2m of rates and annual charges for 2022-23. The adjusted LTFP reflects reduced rates and annual charges for 2022-23 of \$115.4m, which has a flow-on impact to future years. The average OPR based on the adjusted LTFP is 1.9%, which is within the threshold of 2.0%. The adjusted LTFP is considered appropriately justified given that it is a mere reflection of the actual rate peg of 1.6%.

### **Evidence of need to maintain an OPR above 2%**

For a growth council like the Hills, it is critical that healthy financial ratios are maintained for as long as possible given the significant amount of infrastructure that is yet to be delivered.

Firstly, large scale developments are set to bring about significant uplift to Council's asset base. Uncertainties around timing, costs, risks, community's expectation, and many others, mean that it is difficult for Council to accurately and fully forecast asset life-cycle costs (e.g. renewal, depreciation, maintenance) into the future. It is Council's responsibility to ensure strong ratios are maintained during its growth phase so that, when it finally becomes a maintenance council, it is in a healthy financial position to sustain a substantially larger asset base and community. Secondly, councils have been given large capital grants in the last 2 years. Whilst this is welcomed, detailed consideration has not been given as to how this infrastructure will be maintained in the future. This is another reason Council's like The Hills are setting aside funds on an annual basis, with long term financial sustainability in mind, when considering annual budgets. Lastly, as Section 7.11 developer contribution does not

fund the construction cost of community centres, Council must be in strong financial health in order to provide such facilities to meet community's need.

The population in The Hills is expected to increase to more than 290,000 people by 2036. This growth will bring with it higher building density and increased demands for new infrastructure, as well as increased pressure on existing assets and infrastructure. In recent economic times, the rate of population growth has been significant which has resulted in more people arriving sooner than expected. The pace has challenged Council's ability to keep up with the required infrastructure delivery.

Council is currently budgeting developer contribution funded expenditure of \$89.6m in 2022-2023. There is currently \$1.9b of infrastructure yet to be delivered over the life of Council's developer contributions plans. In addition to there is \$194m worth of subdivider dedicated local roads, unfunded footpaths, upgrades to existing open spaces and new community centres. Furthermore Council has received grants for capital works in excess of \$50m in the last two years. The entire suite of infrastructure will require funds for renewal in the future and it is important that Council sets aside funds each year.

As Council navigates through this enduring, extensive, and transformative growth phase, it is essential that it exercises duty of care in maintaining financial sustainability for the foreseeable future, and indefinitely. The application of ASV is one such example of Council's desire to ensure its rate income is sufficient to at least cover the impact of inflation on its operating expenditure.

**3.4 Has council 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.**

It is considered that the 0.9% ASV increase has marginal impact on the average rates for rate payers:

Category	July 21 Average Rates	Increase due to 1.6% Rate Peg	FY22/23 Current Average Without ASV \$	Increase Due to ASV \$	FY22/23 Current Average With ASV \$
Residential	1,116	8	\$1,124	\$10	\$1,134
Business	2,192	28	\$2,220	\$20	\$2,240
Farmland	1,436	(62)	\$1,374	\$12	\$1,386

The 0.9% increase is considered reasonable, as the rate peg including ASV of 2.5% is well within the inflation forecast of 4.25% in FY21/22 and 3% in FY22/23 as published in the Federal Government's 2022-23 Budgets.

The affordability is also considered reasonable giving consideration of the relatively high average Socio-Economic Indexes in the Shire of 1,107.

Council has the following options to consider:

1. Apply for a Permanent ASV of 0.9%
2. Apply for a Temporary ASV 0.9%
3. Not apply for the ASV and retain 1.6% Rate Peg

It is recommended that Council select Option 1.

**Part 4: Conclusion**

Given the challenges this Council has to face as detailed above and to provide the expected level of service well into the future it is recommended that Council apply for this ASV for the following reasons:

1. Councils should be given adequate rate peg to cover for CPI increases. This is the most basic level of rate peg one would expect in order for Council to maintain its day to day operation. Council should not need to reduce its level of service in order to balance its budget due to foreseen price increases.
2. The 1.6% rate peg cannot keep pace with inflation and any increase in expenditure over and above the rate peg has a compounding impact on expenditure in the future.
3. The population growth factor should be utilised for its intended purpose of funding growth, rather than to subsidise for the LGCI shortfall. The Hills is a growing council and must be given sufficient funding to support its level of service for a growing population, and to prudently plan and manage its future expenditure.
4. Shortfall in 2022-23 rates will have compounding impact over time. A forgone ASV of 0.9% will have an \$8m impact over 10 years and undermine Council's revenue path perpetually and financial sustainability.
5. The 0.9% ASV increase has marginal impact on the average rates for rate payers

The application is now opened. All applications must be submitted to IPART by 29 April 2022 supported by Council resolutions. For the reasons set out in this report, it is recommended that Council resolve to apply for a 0.9% permanent ASV.

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**ATTACHMENTS**

1. IPART - Information Paper - Additional Special Variations 2022-23
2. OLG – Guidelines for Additional Special Variation (ASV) Process for 2022-23
3. Application Form for ASV

## 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).<sup>a</sup>

### 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.

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

## 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.

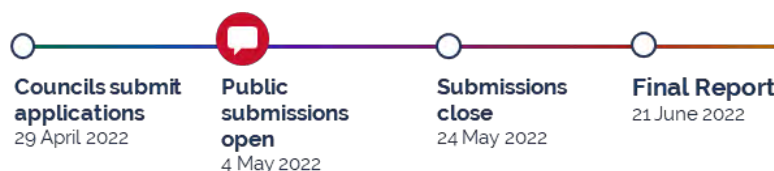
We will consider the evidence provided by councils that they need to maintain a higher OPR.

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:

Edward Jenkins

[Edward\\_jenkins@ipart.nsw.gov.au](mailto:Edward_jenkins@ipart.nsw.gov.au)

(02) 9113 7774



Office of  
Local Government

## ATTACHMENT 2 Circular to Councils

<b>Circular Details</b>	22-07/6 April 2022/A815377
<b>Previous Circular</b>	22-03 Guidelines for Additional Special Variation (ASV) Process for 2022-23
<b>Who should read this</b>	Councillors / General Managers / Rating and Finance Staff
<b>Contact</b>	Policy Team / 02 4428 4100 / <a href="mailto:olg@olg.nsw.gov.au">olg@olg.nsw.gov.au</a>
<b>Action required</b>	Information

### Subject

#### Guidelines for Additional Special Variation (ASV) Process for 2022-23

**\*\*\* The ASV Guidelines set out in this circular apply in place of, and supersede, the ASV Guidelines issued in Circular 22-03 \*\*\***

#### What's new or changing

- The Independent Pricing and Regulatory Tribunal (IPART) will accept and process an additional round of 2022-23 Special Variation (ASV) applications from councils.
- For applications made under the ASV process, the ASV Guidelines set out in this circular apply in place of the [Guidelines for the preparation of an application for a special variation to general income](#) issued by the Office of Local Government in 2020.
- The ASV Guidelines set out in this circular apply in place of, and supersede, the ASV Guidelines issued in Circular 22-03.
- For more information on when these ASV Guidelines apply, please see 'What this will mean for your council' below.
- This one-off ASV round is available for the 2022-23 financial year only.
- This one-off ASV round is for councils that can show that the special variation will enable them to meet the obligations they set for 2022-23 in their 2021-22 Integrated Planning and Reporting (IP&R) documentation.
- Councils seeking a permanent special variation will also need to demonstrate the need for the special variation to be included in their rate base on an ongoing basis.
- Separately, IPART has also agreed to undertake a broader review of its rate peg methodology, including the Local Government Cost Index, with outcomes from the review expected to shape rate peg determinations in future years.

#### What this will mean for your council

- The ASV Guidelines set out in this Circular apply where council is applying for:
  - a temporary or permanent single year special variation for 2022-23 under section 508(2) of the *Local Government Act 1993* (the Act), AND
  - the percentage sought in the application is the lower of:
    - 2.5% (including population factor) or

- the council's assumed 2022-23 rate peg as set out in its 2021-22 IP&R documentation (including population factor)
- For ASV applications made under the Guidelines set out in this Circular, councils will need to provide IPART with the following information:
  - Council's 2021-22 IP&R documentation identifying that council budgeted for an income increase above the percentage specified for the council for 2022-23 under section 506 of the Act; and
  - Where councils are applying for a permanent special variation, in addition to the above information, the council's 2021-22 IP&R documentation identifying that the council forecast an average Operating Performance Ratio (OPR) of 2% or lower over the next 5 years or, alternatively, evidence of need, for example, but not limited to, that the council needs to maintain a higher OPR so it can meet its capital funding requirements; and
  - Council has resolved to apply for the special variation under section 508(2) of the Act and that the resolution clearly states:
    - whether the resolution is for a temporary or permanent special variation under section 508(2) of the Act; and
    - the additional income that 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.
- The ASV application process is a simpler more targeted application process.
- IPART will not require councils to demonstrate community consultation or criteria outside of the processes outlined above. To demonstrate community consultation, IPART will consider the consultation undertaken through the IP&R process and consider the resolution to apply for a ASV meets the requirements outlined above.
- Revised application forms and further information will be released by IPART shortly.
- Under this ASV round of applications:
  - IPART will accept applications until 29 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.

### Key points

- In late 2021, IPART announced the rate peg for the 2022-23 financial year was set at an increase of between 0.7% and 5.0%.
- Special variations provide an opportunity for councils to vary general income by an amount greater than the annual rate peg. However IPART's normal period for special variation applications in relation to the 2022-23 rate peg has now passed.
- The Office of Local Government and IPART recognise that, due to the delayed council elections and the determination of the 2022-23 rate peg at a lower rate than councils had forecast, councils may not have had sufficient time to prepare special variation application within the normal timeframe.

This may result in some councils not having sufficient funds to pay for required infrastructure and services.

- As such the NSW Government and IPART have agreed to a one-off ASV round for the 2022-23 financial year only.
- This process is not intended to address applications from councils that require a special variation (above 2.5%) to achieve long term financial sustainability for reasons other than those set out in the criteria above, which should be addressed through the standard special variation process.
- [IPART's website](#) will be updated with revised application forms and information papers shortly.

**Where to go for further information**

- For further information please contact IPART on 02 9290 8400 or by email to [ipart@ipart.nsw.gov.au](mailto:ipart@ipart.nsw.gov.au).

**Melanie Hawyes**  
**Group Deputy Secretary, Crown Lands and Local Government**

## ATTACHMENT 3

## THE INDEPENDENT PRICING AND REGULATORY TRIBUNAL OF NSW

## APPLICATION FOR A ADDITIONAL SPECIAL VARIATION

2022-23

## TO GENERAL INCOME

under section 508(2) of the *Local Government Act 1993*  
and Office of Local Government circular 22-07 / 6 April 2022 / A815377

## SECTION 508(2) APPLICATION FORM

2022-23

Before completing this form, you MUST read the Office of Local Government's

*22-07 Circular to Councils - Guidelines for Additional Special Variation (ASV) Process for 2022-23*

## All dollars in nominal terms

The Guidelines in the circular are available on the Office's website at [www.olg.nsw.gov.au](http://www.olg.nsw.gov.au).

## Overview

An instrument made under section 508(2) allows a council to increase general income by a percentage that is greater than the rate peg in a single year.

Circular to Councils - Guidelines for Additional Special Variation (ASV) Process for 2022-23 (circular 22-07) applies to applications from councils for the lower value of: 2.5% or the council's assumed 2022-23 rate peg in its 2021-22 Long Term Financial Plan (in each case including population factor)

The application should be submitted to IPART (us) via the Council Portal on our [website at www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

## This application consists of 4 worksheets:

*The worksheets are labelled WK1, WK4, and WK8 to maintain consistency with standard part A application worksheet names.*

- ▶ **Worksheet 1 (Identification):** Identifies your council and a council contact officer, collects information about your proposed special variation and any existing special variations (SVs). It also collects information about Crown Land adjustments, catch-ups or excess adjustments and valuation objections.
- ▶ **Worksheet 4 (PGI):** Summarises the council's Permissible General Income based on the 1st year's percentage for the proposed SV and Crown Land adjustments, plus other income adjustments. It also shows the council's PGI over the proposed SV period and the annual and cumulative impacts of the proposed SV.
- ▶ **Worksheet 8 (Long Term Financial Plan):** Collects information on your Long Term Financial Plan.

Enquiries regarding the completion of this application should be directed to:

**Edward Jenkins**

(02) 9113 7774  
[edward\\_jenkins@ipart.nsw.gov.au](mailto:edward_jenkins@ipart.nsw.gov.au)

**Sacha De Maere (who in Edward's absence, will direct you to the appropriate IPART officer)**

(02) 9113 7730  
[sacha\\_DeMaere@ipart.nsw.gov.au](mailto:sacha_DeMaere@ipart.nsw.gov.au)

## APPLICATION FOR ADDITIONAL SPECIAL VARIATION TO GENERAL INCOME

2022-23

## WORKSHEET 1

Step 1: Fill out council details	Colour code
Step 2: Fill out any existing variation information	Enter data in the blue input cells
Step 3: Fill out crown land adjustments, catch up & excess, valuation objections	Hard-coded values that should not be changed
Step 4: Fill out proposed special variation amounts	Key outputs
	Special instructions

All dollars in nominal terms

Council Name: Hills Shire Council, The

Council Name if not listed:

Contact Details:

Name: Ava Cheung

Position: Acting Manager - Assets, Rates & Payroll

Telephone: 9843-0253

Email: acheung@thehills.nsw.gov.au

If your councils' name is not in the list, please enter it in cell E14

## A. Existing special variations (SVs)

1. Does the council have any existing SV(s) that means it has an increase above the rate peg for any year from 2022-23 (Year 1) onwards?

no

## B. Council's Notional General Income

2. Enter Council's NGI for 2021-22 (\$ nominal)

81,287,133.84

## C. Council's modelling assumptions

3. Enter Council's assumed rate peg for 2022-23.

2.5%

4. Has the 2021-22 LTFF been exhibited or only adopted?

Adopted

5. Enter adoption date of Council's LTFF.

08-Jun-21

## D. Proposed special variations (SVs)

6. The council is applying for a one-year increase (s508(2)).

s508(2)

7. Is the special variation permanent or temporary?

Permanent

If temporary, the number of years before the special variation is due to expire (This is set to 1-year for this application).

1

8. Percentage rate peg for the first year of the SV period (2022-23). This will autofill with the selection of Council.

1.60%

9. Enter the percentage above the rate peg the council is applying for in 2022-23.

enter % 0.90%

Note: maximum allowed = 0.90%

## E. Expiring special variations (SVs)

10. Does the council have an expiring variation? If yes, please specify when.

1st Expiring SV select option

na

2nd Expiring SV select option

na

11. If the council has an expiring variation, enter the \$ amount expiring in row 80 below.

## F. Crown Land adjustments, catch ups, valuation objections

12. Enter the amount of any Crown Land adjustments required.

13. Enter the amount for any catch ups or excess adjustments required.

14. Enter any valuation objections required (input as a positive whole number).

	\$	% Y O income
enter \$		0.00%
enter \$	83	0.00%
enter \$		0.00%

## G. Requested annual percentage increases and expiring SV amounts

A special variation is the total % increase permitted in a council's general income, including the rate peg and Crown land adjustments, before adjustments are made for catch ups/excesses and valuation objections.

Note: Approved SV% increases do not change if the actual rate peg turns out to be different from that assumed for a particular year.

Table 1 Requested annual percentage increases and expiring SV amounts

	Year 0 2021-22	Year 1 2022-23	Year 2 2023-24	Year 3 2024-25	Year 4 2025-26	Year 5 2026-27	Year 6 2027-28	Year 7 2028-29
Financial year								
Annual % increases								
na - leave blank								
Rate peg only		1.60%	0.00%	0.00%	2.00%	0.00%	0.00%	0.00%
plus na		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
plus percentage above the rate peg		0.90%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
plus Crown Land adjustment		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Proposed SV	na	2.50%						
Cumulative % increase								
Rate peg only		1.60%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
plus additional increases		0.90%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Proposed SV	na	2.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expiring special variations								
\$ value of expiring special variations (ESV)								
\$ (nominal)								
% value of ESV		0.00%	0.00%					

Hills Shire Council, The

**WORKSHEET 4****PERMISSIBLE GENERAL INCOME SUMMARY FOR 2022-23**

All dollars in nominal terms

**Please check all income adjustments and expiring variation amounts with OLG  
before submitting the application.**

Prior year Notional General Income		81,287,134
<b>Less:</b>	Expiry of a prior special variation	-
Adjusted first year Notional General Income		<b>\$ 81,287,134</b>
<b>Plus:</b>	Rate peg - first year	1.60% 1,300,594
<b>Plus:</b>	na	0.00% 0
<b>Plus:</b>	Additional increase - first year	0.90% 731,584
<b>Plus:</b>	Crown Land adjustment - first year	0.00% 0
<b>Total special variation - first year</b>	<b>2.50%</b>	<b>\$ 2,032,178</b>
<b><u>Other First Year Adjustments:</u></b>		
<b>Plus/Minus:</b>	Prior year Catch-up/(Excess)	83
<b>Minus:</b>	Valuation Objections claimed in prior year	0
	Total Adjustments	83
<b>First year Permissible General Income</b>		<b>\$ 83,319,395</b>

Hills Shire Council, The

**WORKSHEET 8**

This worksheet only needs to be completed for permanent SV applications  
**LONG TERM FINANCIAL PLAN**

All dollars in nominal terms

This sheet shows the forecast general fund operating position in the council's Long Term Financial Plan.

Enter the figures from the 2021-22 Long Term Financial Plan over 5 years under each of the headings as relevant. Add rows if necessary.

**Council has a forecast mean OPR above 2.0% over the next 5-years (2022-23 to 2026-27). You will need to provide additional information to demonstrate financial need. Please see our information paper for more information.**

**LTFP Extract - General Fund only (un-adjusted)**

	Year 0 2021-22	Year 1 2022-23	Year 2 2023-24	Year 3 2024-25	Year 4 2025-26	Year 5 2026-27	Sum of 5 years	Change over 5 years	
								\$	%
<b>Income from continuing operations</b>	\$ nominal per year								
<b>Revenue:</b>									
Rates & Annual Charges	112,795,925	116,177,408	119,999,009	123,784,630	127,765,812	131,882,735	619,609,594	19,086,810	16.92%
User Charges & Fees	23,781,315	28,302,147	28,846,007	29,462,235	30,097,375	30,729,810	147,437,574	6,948,495	29.22%
Interest & Investment Revenue	2,961,447	2,148,118	4,445,584	4,542,180	4,725,469	5,973,582	21,834,932	3,012,135	101.71%
Other Revenues	8,429,668	8,329,349	9,202,095	9,396,291	9,609,845	10,089,997	46,627,577	1,660,329	19.70%
Grants & Contributions Op Purposes	16,458,987	16,392,753	16,638,150	16,965,310	17,323,837	17,690,609	85,010,659	1,231,622	7.48%
Grants & Contributions Capital Purposes	99,177,136	87,904,767	94,861,061	113,064,890	151,906,157	89,615,418	537,352,293	-9,561,719	-9.64%
<include additional items here>							0	0	0.00%
<b>Other Income (items excluded from ratio analysis)</b>									
Net share of profit on joint ventures							0	0	0.00%
Fair value gains							0	0	0.00%
Net gains from disposal of assets	851,913	968,807	983,967	931,573	972,278	962,893	4,819,518	110,980	13.03%
<b>Total Income Continuing Operations</b>	<b>264,456,391</b>	<b>260,223,349</b>	<b>274,975,873</b>	<b>298,147,109</b>	<b>342,400,772</b>	<b>286,945,043</b>	<b>1,462,692,147</b>	<b>22,488,653</b>	<b>8.50%</b>
<b>Income excluding capital grants and contributions</b>	165,279,254	172,318,582	180,114,812	185,082,219	190,494,615	197,329,626	925,339,854	32,050,371	19.39%
Income excluding capital grants and contributions, net gains from asset disposals, profit on joint ventures and fair value gains	164,427,342	171,349,775	179,130,845	184,150,646	189,522,338	196,366,733	920,520,336	31,939,391	19.42%
<b>Expenses from continuing operations</b>	\$ nominal per year								
<b>Employee Benefits &amp; On-costs</b>	65,318,754	68,656,500	70,313,041	71,761,026	73,500,006	75,057,269	359,287,842	9,738,515	14.91%
Borrowing Costs (i.e. interest costs)	0	0	0	0	0	0	0	0	0.00%
Materials & Contracts	47,771,952	53,299,531	55,473,114	58,121,773	61,019,572	64,211,677	292,125,667	16,439,725	34.41%
Depreciation & Amortisation	24,492,641	25,070,671	25,667,512	26,283,851	26,920,406	27,577,919	131,520,359	3,085,278	12.60%
Other Expenses	23,610,401	22,232,133	22,664,233	23,077,418	23,566,337	24,247,996	115,788,117	637,595	2.70%
<include additional items here>							0	0	0.00%
<b>Other Expenses (items excluded from ratio analysis)</b>									
Net loss on joint ventures							0	0	0.00%
Fair value losses							0	0	0.00%
Net loss from disposal of assets							0	0	0.00%
<b>Total expenses continuing operations</b>	<b>161,193,748</b>	<b>169,258,835</b>	<b>174,117,900</b>	<b>179,244,068</b>	<b>185,006,321</b>	<b>191,094,861</b>	<b>898,721,985</b>	<b>29,901,113</b>	<b>18.55%</b>
Total expenses continuing operations excluding net loss from asset disposals, joint ventures and fair value losses	161,193,748	169,258,835	174,117,900	179,244,068	185,006,321	191,094,861	898,721,985	29,901,113	18.55%
<b>Operating results</b>	\$ nominal per year								
Operating result from continuing operations	103,262,643	90,964,514	100,857,974	118,903,042	157,394,451	95,850,183	563,970,162	-7,412,460	-7.18%
<b>Net operating result before capital grants &amp; contributions</b>	<b>4,085,506</b>	<b>3,059,746</b>	<b>5,996,912</b>	<b>5,838,152</b>	<b>5,488,294</b>	<b>6,234,765</b>	<b>26,617,869</b>	<b>2,149,259</b>	<b>52.61%</b>
Net operating result before capital grants & contributions, gains/losses on asset disposals, gains/losses on joint ventures and fair value adjustments	3,233,594	2,090,939	5,012,945	4,906,578	4,516,016	5,271,872	21,798,351	2,038,278	63.03%
Operating performance ratio	2.0%	1.2%	2.8%	2.7%	2.4%	2.7%			
<b>Increase in rates and annual charges</b>									
\$ Increase in rates and annual charges		3,381,483	3,821,601	3,785,621	3,981,182	4,116,923	19,086,810		
% Increase in rates and annual charges		3.00%	3.29%	3.15%	3.22%	3.22%	16.92%		

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Hills Shire Council, The

**WORKSHEET 8**

This worksheet only needs to be completed for permanent SV applications  
**LONG TERM FINANCIAL PLAN**

All dollars in nominal terms

This sheet shows the forecast general fund operating position in the council's Long Term Financial Plan.

Enter the figures from the 2021-22 Long Term Financial Plan over 5 years under each of the headings as relevant. Add rows if necessary.

For councils who's applications are recommending IPART consider assessing against an adjusted OPR, the adjusted LTFP figures that underpin it can be entered into this table.

**LTFP Extract - General Fund only (adjusted)**

	Year 0 2021-22	Year 1 2022-23	Year 2 2023-24	Year 3 2024-25	Year 4 2025-26	Year 5 2026-27	Sum of 5 years	Change over 5 years \$	%
<b>Income from continuing operations</b>	\$ nominal per year								
<b>Revenue:</b>									
Rates & Annual Charges	112,795,925	115,445,824	119,235,766	122,994,634	126,948,116	131,036,359	615,660,699	18,240,434	16.17%
User Charges & Fees	23,781,315	28,302,147	28,846,007	29,462,235	30,097,375	30,729,810	147,437,574	6,948,495	29.22%
Interest & Investment Revenue	2,961,447	2,148,118	4,445,584	4,542,180	4,725,469	5,973,582	21,834,932	3,012,135	101.71%
Other Revenues	8,429,668	8,329,349	9,202,095	9,396,291	9,609,845	10,089,997	46,627,577	1,660,329	19.70%
Grants & Contributions Op Purposes	16,458,987	16,392,753	16,638,150	16,965,310	17,323,837	17,690,609	85,010,659	1,231,622	7.48%
Grants & Contributions Capital Purposes	99,177,136	87,904,767	94,861,061	113,064,890	151,906,157	89,615,418	537,352,293	-9,561,719	-9.64%
<include additional items here>							0	0	0.00%
<b>Other Income (items excluded from ratio analysis)</b>									
Net share of profit on joint ventures							0	0	0.00%
Fair value gains							0	0	0.00%
Net gains from disposal of assets	851,913	968,807	983,967	931,573	972,278	962,893	4,819,518	110,980	13.03%
<b>Total Income Continuing Operations</b>	<b>264,456,391</b>	<b>259,491,765</b>	<b>274,212,630</b>	<b>297,357,113</b>	<b>341,583,076</b>	<b>286,098,667</b>	<b>1,458,743,252</b>	<b>21,642,276</b>	<b>8.18%</b>
<b>Income excluding capital grants and contributions</b>	165,279,254	171,586,998	179,351,569	184,292,223	189,676,920	196,483,249	921,390,958	31,203,995	18.88%
Income excluding capital grants and contributions, net gains from asset disposals, profit on joint ventures and fair value gains	164,427,342	170,618,191	178,367,602	183,360,650	188,704,642	195,520,356	916,571,440	31,093,015	18.91%
<b>Expenses from continuing operations</b>	\$ nominal per year								
Employee Benefits & On-costs	65,318,754	68,656,500	70,313,041	71,761,026	73,500,006	75,057,269	359,287,842	9,738,515	14.91%
Borrowing Costs (i.e. interest costs)	0	0	0	0	0	0	0	0	0.00%
Materials & Contracts	47,771,952	53,299,531	55,473,114	58,121,773	61,019,572	64,211,677	292,125,667	16,439,725	34.41%
Depreciation & Amortisation	24,492,641	25,070,671	25,667,512	26,283,851	26,920,406	27,577,919	131,520,359	3,085,278	12.60%
Other Expenses	23,610,401	22,232,133	22,664,233	23,077,418	23,566,337	24,247,996	115,788,117	637,595	2.70%
<include additional items here>							0	0	0.00%
<b>Other Expenses (items excluded from ratio analysis)</b>									
Net loss on joint ventures							0	0	0.00%
Fair value losses							0	0	0.00%
Net loss from disposal of assets							0	0	0.00%
<b>Total expenses continuing operations</b>	<b>161,193,748</b>	<b>169,258,835</b>	<b>174,117,900</b>	<b>179,244,068</b>	<b>185,006,321</b>	<b>191,094,861</b>	<b>898,721,985</b>	<b>29,901,113</b>	<b>18.55%</b>
Total expenses continuing operations excluding net loss from asset disposals, joint ventures and fair value losses	161,193,748	169,258,835	174,117,900	179,244,068	185,006,321	191,094,861	898,721,985	29,901,113	18.55%
<b>Operating results</b>	\$ nominal per year								
Operating result from continuing operations	103,262,643	90,232,930	100,094,730	118,113,046	156,576,755	95,003,806	560,021,267	-8,258,837	-8.00%
<b>Net operating result before capital grants &amp; contributions</b>	<b>4,085,506</b>	<b>2,328,162</b>	<b>5,233,669</b>	<b>5,048,156</b>	<b>4,670,598</b>	<b>5,388,389</b>	<b>22,668,974</b>	<b>1,302,882</b>	<b>31.89%</b>
Net operating result before capital grants & contributions, gains/losses on asset disposals, gains/losses on joint ventures and fair value adjustments	3,233,594	1,359,355	4,249,702	4,116,582	3,698,321	4,425,496	17,849,456	1,191,902	36.86%
Operating performance ratio	2.0%	0.8%	2.4%	2.2%	2.0%	2.3%			
<b>Increase in rates and annual charges</b>									
\$ Increase in rates and annual charges		2,649,899	3,789,942	3,758,868	3,953,482	4,088,242	18,240,434		
% Increase in rates and annual charges		2.35%	3.28%	3.15%	3.21%	3.22%	16.17%		

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