

RP-12 ADDITIONAL SPECIAL VARIATION (ASV) PROCESS FOR 2022/23

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Summary: | The purpose of this report is for Council to resolve to apply for a permanent 2022/23 Additional Special Variation (ASV).

Recommendation

That Council:

- a resolves to apply for a permanent Additional Special Variation (ASV) under Section 508(2) of the *Local Government Act 1993* due to the significant impact from the reduced 2022/23 rate peg on Council's general purpose rate revenue
- b if approved, will direct this additional ASV income as detailed in this report towards Council's future year budget deficits from the adopted 2021/22 Long Term Financial Plan
- c has considered the impact of the ASV and deemed it is reasonable if approved for ratepayers and the community in 2022/23 and future years

Report

The recent review conducted by the Independent Pricing and Regulatory Tribunal (IPART) on the 2022/23 rate peg calculation methodology, and announcement of a 0.7% rate peg for Wagga Wagga City Council for 2022/23, has resulted in a significant reduction on Council's rate revenue for the Long Term Financial Plan.

In reply to the negative response from Council's, the Office of Local Government (OLG) and IPART have recognised that due to the delay with Council elections and the late determination of the 2022/23 rate peg being lower than some Councils had forecast, that Councils may not have had sufficient time to prepare special rate variation applications within the normal timeframe, and therefore do not have sufficient funds to pay for required infrastructure and services.

As such the NSW Government and IPART have agreed to a one-off additional round of 2022/23 Special Variation (ASV) applications from Councils under section 508(2) of the *Local Government Act 1993*.

This ASV will be available for Councils that can demonstrate the need for a special variation to meet the obligations they set for 2022/23 in their adopted 2021/22 Integrated Planning and Reporting (IP&R) documentation. Councils seeking a permanent special variation will also need to demonstrate the financial need for the special variation to be included in their rate base on an ongoing basis.

Council had forecast significant deficits from 2022/23 onwards for the remaining 9 years of the 2021/22 Long Term Financial Plan which were based on the advised IPART rate peg for 2021/22 of 2% plus 1% growth on rateable residential properties.

As per the guidelines set out in the ASV, Council's can only apply for the lower of the following:

- 2.5% (including population/growth factor) or

- the Council's assumed 2022/23 rate peg as adopted in the 2021/22 LTFP which is 2% (plus 1% population/growth on rateable residential properties).

It is the intention of Council to apply to IPART (until 29 April 2022) for a permanent 2% ASV (1.3% ASV on top of existing 0.7% rate peg) on all rateable properties.

If Council's application was approved (scheduled to be announced 21 June 2022), this could potentially result in additional rates revenue as estimated in the following scenarios:

One-off ASV for 2022/23 - the additional revenue from rates will include a one-off 2% ASV for all rateable for 2022/23 only. The rate peg will then revert back to the previously budgeted rate peg with no increase. This will result in additional income as follows:

2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
630,214	0	0	0	0	0	0	0	0	0

One-off ASV for 2022/23 and retained permanently - the additional revenue from rates will include the 2% ASV for all rateable properties applied every year of the Long Term Financial Plan. This will result in additional income as follows:

2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
630,214	649,802	670,014	690,870	712,392	734,600	757,517	781,167	805,573	830,759

In addition to this Council will apply a 1% population/growth factor estimated budget increase on the ASV income for residential rateable properties only.

It is proposed to restrict any additional ASV income to a reserve to fund Council's 9 year budgeted deficits from 2023/24 onwards in the draft 2022/23 LTFP.

Financial Implications

Due to the late timing of the announcement by IPART of the successful ASV applications on 21 June 2022, this potential income as outlined in this report will be included as 2 scenarios in the 2022/23 Long Term Financial Plan document.

If Council's application is approved by IPART, the additional income will then be reported as part of the Monthly Financial Performance Report in 2022/23 as a budget variation and updated as part of the rolling 2022/23 Long Term Financial Plan.

The ASV funds will be transferred to a separate reserve to be directed towards Council's future year budget deficits.

Policy and Legislation

Local Government Act 1993
Section 508(2)

Link to Strategic Plan

Community Leadership and Collaboration

Objective: We have strong leadership

Outcome: We plan long term

Risk Management Issues for Council

If this report is not approved, Council will not be able to submit an application to IPART for an ASV for 2022/23, which will result in a significant reduction to Council's general purpose rate revenue. The potential impact of this reduced income is not meeting the obligations as set out in Council's Long Term Financial Plan and funding of required infrastructure and services.

Internal / External Consultation

Internal consultation was conducted with Councillor's as part of the Budget Workshop on the 4 April 2022.

IPART will not require Councils to demonstrate external community consultation outside of the 2022/23 Integrated Planning & Reporting (IP&R) standard public exhibition period requirements as detailed below.

The IP&R suite of documents will be placed on public exhibition for a 28-day period commencing from 3 May 2022 and concluding on 4 June 2022. As part of this exhibition period a variety of communication methods will be used, to not only promote the public exhibition period but also promote the purpose of the documents.

	Mail			Media				Community Engagement						Digital			
	Rates notices insert	Direct mail	Letterbox drop	Council news	Media releases	Print advertising	TV/radio advertising	One-on-one meetings	Your Say website	Community meetings	Stakeholder workshops	Drop-in sessions	Surveys and feedback forms	Social media	Email newsletters	Website	Digital advertising
TIER																	
Consult				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	