

Item No: C04/22-39

## **RATES INCOME - ADDITIONAL SPECIAL VARIATION (ASV) APPLICATION**

Responsible Division: General Manager  
Officer: Chief Financial Officer  
File Number: 8464685  
Community Strategic Plan Goal: *Transparent and accountable leadership*

### **SUMMARY**

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As a result of IPART's low 2022/23 rate peg for NSW Councils, the Office of Local Government (OLG) released a Circular (22-03) acknowledging the rate peg was lower than Council's forecast and as a result, will allow Councils to apply for a one-off ASV.

IPART has 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.

### **RECOMMENDATION**

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#### **That Council:**

- 1. Approve a permanent special variation under section 508(2) of the Act.**
- 2. Will receive an additional \$1.35m in 2022/23 if the special variation is approved.**
- 3. Will use funds generated by the ASV to maintain Council services and infrastructure.**
- 4. Note the additional average rates payable with an ASV in 2022/23 is \$18 per property or \$0.34c per week.**

### **REPORT**

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The Independent Pricing and Regulatory Tribunal (IPART) sets the amount that NSW councils can increase rates each year, known as the rate peg.

The rates peg is largely determined by Local Government Cost Index (LGCI), which is designed to measure how much the price of a fixed 'basket' of inputs acquired by councils increased in a given period. The basket looks at the increase in such items as gas, electricity, employee benefits, water. The LGCI does not directly measure councils' total level of costs.

The rate peg is assumed to be 2.5% in Council's Long Term Financial Plan (LTFP) and was therefore used when setting Council's 2022/23 draft budget. It is also advised to be used by IPART when calculating future rates when applying for a Special Variation.



CUMBERLAND  
CITY COUNCIL

## Rates Additional Special Variation (ASV)



# Rates introduction

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- Rates are calculated on the land value of a property, multiplied by an adopted 'rate in the dollar' (ad valorem), and subject to a minimum rate. The land value is determined by the NSW Valuer General.
- The Independent Pricing and Regulatory Tribunal (IPART) sets the amount that NSW councils can increase rates each year, known as the rate peg. The rate peg can only be varied through Councils applying for Special Variation to IPART for a rate above the rate peg.
- The rate peg is assumed to be 2.5% when budgeting and planning, and is also advised by IPART to be used when calculating future rates when applying for a Special Variation.
- The rate peg for 2022/23 is 1.2%, which now includes a population factor of 0.5% for the first time, otherwise rate peg would be 0.7%. The average rate peg over the last 10 years is 2.46% (ranging from 1.5% to 3.6%).
- Rates peg is largely determined by Local Government Cost Index (LGCI), which is designed to measure how much the price of a fixed 'basket' of inputs acquired by councils increased in a given period. The basket looks at the increase in such items as gas, electricity, employee benefits, water. The LGCI does not directly measure councils' total level of costs.
- IPART has 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.



# ASV

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On 7 March 2022, the OLG released a circular allowing Council's to apply for an Additional Special Variation (ASV) for the 2022/23 financial year to compensate for the low 22/23 rates peg determined by IPART

The circular advised “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.....may result in some councils not having sufficient funds to pay for required infrastructure and services.”

Council, via a resolution, can apply for an additional 1.3% rates increase to total a 2.5% rates increase for 22/23 either as one-off increase or an increase into perpetuity (Current budgeted rate increase is 1.2%)

Three options -

Option 1 – Council Does not apply for an ASV

Option 2 – Council applies for a temporary ASV of 1.3% for one year only, future permissible income will revert back to be based the 1.2% increase from 2021/22 (\$105m)

Option 3 – Council applies for the ASV to be permanently retained in its base, future permissible income will be based on the 2.5% increase from 2021/22 (\$106.4m)



## SRV vs ASV

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**Special Rate Variation (SRV)** – Can take up to a year and requires Council to show IPART:

Criterion 1: Need for the variation

Criterion 2: Community awareness

Criterion 3: Reasonable impact on ratepayers

Criterion 4: Exhibition of relevant IP&R documents

Criterion 5: Productivity improvements and cost containment

Criterion 6: Other relevant matters (e.g. current rates charges)

**Additional Special Variation (ASV)** – Simpler more targeted application process over 2 months

Criterion 1: Council to show the assumed 2.5% rate increase was factored into Councils 10-year LTFP for 2022/23

Criterion 2: Council to show the impact on its obligations, infrastructure and services of the rate peg shortfall for 1 year, or future years if applying for permanent ASV



# ASV Financial Impact – Residential Rates

		2020/21 (Pre Harmonisation)		2021/22 (Year 1 Harmonisation)		2022/23 (Year 2 Harmonisation & ASV)		
		Average Rate	Yield	Average Rate	Yield	Minimum Rate	Average Rate	Yield
<b>Residential</b>								
Rate Peg Only	Auburn Residential	812	17,721,551	870	18,931,491	658	926	20,211,118
Rate Peg + ASV	Auburn Residential					658	938	20,473,974
							<b>12</b>	<b>262,856</b>
With Minimum Rate Increase and No ASV	Auburn Residential					715	923	20,137,858
With Minimum Rate Increase + ASV	Auburn Residential					715	935	20,399,678
							<b>12</b>	<b>261,819</b>
Rate Peg Only	Holroyd Residential	1,006	39,139,665	1015	39,350,141	658	1,008	39,233,174
Rate Peg + ASV	Holroyd Residential					658	1,019	39,652,274
							<b>11</b>	<b>419,101</b>
With Minimum Rate Increase and No ASV	Holroyd Residential					715	1,006	39,163,160
With Minimum Rate Increase + ASV	Holroyd Residential					715	1,016	39,556,487
							<b>10</b>	<b>393,327</b>
Rate Peg Only	Parramatta Residential	887	10,295,451	937	10,866,479	658	943	10,940,362
Rate Peg + ASV	Parramatta Residential					658	955	11,083,001
							<b>12</b>	<b>142,639</b>
With Minimum Rate Increase and No ASV	Parramatta Residential					715	961	11,153,065
With Minimum Rate Increase + ASV	Parramatta Residential					715	973	11,297,981
							<b>12</b>	<b>144,916</b>
<b>Total Residential</b>								
Rate Peg Only			67,156,667	956	69,148,111	658	973	70,384,654
Rate Peg + ASV						658	984	71,209,249
<b>Additional Yield/Variance</b>							<b>11</b>	<b>824,596</b>
With Minimum Rate Increase and No ASV						715	974	70,454,083
With Minimum Rate Increase + ASV						715	985	71,289,617
<b>Additional Yield/Variance</b>							<b>12</b>	<b>835,534</b>



# ASV Financial Impact – Residential Rates

		2023/24 (Year 3 Harmonisation & ASV)			2024/25 (Year 4 Harmonisation & ASV)		
		Min Rate	Average Rate	Yield	Min Rate	Average Rate	Yield
<b>Residential</b>							
Rate Peg Only	Auburn Residential	674	990	21,607,212	691	1,030	22,471,943
Rate Peg + ASV	Auburn Residential	674	1,006	21,953,544	691	1,045	22,819,550
			<b>16</b>	<b>346,333</b>		<b>16</b>	<b>347,607</b>
With Minimum Rate Increase and No ASV	Auburn Residential	785	982	21,424,180	860	1,021	22,283,824
With Minimum Rate Increase + ASV	Auburn Residential	785	996	21,733,900	860	1,035	22,584,861
			<b>14</b>	<b>309,720</b>		<b>14</b>	<b>301,038</b>
Rate Peg Only	Holroyd Residential	674	1,011	39,336,794	691	1,013	39,429,848
Rate Peg + ASV	Holroyd Residential	674	1,022	39,767,236	691	1,027	39,967,810
			<b>11</b>	<b>430,443</b>		<b>14</b>	<b>537,962</b>
With Minimum Rate Increase and No ASV	Holroyd Residential	785	1,008	39,241,329	860	1,015	39,517,390
With Minimum Rate Increase + ASV	Holroyd Residential	785	1,021	39,753,033	860	1,028	40,009,983
			<b>13</b>	<b>511,703</b>		<b>13</b>	<b>492,593</b>
Rate Peg Only	Parramatta Residential	674	966	11,210,694	691	991	11,501,440
Rate Peg + ASV	Parramatta Residential	674	978	11,356,500	691	1,003	11,644,085
			<b>13</b>	<b>145,806</b>		<b>12</b>	<b>142,646</b>
With Minimum Rate Increase and No ASV	Parramatta Residential	785	985	11,435,863	860	1,012	11,742,898
With Minimum Rate Increase + ASV	Parramatta Residential	785	999	11,590,057	860	1,025	11,897,700
			<b>13</b>	<b>154,194</b>		<b>13</b>	<b>154,802</b>
<b>Total Residential</b>							
Rate Peg Only		674	997	72,154,699	691	1,015	73,403,231
Rate Peg + ASV		674	1,010	73,077,280	691	1,029	74,431,445
<b>Additional Yield/Variance</b>			<b>13</b>	<b>922,581</b>		<b>14</b>	<b>1,028,215</b>
With Minimum Rate Increase and No ASV		785	997	72,101,372	860	1,016	73,544,112
With Minimum Rate Increase + ASV		785	1,010	73,071,858	860	1,027	74,339,710
<b>Additional Yield/Variance</b>			<b>13</b>	<b>970,486</b>		<b>11</b>	<b>795,598</b>



# ASV Financial Impact – Residential Rates

		2025/26 (Year 5 Harmonised)			
		Rate in Dollar	Min Rate	Average Rate	Yield
<b>Residential</b>					
Rate Peg Only	Auburn Residential	0.00211	708	1,055	23,033,742
Rate Peg + ASV	Auburn Residential	0.00215	708	1,072	23,390,039
				<b>16</b>	<b>356,297</b>
With Minimum Rate Increase and No ASV	Auburn Residential	0.00189	882	1,046	22,840,919
With Minimum Rate Increase + ASV	Auburn Residential	0.00193	882	1,061	23,149,483
				<b>14</b>	<b>308,564</b>
Rate Peg Only	Holroyd Residential	0.00211	708	1,038	40,415,594
Rate Peg + ASV	Holroyd Residential	0.00215	708	1,053	40,967,005
				<b>14</b>	<b>551,411</b>
With Minimum Rate Increase and No ASV	Holroyd Residential	0.00189	882	1,041	40,505,325
With Minimum Rate Increase + ASV	Holroyd Residential	0.00193	882	1,054	41,010,233
				<b>13</b>	<b>504,908</b>
Rate Peg Only	Parramatta Residential	0.00211	708	1,016	11,788,976
Rate Peg + ASV	Parramatta Residential	0.00215	708	1,028	11,935,188
				<b>13</b>	<b>146,212</b>
With Minimum Rate Increase and No ASV	Parramatta Residential	0.00189	882	1,037	12,036,471
With Minimum Rate Increase + ASV	Parramatta Residential	0.00193	882	1,051	12,195,142
				<b>14</b>	<b>158,672</b>
<b>Total Residential</b>					
Rate Peg Only			708	1,040	75,238,312
Rate Peg + ASV			708	1,054	76,292,231
<b>Additional Yield/Variance</b>				<b>15</b>	<b>1,053,920</b>
With Minimum Rate Increase and No ASV			882	1,041	75,382,714
With Minimum Rate Increase + ASV			882	1,053	76,198,202
<b>Additional Yield/Variance</b>				<b>12</b>	<b>815,488</b>





# ASV Financial Impact – Business Rates

		2020/21 (Pre Harmonisation)		2021/22 (Year 1 Harmonisation)		2022/23 (Year 2 Harmonisation & ASV)		
		Average Rate	Yield	Average Rate	Yield	Minimum Rate	Average Rate	Yield
<b>Business</b>								
<b>Business Commercial</b>								
Rate Peg Only	Auburn Business	5,974	9,677,685	5719	5,118,461	1214	6,015	5,443,505
Rate Peg + ASV	Auburn Business						6,093	5,514,325
							<b>78</b>	<b>70,819</b>
Rate Peg Only	Holroyd Business	8,400	19,058,984	5411	5,064,588	1214	4,720	4,427,130
Rate Peg + ASV	Holroyd Business						4,781	4,484,517
							<b>61</b>	<b>57,387</b>
Rate Peg Only	Parramatta Business	5,338	1,691,994	5393	1,709,440	1214	4,811	1,558,856
Rate Peg + ASV	Parramatta Business						4,874	1,579,182
							<b>63</b>	<b>20,326</b>
<b>Business Industrial</b>								
Rate Peg Only	Auburn Industrial	N/A	N/A	8038	5,827,596	1214	8,761	6,211,840
Rate Peg + ASV	Auburn Industrial						8,875	6,292,376
							<b>114</b>	<b>80,536</b>
Rate Peg Only	Holroyd Industrial	N/A	N/A	10518	14,021,010	1214	11,215	14,893,966
Rate Peg + ASV	Holroyd Industrial						11,361	15,087,850
							<b>146</b>	<b>193,883</b>
Rate Peg Only	Parramatta Industrial	8,424	2,451,253	7865	2,288,607	1214	7,446	2,107,161
Rate Peg + ASV	Parramatta Industrial						7,528	2,130,428
							<b>82</b>	<b>23,267</b>
<b>Total Business</b>								
Rate Peg Only		7328	32,879,916	7584	34,029,703		7721	34,642,458
Rate Peg + ASV							7820	35,088,678
<b>Additional Yield/Variance</b>							<b>99</b>	<b>446,220</b>



# ASV Financial Impact – Business Rates

		2023/24 (Year 3 Harmonisation & ASV)			2024/25 (Year 4 Harmonisation & ASV)			
		Min Rate	Average Rate	Yield	Ad Valorem	Min Rate	Average Rate	Yield
<b>Business</b>								
<b>Business Commercial</b>								
Rate Peg Only	Auburn Business	1245	6,213	5,622,503	0.00428	1276	6,681	6,046,102
Rate Peg + ASV	Auburn Business	1245	6,293	5,695,256	0.00434	1276	6,767	6,124,180
			<b>80</b>	<b>72,753</b>			<b>86</b>	<b>78,077</b>
Rate Peg Only	Holroyd Business	1245	4,570	4,286,288	0.00455	1276	4,534	4,252,869
Rate Peg + ASV	Holroyd Business	1245	4,631	4,343,940	0.00462	1276	4,592	4,307,447
			<b>61</b>	<b>57,652</b>			<b>58</b>	<b>54,578</b>
Rate Peg Only	Parramatta Business	1245	4,269	1,383,310	0.00456	1276	4,181	1,354,485
Rate Peg + ASV	Parramatta Business	1245	4,328	1,402,281	0.00463	1276	4,239	1,373,456
			<b>59</b>	<b>18,971</b>			<b>59</b>	<b>18,971</b>
<b>Business Industrial</b>								
Rate Peg Only	Auburn Industrial	1245	9,608	6,812,220	0.00547	1276	10,310	7,309,505
Rate Peg + ASV	Auburn Industrial	1245	9,733	6,900,674	0.00554	1276	10,442	7,403,573
			<b>125</b>	<b>88,454</b>			<b>133</b>	<b>94,068</b>
Rate Peg Only	Holroyd Industrial	1245	11,661	15,485,181	0.00538	1276	12,158	16,146,203
Rate Peg + ASV	Holroyd Industrial	1245	11,812	15,686,806	0.00545	1276	12,316	16,356,017
			<b>152</b>	<b>201,625</b>			<b>158</b>	<b>209,815</b>
Rate Peg Only	Parramatta Industrial	1245	7,113	2,013,018	0.00591	1276	6,618	1,872,904
Rate Peg + ASV	Parramatta Industrial	1245	7,192	2,035,349	0.00599	1276	6,692	1,893,824
			<b>79</b>	<b>22,331</b>			<b>74</b>	<b>20,920</b>
<b>Total Business</b>								
Rate Peg Only			7935	35,602,520			8242	36,982,069
Rate Peg + ASV			8038	36,064,305			8348	37,458,498
<b>Additional Yield/Variance</b>			<b>103</b>	<b>461,786</b>			<b>106</b>	<b>476,428</b>



# ASV Financial Impact – Business Rates

		2025/26 (Year 5 Harmonised)			
		Rate in Dollar	Min Rate	Average Rate	Yield
<b>Business</b>					
<b>Business Commercial</b>					
Rate Peg Only	Auburn Business	0.00452	1308	7,043	6,373,955
Rate Peg + ASV	Auburn Business	0.00458	1308	7,134	6,456,431
				<b>91</b>	<b>82,476</b>
Rate Peg Only	Holroyd Business	0.00452	1308	4,522	4,241,969
Rate Peg + ASV	Holroyd Business	0.00458	1308	4,575	4,290,926
				<b>52</b>	<b>48,957</b>
Rate Peg Only	Parramatta Business	0.00452	1308	4,157	1,346,814
Rate Peg + ASV	Parramatta Business	0.00458	1308	4,210	1,363,975
				<b>53</b>	<b>17,161</b>
<b>Business Industrial</b>					
Rate Peg Only	Auburn Industrial	0.00557	1308	10,494	7,440,129
Rate Peg + ASV	Auburn Industrial	0.00564	1308	10,626	7,533,603
				<b>132</b>	<b>93,474</b>
Rate Peg Only	Holroyd Industrial	0.00557	1308	12,577	16,702,023
Rate Peg + ASV	Holroyd Industrial	0.00564	1308	12,742	16,921,050
				<b>165</b>	<b>219,027</b>
Rate Peg Only	Parramatta Industrial	0.00557	1308	6,297	1,782,111
Rate Peg + ASV	Parramatta Industrial	0.00564	1308	6,364	1,801,115
				<b>67</b>	<b>19,003</b>
<b>Total Business</b>					
Rate Peg Only				8444	37,887,001
Rate Peg + ASV				8551	38,367,100
<b>Additional Yield/Variance</b>				<b>107</b>	<b>480,099</b>



# Total ASV Financial & Rate Payer Impact

	2022/23 (Year 1)		2022/23 (Year 2)		2023/24 (Year 3)		2024/25 (Year 4)		2025/26 (Year 5) Harmoised	
	Average Rate	Yield	Average Rate	Yield	Average Rate	Yield	Average Rate	Yield	Average Rate	Yield
<b>Total All Rates</b>										
Rate Peg Only	1,343	103,177,814	1,367	105,027,111	1,402	107,757,219	1,437	110,385,300	1,472	113,125,313
Rate Peg + ASV			1,384	106,378,295	1,420	109,136,163	1,455	111,798,207	1,491	114,565,302
<b>Additional Yield/Variance</b>			<b>\$ 17.58</b>	<b>\$ 1,351,183</b>	<b>\$ 17.95</b>	<b>\$ 1,378,944</b>	<b>\$ 18.39</b>	<b>\$ 1,412,907</b>	<b>\$ 18.74</b>	<b>\$ 1,439,989</b>
<b>ASV Per Ratepayer</b>										
Additional Average Rates per year			\$ 17.58		\$ 17.95		\$ 18.39		\$ 18.74	
Additional Average Rates per week			\$ 0.34		\$ 0.35		\$ 0.35		\$ 0.36	



## Decision Required for April 6 Council meeting

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1. Whether Council applies to IPART for the ASV
2. Whether Council applies for a temporary or permanent ASV, with the Council resolution stating
  - 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
  - d) 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.



## ASV Key Dates

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March 31 - Application process to be published by the OLG and IPART in the coming weeks

April 6 - Report seeking resolution from Council to apply for the ASV for the 2.5% into perpetuity

April 20 - Various rating options in Council's draft Operational Plan when presented to Council (statutory requirement)

April 29 - Council Officers submit the ASV application to IPART requesting an ASV (pending Council resolution)

May 2022 – IPART will publicly exhibit all applications as a part their consultation requirements

No later than June 21 – IPART will notify Council's of their final recommendation on their ASV application

Before June 30, but after IPART recommendation - Adopt the Operational Plan (and Rating Structure) for 2022/23

Cumberland City Council's rate peg for 2022/23 is 1.2%, which now includes a population factor of 0.5% for the first time, otherwise the rate peg would have been 0.7%. The average IPART rate peg over the last 10 years is 2.46% (ranging from 1.5% to 3.6%). In comparison, the 2022/23 rate peg was much lower than the 2022/23 staff Award increase of 2%, and current inflation rate of 3.1%.

On 7 March 2022, the OLG released a Circular (22-03) allowing Council's to apply for a one off Additional Special Variation (ASV) for the 2022/23 financial year to compensate for the low 22/23 rates peg determined by IPART, allowing Councils to bring the rate peg back up to its forecasted 2.5%. This can be done through an 1.3% ASV application (1.2% rate peg, plus 1.3% ASV, total 2.5%).

The Circular advised "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..... may result in some councils not having sufficient funds to pay for required infrastructure and services."

The difference in the rate peg created a \$1.35m shortfall from Council's 2022/23 base budget.

Council has 3 options regarding the ASV:

**Option 1** – Council does not apply for an ASV.

**Option 2** – Council applies for a temporary ASV of 1.3% for one year only. Future permissible rating income will revert back to be based the 1.2% increase in 2022/23 (\$105m rate base). This will result in foregoing at least \$1.35 million in the years after 2022/23.

**Option 3** – Council applies for the ASV to be permanently retained in its rates base. Future permissible income will be based on the 2.5% increase in 2022/23 (\$106.4m rate base). This will ensure Council retains the \$1.35m additional revenue in future years.

Year Financial Year	1 2022/23	2 2023/24	3 2024/25	4 2025/26
<b>Option 1 - No ASV</b>				
Rates Income Yield	\$ 105,027,111	\$ 107,652,789	\$ 110,344,108	\$ 113,102,711
<b>Option 2 - Temporary ASV (Year 1 only)</b>				
ASV Yield	\$ 1,351,183			
Rates Income Yield	\$ 105,027,111	\$ 107,652,789	\$ 110,344,108	\$ 113,102,711
Additional Income with Year 1 ASV	\$ 1,351,183	\$ -	\$ -	\$ -
<b>Option 3 - Permanent ASV in rates base</b>				
Rates Yield with ASV in rates base	\$ 106,378,295	\$ 109,037,752	\$ 111,763,696	\$ 114,557,789
Additional Income with permanent ASV	\$ 1,351,184	\$ 1,384,964	\$ 1,419,588	\$ 1,455,077

IPART has 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.

### **IPART ASV Application**

The ASV application process will be a simpler more targeted application process, as compared to a Special Rate Variation (SRV).

IPART will not require councils to demonstrate community consultation outside of the processes outlined below.

While the application is yet to be released, the guidelines in Circular 22-03 requires Council to meet the following criteria:

<b>ASV Application Criteria</b>	<b>Addressing the Criteria</b>
1. Council has demonstrable financial need such that, in the absence of a special variation, Council would not have sufficient funds to meet its obligations as identified in its 2021-22 LTFP as and when they fall due in 2022-23.	Council's LTFP assumes a 2.5% rate increase for 2022/23. This will generate a shortfall of at least \$1.35m every year moving forward and will limit Council's ability to maintain its infrastructure and services at an acceptable level.
2. 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 basis.	The 1.2% rate shortfall will result a \$16m income shortfall over 10 years and will require Council to potentially review its service delivery and level of service. This will also impact Council's ability to address its infrastructure backlog.
3. 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.	Council's LTFP assumes a 2.5% rates increase, as is shown in Councils publicly exhibited Resourcing strategy.
4. A Council resolution in the prescribed format set out in the OLG guidelines	See below for the required format



### Required Resolution

Under the Guidelines in Circular 22-03, Council is required to resolve on the 4 items below should it wish to proceed with an application to IPART for an ASV.

Required in Resolution per Guidelines	Consideration
<p><b>1. Whether it wishes to apply for a temporary or permanent special variation under section 508(2) of the Act</b></p>	<p>Subject to the outcome of this Council paper</p>
<p><b>2. The additional income that council will receive if the special variation is approved</b></p>	<p>The ASV will generate \$1.35m in income</p>
<p><b>3. Why the special variation is required</b></p>	<p>To address the shortfall caused by the low IPART rate peg, and to ensure Council continues to meet its obligations to residents, as well as maintaining Council's infrastructure, infrastructure backlog and Council's services levels.</p> <p>The \$1.35m shortfall means Council's rating income is reduced by at least \$1.35m every year going forward.</p>
<p><b>4. 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</b></p>	<p>The average impact on ratepayers would be an additional \$18 per property per year, or \$0.34c a week in 2022/23.</p>

### Rate Payer Impact Table

The table below shows the \$1.35m in ASV revenue which would be generated in 2022/23, with an increase in rates payable for 2022/23 of \$18 per property on average, or \$0.34c per week.

Category	2021/22		2022/23	
	Average Rates	Yield	Average Rates	Yield
<b>Residential</b>				
Rate Peg Only	\$ 956	\$ 69,148,111	\$ 973	\$ 70,384,654
Rate Peg + ASV			\$ 984	\$ 71,289,617
<b>ASV Increase</b>			<b>\$ 11</b>	<b>\$ 904,964</b>
<b>Business</b>				
Rate Peg Only	\$ 7,584	\$ 34,029,703	\$ 7,721	\$ 34,642,458
Rate Peg + ASV			\$ 7,820	\$ 35,088,678
<b>ASV Increase</b>			<b>\$ 99</b>	<b>\$ 446,220</b>
<b>Total All Rates</b>				
Rate Peg Only	\$ 1,343	\$ 103,177,814	\$ 1,367	\$ 105,027,111
Rate Peg + ASV			\$ 1,384	\$ 106,378,295
<b>ASV Increase</b>			<b>\$ 18</b>	<b>\$ 1,351,183</b>
<b>ASV Per Ratepayer</b>				
Additional ASV Yield for 2022/23			\$ 1,351,183	
Additional Average Rates for 2022/23			\$ 18	
Additional Average Rates per week 2022/23			\$ 0.34	

### Key Dates

- April 20 - Various rating options in Council's draft Operational Plan when presented to Council (statutory requirement)
- April 29 - Council Officers submit the ASV application to IPART requesting an ASV (pending Council resolution)
- May 2022 – IPART will publicly exhibit all applications as a part their consultation requirements
- No later than June 21 – IPART will notify Councils of their final recommendation on their ASV application

### COMMUNITY ENGAGEMENT

There are no consultation processes for Council associated with this report.

### POLICY IMPLICATIONS

Council's publicly exhibited and adopted LTFP has a 2.5% rate peg for 2022/23. Should Council not proceed with a permanent ASV, this will have a detrimental impact and severely hinder Council's ability in fulfilling its obligations as set out in the adopted LTFP.

## RISK IMPLICATIONS

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Under Section 8B of the *Local Government Act 1993*, Council is bound by the principles of sound and effective financial and asset management, as well as risk management. Council should also have regard in achieving intergenerational equity through current generation funds.

Through a surprising acknowledgement by the OLG that the rate peg as determined by IPART was low, and as such a future review of the rate peg methodology will occur, shows a shift in the stringent criteria and limitations around NSW Councils' ability to generate the rates required to fund their services and maintain infrastructure year on year.

The required ASV application to address this rate peg issue would not have been required had a proper methodology been adopted, instead of a reactive measure in place to address the shortcomings of such methodology for the 2022/23 financial year.

For at least the 2022/23 financial year, the issues with the rate peg methodology can be addressed with a one off ASV.

## FINANCIAL IMPLICATIONS

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Council income will be reduced by at least \$1.35m per year should the permanent ASV not be retained in its rates base. Over 10 years, Council will have a \$16m shortfall which will impact its ability to deliver services and maintain its infrastructure, while ensuring it complies with the requirements of the Act (Section 8B) regarding principles of sound financial and asset management

## CONCLUSION

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The 1.2% rate peg for 2022/23 was lower than the 2.5% Council had forecasted in its LTFP and draft 2022/23 budget and created a \$1.35m shortfall in income. The OLG has acknowledged that Councils may struggle as a result of the shortfall and provided Councils an opportunity to retain the whole 2.5% in their rates base.

The process for applying for an ASV is deliberately streamlined and simpler than a SRV to ensure Councils can levy the ASV in their 2022/23 rates calculations.

## ATTACHMENTS

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1. Guidelines for Additional Special Variation (ASV) Process for 2022-23 [↓](#)