

CLAUSE	CL03
TITLE	Griffith City Council - Special Rate Variation Application 2022/23 Budget
FROM	Max Turner, Director Business, Cultural and Financial Services
TRIM REF	22/34798

SUMMARY

This report is prepared for Council to consider the application for a one-off special rate variation for the 2022/23 financial year as outlined in OLG Circular No: 22-07/6 April 2022/A815377 - Guidelines for Additional Special Variation (ASV) Process for 2022-23 (as attached to this report).

The recommendation is to apply for an additional 1.3% increase to rates in addition to the 0.7% rate pegging increase already announced via Independent Pricing and Regulatory Tribunal (IPART).

RECOMMENDATION

Griffith City Council resolve to apply to the Independent Pricing and Regulatory Tribunal for a Special Rate Variation of 1.3% in addition to the approved rate pegging increase of 0.7% for the 2022/23 financial year.

REPORT

The Independent Pricing and Regulatory Tribunal (IPART) annually determines the maximum % by which Councils in NSW may increase notional rate income without making a Special Rate Variation application. This process is referred to as "Rate Pegging".

Early this calendar year IPART set the 2022/23 Rate Pegging % at 0.7%. This decision caused great concern for all Councils in NSW. In response to this situation, the Minister for Local Government requested IPART to consider a one off additional percentage increase for all Councils. In response, IPART advised that all Councils may apply to increase rates by the % published in their Delivery Plan for 2022/23 adopted last year i.e. in June 2021 up to a maximum of 2.5%. In Griffith City Council's case, 2.0% is the maximum increase that can be applied for given 2.0% was included in Council's Delivery Plan as adopted in June 2021.

This report is seeking an initial resolution of Council in relation to whether it will be applying for the additional 1.3% Additional Special Variation or only applying the 0.7% as initially approved by IPART.

The budget documents will be presented at workshop on 19 April 2022 on the basis of the decision made by Council in this report and will comprise the following possible scenarios;

1. Scenario 1 – 0.7% rate pegging applied. Relatively normal capital expenditure projects included but no additional major projects included in the budgets going forward.
2. Scenario 2 – Further 1.3% Additional Special Rate Variation with same level of capital expenditure as scenario 1.

3. Scenario 3 – Further 1.3% Additional Special Rate Variation plus a Special Rate Variation (Environmental Levy) over 10 or 20 years for additional major capital projects.

Any decision of Council in regards to the imposition of either an additional or special rate variation needs to be considered in light of the ability to fund future major capital projects and also the likelihood of any future applications being successful. Not seeking an additional 1.3% when this has been made available would likely be reviewed negatively by IPART when considering any future SRV applications.

OPTIONS

OPTION 1

As per the Recommendation.

OPTION 2

Council could resolve to not apply for the additional 1.3% Additional Special Variation however this may have adverse implications on the ability to apply for any future Special Rate Variations and also the funding of additional future capital works projects.

POLICY IMPLICATIONS

Not Applicable

FINANCIAL IMPLICATIONS

The additional 1.3% rate variation will provide an additional \$240,000 in the 2022/23 year and a further \$2.7M approximately over the next 10 years due to the compounding effect of this one-off increase available to the rating base. This funding will be vital in Council striving to remain viable and continue to fund ongoing service levels into the future.

LEGAL/STATUTORY IMPLICATIONS

Not Applicable

ENVIRONMENTAL IMPLICATIONS

Not Applicable

COMMUNITY IMPLICATIONS

In the 2021/22 budget, Council advertised its intention to levy a rate pegging increase for the 2022/23 year of 2.0% therefore the community have already noted this as the intended increase notwithstanding that IPART have since only approved an initial rate peg of 0.7% for 2022/23 until notification of the availability of the Additional Special Variation.

LINK TO STRATEGIC PLAN

This item links to Council's Strategic Plan item 1.1 Provide clear and transparent communication to the community.

CONSULTATION

Senior Management Team

Office of Local Government

ATTACHMENTS

- | | | |
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| (a) | Circular 22-07 - Guidelines for the Additional Special Variation (ASV) for 2022-23 ↓ | 34 |
| (b) | 2021-22 Consolidated Income Statement Report ↓ | 37 |

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

Office of Local Government
 5 O'Keefe Avenue NOWRA NSW 2541
 Locked Bag 3015 NOWRA NSW 2541
 T 02 4428 4100 F 02 4428 4199 TTY 02 4428 4209
 E olg@olg.nsw.gov.au W www.olg.nsw.gov.au ABN 20 770 707 468

- 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.

Office of Local Government
5 O'Keefe Avenue NOWRA NSW 2541
Locked Bag 3015 NOWRA NSW 2541
T 02 4428 4100 F 02 4428 4199 TTY 02 4428 4209
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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.

Melanie Hawyes
Group Deputy Secretary, Crown Lands and Local Government

Office of Local Government
5 O'Keefe Avenue NOWRA NSW 2541
Locked Bag 3015 NOWRA NSW 2541
T 02 4428 4100 F 02 4428 4199 TTY 02 4428 4209
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Griffith City Council
10 Year Financial Plan for the Years ending 30 June 2031
INCOME STATEMENT - CONSOLIDATED

	Actuals 2019/20 \$	Revised Budget 2020/21 \$	2021/22 \$	2022/23 \$	2023/24 \$	2024/25 \$	Projected Years					2030/31 \$
							2025/26 \$	2026/27 \$	2027/28 \$	2028/29 \$	2029/30 \$	
Income from Continuing Operations												
Revenue:		Rate Pegging Increase:	2.0%	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Rates & Annual Charges	32,496,000	32,267,566	33,066,366	33,898,250	34,832,822	35,791,603	36,776,748	37,789,057	38,834,895	39,909,599	41,008,551	42,141,447
User Charges & Fees	15,080,000	17,012,592	17,792,303	18,941,753	19,574,590	20,084,837	20,753,033	21,299,733	22,005,509	22,590,951	23,336,669	23,963,288
Interest & Investment Revenue	949,000	1,562,643	937,526	978,385	980,644	998,222	1,010,750	1,143,229	1,155,657	1,178,033	1,210,356	1,227,628
Other Revenues	3,497,000	1,915,531	1,988,504	1,928,817	1,940,161	1,971,408	2,003,721	2,037,322	2,071,702	2,107,439	2,147,334	2,194,068
Grants & Contributions provided for Operating Purposes	8,269,000	12,376,487	14,013,200	11,914,520	8,438,966	9,490,175	9,723,672	9,964,173	10,211,889	10,467,517	10,730,813	11,002,008
Grants & Contributions provided for Capital Purposes	7,320,000	21,527,312	30,410,333	4,902,342	1,635,321	2,545,056	1,897,848	2,321,015	1,707,070	1,996,018	1,745,370	1,772,228
Other Income:												
Net gains from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	67,611,000	86,662,131	98,208,232	72,564,067	67,402,504	70,881,301	72,165,772	74,554,528	75,986,723	78,249,557	80,179,094	82,300,658
Expenses from Continuing Operations												
Employee Benefits & On-Costs	24,029,000	26,814,621	27,527,586	27,952,014	28,375,699	28,798,827	29,444,322	30,177,864	30,929,742	31,700,419	32,571,205	33,465,157
Borrowing Costs	1,274,000	1,215,992	1,190,555	1,141,487	1,428,674	1,294,436	1,153,805	1,006,938	846,957	680,950	506,255	331,987
Materials & Contracts	12,941,000	15,074,344	16,797,226	17,093,208	13,935,498	14,323,188	14,757,833	14,958,093	15,357,135	15,949,728	16,151,552	16,185,357
Depreciation & Amortisation	14,471,000	13,012,415	14,558,869	14,814,016	15,087,677	15,351,711	15,620,366	15,893,722	16,171,863	16,454,870	16,742,830	17,035,830
Other Expenses	4,508,000	5,298,713	5,110,373	5,143,832	5,260,236	5,804,599	5,728,312	5,850,688	5,728,421	5,856,580	5,988,406	6,123,310
Total Expenses from Continuing Operations	57,223,000	61,416,085	65,184,609	66,144,557	64,087,785	65,572,761	66,704,638	67,887,305	69,034,118	70,642,547	71,960,249	73,141,640
Operating Result from Continuing Operations	10,388,000	25,246,046	33,023,622	6,419,510	3,314,719	5,308,540	5,461,134	6,667,223	6,952,604	7,607,010	8,218,845	9,159,018
Discontinued Operations - Profit/(Loss)	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit/(Loss) from Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-
Net Operating Result for the Year	10,388,000	25,246,046	33,023,622	6,419,510	3,314,719	5,308,540	5,461,134	6,667,223	6,952,604	7,607,010	8,218,845	9,159,018
Net Operating Result before Grants and Contributions provided for Capital Purposes	3,068,000	3,718,734	2,613,289	1,517,168	1,679,398	2,763,484	3,563,286	4,346,208	5,245,534	5,610,992	6,473,475	7,386,793