

Coffs Harbour City Council Additional Special Variation

20 June 2022

Our decision

Coffs Harbour City Council applied for a permanent Additional Special Variation (ASV) for a percentage increase in its general income of 2.5% in 2022-23. The rate peg for Coffs Harbour City Council in 2022-23 was set at 1.8%. The council budgeted for a 2022-23 increase of 2.5%.

We have assessed this application against the three criteria set by the Office of Local Government (OLG). We found that Coffs Harbour City Council's ASV application fully met all assessment criteria.



We have approved Coffs Harbour City Council's application for a permanent 2.5% Additional Special Variation in 2022-23 (including the rate peg). Our decision means the council can increase its general income by 2.5% in 2022-23 and permanently keep this additional income in its rate base.

Table 1 Approved ASV – Coffs Harbour City Council

	2022-23
Increase above the rate peg – permanent	1.8%
Rate peg	0.7%
Total increase	2.5%

Our decision means the council can increase income by 1.8% above the rate peg. We estimate this to be around \$0.87 million in additional income in 2022-23 which it can keep in its rate base going forward. This allows the council an extra \$4.6 million over the next 5 years. The impact on rates from this ASV may be different for individual ratepayers and across different ratepayer categories. The ASV represents an allowed increase in general permissible income, the council decides how it collects that income from ratepayers.

The ASV process

On 6 April 2022 the OLG announced guidelines for the Additional Special Variations (ASV) process for 2022-23 under [circular 22-07](#) (ASV guidelines). IPART has assessed applications from NSW councils for an ASV against the ASV guidelines.

The council planned for a 2.5% increase in income

Assessment criterion 1: *The application amount is not higher than the lesser of 2.5% or the council's assumed 2022-23 rate peg (including population factor) in its 2021-22 Integrated Planning and Reporting (IP&R) documentation.*

Coffs Harbour City Council's 2020-21 Long Term Financial Plan (LTFP) as part of its IP&R documentation budgeted a 2022-23 rate peg of 2.5% which matches Coffs Harbour City Council's ASV application for 2.5% in 2022-23.^a Coffs Harbour City Council's most recent set of IP&R documents were adopted in 2020-21. As 2021-22 IP&R documents are not available, we have used the council's preceding documentation to assess this criterion.



The increase the council applied for matches the increase in income it budgeted in its planning documents.

Council supports the proposed increase in income

Assessment criterion 2: *The council must have made a resolution which clearly states:*

- *that the council has resolved to apply for the special variation under section 508(2) of the Local Government Act 1993 (the Act)*
- *whether the resolution is for a temporary or permanent special variation under section 508(2) of the Act*
- *the additional income that council will receive if the special variation is approved, and*
- *why the special variation is required*
- *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.*

Coffs Harbour City Council resolved on 28 April 2022 to apply for a permanent special variation under section 508(2) of the Act. In a 26 May 2022 resolution, the council estimated it would receive around \$0.87 million of additional income in 2022-23. The council stated that the special variation is required for Coffs Harbour City Council's financial sustainability and so that services are not adversely affected. The council stated that it considered the impact on ratepayers to be reasonable.



The council resolved to apply to increase its income by 1.8% above the rate peg or by \$0.87 million in 2022-23. It explained the reasons why the ASV is required, and the council considers the impact on ratepayers to be reasonable.

^a In its application the council has provided the 2020-21 update (year 4 update) to its 2017-18 to 2026-27 LTFP. The 2020-21 LTFP update was publicly exhibited and adopted by the council on 25 June 2020.

The council demonstrated financial need

Assessment criterion 3: *The council's 2021-22 IP&R documentation forecast an average Operating Performance Ratio (OPR) of 2.0% or lower over 2022-23 to 2026-27 or it has provided other 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.*

The OLG describes the OPR as measuring how well local councils contain expenses within revenue.^b The OPR represents what portion of a council's revenue is remaining after expenses. A positive OPR represents a surplus in income and a negative OPR represents a shortfall in income.

Coffs Harbour City Council's 2020-21 LTFP forecast an average OPR of -3.8% over 2022-23 to 2026-27. An average OPR at or below 2.0% over the next 5 years demonstrates financial need. Coffs Harbour City Council's most recent set of IP&R documents were adopted in 2020-21. As 2021-22 IP&R documents are not available, we have used the council's preceding documentation to assess this criterion.

Table 2 Coffs Harbour City Council's OPR – 2022-23 to 2026-27

	2022-23	2023-24	2024-25	2025-26	2026-27	5-year average
OPR	-6.1%	-4.1%	-3.6%	-2.9%	-2.2%	-3.8%



The council's application shows it has a forecast average OPR of below 2.0%. This demonstrates a financial need for the additional income.

Summary of submissions

Coffs Harbour City Council's ASV application received 1 submission. The stakeholder raised a concern of the condition of infrastructure, particularly roads and footpaths. They expressed that they were dissatisfied with the level of service received given the rates they pay.^c We note that as a condition of being granted the ASV the council will be required to report on its financial performance against the projections in the LTFP that underpins this application and the reasons for any significant differences. This aims to provide transparency for ratepayers on how the council has used the additional revenue from this ASV.

^b NSW Auditor-General, *Report to Parliament | Report on Local Government 2018 | Appendix 9 – OLG's performance indicators from the audited financial statement – Descriptions*, February 2019, p 78.

^c Anonymous, Submission to Coffs Harbour City Council ASV application, 12 May 2022, p 1.