

Ref: TD:SF:KTK:DOC/22/18075

29 April 2022

Independent Pricing and Regulatory Tribunal  
PO Box K35  
HAYMARKET POST SHOP, NSW 1240

Uploaded via IPART portal: <https://councilportal.ipart.nsw.gov.au>

Dear Sirs,

### **Request for One-off Permanent Additional Special Variation (ASV) For Financial Year 2022/23**

Murray River Council is applying for an Additional Special Variation (ASV) for the 2022/2023 financial year. This application is made in keeping with the Office of Local Government (OLG) Council Circular 22-07 *Guidelines for Additional Special Variation (ASV) Process for 2022-23*.

#### Council Resolution

Council has resolved at an Extraordinary Council Meeting held on the 11 April 2022 to apply for a permanent, one-off, special variation for the 2022-2023 financial year. Copy of this resolution is below. A full copy of the minutes is also supplied with this letter (Attachment 1).

#### **5.2.1 SPECIAL VARIATION TO RATE PEG FOR 2022/23 FINANCIAL YEAR**

##### **RESOLUTION 020422**

Moved: Cr Frank Crawley

Seconded: Cr Neil Gorey

That Council resolve to:

- (a) Make an application to the Independent Pricing and Regulatory Tribunal for a one-off permanent single year special variation for the 2022-23 financial year, under *section 508(2) of the Local Government Act 1993*, of 2.00%, as per the advertised Murray River Council 2021-22 Long Term Financial Plan, and
- (b) Acknowledge that making application for a 2.00% will result in rating revenue additional income of approximately \$57,730 for the 2022/23 financial year when comparing between a 2.00% and 1.50% rate peg, based on current rating structure as of 31 March 2022, and
- (c) Acknowledge that application is been made with reference to increasing operational costs, coupled with a negative operating performance ratio and the per capita operating expenditure indicator increasing over time.
- (d) That consideration has been given to the impact on the ratepayers of the Murray River Council Local Government Area in making the (a) recommendation.

**CARRIED**

### Type of Variation

As indicated in clause (a) of the Council resolution, the application is for a Permanent ASV.

### Integrated Planning & Reporting Documentation

The assumed rate increase in the *Murray River Council 2021/22 to 2030/31 Long Term Financial Plan* (Attachment 3, see page 7) is 2% for the financial year 22-23.

### Additional Income Received

The additional income received from adopting a general rate increase of 2%, as opposed to the 1.5% rate cap (0.7% general cap plus 1.5% population factor for MRC) as determined by IPART, is estimated to be \$ 57,730.

### Requirement for the Additional Special Variation (ASV)

The supporting reasons for this lodgement are as follows.

(Note: The full financial information can be found in the *Murray River Council 2021/22 to 2030/31 Long Term Financial Plan* (Attachment 3) supplied with this letter.)

Council's Operating Performance Ratio for the General Fund, for the next four years to 2024/25 year, even after incorporating a general rate increase of 2%, shows significant negative figures. Table below summarises the ratios for the General Fund as per page 11 of the *Murray River Council 2021/22 to 2030/31 Long Term Financial Plan* (Attachment 3).

Item	2021/22 F/Cast	2022/23 F/Cast	2023/24 F/Cast	2024/25 F/Cast
Net Operating Position (excl Capital Grants) (\$'000)	(\$7,995)	(\$8,300)	(\$7,090)	(\$7,746)
Operating Performance Ratio (%)	(22.62)	(23.65)	(19.11)	(20.66)

We have provided a revised set of data for the OPR calculation, which can be found in *Section 508-2 Additional Special Variation Application for Murray River Council* – Tab WK8. The revised set of LTFP data is provided for two reasons:

- During the 2020/21 year, Council undertook a revaluation of transport infrastructure, which included a review of the componentisation and the useful lives of each component, resulting in a substantial increase to depreciation expense of \$4.6 million.
- Update 2021/22 year figures to reflect the 2<sup>nd</sup> quarter budget review adopted by Council.

Item	2020/21 Act	2021/22 Bud	2022/23 F/Cast	2023/24 F/Cast	2024/25 F/Cast
Net Operating Position (excl Capital Grants) (\$'000)	(\$7,005)	(\$13,631)	(\$12,898)	(\$11,686)	(\$12,341)
Operating Performance Ratio (%)	(18.76)	(37.25)	(36.68)	(31.44)	(32.85)

Through the 2022/23 budget process, Council has been exploring various options for restoring its financial sustainability. Council is looking into possible efficiency measures that would help minimise cost increases and is willing to make affordable investments in order to generate such efficiencies. However, given the extent of the deficit, it cannot be bridged by addressing costs only,

unless significant cutbacks in service levels, impacting the quality of critical infrastructure assets, are made.

To develop its Community Strategic Plan (CSP), Council undertook a series of community consultations. A consistent informal feedback from these consultations has been that the community does not want to see any reductions in service levels.

Bridging the current deficit requires action on both the revenue and costs fronts.

This letter is submitted with the required *Section 508-2 Additional Special Variation Application for Murray River Council* spreadsheet and other internal documents, as follows:

- *Attachment 1 - Minutes of the Murray River Council Extraordinary Meeting held on 11 April 2022*
- *Attachment 2 - Murray River Council 2021/22 Operational Plan*
- *Attachment 3 - Murray River Council 2021/22 to 2030/31 Long Term Financial Plan*
- *Attachment 4 - Copy of the ten (10) year ratios for the General Fund covering 2021/22 to 2030/31*

Should you require any additional information, please contact our Finance Manager, Mr. Kris Kershaw, on [REDACTED] or by email at [REDACTED]

Thank You.  
Yours sincerely

[REDACTED]

Terry Dodds  
Chief Executive Officer

# LETTER - 2022-23 Special Rate Variation Request from Murray River Council - Final

Final Audit Report

2022-04-29

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