

Our ref: D22/38548

27 April 2022

Melanie Hawyes
 Group Deputy Secretary
 Office of Local Government
 5 O'Keefe Avenue
 NOWRA NSW 2541

Dear Melanie,

Re: Application of Additional Special Variation (ASV) for 2022-23

This letter is in response to the Office of Local Government Circular 22-07/6 April 2022/A815377 which will allow Waverley Council to make a one-off application following the 13 December issue of the 2022-23 Rate peg for NSW councils. This application is to correct an error in the December 2021 rate cap decision as outlined in the OLG's circular 22-07/6 April 2022/A815377.

The purpose of this application is to apply CPI to rates to fund the existing services and ensure our rates are distributed in a fair and equitable way.

Waverley Council notes the rising costs and to maintain a balanced result by achieving the OLG financial sustainability (Operating Performance Ratio) benchmark of >0% for the 2022-23 budget, on exhibition, receiving a 2.5% increase in rates is necessary. Below, is the impact on Council's operating position.

2022-23 Budget	Rate peg	ASV (CPI rate cap)	variance
Council rates increase by	0.80%	2.50%	1.70%
Operating result	-\$ 790,596.00	\$ 25,702.00	\$ 816,298.00
Operating performance ratio	-0.57%	0.02%	0.59%
Budget result	-\$ 816,298.00	\$ -	\$ 816,298.00

Waverley Council's financial performance over the past three years has resulted in significant deficits due to a loss of revenue and in 2021-22 these totaled \$7 million. The financial recovery for Waverley Council in 2022-23 is going to be difficult as we have increased non-rates revenue for COVID recovery by 5%, however only increased costs by 1% because of an efficiency gains strategy to ensure we can achieve a break-even position.

The Council rates for 2022-23 are calculated based on the proposed 2.5% Rate Cap application subject to IPART's approval. In December 2021, IPART handed down a historic low 0.7% baseline rate peg for FY2022-23, set a 0.8% rate peg for Waverley Council after incorporating a 0.1% population growth factor.

Contact us

Phone: 9083 8000 Fax: 9387 1820
 Email: info@waverley.nsw.gov.au
 Web: www.waverley.nsw.gov.au

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To achieve the OLG's financial sustainability operating performance benchmark of 0%, we need to apply for the single-year permanent 2.5% ASV instead of the 0.8% rate peg. Waverley Council's 2021 Long Term Financial Plan (LTFP) has projected that rates would increase in line with CPI. Council consulted with the community in 2021 (LTFP 5.3) which identified the CPI increase in rates is required to achieve a 0% Operating Performance Ratio. It is noted that CPI has now increased from 1.75% to 2.5%, Council relies on CPI to maintain the performance ratio of >0%.

On 12 April 2022, Council resolved:

"Authorises the General Manager to apply to the Independent Pricing and Regulatory Tribunal for a permanent single-year special variation of 2.5%, which is \$816,298 for 2022–23 (ASV) under section 508(2) of the Local Government Act, noting that:

(a) The purpose is to bring the rate cap in line with this year's CPI (Attachment 5) as communicated in 2021 through the consultation process of the annual budget and Long Term Financial Plan.

(b) Council requires these funds to keep delivering the services in the Operational Plan and maintain an operating performance ratio of 0.02%."

The local government sector, still recovering from COVID impacts and significant natural disasters across the state, was expecting a rate increase of 2.5%. These projections underpinned Council's long-term financial plan and annual budgets as a funding source to ensure financial sustainability, meeting OLG financial performance benchmarks, and balancing budgets. They were also communicated through the consultation process of the annual budget and LTFP and are widely expected to be implemented as part of the Council's operational funding model. The impact of the rate peg determination would be catastrophic for many Councils unable to meet their OLG financial performance standards.

Please find attached the application and required supporting information. Council will also be advertising the link to IPART public consultation on our website so all residents can have their say.

For any questions, please contact Teenu Su, our authorised contact, on [REDACTED].

Yours sincerely,

[REDACTED]
Emily Scott
General Manager