

Item No: R1 Recommendation to Council
Subject: **PROPOSED SPECIAL RATE VARIATION APPLICATION, INCLUDING POST COMMUNITY ENGAGEMENT REPORT**

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Approver: Craig Swift-McNair, General Manager

File No: 22/187983

Purpose of the Report: To provide Council with the results of the community consultation undertaken in relation to a proposed Special Rate Variation application and to seek Council's approval to apply to the Independent Regulatory & Pricing Tribunal for a Special Rate Variation to be effective from 1 July 2023.

Alignment to Delivery Program: Strategy 11.2 Secure Council's financial position.

Recommendation:

THAT Council:

- A. Receive and note the outcomes of the recent community engagement undertaken on Council's proposed Special Rate Variation (SRV) Application.
- B. Resolve to proceed with a permanent Special Rate Variation application (under Section 508A of the Local Government Act 1993), to the Independent Pricing and Regulatory Tribunal (IPART) under Option 2, for the purpose of maintaining existing services, securing Council's long term financial sustainability, and funding priority projects totalling \$48.9million over the next 10 years. This SRV application would increase the ordinary rate income by 13.7% in 2023-24 (including the rate peg of 3,7%) and 8.7% in 2024-25 (including the rate peg), representing a total cumulative increase of 25.28% over the initial three-year period and to then be retained in the rate base permanently, with the SRV (if approved by the IPART) being effective from 1 July 2023.
- C. Authorise the General Manager to advise the IPART by 25 November 2022 of Council's intention to apply for a Special Rate Variation as outlined in Part B of this recommendation.
- D. Authorise the General Manager to prepare and submit to the IPART an application form *Part A Special Variation 2023-34* and IPART application form *Part B Special Variation 2023/24* by the due date of 3 February 2023 for a Special Rate Variation as outlined in Part B of this recommendation.
- E. Receive and note the revised Delivery Program 2022-2026 and revised Long Term Financial Plan 2022/23 to 2031/32, as included in this report.
- F. Place on public exhibition for a minimum of 28 days, the revised Delivery Program 2022 to 2026, and revised Long Term Financial Plan 2022/23 to 2031/32, if Council resolves in line with Recommendation B) above.
- G. Note that whilst a determination on any SRV application to the IPART may not be known until May 2023, during development of the 2023-24 Delivery Program, Operational Plan and budget, consideration on the implementation of the Special Rate Variation will need to be taken into account.

Executive Summary:

Council needs to maintain a financially sustainable position over time so that it can continue to provide infrastructure and services for the benefit of our community. Over the last five years, it has become increasingly difficult for Council to continue to maintain a financially sustainable position, as a range of factors (only some of which Council is able to control or change), has affected Council's financial position. This has resulted in operating budget deficits over recent years.

Not only does this report detail the efforts made by Council over the past 18-24 months to address Council's long-term financial sustainability, it also explains that one further measure that Council could take to support its future financial sustainability is to apply to the Independent Pricing & Regulatory Tribunal (IPART) for a Special Rate Variation (SRV). If approved by the IPART, the SRV would provide funds to not only provide for and assist with the future financial sustainability of Council, but also allow Council to deliver some much-needed projects and increased levels of service across the Local Government Area (LGA).

When considering applying for an SRV, Council must ensure that the community is aware of the need for and extent of a proposed SRV. This means actively seeking out and listening to the community's views. In line with the above, community engagement was undertaken for a period of seven weeks commencing 24 August 2022 and ending on 9 October 2022 in relation to three proposed rating options, one of which is a base scenario and two of which include an SRV. A number of engagement methods were utilised, outlined in the body of this report.

As a high-level overview, below are the results of some of the feedback received on the proposed SRV during the community engagement process:

- A total of 593 submissions were received over the seven week community engagement period.
- A total of 33 people attended the two Webinars on the subject of the SRV.
- There were approximately 156 face-to-face interactions between Council staff and the community at the various SRV pop-ups held around the Local Government Area (LGA).
- 41% of people responded "Yes" to the question of "Do you think Council should apply for an SRV".
- 59% of people responded "No" to the question of "Do you think Council should apply for an SRV".
- 386 people responded to the question as to whether their preference was for SRV Option 2 or Option 3 if Council was to apply for an SRV, with 67% voting for Option 2 and 33% voting for Option 3.
- Some feedback was also received in relation to other projects or priorities the community wished Council to consider as part of the SRV, plus there was general feedback on the proposed SRV.

Details of key themes to come from the submissions received are outlined further in this report.

On 29 September 2022, IPART released the Rate Peg for 2023-24, which for Woollahra Council is 3.7%. At the same time, IPART also advised that Councils should assume a rate peg of 2.5% in 2024-25 and future years. In undertaking financial modelling and options for a proposed SRV, Council adopted a rate peg of 2.5% for 2023-24 and future years in accordance with the then IPART guidelines.

In light of the above, it is Council staff's recommendation that Council adjust the financial modelling and SRV options to reflect a rate peg of 3.7% for 2023-24 and 2.5% thereafter. The additional 1.2% (3.7% - 2.5%) equates to an additional \$852k in rates revenue in 2023-24 (\$9.543m over the 10 year period of the LTFP) and an increase in the average rate for residential of \$55 in 2023-24, which compares to \$37 using 2.5% rate peg and an increase in the average rate for business of \$125 in 2023-24, which compares to \$119 using 2.5% rate peg.

On 29 September 2022, IPART also issued fact sheets, guidelines and the application form for SRV applications for the 2023-24 year. In accordance with the IPART guidelines, should Council resolve to apply for an SRV, Council's Delivery Program (DP) and Long Term Financial Plan (LTFP) will need to be updated to reflect this and then placed on public exhibition for 28 days. It is proposed that this would commence on 18 October 2022 and any submissions reported to Council at its meeting on 28 November 2022.

Council has provided strong leadership for our community over many years and part of that ongoing leadership includes accountability for our financial management and longer term financial sustainability. Without an SRV, Council is not likely to achieve financial sustainability without adversely impacting on existing service levels, nor would Council have sufficient funds in the forthcoming 10 years to undertake priority projects as identified by the community across several years of community engagement.

Proposed SRV Option 2 provides Council with longer term financial sustainability, albeit to a lesser extent than proposed SRV Option 3. However, taking into consideration the feedback received during the recent SRV community engagement period, it is being recommended by Council staff that Council resolve to apply to the IPART for an SRV in accordance with Option 2, details of which are included in the body of this report. Such an application (if supported by Council) would support the need for Council to be financially responsible; it would have less of an impact on the community than the proposed SRV Option 3 and reflects the 67% majority of those people who submitted their preference between Options 2 & 3 during the recent SRV community engagement process.

Discussion:

The Need for an SRV

Council adopted its 2022-23 Budget and LTFP on 27 June 2022. The 2022-23 Budget showed a reduction in Council's operating deficit from an original deficit of \$4.1m in 2021-22 to an anticipated operating deficit in 2022-23 of \$0.3m. The \$3.8m reduction was a result of a number of budget improvement initiatives undertaken by Council, which are detailed further below. Whilst the 2022-2023 budget certainly sees Council with a vastly improved budget result, it still does not provide the financial flexibility Council needs and the funding required to adequately address priority projects that have been identified by the community. Further measures will be required to achieve this.

Council's LTFP (at 27 June 2022) reaffirmed the above-mentioned position, highlighting that without further corrective measures Council would not achieve a financially sustainable position without impacting on our current service levels, over the 10 year life of the LTFP.

Further, Quarterly Budget Review reports reported to Council over the last 18 months and through several Councillor Budget Briefings, it has been highlighted that Council has been fortunate to have cash reserves to draw on to fund its current operating deficit position and maintain current services, however this is not sustainable in the longer term.

Budget Improvement Measures

Council has taken very seriously the matter of future financial sustainability and as such, prior to asking the community to give consideration to a proposed SRV, Council has undertaken a range of budget improvement initiatives. This proactive approach over the last 18 months to improve Council's financial position has included the following budget repair actions:

Refinancing:

In April 2021 Council resolved to refinance our Loan for Kiaora Place, the Council-owned Double Bay commercial centre, resulting in:

- Decreased annual interest expense by \$700,000
- Total savings of \$7.87 million over the life of the loan (net of the one-off break costs of \$6.45million)

Expense Reductions and Efficiencies:

During 2021 the replacement of Council's passenger vehicles was extended from a 2.5 year replacement cycle to a 4 year replacement cycle. This is expected to save \$3.5million over 10 years

Efficiencies of \$526,000 in 2020-21 were identified and implemented, with a further \$2.88 million savings identified in 2021-22 including through a Council-wide staff review / redundancy program. These actions have been achieved without impacting adversely on the services provided to our community.

Additional Income Opportunities:

Council continues to look at opportunities to increase income from a number of areas:

- In 2021-22 a detailed review of Council's fees and charges was undertaken resulting in an annual increase in income of \$726,000
- In 2022-23 Council are looking at further opportunities to increase income including the potential of Bus Shelter Advertising for non-heritage bus shelters and bus shelters in non-heritage areas.

The additional income and savings that we have achieved over recent years have totalled over \$3.8million. This has meant that Council has been able to reduce its operating deficit from \$4.1million in 2021-22 to just under \$300,000 in 2022-23.

Currently Unfunded Priority Areas

Community engagement undertaken over recent years has identified a number of key priority areas for the community, which are unable to be funded within Council's current budget. At a high level, these include:

- Protecting our heritage through the implementation of projects as identified in Council's Heritage Gap Analysis
- Improving Council's parks and recreational areas
- Maintaining the large number of fig trees within the Woollahra LGA
- Mitigating the impacts of climate change
- Improving our existing footpaths
- Improvements to parking
- Making active transport a safe, easy and healthy option
- Improve our customer's experience and be more responsive to the community

In addition to securing Council's long-term financial sustainability, an SRV would provide Council with the opportunity to raise additional funds to address some of these community priority areas. Details relating to specific priority areas and projects that would be able to be funded via an SRV were included in the SRV information brochure provided to households, with this information also available on Council's web site.

It should be noted that whilst the above-mentioned priority areas are largely unfunded in the context of the projects included as part of the SRV community engagement process, many of the above-mentioned priority areas are currently funded to some level under existing Council budgets, but just not to the extent to which Council could undertake the level of projects included within the proposed SRV options.

Community Consultation on a Proposed SRV

At its meeting of 8 August 2022 Council resolved:

THAT Council:

- A. *Endorse Council staff commencing broad community engagement from 22 August 2022 to 2 October 2022, on the need for and extent of a proposed Special Rate Variation application.*
- B. *Note that the community engagement on a proposed Special Rate Variation as detailed in Part A above, will include three potential rating scenario options being:*

Scenario	Potential Rating Scenario
Scenario One	Rate Peg 2.5% only
Scenario Two	2023/24 - 10.0% SRV + Rate Peg 2.5% 2024/25 - 5.0% SRV + Rate Peg 2.5%
Scenario Three	2023/24 - 15% + Rate Peg 2.5% 2024/25 - 9% + Rate Peg 2.5% 2025/26 - 3.5% + Rate Peg 2.5%

- C. *Note that potential rating scenarios two and three as detailed in Part B above, will assist in securing Council's long-term financial sustainability and provide additional funding to address identified community priority areas.*
- D. *Note that a further report to consider the community feedback on the proposed SRV and next steps will be tabled at Strategic & Corporate Committee meeting of Council on 17 October 2022.*

Details of the SRV community engagement undertaken over the past seven weeks and the results of the community engagement are provided under the Community Engagement and / or Internal Consultation section of this report, further below.

IPART Rate Peg Announcement

On 29 September 2022, IPART released the Rate Peg for 2023-24, which for Woollahra Council is 3.7%. At the same time, IPART also advised that for planning purposes Councils should assume a rate peg of 2.5% in 2024-25 and future years. In undertaking our financial modelling and options for a proposed SRV for consultation with our community, Council adopted a rate peg of 2.5% for 2023-24 and future years in accordance with the IPART guidelines at that time. It is the view of Council staff (and as included as one of the recommendations in this report) that Council adjust the financial modelling and SRV options to reflect a rate peg of 3.7% for 2023-24 and 2.5% thereafter.

The additional 1.2% (3.7% - 2.5%) equates to an additional \$852k in rates revenue in 2023-24 (\$9.543m over the 10 year period of the LTFP) and an increase in the average rate for residential of \$55 in 2023-24, which compares to \$37 using a 2.5% rate peg and an increase in the average business rate of \$125 in 2023-24, which compares to \$119 using a 2.5% rate peg. The difference in each of the three options of adopting the 3.7% rate peg is shown in more detail at **Attachment 1**.

IPART Special Rate Variation Application 2023-24 Information Paper

On 29 September 2022, the IPART released its "Information paper – Special variations in 2023-24" and updated guidelines. A copy is at **Attachment 2**.

In accordance with the IPART Information Paper, should Council resolve to apply for an SRV, Council's Delivery Program (DP) and Long Term Financial Plan (LTFP) will need to reflect this. On 27 June 2022, Council adopted its existing DP and LTFP and whilst both documents outline the need for an SRV and that Council was considering applying for one, they do not reflect the final details of the proposed SRV and any decision to apply for an SRV, should Council resolve to do so.

Further to the IPART Information Paper and in accordance with the Office of Local Government (OLG) Integrated Planning & Reporting guidelines, should Council resolve to submit an application for an SRV, the updated DP and LTFP would be placed on public exhibition for 28 days commencing 18 October 2022 and any submissions reported to Council at its meeting on 28 November 2022.

It should be noted that the DP & LTFP being placed on public exhibition will not be a detailed community engagement process as per the community engagement recently undertaken on the various SRV options. This public exhibition process is for the purpose of incorporating into the DP & LTFP any decision by Council to apply for an SRV, noting that if Council resolves to not apply for an SRV, there will be no need to update or publicly exhibit a revised DP or LTFP.

The IPART Information Paper outlines the key dates relating to the SRV application process:

- 25 November 2022 – Council to notify the IPART of its intention to submit an application for an SRV
- 3 February 2023 – Council to submit to IPART its application for an SRV
- February 2023 – the IPART undertakes its own community consultation
- May 2023 – the IPART releases its final report of its decision

Council's Long Term Financial Plan and Delivery Program

As noted above should Council resolve to apply for an SRV, Council's LTFP and DP will need updating to reflect this. Draft updated documents have been prepared with the changes outlined below in preparation for public exhibition should Council resolve to apply.

Long Term Financial Plan (LTFP):

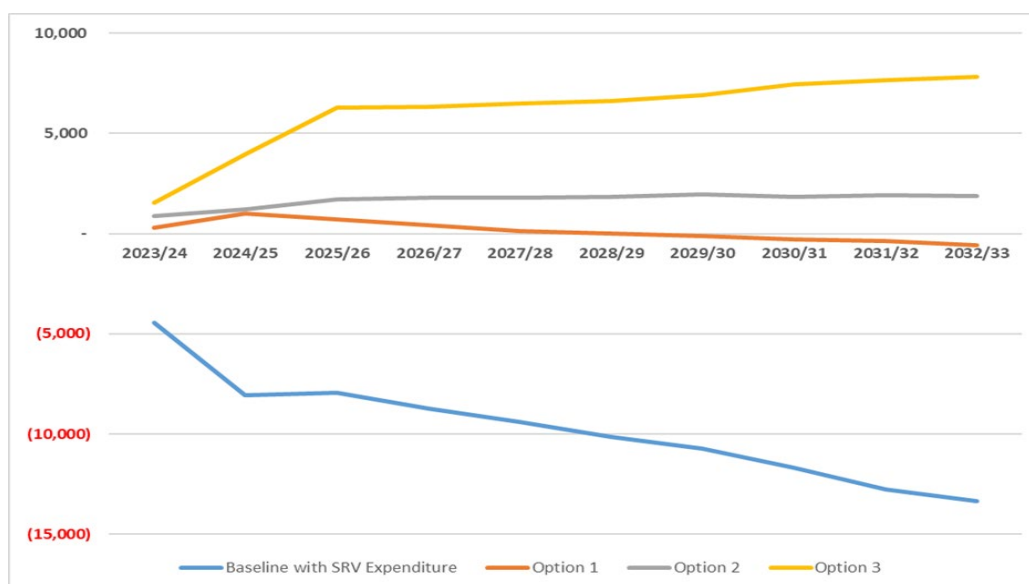
Council adopted the existing LTFP on 27 June 2022. This included four examples scenarios of Council's financial position over the 10 years of the LTFP using different assumptions. Council subsequently developed three options, two of which included an SRV and these were presented to the community as Options 1, 2 and 3 as part of the community engagement for feedback.

Council has now updated the LTFP to reflect the three options and a copy is at **Attachment 3**. Assumptions included in the updated LTFP incorporate recent projections for inflation, interest rates, wages growth and the IPART recent advice of a 3.7% rate peg for 2023-24. A further model has been included in line with the IPART guidelines where the IPART require us to develop a "Baseline" option, which includes the full priority projects expenditure but no additional income from an SRV.

The following summarises the financial position under each SRV option:

	IPART Baseline Model \$,'000s	Community Option 1 \$,'000s	Consultation Option 2 \$,'000s	Options Option 3 \$,'000s
Net Operating Result 2023/24 (Year1)	(\$4,458)	\$299	\$891	\$1,545
Net Operating Result 2024/25 (Year 2)	(\$8,070)	\$1,013	\$1,204	\$3,945
Net Operating Result 2027/28 (Year 5)	(\$9,416)	\$122	\$1,792	\$6,489
Net Operating Result 2032/33 (Year 10)	(\$13,333)	(\$562)	\$1,889	\$7,836
Financial Flexibility \$1.5m to \$2.0M	No	No	Yes	Yes
Financial Flexibility greater than \$2.0M	No	No	No	Yes
Funding New Projects/Capital Works to \$48.9m over 10 Years	No	No	Yes	Yes
Funding New Projects/Capital Works from \$48.9m to \$73.9m over 10 Years	No	No	No	Yes

Surplus before Capital Grants & Contributions over the ten years 2023/24 to 2032/33 for each SRV option:



The above information and graph demonstrates that:

- Under the IPART Baseline option, Council would experience significant operating deficits if it undertook any additional SRV expenditure without the revenue from the SRV. As noted above, this model is included at the request of the IPART. As can be seen from the above graph, this option does not provide a financially sustainable position and is not considered by Council staff to be a financially responsible option.
- Option 1 would bring Council into a surplus position in 2023-24, however it does not incorporate any level of financial flexibility and would see Council back into an operating deficits from 2029-30. This does not provide a long-term financially sustainable position and to achieve this, a reduction in current service levels would be required.
- Option 2 provides Council the ability to maintain existing service levels, maintain a minimum level of financial flexibility of \$1.5million, undertake priority projects totalling \$48.9million (over 10 years), provides a long-term financially sustainable position for Council with operating surpluses in all years.

- Option 3 provides Council the ability to maintain existing service levels, maintain a minimum level of financial flexibility of \$2million, undertake priority projects totalling \$73million (over 10 years), provides a long-term financially sustainable position for Council with operating surpluses in all years, which in turn provides Council with greater capacity to be able to fund future projects and services.

Delivery Program:

The only changes to the DP adopted by Council on 27 June 2022 can be found on Pages 15 and 16 updated to reflect the consideration of the SRV and will be further updated to reflect any decision by Council as a result of the consideration of this report. A copy of the DP can be found at **Attachment 4**.

Impact on Ratepayers

Council is very aware of the financial pressures everyone is under and asking for the community to pay more in rates is not something that was taken lightly. To that end Council wanted to make the internal savings and efficiencies and look to other sources of revenue through the actions already outlined in this report, prior to considering a potential increase in rates.

Council has considered the impact of the three options on average rates for both residential and business and as part of the community consultation process, developed a “Rates Calculator” tool (which has been available on Council’s website), so that ratepayers could see the impact of each option for rates paid on their individual property.

Council has also compared our existing 2022-23 rates to our neighbouring and similar Councils (Group 2 Councils as defined by the Office of Local Government) in the table below. The table also includes the Socio-Economic Indexes for Areas (SEIFA) indicator. SEIFA is a product developed by the Australian Bureau of Statistics (ABS) that ranks areas in Australia according to relative socio-economic advantage and disadvantage. The indexes are based on information from the five-yearly Census with 2016 being the most recent release at this point in time. The highest ranking is 130 which denotes a Council area that is least disadvantaged in New South Wales (NSW).

	Woollahra	OLG Group Councils					Neighbouring Councils	
	Hunters Hill Council	Mosman Council	Burwood Council	Lane Cove Council	Strathfield Council	Waverley Council	Randwick Council	
Average Residential Rate ^a (\$)	1,480.00	2,187.00	1,493.87	1,549.61	1,282.20	845.50	1,197.72	1,498.19
Average Business Rate (\$)	4,250.38	1,593.00	3,208.54	6,956.64	4,796.52	4,137.26	7,261.61	10,003.31
Median Household Average Income ^b (\$)	139,724	128,636	131,504	81,588	123,891	92,612	120,016	99,632
Ratio of Average Rates to Median Income (%)	1.1%	1.7%	1.1%	1.9%	1.0%	0.9%	1.0%	1.5%
SEIFA Index NSW Rank ^c	129	125	128	106	126	113	124	117

^aThe average residential rate (ordinary and special) is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category.

^bMedian annual household income is based on 2016 ABS Census data

^cThe highest possible ranking is 130 which denotes a council that is least disadvantaged in NSW.

Whilst it is difficult to draw firm conclusions in any Council comparison, as each Council’s rating structure and mix between residential and business is different, our current average rates appear reasonable in relation to the other Councils.

The Woollahra SEIFA index of 129 denotes that the Woollahra Local Government Area (LGA) is the second least disadvantaged LGA in NSW. We have a median household average income of \$139,724 with average residential rates comprising 1% of this.

Council's Hardship Policy

We recognise that at times some of our ratepayers experience genuine financial hardship with the payment of their Rates and Annual Charges. Council has a Financial Hardship Policy in place and our key objective is to work with ratepayers to achieve flexible alternatives to legal action where possible. During the recent economic impact of the COVID-19 pandemic we were proactive in ensuring that our ratepayers were aware of assistance available and we organised customised payments arrangements for the 79 ratepayers who approached us.

Options:

Council has the following options in relation to this report:

1. Resolve to not apply for an SRV commencing 2023-24. As outlined in the two LTFP options that do not include a proposed SRV i.e. the "IPART Baseline" and Options 1", these options do not provide Council with a long-term financially sustainable position.
2. Resolve to apply IPART for an SRV in line with Option 2, which would provide Council the ability to maintain existing service levels, maintain a minimum level of financial flexibility of \$1.5million, undertake priority projects totaling \$48.9million (over 10 years), provides a long-term financially sustainable position for Council with operating surpluses in all years
3. Resolve to apply to the IPART for an SRV in line with Option 3, which would provide Council the ability to maintain existing service levels, maintain a minimum level of financial flexibility of \$2million, undertake priority projects totaling \$73million (over 10 years), provides a long-term financially sustainable position for Council with operating surpluses in all years.
4. Resolve in some other manner.

Community Engagement and / or Internal Consultation:

IPART's assessment criteria for an SRV includes "evidence that the community is aware of the need for and extent of a rate rise". The IPART guidelines around community consultation advises that "effective community awareness and engagement enables members of the public to have adequate opportunities to consider the proposed SRV increase, provide feedback to the council, and for the council to then consider this feedback". The IPART do not necessarily seek evidence of a majority support from the community, but rather that the community is aware of the need for and the extent of an SRV.

Community engagement was undertaken for a period of seven weeks commencing 24 August 2022 and ending on 9 October 2022 in relation to three proposed rating options, one of which is a base scenario and two of which include an SRV. Council staff extended the closing date for submissions from 4 October to 9 October 2022 to accommodate some minor Australia Post delivery delays in delivering the SRV information brochure to households. Plus Council staff held an additional SRV webinar on 29 September 2022.

A diverse range of communication and engagement methods were used to ensure as many people as possible were aware of the options we are considering and how best to have their say, whether in writing, online or in person. Council used social media, advertising, advertorial and editorial content, digital content, a dedicated Your Say online engagement page, direct mail, display, signage, printed promotional material, two webinars and six in-person pop-up engagements. There were also over-the-phone and over-the-counter information and engagement opportunities for our community to share their feedback.

A detailed information brochure was sent to all ratepayers titled “We would like your feedback on Special Rate Variation options and our plans to deliver long-term financial sustainability and meet the priorities of our community”. Copies were also distributed through community pop-up sessions. The information brochure provided readers:

- Information on the need for the SRV
- Budget repair actions that had already been undertaken
- Information on the three options on which we were seeking community feedback
- The priority projects which Options 2 and 3 would enable Council to address
- Information on how readers could submit their opinion, including through a QR Code which linked through to Council’s “Proposed Special Rate Variation” Your Say page.

The detailed SRV information included in the above-mentioned brochure was also replicated on Council’s web site for ease of viewing by residents.

Council’s Your Say page sought specific feedback through a survey that asked the following questions:

- If you were to support a Special Rate Variation (SRV), which of the options would you prefer? Option 2 or 3.
- Are there any other projects or priorities you wish to be considered
- Do you think Council should apply for an SRV? Yes or No
- Please share any other feedback on the proposed SRV – freeform of maximum 250 words

From an internal perspective, the General Manager provided staff with information on the SRV through his regular weekly emails, in Managers meetings and in a range of meetings with staff. This assisted in ensuring Council staff had a clear understanding of the what, why and how relating to the proposed SRV.

There were 585 submissions with most received via the Your Say page, noting that not all respondents completed all the questions asked.

There were 33 attendees in total at the two SRV Webinars and a recording of both webinars was posted to the Your Say page on Council’s web site.

Face-to-face community pop-ups were held in each Council Ward with a further pop-up held in Lyne Park during the September school holidays. There was approximately 156 face-to-face interactions at the pop-ups.

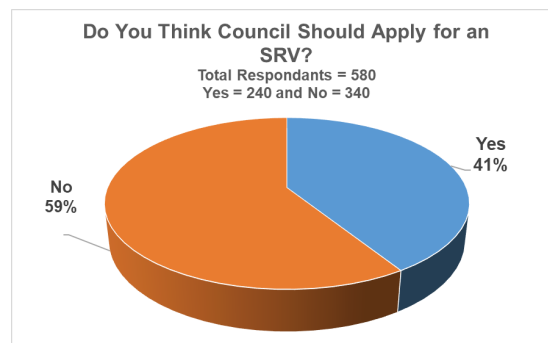
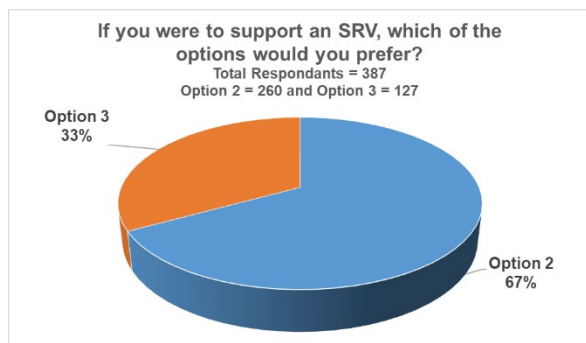
Details of the feedback received during the community engagement period can be found at **Attachment 5**, noting that this attachment provides a copy of all the survey forms submitted via the Council Your Say page. It should be noted that there were some duplicate submissions received through the Your Say page, however Council staff have done their best to ensure that only one response has been included in the statistics.

The purpose of two of the questions posed was to identify the level of support for an SRV, with those questions and responses being:

- “Do you think Council should apply for an SRV – Yes or No”.

585 responses were received in response to this question, with 59% voting “No” and 41% voting “Yes”.
- “If you were to support an SRV, which option would you prefer – Option 2 or Option 3”.

387 responses were received in response to this question, with 67% voting “Option 2” and 33% voting “Option 3”.



The other two questions asked as part of the SRV engagement provided opportunities for further feedback focussing on identifying other priority areas and providing general feedback. Many of the comments made were outside of the scope of these questions and where appropriate, were referred to the relevant team for action.

Following is a summary of the key themes to come from the SRV community engagement, including where relevant, some staff comments in response to these key themes.

1. Council's long term financial sustainability

Suggestions for action Council could take to improve its long-term financial sustainability included sale of assets, pursuing self-funded projects, consideration of levies on private schools, charging “out of area users” to park at Neilson Park / Camp Cove as Waverley does at Bondi Beach, reducing legal costs through increased mediation, seeking additional government funding or donations, amalgamation of Councils, utilisation of cost cutting measures, service reduction and or a 'back to basics' approach to avoid increasing rates.

Staff Comment:

Council has taken very seriously the matter of future financial sustainability and as such, prior to asking the community to give consideration to a proposed SRV, Council has undertaken a range of budget improvement initiatives. The additional income and savings that we have achieved over recent years have totalled over \$3.8million. This has meant that Council has been able to reduce our deficit from \$4.1million in 2021-22 to just under \$300,000 in 2022-23.

2. Potential impacts on Ratepayers

Responses included:

- Concern about current cost of living pressures and the timing of the proposed increase in the current economic climate.
- Some identified themselves as financially vulnerable or expressed concern for others who may be
- Concern for the viability of businesses with the proposed rates increase.

Staff Comment:

Council is very conscious of the issues raised in response to this matter, particularly the fact that some residents may be asset-rich but cash-poor, as well as the impact COVID-19 had on local businesses within the LGA.

As part of its assessment criteria, the IPART will consider the capacity of ratepayers to pay any proposed increase and may reject, or allow only a partial increase of what is proposed by Council if Council moves forward with an SRV application. As a business itself, Council is also facing ever-increasing costs and suffers from the rate peg that is determined each year by the IPART, with the rate peg not keeping up with inflation and other costs. As detailed earlier in this report, much work has been undertaken internally over the past 18-24 months to reduce costs, prior to approaching ratepayers with SRV proposals.

Council recognises that at times some of our ratepayers experience genuine financial hardship with the payment of their rates and annual charges. Council does have a Financial Hardship Policy in place and our key objective with this policy is to work with ratepayers to achieve flexible alternatives to legal action where possible. By way of example, during the recent economic impact of the COVID-19 pandemic, Council was proactive in ensuring that our ratepayers were aware of the hardship assistance available and organised customised payment arrangements for the 79 ratepayers who approached us during this period of time.

3. Transparency & Council performance

Some responses were critical of Council's past or present performance and suggested improving the customer experience. Some sought greater transparency on Council's financial position and on the selection of the priority projects.

Staff Comment:

Council has a dedicated section included on its website in relation to budget and financial sustainability, which is updated quarterly with our progress towards improving our financial position. This information can be found at this link:

<https://www.woollahra.nsw.gov.au/council/vision-structure-and-financial-sustainability/budget-and-financial-sustainability>

Further information on the basis for selection of the priority projects are included in various documents also included on Council's website. Such documents included the Heritage Gap Analysis, various Flood Plain Risk Management Plans and the draft Active Transport Plan, for example.

4. Existing Council services

Feedback included:

- Criticism of existing bike paths - some were seeking an increase in bike paths.
- Increased level of maintenance to footpaths, potholes and roads.
- Concerns on development seeking stronger heritage LEP or DCP controls and the prevention of overdevelopment.
- Action on parking and traffic congestion issues.
- Changes to enforcement activity from Council including an increase in services like enforcement of building rules; regulatory patrols in busy areas near hotels, schools and the stadium; prevention of boats and trucks utilising unrestricted parking spots on residential streets; and enforcement of correct road use. Others were seeking a reduction in enforcement to benefit business and beach-goers.

Staff Comment:

The O'Sullivan Road Rose Bay cycleway link was recommended by staff due to the timing of similar works being undertaken by Waverley Council, which will see a cycling connection from the Rose Bay Wharf to Bondi Beach.

Some of the priority projects included in SRV Options 2 and 3 provide improvements to infrastructure like footpaths and pedestrian safety etc.

5. Environmental sustainability

Of this feedback, some of the suggested approaches included:

- Electric Vehicle support through increased availability of chargers
- Solar panels be allowed where best, rather than giving priority to building rules
- Community solar batteries for PV-equipped houses to feed excess electricity into and draw from rather than installing individual batteries in individual houses
- Diversion of stormwater from Parsley Bay and Gibsons beach; improved drainage networks; adaptation measures linking freshwater flooding with backwater flooding
- Increased recycling options and community food gardens
- Weed control via 'graze away' goat option on coastal cliffs
- A cat curfew to protect native wildlife
- Addressing plastics and litter around Sydney Harbour foreshore.

6. Community, culture and arts

There was criticism of public art and the lack of utilisation of volunteers.

Staff Comment:

Whilst the comments on volunteers are noted, Council does have an extensive program of Volunteer engagement including in the areas of the Woollahra Library, the Woollahra Gallery at Redleaf, for community and cultural events and in sustainability projects, as well as on a range of Council committees where individuals volunteer their expertise, time and provide contributions to the overall outcome of programs delivered. There are currently approximately 250 volunteers who assist Council on a regular basis.

7. Improving infrastructure maintenance or requests for new infrastructure

Suggestions included:

- Paving and fencing the basketball area at the Holdsworth Street Community Centre properly and inserting a proper-sized ring,
- Proactive planning for the effective solar energy production within community projects,
- Adding pedestrian crossings on Ocean Street, where Jersey road meets Ocean street and at Bundarra Road roundabout,
- Stormwater channel in Cross Lane Double Bay be embellished and made user friendly,
- Revival of the Edgecliff Centre,
- Protection of the heritage former Royal Hospital for Women chimney in Paddington,
- Upgrading Marathon Ave steps,
- Terracing the hilly grassed area above Murray Rose pool/below café to stop erosion and create more flat space for sunbathers, and
- More public toilets.

8. Existing projects

Comments were in relation to the Cross Street Car Park / Cinema proposal, with feedback both for and against; the Rushcutters Bay Youth Recreation Facility, with feedback both for and against; the Knox Street Pedestrianisation project, with feedback against, largely due to impact on parking and traffic.

Staff Comment:

Community engagement in relation to the above-mentioned projects has been undertaken at various times in the past and has resulted in a range of Council resolutions, which are at various stages of implementation by Council staff.

9. Business

Feedback included reducing fire rating costs and responsibilities on local businesses; focussing on Oxford Street Paddington and improvements to trade on the Manning Street end of New South Head Road, relaxing laws for encouraging outdoor cafes and bars around the harbour foreshore and Paddington.

Based on the feedback received online and in person during the seven week community engagement period, it is considered that there was an overall general understanding and agreement that Council has and should continue to work towards financial sustainability and overall, there was very little disagreement on the priority areas identified in the various SRV options.

Policy Implications:

There are no direct Policy implications as a result of this report.

Financial Implications:

Council needs to maintain a financially sustainable position over time so that it can continue to provide infrastructure and services for the benefit of our community. Over the last five years, it has become increasingly difficult for Council to continue to maintain a financially sustainable position, as a range of factors (only some of which Council is able to control or change), has affected Council's financial position. This has resulted in operating budget deficits over recent years.

Council has taken very seriously the matter of future financial sustainability and as such, prior to asking the community to give consideration to a proposed SRV, Council has undertaken a range of budget improvement initiatives. The proactive action taken over the last 18 months to improve Council's financial position have totalled over \$3.8million. This has meant that Council has been able to reduce our deficit from \$4.1million in 2021-22 to just under \$300,000 in 2022-23.

Whilst the 2022-2023 budget certainly sees Council with a vastly improved budget result, it still does not provide the financial flexibility Council needs and the funding required to adequately address priority projects that have been identified by the community. Further measures will be required to achieve this.

As detailed throughout this report, one further measure that Council could take to support its future financial sustainability is to apply to the (IPART) for an SRV. If approved by the IPART, the SRV would provide funds to not only provide for and assist with the future financial sustainability of Council, but also allow Council to deliver some much-needed projects and increased levels of service across the Local Government Area (LGA).

Two of the three options (Options 2 & 3) presented to the community during the community engagement period, include an SRV and both assist in achieving long-term financial sustainability, as well as providing additional funds to address some key priority initiatives to varying degrees.

The following summarises the financial position under each SRV option. It demonstrates that Council does not achieve a long-term financially sustainable position under the IPART Baseline Model or under Option 1. Nor do these Options provide additional funds to to deliver some much-needed projects and increased levels of service across the LGA. Options 2 and 3 do provide Council with a long-term financially sustainable position and much needed financial flexibility. Option 2 provides an additional \$48.9million and Option 3 an additional \$73million over 10 years to enable the delivery of projects and increased service levels across the LGA.

	IPART	Community Consultation Options		
	Baseline Model \$,000s	Option 1 \$,000s	Option 2 \$,000s	Option 3 \$,000s
Net Operating Result 2023/24 (Year1)	(\$4,458)	\$299	\$891	\$1,545
Net Operating Result 2024/25 (Year 2)	(\$8,070)	\$1,013	\$1,204	\$3,945
Net Operating Result 2027/28 (Year 5)	(\$9,416)	\$122	\$1,792	\$6,489
Net Operating Result 2032/33 (Year 10)	(\$13,333)	(\$562)	\$1,889	\$7,836
Financial Flexibility \$1.5m to \$2.0M	No	No	Yes	Yes
Financial Flexibility greater than \$2.0M	No	No	No	Yes
Funding New Projects/Capital Works to \$48.9m over 10 Years	No	No	Yes	Yes
Funding New Projects/Capital Works from \$48.9m to \$73.9m over 10 Years	No	No	No	Yes

If Council was of a mind to resolve to not apply for an SRV or if Council did resolve to apply for an SRV and the application is not approved at all, or in full by the IPART, Council will need to undertake additional steps to secure Council's long-term financial sustainability. As detailed within this report, Council has already made substantial improvements to its financial position and this has been achieved without adversely impacting on existing service levels. It is unlikely that further improvements can be actioned without an impact on existing service levels.

This means that Council would need to find other measures by which to improve its financial sustainability and this would likely include undertaking a more comprehensive program of service reviews across the 46 x high-level services that Council provides, with a view to assessing and potentially adjusting the level of service provided to the community, across these services.

Resourcing Implications:

Should Council resolve to apply to the IPART for an SRV and the SRV application is subsequently approved by the IPART, then Council will have additional funding to provide the resources to undertake priority projects as outlined in the SRV options, totalling \$48.9million (over 10 years) under Option 2 and \$73million (over 10 years) under Option 3.

Resourcing to undertake the projects included in the SRV options will be provided through existing resourcing channels i.e. staff resources or a range of contractors, noting that some additional resources are included to be funded by the SRV itself.

Conclusion:

As detailed throughout this report, Council needs to maintain a financially sustainable position over time so that it can continue to provide infrastructure and services for the benefit of our community. Over the last five years, it has become increasingly difficult for Council to continue to maintain a financially sustainable position, as a range of factors (only some of which Council is able to control or change), has affected Council's financial position. This has resulted in operating budget deficits over recent years.

This report has detailed the efforts made by Council over the past 18-24 months to address Council's long-term financial sustainability, with the key purpose of this report being to provide information to Councillors and the community on the feedback received from the recent community engagement process in relation to a proposed SRV and to seek Council's approval to move forward with an application to the IPART for an SRV under Option 2.

If Council resolve to apply for an SRV under Option 2 and if the IPART subsequently approve that SRV application, this would provide Council with additional funding to undertake the priority projects as outlined throughout this report and related attachments, totalling \$48.9million over 10 years. This SRV Option (Option 2), would also allow Council to maintain existing services and assist us in securing Council's long term financial sustainability.

Option 2 would increase the ordinary rate income of Council by 13.7% in 2023-24 (including the rate peg of 3.7%) and 8.7% in 2024-25 (including the rate peg), representing a total cumulative increase of 25.28% over the initial three-year period, with the SRV to then be retained in the rate base permanently. If approved by the IPART, the SRV would be effective from 1 July 2023.

When considering applying for an SRV, Council must ensure that the community is aware of the need for and extent of a proposed SRV. As detailed in this report, Council undertook detailed community engagement for a period of seven weeks, which commenced on 24 August 2022 and ended on 9 October 2022. This community engagement included information on three proposed rating options, one of which was a base scenario and two of which include an SRV.

At the closing of submissions, Council had received a total of 593 submissions, with 33 people having attended the two SRV Webinars, plus there were approximately 156 face-to-face interactions between Council staff and the community at the various SRV pop-ups held around the LGA. As a result of the community submissions, 41% of people responded "Yes" to the question of "Do you think Council should apply for an SRV", with 59% of people responding "No". Some 386 people responded to the question as to whether their preference was for SRV Option 2 or Option 3 if Council was to apply for an SRV, with 67% voting for Option 2 and 33% voting for Option 3.

As evidenced by the above community engagement statistics, Council has engaged widely across the LGA on the need for and extent of a proposed SRV and as per the recommendations included in this report, Council staff are recommending that Council resolve to support an SRV application for Option 2, which if approved by the IPART would commence from 1 July 2023.

Attachments

1. Rate Peg Comparison - 3.7% versus 2.5%
2. Information-Paper-Special-Variations-in-2023-24
3. Updated Draft Long Term Financial Plan LTFP 2022/23-2031/32
4. Updated Draft Delivery Program 2022/23 - 2025/26
5. SRV - Report of community submissions received - 12 October 2022 (*circulated under separate cover*)

Options 1, 2, & 3
Average Rates – Rate Peg of 3.7% versus 2.5% Original Modelling
for 2023-34

Option 1:

Rate Peg %	Rate Modelled	Additional Priority Funds	Type	Current Year 2022-23	Year 1	Year 2	Year 3	Cumulative Increase	Year 10 2032/22	Increase on average over 10 years
2.5%	Rate Peg 2.5% only	Nil	Residential	\$1,480	\$1,517	\$1,555	\$1,594	\$114 or 7.71%	\$1,895	\$42/year
3.7%	Rate Peg 3.7% then 2.5% only	Nil	Residential	\$1,480	\$1,535	\$1,573	\$1,613	\$133 or 8.95%	\$1,917	\$44/year
2.5%	Rate Peg 2.5% only	Nil	Business	\$4,250	\$4,357	\$4,466	\$4,577	\$327 or 7.70%	\$5,441	\$119/year
3.7%	Rate Peg 3.7% then 2.5% only	Nil	Business	\$4,250	\$4,407	\$4,517	\$4,630	\$380 or 8.95%	\$5,504	\$125/year

Option 2:

Rate Peg %	Rate Modelled	Additional Priority Funds	Type	Current Year 2022-23	Year 1	Year 2	Year 3	Cumulative Increase	Year 10 2032/22	Increase on average over 10 years
2.5%	2023/24: 10.0% SRV + 2.5% Rate Peg 2024/25: 5.0% SRV + 2.5% Rate Peg	Nil	Residential	\$1,480	\$1,665	\$1,790	\$1,835	\$355 or 23.99%	\$2,181	\$70/year (i.e. +\$28 per year increase on Option 1)
3.7%	2023/24: 10.0% SRV + 3.7% Rate Peg 2024/25: 5.0% SRV + 3.7% Rate Peg	Nil	Residential	\$1,480	\$1,683	\$1,809	\$1,855	\$375 or 25.28%	\$2,204	\$72/year (i.e. +\$28 per year increase on Option 1)
2.5%	2023/24: 10.0% SRV + 2.5% Rate Peg 2024/25: 5.0% SRV + 2.5% Rate Peg	Nil	Business	\$4,250	\$4,782	\$5,140	\$5,269	\$1,019 or 23.98%	\$6,253	\$201/year (i.e. +\$82 per year increase on Option 1)
3.7%	2023/24: 10.0% SRV + 3.7% Rate Peg 2024/25: 5.0% SRV + 3.7% Rate Peg	Nil	Business	\$4,250	\$4,832	\$5,195	\$5,325	\$1,075 or 25.28%	\$6,329	\$208/year (i.e. +\$83 per year increase on Option 1)

Option 3:

Rate Peg %	Rate Modelled	Additional Priority Funds	Type	Current Year 2022-23	Year 1	Year 2	Year 3	Cumulative Increase	Year 10 2032/22	Increase on average over 10 years
2.5%	2023/24: 15.0% SRV + 2.5% Rate Peg 2024/25: 9.0% SRV + 2.5% Rate Peg 2025/26: 3.5% SRV + 2.5% Rate Peg	Nil	Residential	\$1,480	\$1,739	\$1,939	\$2,056	\$576 or 38.87%	\$2,444	\$96/year (i.e. +\$54 per year increase on Option 1)
3.7%	2023/24: 15.0% SRV + 3.7% Rate Peg 2024/25: 9.0% SRV + 3.7% Rate Peg 2025/26: 3.7% SRV + 2.5% Rate Peg	Nil	Residential	\$1,480	\$1,757	\$1,959	\$2,077	\$597 or 4.29%	\$2,469	\$99/year (i.e. +\$55 per year increase on Option 1)
2.5%	2023/24: 15.0% SRV + 2.5% Rate Peg 2024/25: 9.0% SRV + 2.5% Rate Peg 2025/26: 3.5% SRV + 2.5% Rate Peg	Nil	Business	\$4,250	\$4,994	\$5,569	\$5,903	\$1,653 or 38.90%	\$7,016	\$277/year (i.e. +\$158 per year increase on Option 1)
3.7%	2023/24: 15.0% SRV + 3.7% Rate Peg 2024/25: 9.0% SRV + 3.7% Rate Peg 2025/26: 3.7% SRV + 2.5% Rate Peg	Nil	Business	\$4,250	\$5,045	\$5,625	\$5,932	\$1,712 or 40.29%	\$7,087	\$284/year (i.e. +\$159per year increase on Option 1)