



# Outcome of Additional Special Variation to Rates 2022/23 Application

Councils can only increase their rates each year by up to the rate peg limit determined by the Independent Pricing and Regulatory Tribunal (IPART). Last year when we undertook our long term financial planning Council assumed a rate peg limit for 2022-23 of 2%, which was consistent with the 2021-22 rate peg limit and with long term inflation forecasts at that time.

The rate peg limit for Woollahra Council for 2022-23 was announced by IPART in December 2021 at 0.7%. This would challenge Council in meeting its obligations and is significantly lower than Council had anticipated. In the 12 months to March 2022 the CPI was 5.1% nationally (4.4% in Sydney) - more than six times the rate peg.

The 2022-23 rate peg of 0.7% was based on the changes in costs experienced by councils between 2019-20 and 2020-21, in the low inflation environment at the beginning of the COVID-19 pandemic. In acknowledgement such a low rate peg would result in difficulty for councils, the Office of Local Government (OLG) announced an 'Additional Special Variation (ASV)'. The ASV is a one off process for the 2022/23 financial year and provides Council with a mechanism to maintain its expected level of rating income and expenditure program.

Council made an application to the IPART, under Section 508(2) of the Act, for a permanent single year special variation to general (rates) income of 2.0% (including the rate peg of 0.7%) for the 2022/23 financial year. IPART approved Council's application for an ASV bringing the maximum rate increase for 2022/23 to 2% compared to the original IPART rate peg of 0.7% on 20 June 2022. In total IPART approved ASVs for 86 Councils in NSW.

Council will receive approximately \$551,000 in additional income in the 2022/23 financial year now that the special variation is approved (on top of the forecast \$292,710 provided through the IPART rate peg of 0.7%), which maintains rates income at the level expected in the 2022/23 financial year.

Council has calculated the impact on ratepayers and the community in the 2022/23 financial year and in future years now the special variation is approved. The average residential rate will increase by \$28 for the year under the 2.0% rates increase scenario, which is \$20 higher than the 0.7% rate peg as illustrated in the following table.

## Average Residential Rates

	Rates at 2%		Rates at 0.7%	
	Additional Rates	Total Rates	Additional Rates	Total Rates
Average Residential Rate - Per Annum	\$28	\$1,482	\$8	\$1,462
Average Residential Rate - Per Quarter	\$7	\$371	\$2	\$365

This increase from 0.7% to 2% has helped improve our overall budget position however we still need to do more to achieve a surplus. Rates are our most important form of income and we are considering options for a special rate variation application in late 2022. Be assured that we will be engaging with the community on this during the last half of 2022. There is more work to be done to achieve financial sustainability.

Council adopted the final Rating Structures within our [Operational Plan 2022/23](#) on 27 June 2022.

For further information from IPART on the 2022-23 ASV, please refer to this IPART's [media release](#) and [determination for Woollahra](#).



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