

MEDIA RELEASE

Gunnedah to apply for rates variation

April 21, 2022

Gunnedah Shire Council will apply for an Additional Special Variation of rates following a change to the rate “pegging” process that could lead to Council being unable to deliver all services and maintain assets in years to come.

Council this week voted to apply for a permanent Additional Special Variation of 2.5% to rates in line with its budget predictions for the next few years. The 2.5% figure was the long-term modelling percentage recommended by the Independent Pricing and Regulatory Tribunal (IPART), the body responsible for rate “pegging”, or setting the maximum amount for rate increases by NSW councils.

Gunnedah Shire Mayor Jamie Chaffey said recent changes to the way IPART calculated rate pegging meant the maths was based on significantly flawed figures. Gunnedah, along with many other Shires across the state, was assigned its lowest ever rate increase cap of 0.8%.

“A difference of 1.7% (between 0.8 and 2.5%) might not seem a lot, but that adds up to \$236,000 less in Council’s revenue in the next year, and \$2.65 million over the next 10 years.

“As the bottom line in our application for this rate variation will show, that figure means there would not be enough funding available for the maintenance of Gunnedah’s essential assets and for all of the community services we provide. It’s just not responsible financial management for our Shire.

“The IPART calculations have been based on cost trends that have now completely turned around. Instead of Council costs going down, they have - like expenses everywhere - skyrocketed. Fuel has gone up, construction costs have gone up, labour costs have gone up – and our Shire is growing. This is no time to be reducing our operating budget.”

In recognition of the all-time low rates cap, the NSW Office of Local Government has advised councils of a one-off Special Variation Process for 2022-23. Council must show it has budgeted for an income above its record low rates peg and that the new figure would either mean an Operating Performance Ratio (OPR) of 2% or lower over the next five years, or that the OPR needs to be higher to meet capital funding requirement.

Cr Chaffey said the budgeted 2.5% increase sought by Council would equate to an increase of about 27c a week (\$14.27 a year) for residential areas, and 35c a week (\$18.22) for rural properties. Council has a Hardship Policy in place to assist ratepayers who are having difficulty meeting their payments.

“IPART has also agreed to review this methodology,” Cr Chaffey said.

“That’s an essential step in helping make sure councils across the State don’t face this situation again.”

Fast facts on the process:

- The IPART rate-peg methodology assumed an increase of 1.2% in employee costs. The 2020 NSW Local Government Award includes a 2% wage increase and another 0.5% increase in superannuation.
- The methodology assumed an increase of 1.5% in business expenses. The ABS Producer Price Index has increased 3.7%, with insurance increasing by 11%.
- The methodology assumed a decrease of between 6.6% and 2.4% in electricity, water, sewerage and fuel. NSW recorded quarterly wholesale price increases of 130.5% with an annual electricity cost increase of 22%.

Caption: Gunnedah Shire Council will apply for an Additional Special Variation of rates following a change to the rate “pegging” process that could lead to Council being unable to deliver all services and maintain assets in years to come.

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For more information, contact Gunnedah Shire Council’s media team on (02) 6740 2100.