

Armidale Regional Council – Ratepayer Summary

Armidale Regional Council (the council) has experienced considerable change since amalgamation in 2016. The council was suspended on 12 June 2020 and an interim administrator was appointed until 11 December 2020.ⁱ A Performance Improvement Order was issued on 9 December 2020 by the Minister for Local Government. The council has applied to increase its general income, through a special variation (SV) of 10.5% (inclusive of the rate peg) in 2021-22. This SV will replace an existing SV of similar size due to expire on 30 June 2021.

IPART has approved the council’s application to increase its general income by 10.5% (inclusive of the rate peg) in 2021-22 and the council can retain this increase in its rate base permanently.

Impact on council's income

Purpose

- ▼ Improve financial sustainability
- ▼ Provide asset renewal funding
- ▼ Ensure delivery of existing services
- ▼ Meet Performance Improvement Order requirements

\$16.9m

Additional income
above the rate peg over
the next ten years

The additional revenue will help improve the council’s financial sustainability, fund asset renewals, maintain service levels and address the requirements of its Performance Improvement Order. Concurrently from 1 July 2021, the council will also harmonise its rates across the former Armidale Dumaresq and Guyra Shire councils so that rating structures across the new council will be consistent. Due to variances in rates between the former council areas, the combined impact of the SV and rate harmonisation will mean the ratepayer impacts will be different.

Impact on rates

	 Residential	 Business	 Agriculture	 Mining
Armidale	+2.3%	+1.7%	-11.1%	-6.0%
Guyra	+5.4%	+9.6%	+27.7%	N/A

We assessed the council's application against the Guidelines issued by the Office of Local Government and determined it met the criteria.

Financial Need



The council has demonstrated the financial need for the SV, which will replace the lost income from the expiring SV. However, the council will still not be financially sustainable in the long term.

Community awareness



The council used a wide range of consultation methods. However, it did not sufficiently disclose the full cumulative impact of the SV, including the catch-up amount that is to be applied in 2021-22.

Reasonable impact on ratepayers



The council assessed the impact of the SV on its ratepayers by comparing its rates with other similar councils and examining socioeconomic data for its area. The increase will essentially be only the 2% rate peg and the council concluded ratepayers could afford the rates.

IP&R documentation



The council has appropriately exhibited and adopted its IP&R documents.

Productivity Improvement and Cost Containment



The council has implemented various productivity and cost containment strategies in the past and has proposed strategies for future savings.

Response to concerns raised in submissions

Councils applying for additional funding through an SV process are required to undertake community engagement. As part of our process, IPART also accepts submissions from stakeholders.

Most submissions we received opposed the SV. We considered all the concerns and issues raised in submissions. Our responses to the most common ones are outlined below.

Stakeholders were concerned that the proposed rate increases are not affordable

Although the SV allows it to increase its general income by 10.5% in 2021-22, the expected increase in average rates is just 2.6% – only marginally higher than the 2% rate peg. This is because most of the 10.5% SV replaces an existing SV that will expire on 30 June 2021.

We consider a 2.6% increase is affordable, and that the community in general has the capacity to pay. We also note that the council has a hardship policy to assist residents, pensioners and businesses that are experiencing financial hardship, and also implemented a range of measures to provide financial relief to residents and businesses affected by the COVID pandemic.

Stakeholders considered that the council has mismanaged its funds and should look at ways of becoming more efficient before increasing rates

It is widely recognised that the council's financial management performance has been poor and needs to improve. The Minister for Local Government suspended the council and appointed an interim administrator in June 2020, and subsequently issued a Performance Improvement Order.

However, the council has clearly demonstrated a financial need for the SV. In addition, it has pursued alternative ways to improve its financial position, including measures to improve its productivity and contain its costs in recent years. These initiatives achieved approximately \$6.2 million in savings, with \$2.2 million in ongoing savings. It has planned further efficiency measures over the coming year, including implementing the requirements of the Performance Improvement Order and other initiatives.

We have also recommended the council undertake further efficiency measures to ensure overall financial sustainability and efficiency in its operations.

Stakeholders considered that the council's services and infrastructure are inadequate

This may be a result of the council's poor financial position. However, we note that without the SV, it would not be able to maintain services at current levels.

ⁱ Armidale Regional Council, *Interim Administrator Minute and Performance Improvement Order*, (<https://www.armidaleregional.nsw.gov.au/news/news-2020/interim-administrator-minute-and-performance-improvement-order>), accessed on 13 April 2021.