

MID-COAST COUNCIL SPECIAL RATE VARIATION APPROVED

The Independent Pricing and Regulatory Tribunal (IPART) has approved, with a minor variation, Mid-Coast Council's application to increase general income above the rate peg. The decision allows for a permanent cumulative increase of 27.3% over four years instead of the 28.5% increase sought by the council.

Legislative changes made by the NSW Parliament in March 2017 allow Mid-Coast council to apply for, and IPART to assess, a special variation application for 2017-18. IPART has assessed the council's application against the NSW Government's published criteria, taking into account the council's Long Term Financial Plan, the financial need of the council and the capacity of ratepayers to pay the requested increase.

IPART has approved a smaller increase because the 1.5% rate peg for 2017-18 is lower than that assumed by the council in its community consultation. We approved an increase of 10.0% in 2017-18, 5.0% in 2018-19, 5.0% in 2019-20 and 5.0% in 2020-21, including the assumed rate peg over the four-year period.

IPART Chair Dr Peter Boxall said the decision enables the new council to replace special variations that were in place in each of the three previous Local Government Areas – Gloucester Shire (13%), Great Lakes (6%) and Greater Taree (5%) – prior to amalgamation. As such, the impact of the decision on ratepayers would be significantly less than the cumulative 27.3% increase. After the removal of the existing special rate variations, the 10% increase approved in 2017-18 would result in an average rate increase of around 5% across the new council area.

“Special variations are designed to give councils the flexibility to generate additional income above the rate peg to meet their specific needs, with an independent assessment process to approve the increase,” Dr Boxall said.

“Mid-Coast Council was able to meet the criteria for approval of the special variation by demonstrating a clear need for the additional revenue, that they had engaged the community about the proposed rate increases and considered the impact on ratepayers, and that they are taking steps to improve productivity and contain costs.”

The council intends to use the additional \$23.7 million to be generated over the next four years to provide additional funds for asset maintenance and renewal, reduce its infrastructure backlog and fund an expansion of ongoing environmental programs. Submissions received directly from ratepayers, community groups, business groups and ratepayer associations were also considered.

“We estimate that in 2017-18, the average residential rate will increase by \$67 in 2017-18, or by \$243 over the four years. In 2017-18, average business rates will rise by \$193, while farmland rates will go up by an average of \$80,” Dr Boxall said.

“However, the impacts on individual landowners may vary as the council intends to maintain separate rating structures for each of the former councils.

“In the case of the former Gloucester Shire, the increase in 2017-18 is less than it would otherwise have been under the previous special rate variation, but rates will be higher than they would have been in the former Great Lakes and Greater Taree council areas.”

If implemented by the council, the increase above the rate peg would be effective for rates issued after 1 July 2017. The cumulative increase of 27.3% is 18.0% more than the assumed rate peg increase over the four-year period to 2020-21.

Dr Boxall said IPART considers the impact of the increase is substantial but reasonable given current average rate levels, the community’s capacity to pay, and the council’s financial sustainability and current infrastructure backlog.

IPART has attached conditions to the approval requiring the additional income to be used for the purposes outlined in the application, and that the council report to its community about how the additional revenue is spent.

Mid-Coast Council is among 9 councils across NSW (of a total of 128) to make a special variation application to increase rates for 2017-18. IPART approved 4 applications in full, declined 2 applications and 3 applications were partially approved.

The full report on the council’s application is available on IPART’s website <<http://www.ipart.nsw.gov.au>>.

Mid-Coast Council – special variation summary

Requested special variation	28.5% cumulative increase over 4 years to be retained permanently in the rates base.
Approved increase (including rate peg)	27.3% cumulative increase over 4 years to be retained permanently in the rates base.
Increase in the average residential rate 2017-18 (\$)	\$67
Summary of purpose	Replace existing SRVs, fund new infrastructure investment, reduce infrastructure backlogs and fund environmental programs.

Approved percentage increase per year (including rate peg increase in all years)

2017-18	2018-19	2019-20	2020-21
10.0%	5.0%	5.0%	5.0%

Note: all percentages include the 1.5% rate peg applicable to all NSW councils in 2017-18, and the rate peg in subsequent years.