

Media Release

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Upper Hunter and Muswellbrook special rate variation applications determined

The Independent Pricing and Regulatory Tribunal (IPART) has not approved the application from Upper Hunter Shire Council to increase rates above the rate peg over the next three years, and has approved in part Muswellbrook Shire Council's application with a temporary one-year increase in general income of 14.7%.

IPART Chair Dr Peter Boxall said the decisions mean that average rates in the Upper Hunter will not be able to increase by more than the 2.3% rate peg in 2018-19.

If implemented as the council proposes, most ratepayers in Muswellbrook Shire will see average rates temporarily rise by up to 12.3%, including the rate peg, in 2018-19. Rates for the mining category are expected to rise by 18.3%. Rates will reduce in 2019-20 unless another special variation is sought and approved.

IPART Chair Dr Peter Boxall said 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 process to assess the increase.

Applications are assessed by IPART against the NSW Government's published criteria, with submissions received directly from stakeholders also considered.

"In making these assessments, we have considered each council's planning and reporting documents and financial need for the additional revenue, its community consultation on the proposed changes and the capacity and willingness of ratepayers to pay the requested increase," Dr Boxall said.

Through the rate peg and special variation process, IPART determines the allowable increases to councils' general income. Councils decide how to allocate the increase among different ratepayer categories, such as residential, business, farmland and mining.

Upper Hunter Shire Council

Upper Hunter Shire Council applied to increase revenue to repay long term loans to fund its town revitalisation projects, projects to increase and enhance community and family facilities and improve roads. Dr Boxall said the application failed to meet the criteria for a special rate variation.

"We are not satisfied the community was aware of the extent of the proposed increase, nor that they were in a position to assess its impact," Dr Boxall said.

“While the council demonstrated the need to increase revenue, and the purpose for which it would be used, it did not sufficiently communicate the cumulative impact of the rate increase to the community.”

The council could apply to IPART for a special rate variation in future years.

Requested special variation	20.1% cumulative increase over three years to be retained permanently in the rate base
Outcome (including rate peg)	Not approved
Increase in the average residential rate 2018-19	In line with 2.3% state-wide rate peg
Summary of purpose	Fund principal and interest repayments on a \$15 million loan facility over 15 years

Muswellbrook Shire Council

Dr Boxall said the decision to approve Muswellbrook Shire Council’s application for one year enables the council to implement its expenditure program in 2018-19, whilst considering whether to apply for a special variation in future years.

“We are satisfied the council has demonstrated the need for additional revenue to ensure its financial sustainability and to fund operating and capital costs,” Dr Boxall said.

“But we are not satisfied that the Integrated Planning and Reporting (IP&R) documents that were exhibited and adopted were sufficient for this application.”

IPART’s decision follows an unsuccessful application made by the council last year.

If the council adopts the temporary variation, the average residential rate will increase by \$91, average business rates will rise by \$292, while farmland rates and mining rates will go up by \$350 and \$55,989 on average respectively from 1 July 2018. Rates would decrease in 2019-20 to previous levels, adjusted by the annual rate peg increases, unless another special variation is sought and approved.

Requested special variation	14.7% single year increase to be retained permanently in the rate base
Outcome (including rate peg)	14.7% single year temporary increase, the increase above the 2.3% rate peg or 12.4% is to be removed at the end of 2018-19.
Increase in the average residential rate 2018-19	\$91
Summary of purpose	Fund new and existing programs and infrastructure, including the development of a Regional Entertainment and Conference Centre and Olympic Park Precinct Upgrade.

IPART has attached conditions to its decision on Muswellbrook Shire Council, requiring the additional income to be used for the purposes outlined in the application in 2018-19, and that the council report to the community about how the additional revenue is spent.

Upper Hunter and Muswellbrook are among 13 councils across NSW (of a total of 128) to make a special variation application to increase rates for 2018-19. IPART approved nine applications in full, two applications were approved in part, and two were not approved.

IPART will set the next rate peg, to apply from 1 July 2019, in September this year to provide councils with more time to prepare annual budgets and consult with their communities if they are considering applying for a special rate variation.

The full reports on all of the councils' applications are available on IPART's website <<http://www.ipart.nsw.gov.au>>.

Note: All percentages include the 2.3% rate peg applicable to all NSW councils in 2018-19, and the estimated rate peg in subsequent years.