

MID NORTH COAST LOCAL COUNCIL RATE APPLICATIONS APPROVED

3 June 2014

The Independent Pricing and Regulatory Tribunal (IPART) has approved applications from Bellingen Shire Council, Greater Taree City Council, Nambucca Shire Council and Kempsey Shire Council to increase general income above the rate peg of 2.3% from 1 July 2014.

The application from Coffs Harbour City Council for three consecutive increases of 7.9% (2014/15), 8.14% (2015/16) and 7.75% (2016/17) has been partially approved with only the first year increase allowed to proceed.

The 5 councils in the mid north coast region are among 32 councils across NSW that made a special variation application to increase rates for 2014/15. Twenty-eight applications were approved in full, 1 was declined and 3 applications were partially approved.

Approvals announced today include an 11.8% permanent increase in general income from 1 July 2014 in Bellingen Shire including the rate peg, and a temporary increase of 7.3% (5% above the rate peg), for Greater Taree City to apply for the next 5 years.

Kempsey Shire Council has received approval for 4 consecutive increases of 9.3% (2014/15), 10% (2015/16), 10% (2016/17) and 4% (2017/18), including the rate peg, to be maintained permanently.

IPART has also approved Nambucca Shire Council's application for increases of 3.80% (2014/15), 5.00% (2015/16) and 5.50% (2016/17). These increases include the rate peg and will be maintained permanently.

In approving each councils' application, IPART has imposed conditions requiring that the additional income be used for the purposes outlined in their applications, and that each council report to the community each year while the special variation is in place on the outcomes achieved.

IPART Chairman 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 assessment process to approve the increase.

Applications are assessed by IPART against the NSW Government's published criteria, with submissions received directly from ratepayers, community groups, business groups and ratepayer associations also considered.

"In making these assessments, we have considered each council's long term financial plan, taking into account the financial need of the council and the capacity and willingness of ratepayers to pay the requested increase," Dr Boxall said.

“All of these councils were able to meet the criteria for approval of the special variation by demonstrating a clear need for the additional revenue, and that they are taking steps to improve productivity and contain costs.

“In all cases except Coffs Harbour, the north coast councils have also demonstrated that they had appropriately engaged the community about the proposed rate increases.

“And although these communities were often divided about the increases, the councils have demonstrated that they have provided opportunity for input, weighed up community concerns against alternatives to the increases sought, and that they have considered the impact on ratepayers.”

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

Bellingen Shire Council

Bellingen City Council applied to permanently increase its general income by 11.8% including the rate peg. This will generate an additional \$6.42 million above the rate peg over the next 10 years to fund a loan for transport works to address the infrastructure backlog, and additional maintenance works.

“Based on the Council’s application, we estimate that average ordinary residential rates across the city will increase by between \$79 and \$124, business rates by between \$81 and \$167, and farmland rates by \$218,” Dr Boxall said.

“While these increases will impact on the community, we believe they are reasonable under the criteria given the clear need for the increased income, and that rates have been largely limited to the rate peg for the past 15 years.”

Dr Boxall also noted that in response to the community’s concerns about affordability, the council has committed to further productivity improvements to reduce costs.

Coffs Harbour City Council

Concerns that the Coffs Harbour community was not adequately consulted about the impact of the Council’s proposed special variation have led to IPART approving the requested increase for one year only.

“We have made this decision because while the additional income is clearly needed given the backlog of infrastructure maintenance and renewal, and the council’s weak financial position, we are not confident that the extent of the proposed rate increase was adequately communicated so ratepayers were fully aware of its likely impact,” Dr Boxall said.

“By approving the requested increase for the first year only, the Council will be able to generate an additional \$2 million above the rate peg to fund the works planned for 2014/15,

and consider reapplying for further increases in the future if needed once adequate consultation has occurred.”

Under IPART’s approval, average ordinary residential rates are expected to increase by \$76 in 2014/15, business rates by \$269, farmland rates by \$139 and city centre business rates by \$589.

Greater Taree City Council

Greater Taree City Council will be able to temporarily increase rates by 7.3% in 2014/15 (5% above the rate peg), to remain in the council’s rates base for 5 years. The decision enables the Council to generate an extra \$7.57 million of revenue over the next 5 years, with the revenue to be dedicated to funding a program of identified environmental works (estuary and water quality projects, biodiversity projects, dredging works and foreshore improvements)

“The council’s weak financial position and significant operating deficits make a special variation necessary to fund this work, which the council has demonstrated has community support,” Dr Boxall said.

“And while an increase in average ordinary residential rates of between \$70 and \$77 will have an impact, we believe that impact is reasonable given the temporary nature of the increase and availability of both pensioner rebates and a hardship policy.”

In granting approval, IPART noted that the special variation would not address Council’s large infrastructure backlog or its ongoing forecast deficits.

Kempsey Shire Council

Kempsey Shire Council’s low rating base, weak financial position and infrastructure maintenance backlog were considered alongside affordability concerns in IPART’s assessment of the council’s application to increase general income by a cumulative 37.54%, including the rate peg, over the next four years.

“We are conscious that our decision to approve the increase in general income by 9.3% including the rate peg in 2014/15, followed by further 10% increases in each of the next 2 years and 4% in 2017/18, is among the biggest percentage increases in NSW,” Dr Boxall said.

“But while the percentage is high, average ordinary rates will remain lower than those in neighbouring council areas, rising by between \$78 for residents and \$183 for business in 2014/15, and the council’s financial position will be strengthened with an extra \$10m over the next 4 years to maintain current Council services and maintain infrastructure.

“Although these increases are significant, we have determined that they are reasonable given the current low rates, and encourage anyone facing difficulties to access the council’s hardship policy.”

Nambucca Shire Council

Nambucca Shire Council's application for a special variation allowing for 3 consecutive increases between 2014/15 and 2016/17 permanently increasing general income by just under 15% including the rate peg has been approved in full.

"The Council is now able to adopt a budget including the special variation that will generate an additional \$5.7m over 10 years," Dr Boxall said.

"This will enable the council to borrow \$7 million to fund improvement works on 36 bridges across the shire and to reduce Council's ongoing deficits.

"While these increases are significant, average ordinary residential and business rates in Nambucca Shire are below the regional average and while farmland rates are above the average, the increase will be spread over 3 years.

In approving the application, IPART noted that the decision about how rates are applied to differed ratepayer categories is a matter for each council as long as the overall impact is consistent with IPART's determination.

The full reports on each council's application are available on the IPART website at www.ipart.nsw.gov.au.

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Mid north coast councils – special rate variation summary

Council	Increase in 2014/15 (including rate peg)	Residential rates \$ increase 2014/15	Summary of reasons	Total cumulative increase (including rate peg)
Bellingen Single increase in 2014/15 retained permanently	11.8%	\$79-\$124	To fund a loan for transport infrastructure works, and additional maintenance works.	11.8%
Coffs Harbour Single increase in 2014/15 retained permanently	7.9%	\$76.00	To ensure the sustainable management of infrastructure and assets.	7.9%
Greater Taree Single increase in 2014/15 retained temporarily for 5 years	7.3%	\$69.75-\$77.23	To help fund implementation of the new Environmental Action Plan.	7.3%
Kempsey Increases over 4	9.3%	\$78	To finance infrastructure maintenance and	37.54%

years retained permanently			retain existing services.	
Nambucca Increases over 3 years retained permanently	3.8%	\$9.20-\$89.17	To improve financial sustainability and for local roads and bridges renewal.	14.98%