

NEWCASTLE CITY COUNCIL'S SPECIAL RATE VARIATION APPROVED

19 May 2015

The Independent Pricing and Regulatory Tribunal (IPART) has approved Newcastle City Council's application to increase income by more than the rate peg amount of 2.4%, in order to achieve financial sustainability, maintain and enhance services, address infrastructure backlogs and fund capital expenditure.

The council applied for 5 consecutive increases of 8% each year from 2015-16 to 2019-20, including the rate peg, to be retained permanently in its rates base. As a result, the council has indicated that average residential rates will increase by \$86 in 2015-16 and by \$504 over 5 years.

The increases will generate an additional \$283.6 million above the rate peg over 10 years, which be used to maintain and renew key assets – such as roads, footpaths, cycle ways and public spaces – as well as improve the Development Application tracking system and council's financial sustainability.

IPART has imposed conditions on Newcastle City Council requiring that the additional income be used for the purposes outlined in the application and that the council report to the community in its Annual Report each year until 2024-25 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.

"After careful consideration, IPART has decided to approve the special variation in full, allowing Newcastle City Council to increase its general income from rates by 31.68% above the assumed rate peg over the next 5 years, and to maintain it at this new base level in the future," Dr Boxall said.

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

Based on Newcastle City Council's application, average residential rates would increase by \$86 in 2015-16, average business rates by \$673 and average farmland rates by \$154. Minimum rates for business and farmland categories would increase by \$57 in 2015-16.

The council's application was assessed against the NSW Government's published criteria. Submissions received directly from ratepayers and business groups were also considered.

"In making this assessment, we considered the council's long term financial plan and whether the impact of the variation on affected ratepayers is reasonable," Dr Boxall said.

“While these increases will impact the community, Newcastle City Council was able to meet the criteria for approval of the special variation by demonstrating a clear need for the additional revenue, that it had appropriately engaged the community about the proposed rate increases, and that it has taken and is taking steps to improve productivity and contain costs.”

“Newcastle City Council was able to demonstrate that it has considered the impact of the increases on ratepayers and it has concluded that, overall, its ratepayers have the capacity to pay the proposed rate increases.”

In approving the application, IPART noted that Newcastle City Council has range of strategies and policies to assist ratepayers with payment difficulties, including deferral of payments, interest relief, welfare agency support and payment arrangements.

Newcastle City Council is 1 of 22 councils that made an application for a special variation of the 152 councils in NSW. IPART approved 21 applications in full and 1 was partially approved. An application by Gloucester Shire Council for 3 consecutive increases of 13% each year from 2015-16 to 2017-18 has also been approved.

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

Newcastle City Council – special variation summary

Increase in 2015-16 (including rate peg)	8%
Increase in average residential rates 2015-16 (\$)	\$86
Summary of purpose	Maintain and renew key assets, improve services to ratepayers and bolster council’s financial sustainability.
Total cumulative increase over 5 years (including rate peg)	46.93%

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