

## HUNTER REGION LOCAL COUNCIL RATE APPLICATIONS APPROVED

**3 June 2014**

The Independent Pricing and Regulatory Tribunal (IPART) has approved applications from Singleton Council, Cessnock City Council and Maitland City Council to increase general income above the rate peg of 2.3% from 1 July 2014.

The 3 Hunter Region councils 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.

Singleton Council has received approval for a permanent 7.3% increase, including the rate peg, from 1 July 2014. Cessnock City Council will be able to replace an expiring special variation of 9.45% with a one-off permanent 9.55% increase including the rate peg.

IPART has also approved Maitland City Council's application for 7 consecutive increases of 7.25% each year from 2014/15 to 2020/21, including the rate peg, to be maintained permanently.

In approving each council's 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.

"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, that they had appropriately engaged the community about the proposed rate increases, and that they are taking steps to improve productivity and contain costs," he said.

"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.

"Although some communities were 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.

### **Cessnock City Council**

Cessnock City Council's application to replace an expiring special variation granted for one year in 2013/14 with a new permanent special variation of 9.55%, 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 \$24.78m over 10 years," Dr Boxall said.

"This will enable the current program of the rehabilitation and resealing of the road network across the local government area to continue, and improve the council's financial sustainability.

"Because this special variation replaces an existing variation, the impact on average ordinary residential rates across the city will be relatively modest. The council estimates residential rates will increase on average by \$42, business rates by an average \$149 and farmland rates by an average of \$95."

IPART noted that the Council has a hardship policy.

### **Maitland City Council**

Maitland City Council applied to increase its general income by 7.25% including the rate peg each year from 2014/15 to 2020/21, to be retained permanently in its rates base. This will generate an additional \$61.2 million above the rate peg over the next 7 years to improve the council's financial sustainability and fund capital works including improvements to roads, community buildings and facilities.

Based on the council's application, average ordinary urban residential rates will rise in 2014/15 by about \$71, non-urban residential rates by around \$129, business rates by around \$345 and farmland rates by between \$87 and \$121 depending on the intensity of the farming activity. The council estimates cumulative rate increases over the next 7 years ranging from around \$439 (low intensity farmland) to \$2,717 (business). Residential rates over the next 7 years could increase by between \$671 and \$1,080, with average mining rates increasing by \$96,000 over 7 years.

"We are conscious that our decision to approve the council's application is over 7 years and represents one of the biggest cumulative increases in NSW. We are aware that concerns have been raised with the council and with IPART about the affordability of the increase, the level of community consultation and the need for the council to reduce operating expenses," Dr Boxall said.

“We have considered these concerns and have determined that the application addresses these issues and meets the criteria for approval. This include a demonstrated need to address the large operating deficits forecast over the next 7 years, community consultation and awareness, and that the increase is reasonable having regard to the need and current rate levels.”

In making its decision, IPART noted that the council had sought to moderate the impact on ratepayers by proposing a lower increase in rates than its original plan and reducing the relative impact on farmland rates.

“Our decision provides the council with the maximum allowable increase, but council has the discretion not to apply the full 7.25% increase in any of the next 7 years in order to reduce the impact on its ratepayers,” Dr Boxall said.

### Singleton Council

IPART has approved Singleton Council’s application to permanently increase its general income by 7.3% including the rate peg. This will generate an additional \$8 million above the rate peg over the next 10 years to fund new roads and the maintenance and renewal of existing roads.

“Based on the council’s application, we estimate that average ordinary residential rates across the shire could increase by between \$3 and \$79 per year, business rates by between \$7 and \$393, farmland rates by \$104 and mining rates by \$7,033” Dr Boxall said.

“While these increases will impact on the community, we believe they are reasonable given the clear need for the increased income, and that rates are relatively low compared to other councils in the region, and that council has a hardship policy for ratepayers experiencing difficulty in paying rates.”

The full reports on each council’s application are available on the IPART website at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

Media contact: Julie Sheather (02) 9290 8403 or 0409 514 643

### Hunter Region – 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)
Cessnock	9.55%	\$42	To replace an expiring SV for road infrastructure renewal.	9.55%
Single ncrease in 2014/15 retained permanently				
Maitland	7.25%	\$70.80- \$129.20	To improve financial	63.22%

Increases over 7 years retained permanently			sustainability and fund capital works.	
Singleton  Single increase in 2014/15 retained permanently	7.3%	\$3-\$79	For road maintenance and renewal and new road infrastructure.	7.3%