

**SUBJECT: CCL 24/05/22 – SUPPLEMENTARY REPORT - PUBLIC EXHIBITION OF DRAFT DELIVERING NEWCASTLE 2040**

**REPORT BY: GOVERNANCE**

**CONTACT: DIRECTOR GOVERNANCE AND CHIEF FINANCIAL OFFICER / MANAGER FINANCE**

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## **PURPOSE**

To update Council's resolution to apply for IPART's Additional Special Variation (ASV) for the 2022-2023 financial year.

## **RECOMMENDATION**

That Council:

- 1 Resolves to apply to the Independent Pricing and Regulatory Tribunal (IPART) for a one-off Additional Special Variation (ASV) of 2.5% for the 2022-2023 financial year, and for this to be a permanent increase retained within the rate base.
- 2 Notes the additional income City of Newcastle (CN) will receive if the ASV is approved would be \$2.2m in 2022/23, and \$15m over the period of the Long-Term Financial Plan.
- 3 Notes the income is necessary to support CN's recovery from COVID-19 induced budget deficits in 2019 (\$3.6m), 2020/21 (\$32.5m) and 2021/22 (forecast \$13.5m) while continuing to ensure adequate maintenance of critical community infrastructure.
- 4 Has considered the impact on ratepayers and the community in 2022/23 and in future years and considers this increase to be reasonable.
- 5 Notes that should the ASV be approved by IPART, the total rate increase for 2022-2023 will be 2.5%; consistent with the Long-Term Financial Plan.

## **KEY ISSUES**

- 6 At the Ordinary Council meeting held on 26 April 2022, Council resolved to apply to IPART for a one-off Additional Special Variation of 2.5% for the 2022-2023 financial year following concerns raised by the NSW Minister for Local Government, and for this to be a permanent increase retained within the rate base. Council also noted that should the ASV be approved by IPART, the total rate increase for 2022-2023 will be 2.5%; consistent with the Long-Term Financial Plan.
- 7 In accordance with Council's resolution, CN's application was lodged with IPART in April 2022.

- 8 In its initial assessment of CN's application, IPART requested an updated Council resolution. Whilst the information requested by IPART was included in the report to Council in April 2022, IPART has requested specific information be included in the Council resolution, which has now been done as per recommendations at 1-5 of this report.
- 9 There is no change to CN's application, nor to the supporting information which was provided in the Council report in April 2022 (as at **Attachment A**).

## **BACKGROUND**

- 10 In addition to ongoing financial impacts caused by the pandemic, IPART determined the annual rate peg to be just 0.7% for 2022-2023 (with an additional 0.5% for CN relating to population increase). This rate peg is the lowest in two decades and compromises CN's ability to maintain service levels, noting CN's costs are affected by a Consumer Price Index growth rate of 3.5%. Further confirming the financial magnitude of IPART's decision, the Cordell Construction Cost Index shows that national construction costs increased by 7.3% in the 2021 calendar year. The Australian Bureau of Statistics estimates that fuel costs also increased by 7.1% over the same 12-month period.
- 11 Following concerns raised by the NSW Minister for Local Government to the Chair of IPART, Councils are able to apply to vary their rates income by greater than the 0.7% peg (up to a maximum rate cap of 2.5%). This Additional Special Variation (ASV) requires Council endorsement and would bring the total rate cap for 2022-2023 to 2.5% for residential and business properties.
- 12 CN's proposed average residential rates payable for 2022-2023 is \$1,651.10 (with a rate cap of 2.5%) or \$1,630.15 (with a rate cap of 1.2%), compared to \$1,610.75 in 2021-2022 (when the IPART approved rate cap was 2%).
- 13 Should IPART approve CN's application for a rate cap of 2.5% in 2022-2023, the average residential rate would increase by \$40.35 compared with a proposed increase of \$19.40 if the rate cap were only 1.2%, the difference equating to an additional forty cents per week, or \$21.05 per annum.

## **OPTIONS**

### **Option 1**

- 14 The recommendation as at Paragraph 1, 2, 3, 4 and 5. This is the recommended option.

### **Option 2**

- 15 Council resolves to vary the recommendations in the adoption of the report. This is not the recommended option.

**REFERENCES**

Nil.

**ATTACHMENTS**

**Item 49      Attachment A:**      Council Report – 26 April 2022

**Item 49 Attachment A distributed under separate cover**