

Port Stephens Council Proposal for Special Rate Variation

Residents and ratepayers have until Friday 31st August to have your say on this proposal. TRRA urges you to check the details of what is being proposed including the 4 options for increases and the projects listed for the expenditure of the additional funds raised.

This information and a survey form are available on Council's website [HERE](#). Council needs to have community feedback on its proposals and is obliged to report on the response to its consultations to IPART, the state authority responsible for determining their application.

TRRA arranged a Public Meeting on 6 August attended by 80 people. We were told that only one Councillor Giacomo Arnott is opposed to the SRV. In addressing the Meeting, he raised concerns relating to the affordability of the increases citing the recent history of flat wage growth, big increases in living costs such as energy and petrol and housing costs. He also mentioned that the rate increases would flow on into rents which would also impact on the lower socio economic groups (SEE Newcastle Herald article [HERE](#)). Other Councillors supported the SRV on the grounds that our relatively low rate structure (compared with other Lower Hunter Councils) had not enabled Council to undertake major projects which the community had been asking for or to keep maintenance at a desired level.

The council has indicated that it offers relief to ratepayers by way of an option to record unpaid rates a debt against your property (as in a reverse mortgage). They will also investigate options relating to the pensioner rebate which has remained at \$250 for many years.

Speakers from the floor voiced similar opinions to the above without there being a very clear majority view. There were many questions on the processes involved and the Council's basis for selecting the projects listed for funding. The view was advanced that council did not have a sound overall vision for the LGA or its town centres which should be the basis for the projects. A question was asked why the priorities of the long term works program do not seem to align with the nominated projects.

Council confirmed that the increases would be applied cumulatively over the 7-year period and be retained permanently in its rate base. Pegged rate increases would continue to be applied in subsequent years which are set by the State Government to help offset inflation. The 2.5% rate peg modelled in the calculations may vary over the 7-year period and beyond.

To allow projects to commence as soon as possible, 'Council's special rate variation proposal is based on the premise of external debt funding to the extent of \$85million (*for option 4*). Modelling to date has been for either a loan facility or a number of separate loans, generally extending over 20 years. Council has used an interest rate of 4% in initial modelling, and our modelling shows that the Office of Local Government debt service coverage ratio will be maintained within acceptable limits.'

TRRA committee members have attended several consultation sessions offered by Council where again the opinions were divided but tended to be more in opposition than in favour. The Mayor presented council's SRV to a special meeting of the Tomaree Business Chamber which had around 30 members present. There was no strong opinion either way and the council indicated that they had received very little response from businesses. Current business rates are around 3 times higher than residential rates so the proposed increases will result in very large hikes over the 7 years. TRRA members have received some feedback from business owners that their operations are already stressed, and large rate increases would not be welcome. Council's answer to this is that the investment in all the new projects made possible by the higher rates will bring new and increased demand and activity to our commercial centres. TRRA is not aware of the stance which the Business Chamber intends to take. The number of empty shops in Nelson Bay is an indicator that smaller businesses are struggling.

The Council will be considering the responses received during the consultations and decide whether to proceed with an application to the Independent Pricing and Regulatory Tribunal (IPART).

It is useful to have a look at the applications approved over recent years in the IPART website [HERE](#) Click Past Variations in the left hand list. In the last couple of years, the approvals have been mostly for lower percentages and over a shorter period (4 or less years) than are being proposed by Port Stephens Council.

In 2015 Maitland and Newcastle had applications approved for increases of 7.25% and 8% for 7 and 5 years respectively. These increases were calculated to generate a cumulative increase (including rate peg) of 63.2% and 46.93% respectively. The proposal of option 2, 3 and 4 will generate cumulative increases of 56%, 66% and 77%.

At this stage the TRRA committee does not believe it has a sufficient indication from its members or from the community of a majority opinion for or against the SRV proposal. Accordingly, we are drafting a submission which relays the arguments which we have heard in the consultations and raises some concerns which need to be addressed such as hardship provisions and potential impacts of rising inflation and on businesses.

There will be further opportunities to comment as IPART will call for public submissions as part of their assessment and Council will need to revise its Integrated Plans, including the works priorities.

Geoff Washington

President TRRA Inc.

22/08/2018

DIARY NOTE: The additional TRRA General Meeting flagged for Monday 10th September will not be held. The Annual General Meeting will be held on Monday 15th October.

