

Media Release

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Council rates revenue to rise with population growth

The Independent Pricing and Regulatory Tribunal (IPART) is reviewing the current system for setting council rates revenue (the 'rate pegging system') to include population growth.

The amount councils currently receive in rates is usually not enough to cover the increased costs associated with population growth.

NSW currently caps the total amount of rates each council can collect through the rate peg. For councils with growing populations, this can result in a reduction in service levels or deteriorating assets because councils currently do not collect enough revenue as their population increases.

When councils' populations grow their costs increase at about the same rate. We have looked at a way of incorporating population growth into the rate peg that balances the need to ensure councils are financially sustainable, while protecting ratepayers from excessive rate rises.

"The methodology we have proposed will ensure councils maintain their rates income on a per capita basis as their population grows. This will enable councils to provide services to their growing communities," said Acting IPART Chair Deborah Cope.

To estimate the impact of our approach, we modelled its effect based on actual data.

"We estimate that our proposed methodology would have increased the funding to local governments in NSW by approximately \$115.9 million dollars over the past four years," said Ms Cope.

This is to support the NSW Government's commitment to allow councils to align their rates revenue with population growth.

IPART's review of the rate peg is looking at population growth in rural and regional NSW, as well as Sydney and other metropolitan areas.

IPART is seeking feedback on the Draft Report until 6 August 2021. The Draft Report is available at www.ipart.nsw.gov.au.

IPART is conducting a public hearing on 20 July 2021. Stakeholders can register to attend the public hearing on our website.

IPART will present a Final Report to the Minister for Local Government in September 2021.

Media Contact: Adrian Flood

 0427 105 865

 media@ipart.nsw.gov.au