

News story

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IPART welcomes review of the rate peg methodology

IPART welcomes the Minister for Local Government's announcement requesting a review of the rate peg methodology. IPART is pleased to assist the Government with this review and we will work with the Office of Local Government to develop terms of reference. We are also pleased to assist the Minister by assessing additional special variation applications to support those councils that had budgeted for a larger rate increase.

IPART has set the rate peg under delegation from the Minister for Local Government since 2010. We have used the same methodology to set the rate peg over this period. This review will provide an opportunity to improve the methodology we use to set the rate peg in future years.

The rate peg is the maximum percentage councils can increase their income from rates by. The rate peg protects ratepayers from excessive rate increases, while ensuring councils receive a fair amount of income from rates which enables them to provide quality services for their communities.

IPART determined a rate peg of 0.7% for 2022-23 (excluding population growth), using the same method as previous years. This was the first year the rate peg included a population growth factor that varies for each council depending on population growth, but that enhancement did not change IPART's method for determining the base rate peg of 0.7%.

While we use the latest available cost indicators from the ABS, there is up to a two-year lag between the time period these changes are measured over and when councils apply the rate peg to their income. This means that the 2022-23 rate peg is based on the changes in costs experienced by councils between 2019-20 and 2020-21, in the low inflation environment at the beginning of the COVID-19 pandemic.

We acknowledge concerns of local councils about the difficulty of planning their budgets when there is variation in the rate peg. While this has not occurred frequently, our current approach means that it can occur when there is economic instability like we have experienced during the COVID-19 pandemic. The one-off additional special variations announced by the Minister will provide immediate support to councils that had budgeted for a larger increase in rates income for 2022-23. Further information about these additional special variations including the timetable and streamlined application materials will be available soon on the IPART website.

Our review of the rate peg methodology will include consultation with councils, ratepayers and other interested stakeholders. We will publish the terms of reference for the review, and further information on how to have your say on our website.