IPART Independent Pricing and Regulatory Tribunal | NSW

Ratepayer and community workshop

Local council rate peg in NSW for 2027-28

Tuesday 1 September 2026

2pm to 4pm

Acknowledgment of Country

IPART acknowledges the Traditional Owners of the lands where we live and work. Our office is located on Gadigal land and our work touches on Aboriginal lands and waterways across NSW.

We pay respect to Elders both past and present, and recognise Aboriginal people's unique and continuing cultural connections, rights and relationships to land, water and Country.

Welcome

Andrew Nicholls PSM
Chief Executive Officer

Agenda

01 Introduction and aims of the workshop

02 IPART's role and the rate peg
Rate peg methodology

03 Proposed changes to the rate peg 2027-28

04 Your feedback on the proposed changes

05 Open forum for discussion on other rate peg matters

06 Next steps

07 Thank you

Background

In our 2023 review of the rate peg methodology, we made decisions to improve how we:

- calculate the rate peg
- consult before setting the rate peg each year.

We decided to consult when setting the rate peg each year by:

- establishing the Council Reference Group to hear from councils
- holding ratepayer workshops to hear from ratepayers and community members.

Purpose of workshop

We aim to release the 2027-28 rate peg by mid-October

- We want to hear from you on any issues with how we apply the methodology, for example:
  - any practical or unintended consequences
  - our proposed adjustments to the rate peg or other adjustments
  - any other issue you wish to raise
- We will provide feedback from this workshop to the Tribunal to inform its 2027-28 rate peg decision.

Overview of IPART's role in local government

The rate peg and IPART's role

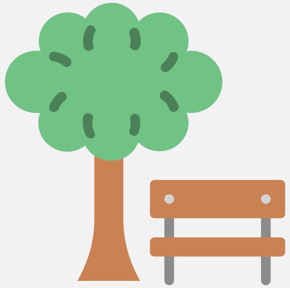
Councils set and levy rates and charges under the *Local Government Act 1993*

Rates income is a key source of funding for councils, representing about a third of income on average

The rate peg sets the maximum percentage by which a council can increase its general income in a year

In 2010, the NSW Minister for Local Government delegated setting the rate peg to IPART

The purpose of the rate peg is twofold



Allows all councils to automatically increase their general income each year to keep pace with the estimated change in the costs of providing their current services and service levels to their communities.

Limits the impact of these automatic increases on ratepayers ensuring councils cannot increase their general income by more than the estimated change in their costs, without consulting with their communities.

The rate peg applies to council income

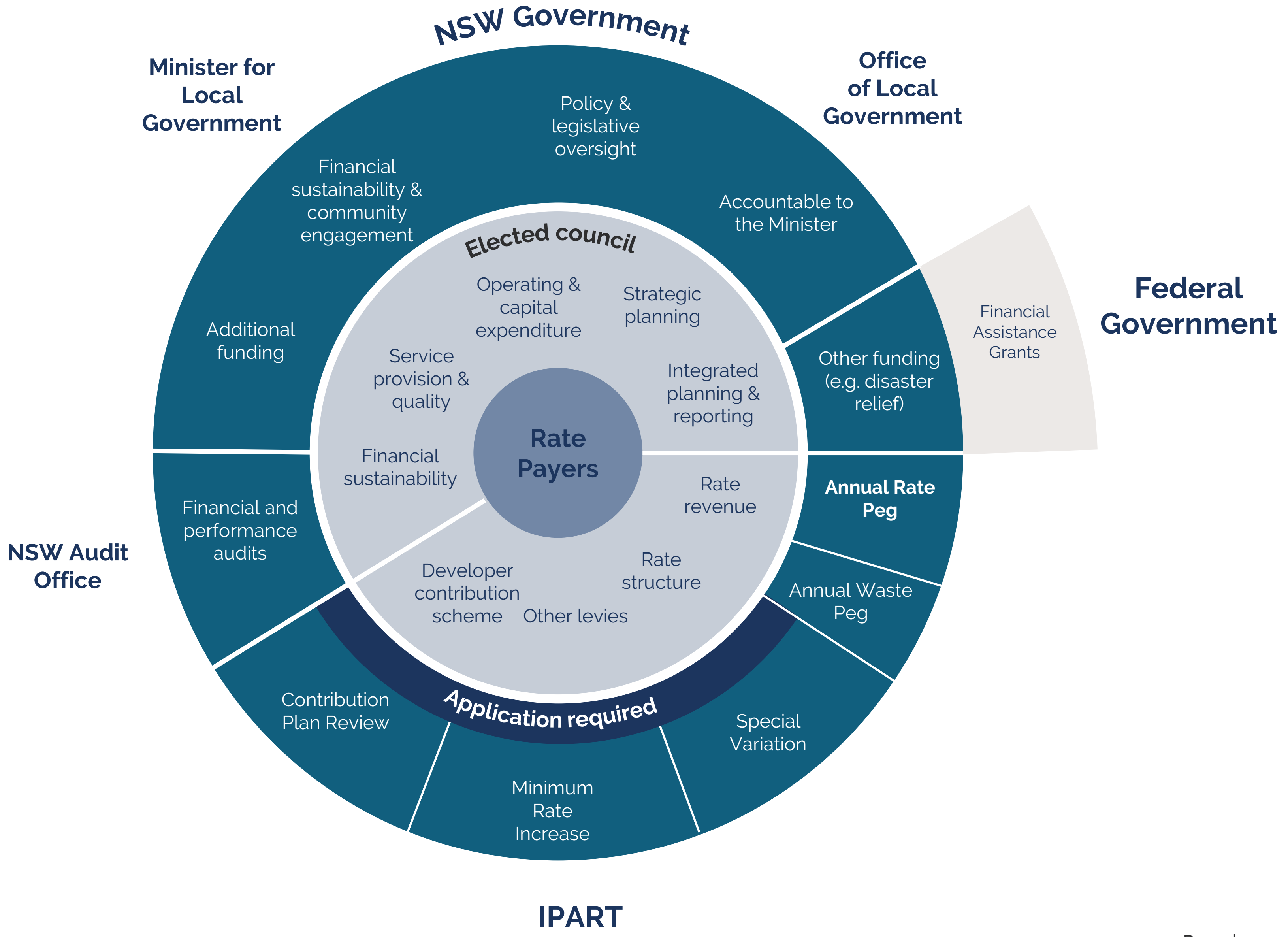
A council:

- can increase its general income by less than the rate peg or reduce its income. If so, it has up to 10 years to catch up this shortfall.
- can only increase its general income by more than the rate peg, if it has an approved **special variation (SV)** or is catching up on previously foregone increases.

The rate peg (or SV):

- does not apply to individual ratepayers' rates
- does not limit increases to income from rates and charges for water supply, wastewater, domestic waste management and some other services.

The rate peg is one part of a broader regulatory framework



Our role with Special Variations

Councils can apply to IPART for a Special Variation to increase their rates by a different amount than what is allowed under the rate peg

IPART assesses a council's application based on set criteria

The criteria for assessing Special Variations are policy matters set by the Office of Local Government

Our role with Minimum Rates

Councils can choose to set Minimum Rates. It is the minimum rate that a council can charge a rateable property, regardless of its land value

IPART assesses a council's application to increase Minimum Rates based on set criteria

The criteria for assessing Minimum Rates are policy matters set by the Office of Local Government

The waste peg

Since 2010, IPART has not set a limit to the increases in domestic waste management charges

- Domestic waste charges are a separate line item on the rates notice and are not subject to the rate peg.
- IPART decides whether to set a limit by which councils can increase their domestic waste management annual charges.
- Councils must ensure that income from charges for domestic waste management do not exceed the reasonable cost to the council of providing those services.

Regulatory framework for councils

A range of NSW Government agencies play important roles in administering the regulatory framework for councils and monitoring councils' performance.

The Office of Local Government

The Minister for Local Government

The Auditor-General

Some key facts about council rates

What ratepayers asked us

Does IPART consider whether councils are managing their costs efficiently?

Why do councils receive different rate pegs?

How does the rate peg balance affordability with councils' need to fund services?

What is IPART responsible for, and what remains the responsibility of councils?

How are councils held accountable for spending additional special variation income?

How does IPART consider affordability when assessing special variations?

What is and is not funded by councils' 'general income'?

Most landowners pay 'ordinary rates' which covers the cost of council's day-to-day activities.

- Other major services are funded by separate charges. These charges may appear as a separate line on rates notices, including:
  - domestic waste charge
  - water and sewer charges
  - stormwater management and coastal protection services.
- Revenue collected from these fees are typically kept separate to ensure they are used for the purpose for which they were collected.

Land valuations and rates income

Councils' general income is capped by the rate peg or special variation percentage

- When land values increase in a local government area, the local council's general income does not increase by the amount of the land value increase.
- A routine increase in a ratepayer's land value by the Valuer-General does not mean that a ratepayer's rates will automatically increase.
- The impact on rates depends on whether the land value has increased or decreased compared to others in the ratepayer's local government area.

Councils decide the rating structure

It's up to the council, as the democratically elected body, to decide how to allocate an increase in the rate peg or special variation percentage (i.e. councils' general income) and how it collects its income across its ratepayers.

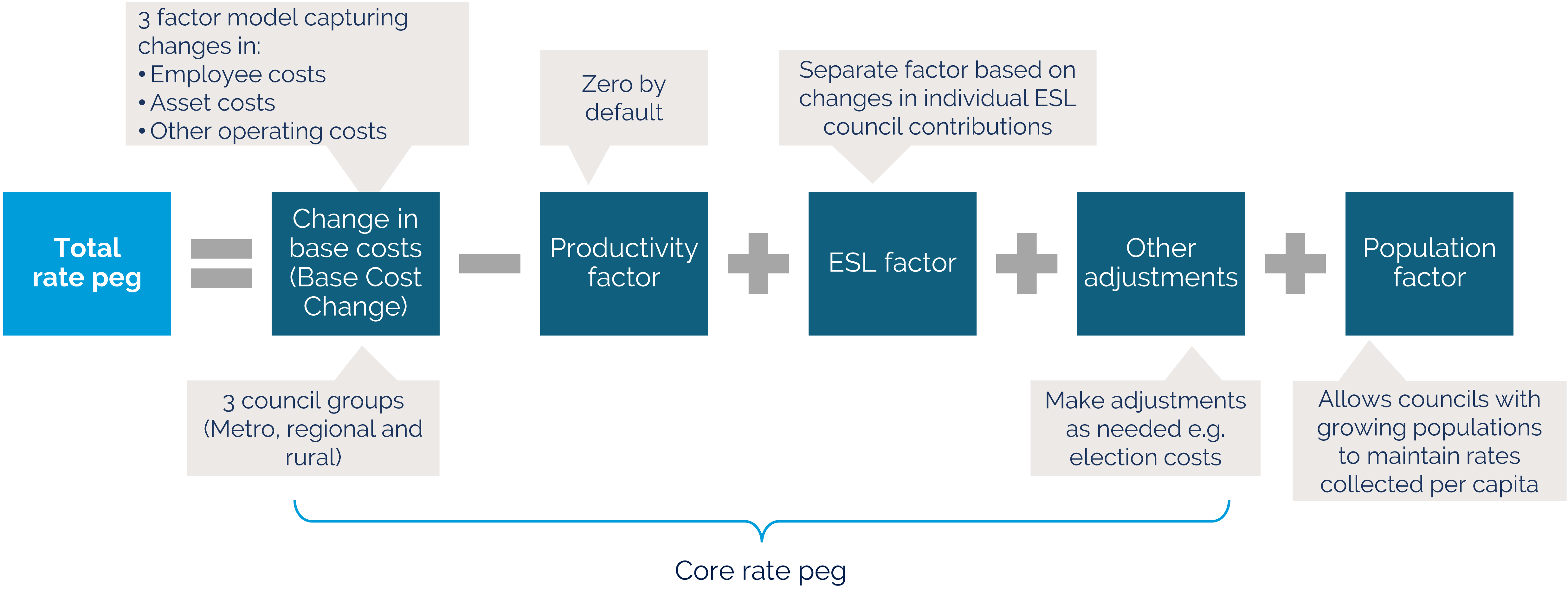
Example

A council may decide to allocate more of a rate increase to residential ratepayers than business ratepayers.

This may mean that residential rates increase by more than the rate peg or special variation percentage.

Overview of the rate peg methodology

Our rate peg methodology is set like a price index



Rate peg for 2026-27 year

Total rate peg = Change in base costs (Base Cost Change) − Productivity factor + ESL factor + Other adjustments + Population factor

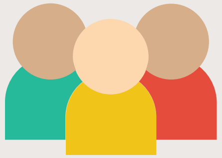
Total rate peg	Change in base costs (Base Cost Change)	Productivity factor	ESL factor	Other adjustments	Population factor
Ranged from 2.7% to 5.7%	3.0%	0%	-0.3% to 1.2%	-0.6% to 0.5%	0% to 2.7%

Core rate peg ranged from 2.5% to 4.2%

We consult with stakeholders to inform our rate peg decisions

Council Reference Group

- Consultative body – council representatives
- Plays an important role in informing the Tribunal about issues related to the rate peg methodology.
- Identify any issues or consequences that might arise from the implementation of the rate peg methodology and impact communities.



Ratepayer workshop

- For ratepayers, community members and other stakeholders to provide their feedback and views on the rate peg methodology and our proposed rate peg adjustments.
- We also hear from ratepayers throughout the year and respond to enquiries received.

Tribunal

The Tribunal's role is to balance the interests of ratepayers and councils.

Proposed adjustments to the rate peg for 2027-28

Issues raised by the Council Reference Group

- The Council Reference Group identified a list of issues to be considered for the 2027-28 rate peg:
  - **Cyber security**
  - **Rounding of the statutory minimum rate** and the rate peg
  - Inflation and fuel costs
  - Labour costs and skills shortages
  - Regulatory changes to animal management
  - Microsoft licensing costs
  - Financial assistance grants payments
  - Climate adaptation costs

We publish Council Reference Group communiques on our website

https://www.ipart.nsw.gov.au/review/local-government/2026-council-reference-group-and-ratepayer-workshops

Cyber security – the problem

- Councils face ongoing cyber security risks.
- It is in the interests of ratepayers that councils guard against these risks.
- The Audit Office has identified the need for councils to improve their cyber security and may raise non-compliance against councils that don't meet minimum requirements.
- Cyber security prevention costs are ongoing and involve upfront costs as well as annual costs.
- They are new costs that aren't offset by potential savings in related costs that already exist in rates.

Cyber security – the CIE conducted a study

- We appointed The Centre for International Economics (CIE) to conduct a study and provide advice on:
  - whether councils need an uplift in the rate peg
  - if so, how we could include these costs in the rate peg.
- The CIE study involved:
  - desktop research
  - targeted consultations with 8 councils/agencies
  - a council survey, with 47 complete responses
  - sophisticated data analysis and modelling
  - benchmarking.

Proposed options for cyber security

Proposed cyber security adjustment factors for the 2027-28 rate peg and indicative dollar impacts on average residential rates

	Metropolitan	Metropolitan Fringe	Regional Town/City	Large Rural	Rural
Average residential rate in 2026-27	1,530	1,760	1,620	1,130	550
Option 1: one-off % adjustment factor by region	0.42%	0.47%	0.47%	0.67%	1.19%
Option 1: indicative increase ($)	$6.40	$8.20	$7.60	$7.60	$6.60
Option 2: same one-off % adjustment factor for all regions	0.47%	0.47%	0.47%	0.47%	0.47%
Option 2: indicative increase ($)	$7.20	$8.20	$7.60	$5.30	$2.60
Option 3: % adjustment factor by region over 3 years	0.14%	0.16%	0.16%	0.22%	0.40%
Option 3: indicative increase per year ($)	$2.10	$2.70	$2.50	$2.50	$2.20
Option 3: indicative increase over 3 years ($)	$6.60	$8.50	$7.90	$7.80	$6.70

INDICATIVE ONLY

Figures reflect modelling available at the time of the workshop and should not be relied upon as current.

Rounding the statutory limit on the minimum amount of an ordinary rate

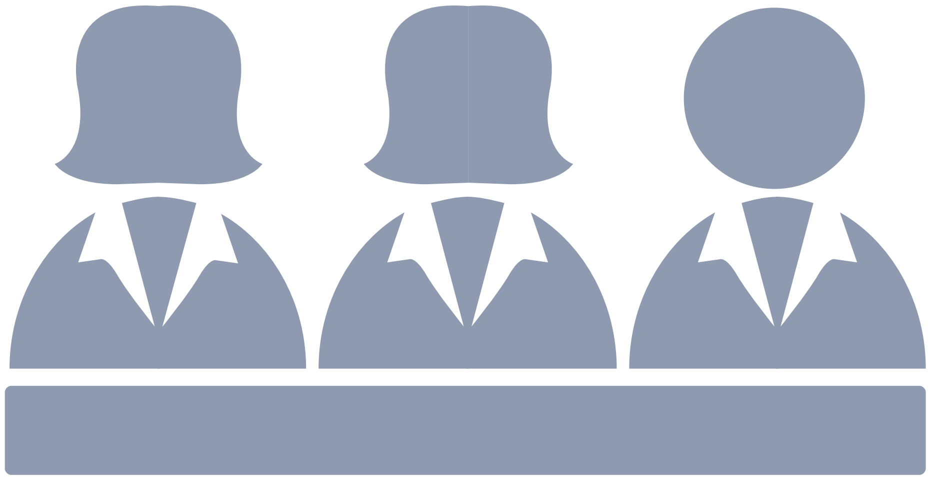
A minimum rate is the lowest rate a council can charge for a property, regardless of its land value.
For 2026-27, the statutory minimum rate is $655.

Historically, the statutory limit on the minimum ordinary rate has been rounded to the nearest dollar

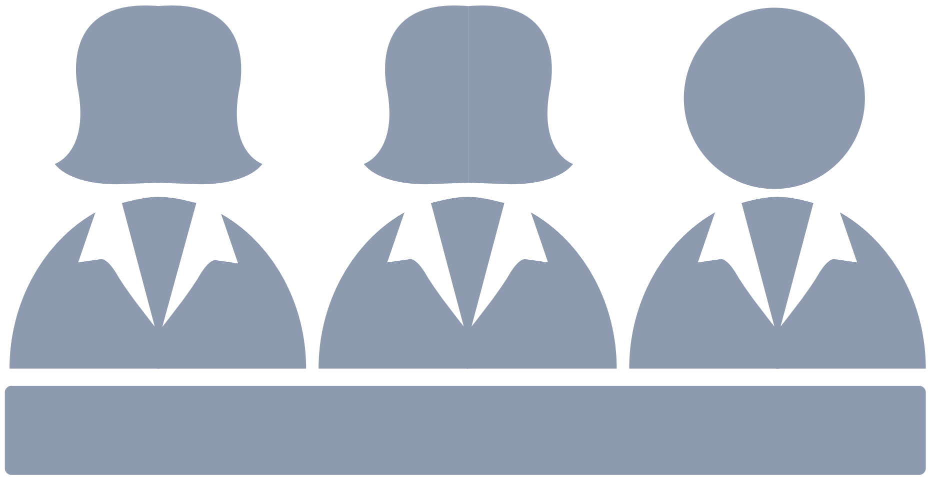
It sometimes rounds down (e.g. $600.48 to $600.00) and sometimes rounds up (e.g. $600.52 to $601.00)

The CRG proposed that it be rounded to the nearest cent. We are seeking your feedback.

Your feedback on the proposed adjustments



Open forum for discussion on other rate peg matters



We want to hear from you

- Have there been any practical or unintended consequences from the implementation of our new methodology?
- What should the Tribunal consider when setting the 2027-28 rate peg? For example, any other adjustments?
- Any other rate peg issue you wish to raise

Next steps

Updated CRG Terms of Reference
April 2026

CRG inception meeting #1
29 May 2026

CRG meeting #2
29 June 2026

CRG meeting #3
11 August 2026

Ratepayer workshop
1 September 2026

Rate peg for 2027-28
Mid-October 2026

- Publish a summary of the ratepayer workshop without attributing comments to individuals.
- Provide feedback from this workshop to the Tribunal to inform its decisions on the 2027-28 rate peg.

Thank you