

## 2017-18 RATE PEG FOR NSW LOCAL COUNCILS

**29 November 2016**

Continuing low inflation and minimal growth in council costs will limit the increase in the general income local councils can recover to 1.5% in 2017-18. This is lower than last year's rate peg of 1.8%.

The rate peg is determined by the Independent Pricing and Regulatory Tribunal (IPART) each year and sets the maximum general income NSW councils can collect. The main component of general income is rates revenue, but it also includes some annual user charges. It excludes stormwater, waste collection, water and sewerage charges.

Announcing the annual rate peg today, IPART Chair Peter Boxall said "ratepayers would benefit from the modest rate of public sector wages growth in recent years, as well as the continuing low inflationary environment. This has seen the cost of some items used by councils fall, including fuel, gas and telecommunication services".

IPART determines the rate peg by measuring changes in the Local Government Cost Index (LGCI) that includes changes in the average costs faced by councils, and consideration of a factor to reflect improvements in productivity.

"The Local Government Cost Index increased by 1.47% in the year to September 2016," Dr Boxall said.

"Since the rate peg applies to general income in total, and not to individual rate assessments, it is up to each council to determine whether to apply the allowed increase in full and the impact on individual rate assessments.

"Similarly, if councils want to increase their revenue by more than the rate peg they will need to consult with their communities before applying to IPART for a special variation."

Councils wishing to apply for a special rate variation should aim to notify IPART by 9 December 2016.

A fact sheet on the rate peg is available on IPART's website: [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

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IPART is required to set the rate peg each year under delegation from the NSW Minister for Local Government.

## **Local Government rate peg 2017-18– fast facts**

- ▼ Councils wanting to increase their revenue by more than the rate peg need to apply for a special variation. Councils wishing to apply for special variations should aim to notify IPART by 9 December 2016.
- ▼ The IPART rate peg is a maximum allowable increase to council general income. Individual councils determine how that maximum increase is applied. For example, some rates might increase by more than 1.5% and others may increase by less as long as the total increase in general income does not exceed 1.5%.
- ▼ The 2017-18 rate peg of 1.5% consists of two underlying components: (1) the increase in the Local Government Cost Index (LGCI) in the year to September 2016 of 1.47%; (2) a deduction of 0.001%, to reflect the change in productivity.
- ▼ The rate peg includes a productivity factor to allow ratepayers to share in council productivity gains. We will continue to consider a productivity factor in determining future rate peg increases.
- ▼ The LGCI measures price movements of a representative ‘basket’ of inputs that are used to deliver local council services, in a similar way the Australian Bureau of Statistics (ABS) measures the Consumer Price Index (CPI). The main components of the index and their percentage share of the overall index are:
  - Employee benefits and on-costs (41.3%)
  - Construction works – roads, drains, footpaths, kerbing, bridges (19.5%)
  - Other expenses (8.9%)
  - Other business services – including items such as contractor and consultancy costs (5.9%)
  - Buildings – non-dwelling (3.9%)
  - Plant and equipment – machinery (3.5%)
  - Electricity (2.7%)
  - Road, footpath, kerbing, bridge and drain building materials (2.5%).