

Media release

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2018-19 RATE PEG FOR NSW LOCAL COUNCILS

Councils will be able to increase the revenue they collect from rates by up to 2.3% in 2018-19 under the rate peg announced today by the Independent Pricing and Regulatory Tribunal (IPART).

The rate peg is determined by IPART each year and it sets the maximum general income NSW councils can collect. The main component of general income is rates revenue. Councils can apply to IPART for a special variation if they wish to increase their general income by more than the rate peg.

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

IPART Chair, Dr Peter Boxall, said next year's rate peg is higher than the previous two years (1.8% in 2016-17 and 1.5% in 2017-18), primarily due to increases in labour costs, electricity and street lighting charges, and higher construction costs for roads, drains, footpaths, kerbing and bridges. No further adjustment for productivity improvements was made this year.

"The Local Government Cost Index increased by 2.3% in the year to September 2017," 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 how to allocate the increase between households, businesses and other ratepayer categories."

"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 must notify IPART by 15 December 2017.

A fact sheet on the rate peg is available on IPART's website: www.ipart.nsw.gov.au.

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

Media Contact: Julie Sheather ☎ 02 9290 8403 ☎ 0409 514 643

More information is available at ipart.nsw.gov.au

Local Government rate peg 2018-19– 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 notify IPART by 15 December 2017.
- The IPART rate peg is a maximum allowable increase to council general income. Individual councils determine how the maximum increase is applied. For example, some rates might increase by more than 2.3% and others may increase by less as long as the total increase in general income does not exceed 2.3%.
- The rate peg is based on the increase in the Local Government Cost Index (LGCI) in the year to September 2017. 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 (41.6%)
 - Construction works – roads, drains, footpaths, kerbing, bridges (19.3%)
 - Other expenses (8.9%)
 - Other business services – including items such as contractor and consultancy costs (5.9%)
 - Buildings – non-dwelling (4.0%)
 - Plant and equipment – machinery (3.5%)
 - Electricity (2.6%)
 - Road, footpath, kerbing, bridge and drain building materials (2.4%).
- IPART is considering whether to set the rate peg in early September, rather than late November, from next year. This proposed change would provide councils with more timely information to prepare annual budgets and consult with communities on special variations. We will make a decision on this proposal by May 2018.