

2019-20 RATE PEG FOR NSW LOCAL COUNCILS

Councils will be able to increase the revenue they can collect from rates by a maximum of 2.7% in 2019-20 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 increase to general income NSW councils can collect. The main component of general income is rates revenue. Councils have discretion to increase general income up to the rate peg, by less than the rate peg or not at all.

IPART Chair, Dr Peter Boxall, said next year's rate peg is higher than it has been in recent years (2.3% in 2018-19 and 1.5% in 2017-18), primarily due to increases in labour and energy costs and higher construction costs for roads, drains, footpaths, kerbing and bridges.

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.

"The Local Government Cost Index increased by 2.7% to June 2018," 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."

IPART has brought forward the release of the rate peg from December to September from this year onwards. This change provides councils with more time to prepare annual budgets, and better engage with their communities on potential special variation applications.

Councils wishing to apply for a special rate variation must notify IPART by 30 November 2018.

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.

Local Government rate peg 2019-20– fast facts

- The rate peg has historically been released in December but after consultation with stakeholders this has been brought forward to September for the 2019-20 rate peg onwards. To facilitate this transition, the rate peg has been based on cost changes using three quarters of data up to the June quarter 2018, rather than four quarters of data up to the September quarter.
- 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 30 November 2018.
- The IPART rate peg is a maximum allowable increase to council general income. Individual councils determine how the maximum increase is applied to specific rates. For example, some rates might increase by more than 2.7% and others may increase by less as long as the total increase in general income does not exceed 2.7%.
- The rate peg is based on the increase in the Local Government Cost Index (LGCI) up to June 2018. 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 (41.7%)
 - Construction works – roads, drains, footpaths, kerbing, bridges (19.2%)
 - Other expenses (8.9%)
 - Other business services – including items such as contractor and consultancy costs (6.0%)
 - Buildings – non-dwelling (4.1%)
 - Plant and equipment – machinery (3.4%)
 - Electricity (2.7%)
 - Road, footpath, kerbing, bridge and drain building materials (2.4%).