

## 2014/15 RATE PEG FOR NSW LOCAL COUNCILS

**2 December 2013**

Increases in local council general income will be capped at 2.3% in 2014/15 under a decision on the annual rate peg announced today by the Independent Pricing and Regulatory Tribunal (IPART).

The rate peg sets the maximum increase of 2.3%, slightly below inflation, to apply to general income collected by NSW councils. 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.

If a council decides to increase residential rates in line with the rate peg, it would mean an additional \$20 for the year, or slightly less than \$0.40 per week, for the average household. The average residential rate assessment in NSW will be around \$910 in 2014/15.

IPART Chairman, Peter Boxall, said this year's rate peg, down from 3.4% in 2013/14, reflects the lowest rise in public sector wage costs in a decade, along with the final adjustment of the carbon price advance, which was included in the rate peg in 2012/13. The adjustment for the carbon price advance was to avoid double counting of the impact of the carbon price on council services.

"The Local Government Cost Index (LGCI) increased by 2.8% in the year to September 2013, and we deducted a 0.2% productivity improvement factor to arrive at the underlying rate peg of 2.6%, before adjusting for the 0.3% carbon price advance provided in 2012/13," Dr Boxall said.

The rate peg sets the maximum increase in a council's general income. It is up to each council to determine the impact on individual rate assessments.

Councils intending to apply for a special variation to address financial sustainability, infrastructure backlogs or increasing demand for services are required to advise IPART of their intent to apply by 13 December 2013.

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

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## Local Government rate peg 2013/14 – fast facts

- ▼ There are 152 local councils in NSW. The rate peg applies to most councils, except those with special variations covering the 2014/15 year.
- ▼ 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 2.3% and others may increase by less as long as the total increase in general income does not exceed 2.3%.
- ▼ The underlying 2014/15 rate peg of 2.6% consists of two components: (1) the increase in the Local Government Cost Index (LGCI) in the year to September 2013 of 2.8%; (2) less a productivity adjustment of 0.2%.
- ▼ The Local Government Cost Index (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 (42.0%)
  - Construction works – roads, drains, footpaths, kerbing, bridges (13.8%)
  - Buildings – non-dwelling (6.3%)
  - Other business services – including items such as contractor and consultancy costs (5.9%)
  - Plant and equipment – machinery (3.8%)
  - Road, footpath, kerbing, bridge and drain building materials (3.1%)
  - Electricity (3.4%).
- ▼ In addition we have to remove the final part of the carbon price advance of 0.4% that was included in the rate peg in 2012/13. This reduces the rate peg by a further 0.3%. The carbon price advance was included in the rate peg for 2012/13 as an advance to allow councils to increase their general income in line with higher prices resulting from the introduction of the carbon price from 1 July 2012. As announced at the time of setting the 2012/13 rate peg, the carbon price advance would be withdrawn in 2 steps (0.1% in 2013/14 and 0.3% in 2014/15), as the actual impact of the carbon price flowed through to the LGCI. This was to ensure that the impact of the carbon price would not be counted twice in the rate peg.
- ▼ Councils may seek approval to increase their general income by more than the rate peg by applying to IPART for a special rate variation. Councils wishing to apply for special variations must notify IPART by 13 December 2013.