

## 2016-17 RATE PEG FOR NSW LOCAL COUNCILS

**4 December 2015**

Increases in the general income local councils can earn will be capped at 1.8% in 2016-17 reflecting minimal rises in council costs.

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 Chairman Peter Boxall said the rate peg is determined by changes in the Local Government Cost Index (LGCI) that measures changes in the average costs faced by councils, and consideration of a factor to capture improvements in productivity.

“The Local Government Cost Index increased by 1.78% in the year to September 2015, reflecting the continuing low inflationary environment and modest rate of public sector wages growth since late 2012,” Dr Boxall said.

“When costs are stable there is no justification to increase the burden on ratepayers beyond inflation.

“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.”

The deadline to notify IPART of a special rate variation is 11 December 2015.

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 2016-17– fast facts

- ▼ There are 152 local councils in NSW. 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 must notify IPART by 11 December 2015.
- ▼ 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 1.8% and others may increase by less as long as the total increase in general income does not exceed 1.8%.
- ▼ The 2016-17 rate peg of 1.8% consists of two underlying components: (1) the increase in the Local Government Cost Index (LGCI) in the year to September 2015 of 1.78%; (2) with a zero productivity adjustment. On this occasion, we have made a zero adjustment to the LGCI when calculating the rate peg for 2016-17, to reflect that the change in productivity is not material (a decline of 0.05%).<sup>1</sup>
- ▼ 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 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 (41.8%)
  - Construction works – roads, drains, footpaths, kerbing, bridges (14.0%)
  - Other expenses (8.6%)
  - Buildings – non-dwelling (6.1%)
  - Other business services – including items such as contractor and consultancy costs (5.8%)
  - Electricity (3.7%)
  - Plant and equipment – machinery (3.7%)
  - Road, footpath, kerbing, bridge and drain building materials (3.1%).

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<sup>1</sup> The 15-year average change in market sector value-added multifactor productivity, quality adjusted hours worked, was -0.05%.