

## **RATE PEG FOR NSW LOCAL COUNCILS FOR 2013/14**

**Embargoed until 10AM 26 November 2012**

Local councils will be able to increase their general income by up to 3.4% in 2013/14 following the announcement of the rate peg today by the Independent Pricing and Regulatory Tribunal (IPART).

The maximum increase of 3.4% applies to the general income collected by all NSW councils that do not have approval for a special variation that covers 2013/14. 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.

IPART Chairman, Dr Peter Boxall, said the rate peg represents the increase in costs incurred by local government, a deduction for productivity improvements and a deduction of part of the carbon price advance applied last year.

“In setting the rate peg, we have sought to strike a balance between ensuring that councils can meet the increased costs of delivering services while sharing the benefits of improved productivity with ratepayers,” Dr Boxall said.

“The rate peg applies to a council’s income, not to an individual’s rates, but if a council decides to increase residential rates in line with the rate peg, it would mean an additional \$30 for the year, or less than \$1 per week, for the average household.”

The average residential rate assessment in NSW is around \$860 in 2012/13.

Dr Boxall said the main drivers for the increase in the rate peg are increases in the employee wages and on-costs, construction costs and electricity cost components of the Local Government Cost Index (LGCI), which measures the change in the prices of a basket of items purchased by a typical council.

“The LGCI increased by 3.7% in the year to September 2012,” Dr Boxall said. “In setting the rate peg we have subtracted a productivity factor of 0.2% from the index and 0.1% to account for part of the carbon price advance included last year to avoid double counting of the impact of the carbon price on council services.

“The approach we’ve taken allows council general income to increase in line with costs, as well as encouraging local councils to continue to improve the efficiency of their operations.”

“We consider that local councils can continue to provide services more efficiently over time and that some of these gains should be shared with ratepayers,” Dr Boxall said.

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).

For further information, contact: Dr Peter Boxall, Chairman (02) 9290 8411 or a/h 0409 514643.

### **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 2013/14 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 3.4% and others may increase by less as long as the total increase in general income does not exceed 3.4%.
- ▼ 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 multi-year variations must notify IPART by 14 December 2012. Single year variation applications can be notified until 11 March 2013. As at 23 November, notifications have been received from Coffs Harbour City Council, Kiama Council and Ku-ring-gai Council for single year variations.
- ▼ The 2013/14 rate peg of 3.4% consists of three components: (1) the increase in the Local Government Cost Index (LGCI) in the year to September 2012 of 3.7%; (2) less a productivity adjustment of 0.2%; and (3) less 0.1% to remove part of the carbon price advance of 0.4% that was included in the rate peg last year.
- ▼ 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 (13.6%)
  - Buildings – non-dwelling (6.4%)
  - Other business services – including items such as contractor and consultancy costs (6.0%)
  - Plant and equipment – machinery (3.9%)
  - Road, footpath, kerbing, bridge and drain building materials (3.0%)
  - Electricity (3.0%).
- ▼ An additional increase of 0.4% 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 last year, the carbon price advance is being withdrawn (0.1% in 2013/14 and 0.3% in 2014/15), as the actual impact of the carbon price is included in the LGCI. This ensures that the impact of the carbon price is not counted twice in the rate peg.