

Circular Details	21-32 / 5 October 2021 / A792407
Previous Circular	20-42 Release of Exposure Draft Bill on local government rating reform
Who should read this	Councillors / General Managers / Rating and Finance Staff
Contact	Policy Team / 02 4428 4100 / olg@olg.nsw.gov.au
Action required	Information

Government endorses new rate peg methodology to support growing councils

What's new or changing

- The Independent Pricing and Regulatory Tribunal (IPART) has completed its review of the local government rate peg methodology to include population growth.
- On 10 September 2021 IPART provided the Final Report on this review to the Minister for Local Government, the Hon. Shelley Hancock MP.
- The Minister has endorsed the new rate peg methodology and has asked IPART to give effect to it in setting the rate peg from the 2022-23 financial year.

What this will mean for your council

- Councils with growing residential populations will be able to raise notional general income by an additional population factor as part of the rate peg from 2022-23.
- The population factor for each council will reflect estimated residential population growth less revenue received from supplementary valuations that year.
- This will increase revenue for many councils serving growing communities. No council will be worse off under the new methodology.
- IPART has estimated that, for example, over the past four years, the new rate peg methodology would have increased total general income for the local government sector by 1.5%, or \$287 million.

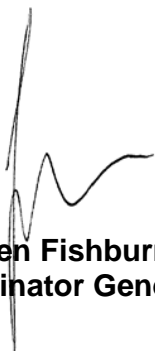
Key points

- IPART sets the rate peg each year under the terms of a delegation from the Minister for Local Government.
- The NSW Government has committed to allowing councils to align their income with population growth to better support growing communities across the State.
- In December 2020 IPART was asked to review the rate peg methodology to deliver this commitment and to report to the Minister by September 2021.
- As part of this review, IPART released an Issues Paper on 25 March 2021, a Draft Report on 29 June 2021 and held an online Public Hearing on 20 July 2021.
- On 10 September 2021 IPART provided the Final Report on its review to the Minister.
- IPART proposes that a different rate peg apply to each council to permit that council to increase its notional general income by a population factor.

- IPART has advised that this option will maintain total general income on a per capita basis over time, applies to all councils and recognises that councils have different service levels and costs.
- This new population factor will be different for each council, adding any increase to its residential population, as published by the Australian Bureau of Statistics, and then deducting revenue that council has received from supplementary valuations.
- The NSW Valuer General can issue supplementary valuations of properties outside the 3 to 4-year general cycle if changes are recorded on the Register of Land Values. If this results in increased land values, councils receive increases to their general income outside the rate peg.
- To prepare for this reform, an amendment to the *Local Government Act 1993* was made earlier this year to ensure that multiple rate pegs may be set.
- Since IPART issued its Draft Report in June 2021, minor changes have been made to the proposed rate peg methodology to include population growth. The time period for adjusting the value of supplementary valuations has been shifted to make it easier to implement.
- IPART will also correct the population factor for all councils to reflect the difference between estimated and actual population growth when data from the recent census is released, and, going forwards, correct the population factor after each census if the difference in estimated compared to actual population growth for a council is greater than 5%.

Where to go for further information

- IPART's Final Report may be viewed on its website [here](#).
- If you have any questions about the new rate peg methodology, please contact IPART in the first instance on 02 9290 8400 or by email to ipart@ipart.nsw.gov.au.



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