



# Summary of discussion at ratepayer workshop

13 August 2024

## 1 Overview

IPART's online workshop with ratepayers on the 2025-26 local council rate peg was held on 13 August 2024. Forty-three community members from across NSW attended the workshop, which was structured in 2 sessions:

1. **Information session:** We explained IPART's role with local government rates and addressed some key areas of misunderstanding around the regulation of council rates. This included special variations (SV) and the impact of land valuations on council rates. We have published the [presentation slides](#) on our website.
2. **Open forum for feedback on the rate peg and other issues:** This was an opportunity for ratepayers to raise any feedback or matters for discussion, particularly around setting the 2025-26 rate peg. We have summarised the views that were raised below.

The [agenda](#) for the workshop is also available on our website.

## 2 Key themes from the open forum

Table 2.1 provides a high-level summary of the views expressed by individual attendees during the open forum session of the workshop. The views expressed are from participants, and may not reflect the current regulatory environment.

Table 2.1 High-level summary of views expressed by participants

Key Theme	Summary of issues raised
<b>Cost-of-living crisis</b>	
Cost of living crisis and large increases in rates, including from recent special variations (SVs), when the community does not support rate rises	<ul style="list-style-type: none"> <li>Some ratepayers raised concerns about the recently approved SVs that have resulted in large increases in rates, which they feel are not affordable.</li> <li>Some ratepayers questioned how such large increases could satisfy the criterion of reasonable impact on ratepayers.</li> </ul>
Impacts of large increases in council rates including concerns about unfair rating structures	<ul style="list-style-type: none"> <li>One ratepayer noted the large increases in rates even when land values have not changed.</li> <li>Some ratepayers felt that their councils have unfair rating structures that discriminate across different towns.</li> </ul>
<b>Special variations</b>	
General comments on special variations (SVs)	<p>Some ratepayers made comments about recent SV approvals including that:</p> <ul style="list-style-type: none"> <li>SVs are applied for and approved, even when the community doesn't support the rate rises.</li> <li>Councils need to consult better with their communities about service levels and cost implications.</li> <li>Councils are not complying with the conditions of the SV.</li> <li>IPART doesn't visit the local council areas as part of its assessment of SVs.</li> <li>The SV process has divided the community and created much distrust against the council. The community is frustrated and angry.</li> <li>SVs are a result of council mismanagement, and the SV process rewards poor performance and incentivises bad behaviour.</li> </ul>
Improvements to the special variation (SV) process are required	<p>Some ratepayers made suggestions on how the SV process could be improved including:</p> <ul style="list-style-type: none"> <li>More clearly communicating that SVs are about consultation, not a voting process.</li> <li>Addressing potential misunderstandings related to cumulative increases, including inflation and councils being required to do more to demonstrate productivity improvements e.g. publish KPIs, or meet KPIs to keep SV income.</li> <li>More community involvement in the SV process.</li> <li>Updating SV assessment criteria to assist the community more.</li> <li>More transparent council reporting on the outcomes of SVs, including as part of any future SV applications.</li> </ul>
<b>Regulatory model for councils</b>	
Regulatory model for councils is broken	<p>Some ratepayers provided comment on how they felt the regulatory model for councils is broken. Some of the comments included:</p> <ul style="list-style-type: none"> <li>IPART's role in local government is not achieving the objective of protecting ratepayers and it also blurs the accountability of councils to their communities.</li> <li>The financial model for councils is not realistic, with massive depreciation costs or revalued asset bases and its impact on financial sustainability.</li> <li>That the system should not allow councils to build large reserves of cash.</li> <li>The negative impact of cost shifting on councils' ability to provide services.</li> <li>Councils need to have adequate funding so that service standards are not continually reduced.</li> <li>One ratepayer noted depreciation is not an expense, stating it's an item that goes into the profit and loss statement under the accounting rules.</li> </ul>
Accountability, transparency and trust in councils	<ul style="list-style-type: none"> <li>Some ratepayers raised concerns with how councils have consulted their communities around SVs and service levels.</li> <li>Some ratepayers felt their councils were not transparent with documentation, making it difficult for ratepayers to consider and provide feedback.</li> <li>Some ratepayers were concerned about councils' efficiency and cost containment measures and how councils demonstrate improvements over time.</li> <li>Some ratepayers expressed that they had limited confidence that their councillors listen and respond to community concerns.</li> </ul>

Key Theme	Summary of issues raised
	<ul style="list-style-type: none"> <li>One ratepayer noted the community had a good rapport with their councillors, including the staff of the council, who listen to community concerns.</li> </ul>
Concerns about the performance of merged councils	<ul style="list-style-type: none"> <li>Some ratepayers raised concerns about the overall performance of their councils, particularly in relation to some of the merged councils and aspects such as the impact rates harmonisation has had on the community.</li> </ul>
Encouragement for people to make councillors accountable at upcoming elections	<ul style="list-style-type: none"> <li>Some ratepayers felt their councillors don't know enough to explain to the community - as they don't understand the system or how it works.</li> <li>Some ratepayers considered their councillors to be controlled by the council staff, rather than to work for and listen to the community.</li> <li>Some ratepayers suggested that residents can create change in September, by voting for more effective councillors.</li> </ul>
IPART should be given more powers to review councils and ensure good performance	<ul style="list-style-type: none"> <li>Some ratepayers suggested that IPART should have more powers, for example, to provide recommendations on efficiency measures, or a role to review council rating structures.</li> <li>Some ratepayers raised concerns that IPART is holding separate forums for ratepayers and council staff about the rate peg.</li> </ul>
<b>Rate peg methodology</b>	
Support for continuing with the rate peg	<ul style="list-style-type: none"> <li>One ratepayer requested that IPART keep rate pegs in line with CPI.</li> <li>Some ratepayers gave their support for continuing with the rate peg.</li> <li>One ratepayer noted that the rate peg and SV funding should be for mandatory projects only.</li> </ul>
Concerns with certain parts of the rate peg methodology, including labour costs, population, election costs and the productivity factor	<ul style="list-style-type: none"> <li>Some ratepayers argued the productivity factor should not be set to zero.</li> <li>Some ratepayers noted labour costs should not be based on council award wages.</li> <li>One ratepayer stated the population factor should not include people that are not ratepayers. For example, the council is a large rural area, but once you remove school kids, it's a small council area.</li> <li>Some ratepayers raised concerns about the impact of including election costs in the rate peg.</li> </ul>

### 3 Summary of Q&As

Table 3.1 provides a summary of the questions and answers during the open forum session of the workshop, including those from the chat.

Table 3.1 Summary of the Q&As from the discussion and chat

Question/comment	Response
<b>General</b>	
When is IPART publishing the results of its recent stakeholder feedback survey?	The stakeholder survey will be published shortly.
Can IPART provide more information about its recommendation that the NSW Government commission an independent review of the financial model for councils in NSW? Do we know when the NSW Parliamentary Inquiry into local government will be completed?	Throughout IPART's 2023 review of the rate peg methodology, stakeholders made it clear they have concerns about how local government services are funded and rates are regulated in NSW. Councils told us their primary concern is achieving and maintaining financial sustainability, so that they consistently have enough income to fund the services and facilities their communities want and need – whether they live in dense, highly developed urban areas or remote, sparsely populated rural areas. For more information please see Chapter 9 of the <a href="#">Review of the rate peg methodology</a> , Final Report, August 2023.

Question/comment	Response
	Information on the Parliamentary Inquiry can be found on this <a href="#">website</a> . There is currently no indication of when the Inquiry will be completed.
The delegation by the Minister for Local Government to IPART of the local government functions is decades old. Is the delegation lawful?	The delegation of the local government functions to IPART remains lawful and in place, until it is revoked or replaced by the Minister for Local Government.
Why were the land values backdated before the floods when land values were higher?	The NSW Valuer-General is responsible for land valuations.
	<p>An increase in a ratepayer's land value does not mean that a ratepayer's rates will automatically increase. The impact on rates depends on whether the land value has increased or decreased, compared to others in the ratepayer's local government area.</p> <p>Questions about land valuations, including objections should be raised with the Valuer-General. Further information can be found on its website <a href="#">here</a>.</p>
<b>Rate peg methodology</b>	
Why did IPART ignore advice from its own independent consultants, about the perverse incentives of passing through labour costs in the new rate peg methodology?	IPART considered this issue as part of the rate peg methodology final report. IPART considered a range of competing views on this issue which were raised in consultation. We have committed to reviewing the methodology every 5 years, and we are consulting prior to setting the rate peg each year to hear feedback on this issue.
Why is the productivity factor in the new rate peg methodology set at zero by default?	<p>We recognise the importance of retaining a productivity factor to encourage councils to be more efficient in the costs they can control. By setting the productivity factor at zero, councils are encouraged to reinvest any efficiencies in council services to the community.</p> <p>IPART reserves the capacity to implement a productivity factor in the future, especially having regard to the the outcomes of the NSW Parliamentary Inquiry and the work the Office of Local Government (OLG) is completing around council performance benchmarking.</p>
Why are election costs included in the rate peg? Is there a cap or control on election costs? How does the Electoral Commission come up with costs? Is it based on population?	<p>Election costs are the costs to run the elections. It does not include campaigning costs. The NSW Electoral Commission charges councils for the services it provides to councils for running the elections.</p> <p>How the Electoral Commission estimates its costs is a matter for the NSW Electoral Commission.</p>
Emergency services levy is already recovered through insurance policies, why is it included in rates?	NSW's emergency services are funded jointly by the Emergency Services Levy charged on insurance companies (73.7%), local governments (11.7%) and the State Government (14.6%). These fund the costs of Fire and Rescue NSW, NSW Rural Fire Service and the NSW State Emergency Service.
<b>Council regulatory framework</b>	
Does IPART audit the performance of individual councils?	<p>No. OLG is responsible for monitoring the performance of councils.</p> <p>The Auditor-General conducts financial performance audits and reports on compliance of NSW Councils.</p>
Who is responsible for ensuring that councils comply with their approved SV applications?	The elected council is the primary decision maker and is accountable to ratepayers through the councils' performance.
Who is responsible for making sure councils are consulting effectively with their communities?	

Question/comment	Response
	<p>Councils are also required to report in their Annual Report how they spent the funds received through an SV. This includes explaining any significant differences between what was proposed in their SV application, and the outcomes of what has been delivered.</p> <p>If a council breaches the Local Government Act, the Minister or the Chief Executive of the Office of Local Government may bring proceedings for an order to remedy or restrain the breach.</p>
Does IPART consider a council's past SV applications when it applies for another SV?	When assessing SV applications, we review previous applications and approvals and consider whether the council has complied with the conditions of any approved SV.
Why can't IPART advocate to do a review of the SV process, just like it advocated for the review of the rate peg methodology?	<p>IPART does not have the power to review the SV process as the SV guidelines are the responsibility of OLG.</p> <p>IPART's 2023 <a href="#">recommendation</a> for the review of the financial model included the need to review the whole regulatory system and identified concerns around the SV process.</p> <p>The NSW Parliamentary Inquiry is currently investigating the SV process and its effectiveness. IPART has provided evidence to the Inquiry at 2 of the public hearings and through a written submission.</p> <p>The Inquiry is due to make recommendations on the SV process. There is currently no indication of when the Inquiry will be completed.</p>
Since Central Coast Council comes to IPART for both ordinary rates and also water and sewer rates; can they now be considered in one consolidated decision, now that new legislation has simplified the water and sewer business?	<p>No, the processes cannot be combined into one process under the current legislative framework.</p> <p>IPART regulates council's water and sewer business under separate legislation that provides us with a stronger role in reviewing the water business and looking at the efficiency of costs.</p> <p>The rate peg and SV functions are completed under different legislative requirements. For example:</p> <ul style="list-style-type: none"> <li>we only assess SVs when a council decides to apply, whereas we have an ongoing role to set water prices</li> <li>we assess SVs against the criteria in the <a href="#">guidelines</a>, and these give IPART less powers to review and make recommendations about the efficiency of councils, relative to our role in setting water prices.</li> </ul>
Does IPART make recommendations on programs or technologies that lower the cost of operations, resulting in the lowering of rates to the community?	No, this is beyond the scope of IPART's current role in reviewing SV applications based on the OLG Guidelines.
Does IPART think the financial performance benchmarks set by the OLG are appropriate?	Financial performance benchmarks are the responsibility of OLG.
What specific measures can councils take to lessen the financial burden on residents, particularly considering the unprecedented cost of living crisis?	<p>The rate peg (or SV percentage) is the maximum allowable increase to general income. Councils don't have to increase their income by that amount. Councils are also able to pursue other revenue opportunities such as grants or user fees and charges. They can also implement productivity improvements or reduce service levels.</p> <p>Some councils are facing financial sustainability challenges, and this is one of the reasons why we recommended a review of the financial model for councils.</p>