

Our reference: 22/354

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31 August 2023

The Hon. Ron Hoenig MP
Minister for Local Government of NSW
GPO Box 5431
SYDNEY NSW 2001

via email

Dear Minister

Review of the rate peg methodology – Final Report

The Independent Pricing and Regulatory Tribunal (IPART) has completed our review of the rate peg methodology and I enclose a copy of the Final Report.

Over the last year, IPART consulted widely with ratepayers, councillors, council staff and other stakeholders across NSW about council rates. Our consultation has been an important part of our review of the rate peg methodology that had been used to calculate the rate peg each year since the then Minister for Local Government delegated this responsibility to IPART in 2010.

The new rate peg methodology will use forward-looking measures of councils' base costs

This addresses the issue of using lagged data in a volatile economic climate. The new methodology will result in rate pegs that more accurately reflect changes in the costs NSW councils incur in providing their current services, and our changes also more accurately consider the diversity of councils across the State.

We can implement these decisions under the existing delegation from the Minister for Local Government to set the rate peg. We aim to implement the new methodology in the rate peg for the 2024-25 financial year, if at all possible, noting a decision on feasibility must be made within the next few weeks. However, if swift implementation is not feasible, then we would implement the new methodology for the rate peg for the 2025-26 financial year.

We recommend an independent review of the financial model for councils

Throughout this review, stakeholders made it clear they have concerns about councils' performance and financial sustainability, and the affordability of rates in the current cost of living climate.

Our decisions on the rate peg methodology may address some of these concerns. But many of the issues raised cannot be fixed by the rate peg.

The Tribunal believes it would be timely for NSW Government to initiate an independent investigation into the financial model for councils in NSW, including the broader issues highlighted in this report on the rate peg methodology.

IPART stands ready to work with the NSW Government, councillors, ratepayers and communities to address the issues we have heard through our consultation.

We look forward to the Government's response to the Final Report and recommendation

I note that the timing of the release of the Final Report is a matter for your consideration. We will publish the report on our website once we receive your advice. A copy will also be provided to the Premier as the Minister responsible for IPART.

IPART's contact officer for this review is Sheridan Rapmund, Director Pricing & Policy, contactable on (02) 9290 8430 and you can contact me on [REDACTED].

Yours sincerely

31/08/2023

X 

Signed by: carmel.donnelly@ipart.nsw.gov.au

Carmel Donnelly PSM
Chair