

- We will be recording the workshop for internal use only
- Please mute your microphone
- Please turn on your camera (webcam)
- We will start at 11:17am

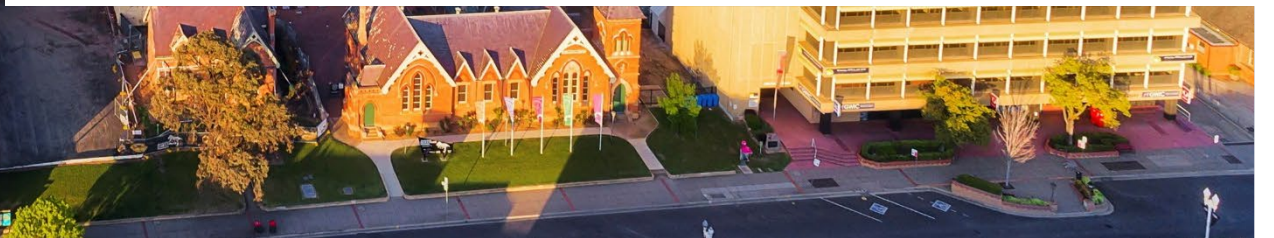


IPART Independent
Pricing and Regulatory
Tribunal | NSW

Community and Ratepayer Workshop on the local council rate peg in NSW

Tuesday 13 August 2024

11:15 am–1:15 pm





Welcome and Acknowledgement of Country

Andrew Nicholls PSM
Chief Executive Officer

Agenda

01 Introductions and aims of the workshop

02 Information session

03 Open forum for discussion

04 Summary and next steps

Background

In our 2023 review of the rate peg methodology, we made decisions to improve how we:

- calculate the rate peg
- consult before setting the rate peg each year

We decided to consult when setting the rate peg each year by:

- establishing the Council Reference Group to hear from councils
- holding ratepayer workshops to hear from ratepayers and community members

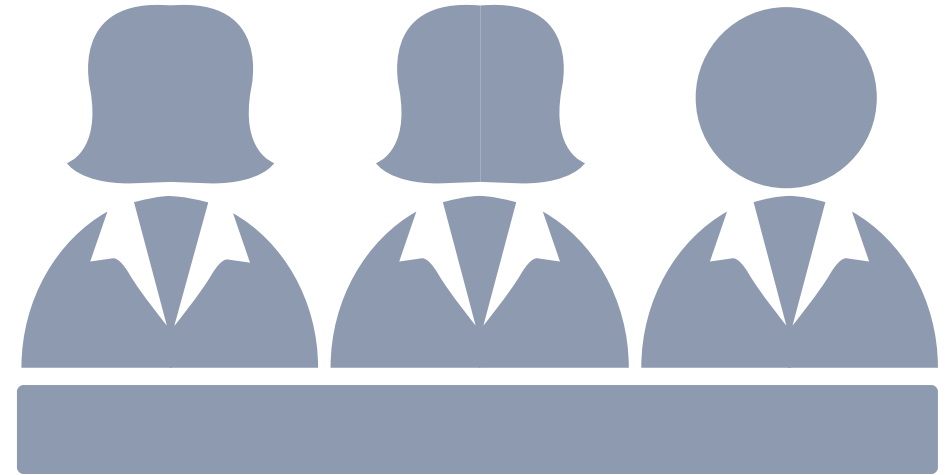
Purpose of workshop

We aim to release the 2025-26 rate peg by the end of September using the new methodology to calculate the rate peg

- We want to hear from you on any issues with how we apply the methodology, for example:
 - any practical or unintended consequences that might arise
 - adjustments to the rate peg for election costs, emergency services levy or other adjustments
 - any other issue you wish to raise
- The Secretariat will provide feedback from this workshop to the Tribunal to inform its 2025-26 rate peg decision.

Introductions

Identify your local council area
and raise any issues for discussion





Overview of IPART's role in local government

The rate peg and our role



Maximum percentage NSW councils can increase general income.



Regulate council rates income and funds goods and services.



Main sources of funding representing one third of councils' total income.

We are the economic regulator for local government and set the rate peg each year

Our role with Special Variations



Councils can apply to IPART for a Special Variation to increase their rates by a different amount than what is allowed under the rate peg



IPART assesses a council's application based on set criteria




The criteria for assessing Special Variations are policy matters set by the Office of Local Government

Special Variation criteria

1. A demonstrated need for higher increases to income
2. Community awareness of the plans
3. A reasonable impact on ratepayers
4. A process to adopt and exhibit (where required) relevant council documents to the public
5. Explaining and quantifying cost containment strategies
6. Other matters IPART considers relevant

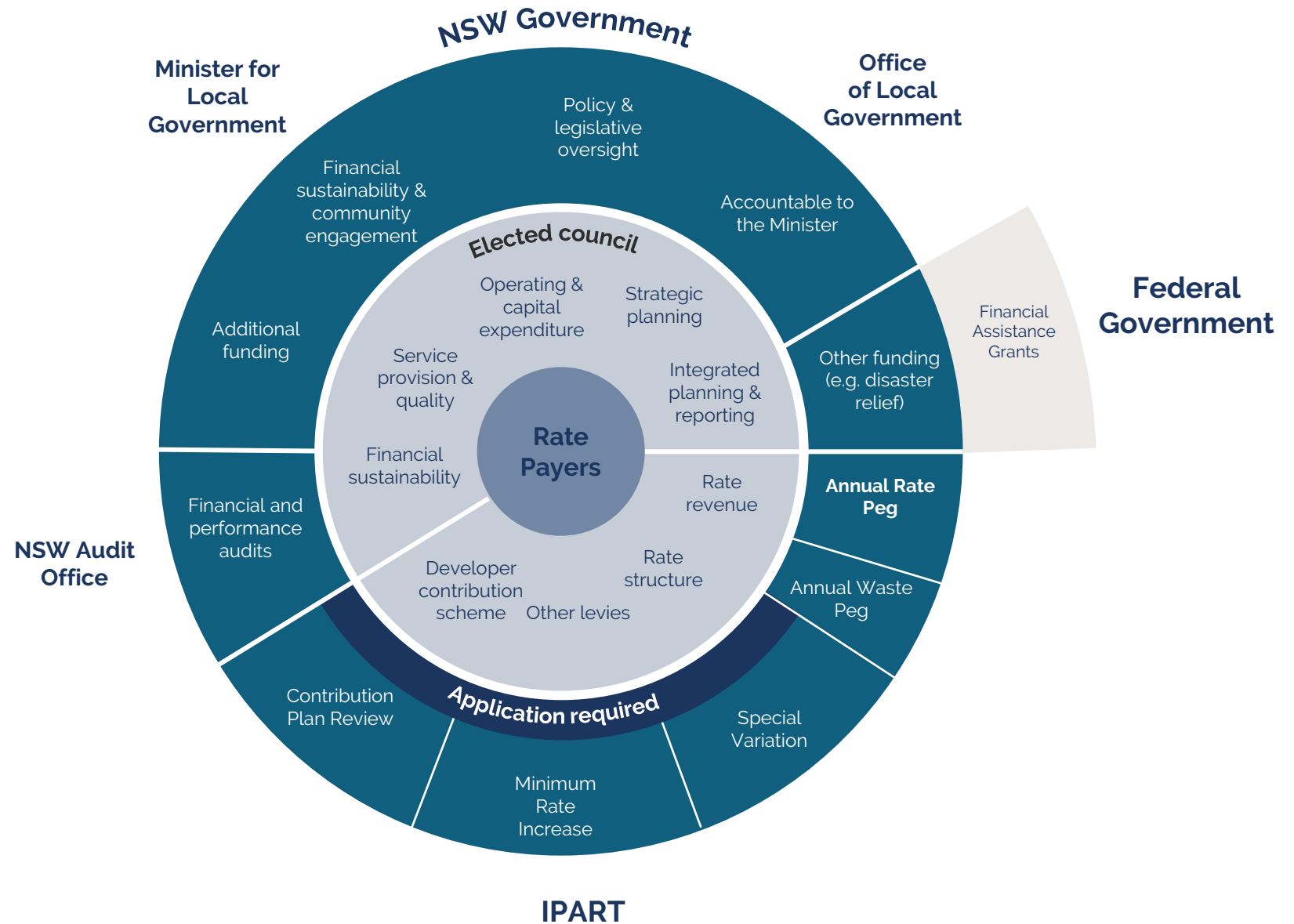
The waste peg

Since 2010, IPART has not set a limit to the increases in domestic waste management charges



- Domestic waste charges are separate to the rate peg.
- IPART decides whether to set a limit by which councils can increase their domestic waste management annual charges.
- Councils must ensure that income from charges for domestic waste management do not exceed the reasonable cost to the council of providing those services.

The rate peg is one part of a broader regulatory framework



Regulatory framework for councils

A range of NSW Government agencies play important roles in administering the regulatory framework for councils and monitoring councils' performance.



The Office of Local
Government



The Minister for Local
Government



The Auditor-General



Some key facts about council rates

Commonly asked questions

Why did my rates go up by more than the rate peg or special variation percentage?

What is the minimum amount of a rate?

How are councils held accountable?

What is and is not funded by councils' 'general income'?

What is a council's general income?

Why do councils get to collect more revenue when land values increase?

What is and is not funded by councils' 'general income'?

Most landowners pay 'ordinary rates' which covers the cost of council's day-to-day activities.

- Other major services are funded by separate charges. These charges may appear as a separate line on rates notices, including:
 - domestic waste charge
 - water and sewer charges
 - stormwater management and coastal protection services
- Revenue collected from these fees are typically kept separate to ensure they are used for the purpose for which they were collected.

Land valuations and rates income

Councils' general income is capped by the rate peg or special variation percentage



- When land values increase in a local government area, the local council's general income does not increase by the amount of the land value increase.
- A routine increase in a ratepayer's land value by the Valuer-General 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.

Councils decide the rating structure

It's up to the council, as the democratically elected body, to decide how to allocate an increase in the rate peg or special variation percentage (i.e. councils' general income) and how it collects its income across its ratepayers.



Example

A council may decide to allocate more of a rate increase to residential ratepayers than business ratepayers.

This may mean that residential rates increase by more than the rate peg or special variation percentage.



Overview of the rate peg methodology

Rate peg methodology review



The NSW Government asked IPART to recommend a rate peg methodology that is reflective of changes in inflation and costs incurred by local government.

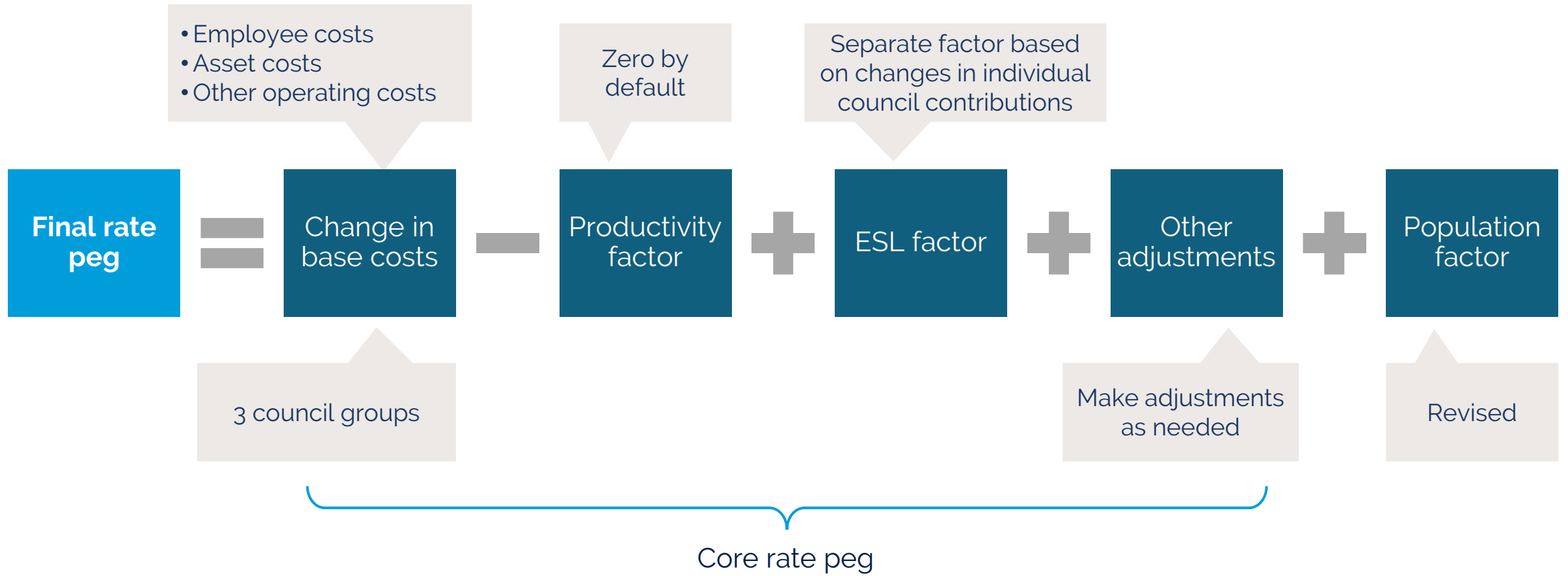


We consulted extensively with stakeholders and completed the review in August 2023. We implemented a new rate peg methodology starting from the rate peg for the 2024-25 financial year.



We recommended that the NSW Government commission an independent review of the financial model for councils in NSW. This is being considered by an NSW Parliament inquiry.

Our new rate peg methodology



Measuring changes in councils' base costs



New 3-component Base Cost Change (BCC) model including:

- employee costs
- asset costs
- other operating costs



Separate BCC models by council group to better account for diversity:

- metropolitan
- regional
- rural



Use forward-looking measures such as:

- Local Government (State) Award
- RBA's forecast change in the CPI



We will release the rate peg by the end of September.

Accounting for the Emergency Services Levy (ESL)



We included an ESL factor, lagged by one year, in our rate peg methodology that reflects the annual change in each council's ESL contribution.



The factor reflects an individual council's contribution based on:

- ESL contribution assessment notices
- cost sharing information.

The ESL factor can be positive, negative, or equal to zero.



The ESL factor, however, does not account for the impact of ESL increases when these were subsidised.

We also included an additional specific adjustment to the rate peg to reflect this impact. Some councils have received this adjustment for a portion of these increases.

We intend to phase in these increases over several years to better manage the impact on ratepayers.

Other decisions on the rate peg methodology



External costs

- Maintain our current approach and make additional adjustments to the rate peg on an as needs basis for external costs.



Population factor

- Deduct prison populations from the residential population of a council area and then calculate the growth of the non-prisoner residential population.



Productivity factor

- Retain the productivity factor in the rate peg methodology and set this to zero by default.

We want to
hear from you



- Have there been any practical or unintended consequences from the implementation of our new methodology?
- What should the Tribunal consider when setting the 2025-26 rate peg? For example, adjustments for
 - election costs
 - emergency services levy costs
 - other adjustments.
- Any other issue you wish to raise

Topics raised for discussion

Financial sustainability

Council needs and financial accountability

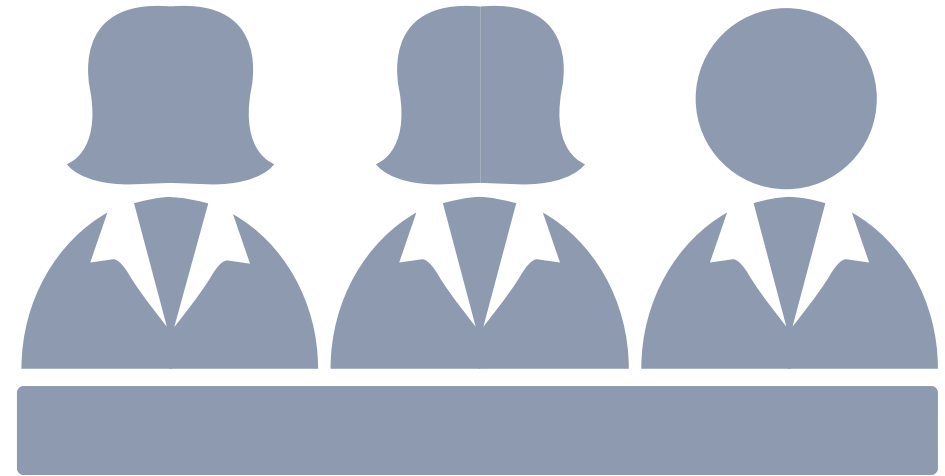
Excessive rate increases without change to services

Alignment with CPI and national increases

Why is there a rate hike when the council does little to maintain our road network?

Appropriate use of depreciation in budgeting

Open forum Q&A session



Next steps

- Publish a summary document of the discussion without attributing comments to individuals.
- Provide a summary of this workshop to the Tribunal to inform its decisions on the 2025-26 rate peg.



Thank you

