

How do general rates work?

General rates are made up of two key components:

- The base rate, which applies equally to all ratepayers within a category (residential, farmland, business or mining)
- The ad valorem, which is the component that is relative to the unimproved (or undeveloped) land value of the property.

Within each category (residential, farmland, business or mining) Council can collect up to 50% of your rates from the base rate and uses a mixture of base rate and ad valorem to collect the overall general rates.

The Valuer General oversees the valuation system and values all parcels of land in NSW. The most recent valuation was undertaken in late 2022.

What is the impact of land revaluations?

Focusing on the ad valorem component, it is important to understand how changes to land values impact what each ratepayer pays as well as how it impacts on what Council collects overall.

Changes in land values DO NOT impact how much Council is allowed to collect in general rates overall.

Changing land values DOES NOT generate any additional rates income for Council.

The only way Council can generate additional rates income is through an approved Special Rate Variation (SRV). This adds a percentage increase on top of the overall general rates Council can collect which is then distributed across all ratepayers.


To clarify if every property in the shire doubled in land value, Council does not get double the amount of rates. We would still receive the same amount in rates and because everyone's land value increased by the same relative amount then everyone's rates would remain the same.

If land values change relative to each other then what ratepayers pay on the ad valorem amount will also change, however again the total amount Council receives will not change, only the relative amounts each ratepayer pays. So in the context of recent land revaluations by the Valuer General and the potential Special Rate Variation, the changes to land values will not change what Council receives overall however the SRV would.

Below is an example rates notice that points out the components that are affected by land revaluations.

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Bega Valley Shire Council



ASSESSMENT NUMBER

Issue Date: 06/07/2022
 Rateable Value: \$190,000
 Base Year: 2019
 Rate Category: Residential
 Interest Rate: 6%

RATES NOTICE for the period
1 July 2021 - 30 June 2022

John Citizen
 1002 Bega Street
 BEGA NSW 2550

Property Location and Description
 1002 Bega Street BEGA NSW 2550
 Lot 0 DP 000000

Balance Brought Forward			\$0.00
Residential	190,000	0.003252	\$617.88
Residential Base Rate	1 @	\$536.00	\$536.00
Residential Sewerage Charge	1 @	\$1,318.00	\$1,318.00
Stormwater Levy Residential	1 @	\$25.00	\$25.00
20mm Water Access Residential	1 @	\$260.00	\$260.00
Waste Management Charge Res (S.501)	1 @	\$297.00	\$297.00
Res Landfill Waste 140L Fortnightly	1 @	\$101.00	\$101.00
Res Recycling Waste 240L Fortnightly	1 @	\$57.00	\$57.00
Residential FOGO 240L Weekly	1 @	\$105.00	\$105.00

This is your general rates - this is the amount that a SRV would apply to.

These amounts are NOT impacted by the SRV

This is your unimproved land value that is determined by the Valuer General. If this amount doubled for all rate payers but there was no SRV then the multiplication factor to the right would halve to give the same amount.

This is the factor that would halve if all land values doubled equally across the Shire and there was no SRV.

This is the ad valorem dollar amount.

If an SRV is approved the overall general rates income that Council can collect will increase. Council will use a mixture of an increased base rate for all categories and ad valorem to obtain the additional income.

Scenarios

General Rates Scenario 1



Scenario 1 – For simplicity lets imagine we only had four ratepayers in the whole shire and they all contribute a total of \$4 million in rates through the ad valorem and they all had equal land values. They would each pay an equal amount of \$1 million towards the total \$4 million Council receives through the ad valorem.

General Rates Scenario 2



Scenario 2 - If the Valuer General doubled all of the land values for the same four ratepayers and their land values were the same as each other, Council would still only receive the \$4 million distributed equally at \$1 million each. The pie hasn't changed.

General Rates Scenario 3



Scenario 3 - If the Valuer General revalued and the land values of two of the ratepayers doubled that of the value of the other two, then Council would still receive the same \$4 million, but who pays what proportion would change to be in line with the relative land values. In this scenario, the two ratepayers that had their land value double, would pay \$1.333 million (rounded) each and the other two would pay \$667,000 (rounded) each, where $\$667k + \$667k + \$1.333m + \$1.333m = \$4$ million.

General Rates Scenario 4



Scenario 4 - If the Valuer General kept land values the same (or increased them equally) but Council applies a Special Rate Variation, the overall size of the general rates pie Council receives would increase. Each of the four ratepayers would pay an equal amount of the bigger pie so if an SRV of 100% occurred then rates would double for each ratepayer and Council would overall receive double the amount of general rates income.