

Rates Harmonisation

At the Ordinary Meeting on Thursday, 19 December 2019, Edward River Council resolved to endorse a preferred new rate structure and to commence engagement with the community and ratepayers about the harmonisation of the former Deniliquin and Conargo Shire Councils' rate structures and the requirement for Council to develop a new and equitable rate structure for the Edward River area.

A restraint placed on merged councils under the amalgamation proclamation means Edward River Council has been restricted from considering rating calculations or re-categorising land for the purposes of rates until 30 June 2020. Consequently, Edward River Council has maintained the former Deniliquin and Conargo Shire Councils' rating structures since 2016. Table 1 below sets out the rate structure at 1 July 2019.

Table 1 - Current Rate Structure

Category and Sub Category	No. of Assess.	Land Value 2016 (1,000s)	Ad Valorem	Min. Rate	Base Rate
FARMLAND – Former Deniliquin					
Ordinary Farmland Dry	40	\$6,109	\$0.010195		
Ordinary Farmland Irrigable	71	\$11,052	\$0.013323		
FARMLAND – Former Conargo					
Farmland Dryland	59	\$22,147	\$0.004833	\$470	
Farmland Low MIL Irrigation	47	\$21,128	\$0.006473	\$470	
Farmland High MIL Irrigation	571	\$150,572	\$0.009401	\$470	
Farmland Low Murray/Murrumbidgee	44	\$58,853	\$0.005612	\$470	
Farmland High Murray/Murrumbidgee	44	\$39,330	\$0.007846	\$470	
Farmland Murrumbidgee Groundwater	11	\$7,711	\$0.005531	\$470	
Farmland Murray Groundwater	9	\$2,226	\$0.009316	\$470	
Farmland Private Scheme Irrigation	3	\$2,206	\$0.008758	\$470	
Farmland Low Coleambally Irrigation	18	\$30,645	\$0.005031	\$470	
Farmland High Coleambally Irrigation	6	\$3,891	\$0.007323	\$470	
RESIDENTIAL – Former Deniliquin					
Ordinary Residential Standard	2929	\$160,048	\$0.010312		\$434
Ordinary Residential Rural	415	\$44,391	\$0.008388		\$434
Mixed Residential Standard	*16	\$448	\$0.014802		\$355
RESIDENTIAL – Former Conargo					
Residential	277	\$9,663	\$0.004125	\$470	
BUSINESS – Former Deniliquin					
Ordinary Business Standard	418	\$359,963	\$0.027811		
Ordinary Business Minimum	20	\$194		\$540	
Mixed Business Standard	*16	\$621	\$0.028125		
BUSINESS – Former Conargo					
Business	50	\$975	\$0.004125	\$470	

* Mixed Residential/Business total 16 properties.

With the lifting of this constraint, Council has commenced work to review and harmonise the rating structure for implementation at 1 July 2020.

Rates harmonisation requires councils to come up with a new rating structure for the Edward Council area, replacing the disparate rating systems that existed under the previous existing boundaries.

This is a difficult and complex process that will not increase Council's general rate revenue but that will impact individual property rate assessments. Council is focused on managing the impacts and on providing a fair and efficient rating system.

Council will be engaging with the community and ratepayers in early 2020 about the rates harmonisation process and the proposed new rate structure.

Rates

Rates are levied on the land value (as determined by the Valuer General) of the property and in accordance with the Local Government Act 1993.

Effectively rates are an asset tax, the higher a property's land value, the more rates they will contribute based on the "capacity to pay" taxation principle.

There are two (2) types of rates:

- Ordinary rates
 - It is mandatory for council to make and levy an ordinary rate each year on all rateable land.
- Special rates
 - Special rates may be levied for works and services provided or proposed to be provided by council (e.g. town improvement works benefiting a specific locality, tourism promotion benefiting a particular ratepayer sector).
 - Special rates are also capable of application across all ratepayers. (e.g. for a project that would benefit the whole of the council area).
 - Special rates should not be levied on properties that will not benefit.

Rating Principles

The fairness of rates ought to be considered in the light of two principles:

- Benefit Principle
 - The extent to which those who receive the benefits of council's services also pay for those services.
- Capacity to Pay Principle
 - The extent to which those who pay for council's services have the capacity to pay for those services.

A rate which is fair when judged by the benefit principle may not be fair according to the capacity to pay principle or vice versa.

In determining rating structures, both fairness and efficiency considerations are important, and it is ultimately up to each council to choose a rate structure that successfully flattens the magnitude of variations in rate levies between different properties of variable rateable value in an efficient and effective manner.

Total Permissible Income

Council's general income comprises income from ordinary land rates and special rates (where applicable). It does not include income derived from fees or charges for water, sewer, waste management, stormwater, on-site sewage management fees etc.

The rate peg is a percentage determined by the Independent Pricing and Regulatory Tribunal (IPART) each year that limits the maximum general income NSW Councils can collect above the income it collected in the previous year.

As the rate peg applies to total rate income, individual property rates may fluctuate depending upon their rating categorisation, council's adopted rating structure and their land valuation.

Councils may apply for an increase above the rate peg limit determined by IPART for a number of years, known as a Special Rate Variation under section 508 of the Act. A Special Rate Variation, if approved, overrides the rate pegging limit.

Council is **not** currently considering a special rate variation.

Land Value

Land valuations are supplied to Council by the NSW Valuer General's Office (VG) and are based on the unimproved capital value (ignore any developments) on the land.

For equity purposes, the VG usually provides Council with updated land valuations every three years.

Council uses land values to equitably levy ordinary land rates by applying a rate in the dollar to an individual property's land valuation. A different rate in the dollar applies to different rating categorisations.

An increase in total land valuations received from the VG does not increase Council's Total Permissible Income (Rates Revenue); the increase in total land valuations simply redistribute the rate burden between individual properties based on that property's land value change in comparison to others.

The next land revaluation is due to take effect on Council's rating structure on 1 July 2020.

Categorisation of Land for the purposes of ordinary rates

Council has categorised all rateable properties in accordance with section 514 of the Act to be within one of the following rating categories.

- Farmland
- Residential
- Mining
- Business

Before making an ordinary rate, a council may determine a sub-category or sub-categories for one or more categories of rateable land in its area. A sub-category may be determined for the category:

- Farmland
According to the intensity of the land use, the irrigability of the land, or economic factors affecting the land.
- Residential
According to whether the land is rural residential land or is within a centre of population.
- Mining
According to the kind of mining involved.
- Business
According to a centre of activity.

Rating Methods

The legislation provides Council with the following three alternative methods for levying rates:

- Solely ad valorem rating
- Minimum rate plus ad valorem rate
- A base amount of up to 50 per cent of the total yield required to be raised from a category or sub-category plus an ad valorem rate.

The ad valorem amount of a rate is an amount in the dollar determined for a specified year by the council and expressed to apply, in the case of an ordinary rate, to the Land Value of all rateable land in the council's area within the category or sub-category of the ordinary rate.

Calculating a Rate

General Rates - The calculation used to ascertain the general rates for an individual property is:

$$\frac{\text{Land Value} \times \text{Ad Valorem}}{100} = \text{General Rate payable}$$

Base Rates - The calculation used to ascertain the base rate for an individual property is:

$$\frac{\text{Base Rate} + \text{Land Value} \times \text{Ad Valorem}}{100} = \text{Base Rate payable}$$

Minimum Rates - The calculation used to ascertain the minimum rate for an individual property is:

Land Value x Ad Valorem = Rate payable if above the minimum rate. If the result is 100 less than the minimum, then the minimum rate is payable.