

Frequently Asked Questions

Rates & Valuations

Why do I pay rates?

Councils help local communities run smoothly. They administer various laws and regulations to help maintain and improve services and facilities for the community. These services may include construction and maintenance of roads and footpaths, community facilities such as sporting and recreation services, parks, hall, pools and libraries, environmental planning, public health, environmental protection and waste management, treatment and disposal. The rates you pay allow your council to fund these services. Rates are not a fee for service but rather a tax based on the value of land and property.



Can Council decide how much revenue it can raise via rates?

No. Under the Local Government Act 1993, the total amount of income that a council can raise from certain rates and charges is limited. This is called the rate peg percentage. Because of rate pegging, a council's overall rates revenue cannot increase by more than the approved percentage increase. If overall land values rise, councils will have to adjust the amount of rates levied per dollar so that total income does not increase by more than the approved rate peg increase.

The rate peg is determined by the Independent Pricing and Regulatory Tribunal of New South Wales (IPART). IPART determine the rate peg for all councils using a Local Government index. This index helps calculate the operating costs of councils in New South Wales. Visit IPART's website for more information about the methodology uses to determine the rate peg (<http://www.ipart.nsw.gov.au/>).

How are my rates calculated?

Each council is required to determine the combination of rates, charges, fees and pricing policies needed to fund the services it provides to the community by producing a Revenue Policy. Council's Revenue Policy each year details the rating structure by which rates and charges will be calculated.

Ordinary Rates in Federation Council are calculated based on a variable rate (ad valorem rate) which is applied to the land value of your property, plus a common base rate.

$$\text{Base amount} + (\text{individual unimproved land value} \times \text{ad valorem rate}) = \text{rates charge } (\$)$$

This calculation method brings the higher and lower values closer together, effectively spreading the rate burden more evenly among all ratepayers.

How does land value affect the calculation of rates?

Land Values are the main factor all NSW Councils use to calculate rates for residents. Land values are determined by the NSW Valuer General and are generally reviewed every three years. The latest valuation date for Federation Council was 1 July 2022 and will be applied as of 1 July 2023.

Increases in land values do not necessarily lead to similar increases in rates. Changes to land valuations will result in a redistribution of the rates levied across categorised properties. Individual rates will change based on the change in your property's land value compared to the overall change in land values within the Council area to comply with the approved overall rate peg increase.

Visit the NSW Valuer General's website for further information on how land values are calculated

<https://www.valuergeneral.nsw.gov.au/>

The following scenarios have been provided to demonstrate the lack of financial impact of a change in land valuations on the general rates for a median property.

Scenario 1:

Total council property valuation - \$2,250 million

Total revenue to be raised by rates - \$9.0 million

No of properties – 6,125

Council has adopted the following rating structure:

General rates (\$) = Base amount + (individual unimproved land value x ad valorem rate)

Assuming a base rate of \$350 per property, of the \$9.0million to be collected in general rates, \$2,143,750 would be collected through the base rate (\$350 x 6,125 properties) and the balance, \$6,856,250, collected through the ad valorem rate.

$\frac{\$6.8 \text{ million}}{\$2,250 \text{ million}} = \0.003047

\$2,250 million

The rate in the dollar is \$0.003047.

Median property value - \$74,000

Total rates payable for median property - \$350 + \$74,000 x \$0.003047 = \$575

Scenario 2:

A property boom has occurred resulting in a 15% increase in property values.

Total council property valuation - \$2,587 million

Total revenue to be raised by rates - \$9.0 million

No of properties – 6,125

Based on scenario 1, the total rates to be collected through the ad valorem is \$6,856,250.

$\frac{\$6.8 \text{ million}}{\$2,587 \text{ million}} = \0.002649

\$2,587 million

The rate in the dollar is \$0.002649.

Property value - \$85,100 (an increase of 15%)

Total rates payable - \$350 + \$85,100 x \$0.002649 = \$575

Scenario 3:

The housing market has hit a slump and property values have decreased by 7%.

Total council property valuation - \$2,092 million

Total revenue to be raised by rates - \$9.0 million

Based on scenario 1, the total rates to be collected through the ad valorem is \$6,856,250.

$\frac{\$6.8 \text{ million}}{\$2,092 \text{ million}} = \0.003276

\$2,092 million

The rate in the dollar is \$0.003276.

Property value - \$68,820 (a decrease of 7%)

Total rates payable - \$350 + \$68,820 x \$0.003276 = \$575

Under each scenario, regardless of the land valuation, the amount collected by Council and the general rates paid on a property remain the same. Fluctuations in general rates will occur where a property valuation change differs from the average increase. For example, if a property in scenario 2 increases by greater than 15%, the general rates for the property will increase. If a property in scenario 2 increases by less than 15%, the general rates for the property will decrease.

The base data used in these examples (total council property valuation at the start, total general rates to be collected, no of properties, base rate, median property value) is indicative only.

Why have my rates increased/decreased by more than the rate peg?

Rate pegging applies to a council's overall general income and not to rates on individual properties. Within rate pegging, it is possible for some rates to increase by more than the rate peg percentage, while other rates may increase by less than the rate peg limit. In some cases rates may decrease from the previous year. A council's rating structure and valuation change are the main factors that determine what happens to rates on an individual property. Rating structure may change significantly from year to year.

Special Rate Variations

Under the Local Government Act 1993, councils are able to apply for additional increases in general income beyond the annual rate peg amount. This is referred to as a special rate variation. Councils may seek a special rate variation in order to undertake environmental works, fund town improvements, redevelop community and civic facilities, address maintenance backlogs and maintain or improve existing service provision.

Local councils that are seeking special variations to general income above the rate peg amount are required to submit applications to IPART for review and assessment. If a council's application is approved, IPART will specify the percentage by which the council may increase its general income.

Federation Council has applied to IPART for a Special Rate Variation commencing from 1 July 2023. An increase of 74.59%, phased in over four years, is proposed to address the maintenance and renewal needs of Council's extensive infrastructure network. This would enable roads, bridges and footpaths to be appropriately maintained, improvements to stormwater drainage to be implemented and proactive maintenance of the many community buildings that Council looks after.

IPART will advise its decision in May 2023, prior to Council adopting a final budget in June 2023.

Have your say on Council's Revenue Policy

Each year Council prepares a draft management policy known as the Revenue Policy around April or May for the following financial year and places it on public exhibition for comment. Council must consider any submissions by the public before adopting the plan. This is your opportunity to raise any issues about the rates and charges for the following year. Once the rates and charges have been adopted for a particular year, they cannot be changed until the next year.

I am having trouble paying my rates, what can I do?

If you are experiencing difficulty, please contact our Customer Service Team on 02 6033 8910 as soon as possible. We recognise cases of financial hardship require respect and compassion. Our team can discuss a range of options available including individual payment plans and our Debt Management and Hardship Policy which provides guidelines for the assessment of hardship applications. This policy is also available on Council's website.