

RATES HARMONISATION - FAQs

What are rates?

Council rates are a property tax and are a source of revenue for Council. Rates revenue is used to provide essential infrastructure and services.

This includes footpaths, resealing roads, stormwater drainage as well as community facilities (parks, gardens, libraries and pools).

What is rates harmonisation?

Rate harmonisation is a process where we move to a single rates system that uses the same method to calculate rates across the Hilltops local government area. It is the process of merging the rating systems of the former Boorowa, Harden and Young Shires into a single structure for all of Hilltops.

Rates charged for each property will still vary depending on the rating category (residential, business, farmland and mining) and your land value determined by the NSW Valuer General, but the property location will no longer be a factor.

My rates have gone up. Does this mean Council receive additional revenue by harmonising rates?

Not through the harmonisation process. Rates harmonisation is about re-distribution of the rates across the rating categories. Council's total rates revenue is capped at an increase of 2.00%, which is set by IPART (Independent Pricing & Regulatory Tribunal).

I.e. The process takes the current total general rates and apportions it differently across revise subcategories to reflect the merged Council. The result is the total revenue of Hilltops Council remains the same.

Will my services change if my rates do?

No, Council's current service level will remain. The harmonization process does not generate any additional revenue for Council to be able to increase service levels.

Why are we harmonising rates?

Following the amalgamation of NSW Councils on 12 May 2016, the NSW Government requires councils created in 2016 to develop a single rating system for their Local Government Area by 1 July 2021.

Legislation currently with NSW may provide some relief in the form of a gradual implementation if the NSW Government's proposed changes are passed into law.



Does rates harmonisation mean everyone will pay the same amount?

Under rates harmonisation, the creation of a uniform rating structure will mean some of the existing rates will go up and some will go down from 2021-22.

How much ordinary rates will change due to harmonisation is largely dependent on the value of land.

Not everyone will pay the same rates for their property as rates are calculated using the unimproved land value as decided by the NSW Valuer General. All properties have different land values. The formula to calculate rates will be the same across all rating categories.

Under the proposed structure all ratepayers across the Hilltops LGA will be subject to the same minimum rate of \$554.00 (\$10.65 per week for services Council provides to community from rates) as well as their rates being calculated using the same formula.

This process will remove inequity in the scheme by applying a consistent formula for calculating rates across all Hilltops ratepayers.

How will my rates be affected?

Unfortunately, Council cannot keep everyone's rates at the same level, and there will be winners and losers as a result of the harmonisation which will see some rates increase and some decrease. However, Council will receive the same amount of income as if the harmonisation was not undertaken.

Remember, there are other factors that affect the rates calculation, including:

- Yearly increases in line with the rates peg.
- Your land valuation, which is assessed every 3 years by the NSW Valuer General. The most recent valuation was this year and will be applied in the 2020/21 financial year.

You can see the impact of the proposed changes on your rates by using the rates calculator.

<https://ratescalculator.pory.app/>

How does my land valuation affect my rates?

Councils must set rates based on the value of each parcel of land in their area. The values are determined by the NSW Valuer General. The Valuer General issues, Notices of Valuation to advise landholders of their new land value that will be used in the calculation of their council rates.

Notices of Valuation are generally issued every three years, within the three-year base year period the VG provides council with Supplementary Lists every four weeks which dictate land value changes to particular properties. Changes to land valuations do cause a redistribution of the rates levied across categorised properties, but individual rates may not go up and down in line with the property value.



What if I can't afford the new amount?

If you are having difficulty paying your rates, contact us as soon as possible on 1300 445 586 to discuss your situation. Make it clear what you can afford to pay or ask us to put a proposal to you.

Depending on your needs, we can provide you with information about:

- Payment options, including help to set up weekly, fortnightly or monthly direct debits.
- Personal payment plans to help you pay off your overdue rates at the same time as addressing your future instalments in one easy plan.
- Access to Centrelink's Centrepay facilities.
- REFERRAL to financial counselling services.
- advice on how to manage your water usage to save money.

Council recognises there are cases of genuine financial hardship requiring respect and compassion in special circumstances. Council's debt recovery and financial hardship policies can be viewed on under *Policies and Plans*.

Why are there currently different minimum rates and why do we need to be all the same?

Each Council in NSW is able to determine their own minimum rate.

The former Boorowa Council has a minimum of \$464.00 while the former Young Council has a minimum of \$472.00. The former Harden Council levies rates using a base amount as opposed to a minimum.

The NSW State Government has given all Councils in NSW a deadline of 1 July 2021 to have one rating structure in place. This means one minimum rate across the whole of Hilltops Council. Under the NSW Government guidance there needs to be a fair and equitable split of rates across both residential and business rate payers.

What is the difference between base and minimum rates?

Councils can rate on just the ad valorem (cents in the dollar based on land value) otherwise they can choose between using:

1. A "**minimum rates**" system – Under this system a Council compares the calculation of the ad valorem to the minimum rate it sets and charges the greater of the two. This is so that those with the lowest values do not end up paying very small amounts compared to others.
2. A "**base rates**" system – Under this system a Council may impose a "base" amount that is the same dollar value for everyone, but they must then add an additional rate per dollar of land value. In this system, the total rates raised by the council from the "base" component cannot exceed 50 per cent of the total rates raised in the area.

Rates applied under either system may vary per dollar of land value depending on the category of land. There are four categories of land to which rates can be applied: residential, business, farmland and mining. Generally, Councils apply lower rates per dollar of land value



for residential land than they do for land occupied by businesses. While both systems are based on the concept of imposing taxes fairly, they can in practice have quite different effects. Under both systems the total increase in the yield of rates that may be raised by a council is capped each year by the NSW Government.

What is a minimum rate & who pays it?

Minimum rates are a specific rate, where a minimum amount is levied on each parcel of land, regardless of the land value. This mostly applies to apartments and units, as these dwellings share the land value of the land on which the apartments are built. As a result, they tend to pay substantially lower rates to that of houses. Councils set minimum rates to reduce the gap between what houses and apartments pay in their Local Government Areas. This is because the use of Council services like parks, open space, beaches, and local roads, is available to everyone regardless of whether you live in a house or unit.

My rates are above the minimum rate. How are my rates calculated?

Council rates that are above the minimum are calculated based on the value of your land, as determined by the NSW Valuer General.

The valuation process is not determined by Council.

We receive the updated land values from the NSW Valuer General at least every three years. The last revaluation came into effect on 1 July 2020. Any significant fluctuation in your land valuations may have an impact on the amount of rates you pay.

You can find further information about the NSW Valuer General valuation process on their website.

What's the difference between business rates & residential rates?

Every parcel of land in NSW falls within one of four categories for rating purposes and Council is required to categorise each one based on its characteristics and uses.

- **Residential** - where the dominant use is for residential accommodation (does not include hotels, caravan parks, nursing homes etc). If vacant land is zoned or classified as residential it comes under this category.
- **Farmland** - where the dominant use of the land is for farming or agricultural production, where the primary production business has a significant and substantial nature and a purpose of making a profit. Hobby farms do not meet the definition.
- **Mining** - where the dominant use is for a coal or metalliferous mining.
- **Business** - all land that cannot be classified as farmland, residential or mining.



What is the difference between house rates and unit/apartment rates?

We use the method of 'ad valorem' (rate per dollar according to land value) and minimum rates to determine what rates are paid by each property owner.

The rate per dollar calculation uses the land's valuation. If the valuation multiplied by the rate per dollar falls below the minimum rate, a minimum rate will be charged.

Because units, flats and apartments own just a small portion of a lot of land, the calculated rate is usually below the minimum. Therefore, they pay the minimum.

Minimums are used to reduce the gap between what houses and apartments pay in rates.

The value of your land is determined by the NSW Valuer General. We receive the updated land values from the NSW Valuer General at least every three years. The last revaluation came into effect on 1 July 2020. Any significant fluctuation in your land valuations may have an impact on the amount of rates you pay.

You can find further information about the NSW Valuer General valuation process on their website.

Will I still get the pensioner rebate?

Yes, residents who hold a pensioner concession card are entitled to apply for a rate reduction and will receive the Mandatory Government Rebate of \$250.

Find out more about **Pensioner Rebates**.

Where can I find my property valuation, what if I don't know my land value or don't agree with it?

The valuation of your property can be found on your annual rate notice – the rate notice you receive at the start of the financial year. This value is based on the land value only and does not include any improvements such as buildings.

Information about the NSW Valuer General's valuation process and how to request a review is issued with the valuation notices. It is very important to read that information as it explains what you should do if you have concerns about your valuation and how to go about requesting a review of your valuation. As valuations are provided by NSW Land & Property Information on behalf of the NSW Valuer General who is the statutory independent valuing authority, all enquiries should be directed to NSW Land & Property Information:

Phone: 1800 110 038

Website: www.valuergeneral.nsw.gov.au

Submit an enquiry

The NSW Land & Property Information and NSW Valuer General's Office websites contain information on the valuation process and how to request a review/lodge an objection.

You can also find your land valuation from the NSW Valuer General website – select the 1 July 2019 value.



Is rates harmonisation being used to solve Council's financial challenges?

No. Rates harmonisation does not result in any additional income for Council. Rates harmonisation redistributes the permitted rates income amongst the ratepayers within each rating category.

Can Council automatically increase rates?

No. The total amount of income any Council can receive from rates is capped by the rate peg set annually by IPART. Council's rates income can only increase in one of the following ways:

- Rate peg set by IPART (rate peg is the annual amount that Councils can increase rates by; and for 21-22 it is 2%).
- Applying to IPART for a Special Variation.

How can I work out how much I will pay under the harmonised rating structure?

Using the Property ID listed on your rates notice, you can use the rates calculator on this page to find out.

Why is there no mention of water, sewer or waste rates?

Harmonisation only applies to the general rates. Those areas are funded by special rates and charges, which are raised under separate parts of the Local Government Act. General rates do not cover the costs of any of those services.

What about the new legislation that is coming in?

Legislation currently with NSW parliament may provide some relief in the form of an option to perform gradual implementation over four years if the NSW Government's proposed changes are passed into law. Using our calculator, you can determine the impact of a phased harmonisation on your rates.

Should the legislation be passed and Hilltops take up the option to phase in the harmonisation over the prescribed period, this means some ratepayers will continue to cover the rate burden of those currently paying lower rates and those rate payers benefit from a gradual increase to their rates.



There's not enough/too much information – all I want to know is how much extra I'm going to pay.

Visit our rates calculator here <https://ratescalculator.pory.app/>

You will need to know your property ID which can be found on your rates notice.

How are rates calculated?

Rates are calculated based on the NSW Valuer General's assessment of the unimproved capital value of the land. Council's 2020/21 and the upcoming 2021/22 rate is based on the Valuer General's July 2019 land valuations.

Council rates can generally be described as a tax on the wealth of property owners, where their wealth is measured by the value of their land (excluding improvements such as a house). However, in NSW, it would be more accurate to say that rates are a function of a property owner's share of the total value of land within the local government area. Generally, the greater your share of total land wealth within your local government area, the higher your rates; although this depends on the type of rating system chosen by the council.

What is the ad valorem?

adj; adv. 1. in proportion to the value - often a tax or levy based on the assessed value of an item, such as real estate.

The ad valorem is the rate in the dollar applied to the value of the land (i.e. multiply the land valuation by the rate in the dollar). If using ad valorem only to calculate rates, properties with very low land values would pay comparatively low rates. Under the Local Government Act 1993, there are only two additional systems for imposing rates: a minimum rates system and a base rates system.

If my rates go up, what do I get?

Harmonisation provides a consistent, fair and equitable approach to rates collection, ensuring those with the same land value within each category or subcategory pay the same for the same level of Council service.

What happens next?

Council is seeking community feedback on the proposed rating structure. The community engagement period is open until 12 noon on Friday 21 May 2021. Council will consider all community feedback at the Council Meeting as which will be presented as part of Council's draft Revenue Policy.

The Revenue Policy will be on public exhibition for a further 28-day period and final round of consultation as part of Council's Delivery Plan/Operational Plan, before being put to the June Council meeting for adoption.

