**Professional Management and Leadership**

**Report No. PM8/2013**

**Customer Services**

***SUBJECT:*** ***LAND VALUATIONS FOR RATING JULY 2012 BASE DATE***

***AUTHOR:*** ***Financial Services Manager - Robert Maginnity***

***SUMMARY***

The NSW Valuer General (VG) has recently undertaken a revaluation of land values for all land within the Cessnock Local Government Area (LGA). The revised valuations have a base date of 1 July 2012 and are required to be used for rating purposes from 1 July 2013. This report provides a summary of this revaluation for Councillors information.

***RECOMMENDATION***

**That the report be received and the information noted.**

***BACKGROUND***

The VG is the statutory body that provides land valuations for all Councils across NSW for rating purposes. The valuations are reviewed periodically (usually every 3 years) and Council is obliged to use the latest valuations when levying general purpose rates.

Council has received the revised valuations for the LGA with a base date of 1 July 2012 and this report is provided to Councillors for information purposes to highlight the movement of valuations since the last general revaluation in 2009. The revised valuations are required to be used for rating purposes from 1 July 2013.

***REPORT/PROPOSAL***

General rates are levied on all rateable properties in the LGA. Other charges as applicable (eg waste, stormwater & OSSM) are levied in additional to the general rates component to give the total rates and charges levy for a property.

The overall land value increase across the LGA was $121,019,029 with a total land valuation of $4,093,658,127. This represents a **3.05% overall increase** being experienced across all suburbs/localities for all rateable and non rateable land. Individual localities have fluctuated from an 18% increase to a 36% decrease in value from 2009 to 2012 base dates. The largest increases being experienced in Stanford Merthyr (18%), Bishops Bridge (13%), Paxton (12%), Stockrington (11%), Pelaw Main (16%), Neath (11%) and East Branxton (11%). A smaller number of localities experienced a percentage drop in valuation including Loxford (36%), Richmond Vale (10%), Congewai (6%), Mount Vincent (6%) & Quorrobolong (6%). It is stressed that these figures include all land values within the LGA, including non ratable land as supplied by the VG.

For comparison purposes, when the 2009 valuations where issued overall land value for the LGA increased only marginally with a 1.33% overall increase. At that time the largest increases experienced by locality were Loxford (66%), Weston (18%), Bellbird (16%), Kearsley (11%) and Black Hill (11%). A number of localities experienced a valuation drop including Bishops Bridge (25%), Keinbah (21%), Buttai (20%) & Sawyers Gully (19%).

From a rating category perspective the 2012 valuations have seen land value increases in Residential (6.65%), Residential Rural (2.86%), Farmland Mixed Use (1.56%), Farmland Low Intensity (5.01%), Farmland Business Rural (0.92%) and Mining (2.51%). Decreases were recorded in Farmland (4.05%) and Business (9.08%). These figures are an extract from Councils rating system for all rateable properties at the date of this report, and these show an average **3.36% increase** in rateable land value to a total of $3,955,808,593 for the LGA.

For Councillors information ***Enclosure 1*** contains a listing of towns/localities showing the percentage movement in land values as supplied by the VG for all land in the LGA. ***Enclosure 2*** provides a graph of the percentage changes for rating categories for all rateable properties in the LGA.

The impact on individual ratepayers is difficult to predict during the first year after a general revaluation as a number of factors affect the rates to be levied. Council determines the breakup of the total rate yield across the various rating categories and is able to levy rates up to the permissible increase as announced by IPART. So in a rating year with no general revaluation, provided that Council does not materially alter the rate yield within categories, the individual increase in rates will generally be similar to the permissible income increase.

However, in the first year after a general revaluation, the movement of land values in individual properties is not consistent, with some properties experiencing increases and others decreases. Provided that Council maintains the yields for the various categories, the level of any increase or decrease will be dependant on what movement an individual property land value experienced in comparison to the average for the whole of the LGA. If the land value movement for a property varies significantly from the average, it would be expected to experience a significant movement in rates payable.

Another factor to consider is the effect of the current special rate variation which is due to expire in June 2012. Council is looking to apply for a continuation of the existing variation and combined with the budget preparation process for 2013/14, will need to consider the rating structure for inclusion in the Operational Plan which is scheduled for public exhibition during May.

Councillors need to note that any movement in the total land valuations from a general revaluation for Council does not directly correlate to increased revenues generated from rating. Council is only able to increase the total general rates by the permissible increase determined by IPART which has been announced at 3.4%.

The VG issued a media release on 30 January 2013 relating to the new valuations and a copy is provided for Councillors information at ***Enclosure 3.***

## *OPTIONS*

Nil

## *CONSULTATION*

Revenue Accountant
NSW Valuer Generals Department representatives

**Professional Management and Leadership**

**Report No. PM8/2013**

**Customer Services**

***STRATEGIC LINKS***

**a. Delivery Program**

The General Rates levied under the Revenue Policy incorporated into the Delivery Program and Operational Plan is largely based upon the valuations provided for rating purposes. The majority of the funding for the operations of Council is provided from general rates levied.

**b. Other Plans**

Nil

***IMPLICATIONS***

**a. Policy and Procedural Implications**

Nil

**b. Financial Implications**

There are no financial implications to Council of this report. The increase in total land valuation does not increase the total amount of rates able to be collected. The total to be collected is subject to the permissible increase determined by IPART, which means that the total pool of general rates can increase by only 3.4%.

Changes in valuations may alter the distribution of the rate burden across individual properties or rating categories. Movements in individual valuations may affect individual properties dependant on the percentage movement in land value as compared to the overall increase for the LGA. If an individual property valuation movement is on par with the overall average, there should not be a significant increase/decrease in rates payable. However, if the movement is significantly more or less than the average there may be a variation in the amount of rates payable.

**c. Legislative Implications**

Land value is the value determined specifically for rating purposes by the VG under the Valuation of Land Act 1916. Council is required to use the land value for calculation of the ad-valorem component of the general rate in accordance with Section 498 of the Local Government Act 1993.

**d. Risk Implications**

Nil

**e. Other Implications**

Nil

**Professional Management and Leadership**

**Report No. PM8/2013**

**Customer Services**

### *CONCLUSION*

The report provides a summary for Councillors information of the percentage changes in valuations required to be utilised for rating purposes for the year commencing 1 July 2013.

### *ENCLOSURES*

| | | |
|---|---|---|
| **1** | Locality Land Value % Movement - 2009 to 2012 | 1 Page |
| **2** | Rating Category Land Value % Movement - 2009 to 2012 | 1 Page |
| **3** | VG Media Release | 3 Pages |