Attachment Under Separate Cover

Ordinary Council – 24 May 2021

Agenda Item 9.6 - Rating Review Final Report

A Review of the Basis of Rating
Completion Report

For the City of Victor Harbor

May 2021

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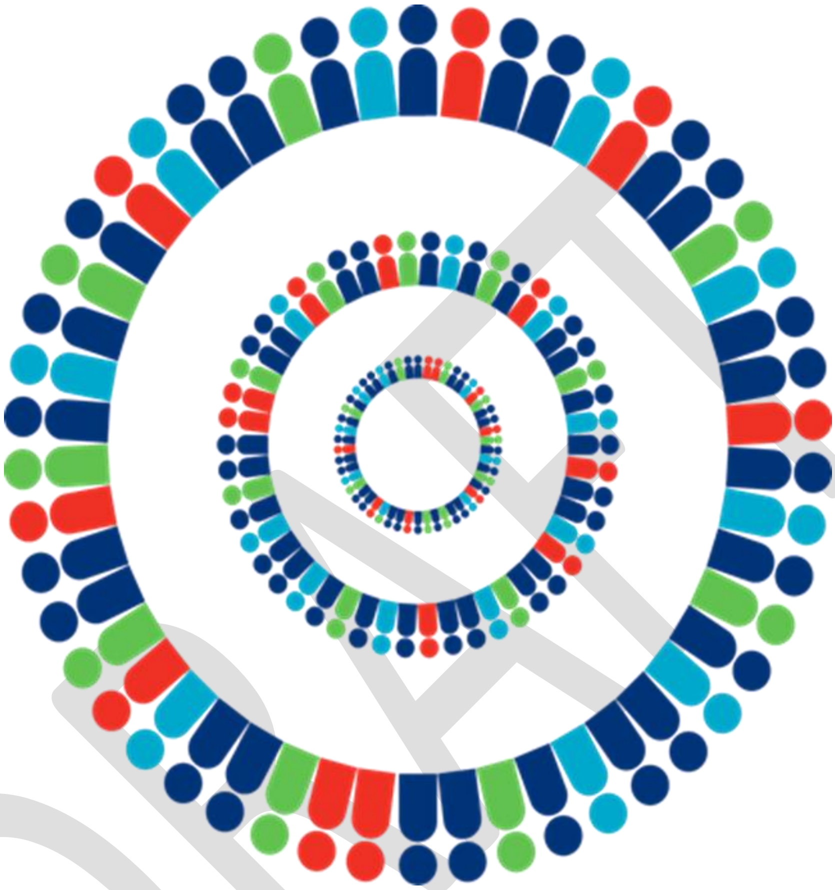

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1. Executive Summary

Introduction

Councils are responsible for the delivery of a broad range of services to their communities. Each community is unique and has different priorities. Councils receive income from several sources to pay for the services they provide, and the largest revenue source is rates.

The Local Government Act 1999 allows Councils to raise rates and provides a degree of flexibility in the options used by Councils to do this. Councils need to determine the best method for their communities and review this from time to time to ensure the system they use remains relevant.

The City of Victor Harbor (Council) is reviewing the current methods for setting rates and what alternative methods, if any, may be more appropriate for the community.

This process is known as a rating review and considers a Council's rating requirements and the best way for that Council to distribute the rate burden amongst their community. Each Council will have different communities, so the rating system used is unique for each Council.

Section 151 of the *Local Government Act 1999* (The Act), requires that Council must produce a public report that must address the following when considering changing their basis of rating:

- The reasons for the proposed change
- The relationship of the proposed change to the Council's overall rate's structure and policies
- As far as practicable, the likely impact of the proposed change on ratepayers
- Issues concerning equity within the community.
- And any other issues that Council considers relevant.

Council produced a 'Review of the Basis of Rating – Consultation Paper' that satisfied the requirements of Section 151 of the Act.

Proposed Changes sent to Consultation.

Council considered rating information and proposals over a number of workshops. Information considered included; rating methods available, the current method of rating, proposed changes, and likely impacts.

Council's current rating system has a number of aspects that Council felt should be reviewed and consulted on.

Council proposed no changes to the following;

- Fixed Charge – to not increase by more than inflation.
- Capping – to remain at the current level of 15%

Changing Differentials
The following table shows the current differentials and the proposed differentials that were sent to the community for consultation.

Land Use	Current Differential	Proposed Differential
Residential	100% = Base	No change
Commercial	130% = Base + 30%	Reduce to 100%
Industry	115% = Base + 15%	Reduce to 100%
Primary Production	90% = Base – 10%	Increase to 100%
Vacant Land	150% = Base + 50%	Increase to 160%

These proposed changes exclude any annual rate increases that Council may impose to general rates or service charges to cover the costs of inflation, requirements of Council's Asset Management Plans, future changes to services or any other impact as outlined in Council's Long Term Financial Plan. Future valuation increases in properties are also not considered.

The proposed changes and modelling within the consultation report are compared against current rates to assist in understanding their impact in isolation from other influences.

Consultation Undertaken

Council provided a Consultation Paper to the community as per requirements of Section 151 of the *Local Government Act 1999* which requires Council to produce a public report that addresses the following when considering changing their basis of rating;

- The reasons for the proposed change
- The relationship of the proposed change to the Council's overall rates structure and policies
- As far as practicable, the likely impact of the proposed change on ratepayers
- Issues concerning equity within the community.
- And any other issues that Council considers relevant.

The consultation period was from the 25th March to the 26th April 2021.

Council provided information on the proposed changes via the following methods.

- Victor Harbor Times
- On Council's Website

A public meeting was held at the Council Chambers on the 22nd April at 6.30pm

Conclusion and Recommendation

Council has undertaken the required reporting and consultation as per the *Local Government Act 1999* to review their basis of rating.

The consultation process engaged the community with a good response both in writing and attendance at the public meeting. Many questions were raised and answered at the meeting and the community raised some significant concerns and issues for Council to consider.

In light of the consultation the following recommendations are provided to Council for their consideration:

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Reducing the Commercial and Industry Differentials

There was an indicated preference to retain the current level of differentials for Commercial and Industry properties for the purposes of allocating those additional funds to economic development. There was particular support from representatives for the business community.

Recommendation:

- **That Council retain the Commercial Differential at 130%**
- **That Council retain the Industry Differential at 115%**
- **That Council address the requests by the business community regarding how the spending of the additional rate revenue on economic development occurs.**

Increasing the Primary Production Differential

There was an indicated preference to retain the current level of differentials for Commercial and Industry properties, particularly from the business community.

Recommendation:

- **That Council retain the Primary Production Differential at 90%.**
- **That future responses to impacts on the industry such as drought be addressed through a short-term rebate rather than adjusting the differential.**

Increasing the Vacant Land Differential

There was an indicated preference for increasing the Vacant Land Differential.

There were concerns raised about people being able to pay additional rates whilst waiting to build. This could be alleviated if there was a rebate for owners of vacant land or who lived in the Council area however the legality of this within legislation would need to be checked.

Recommendation:

- **That Council increase the differential for Vacant Land from 150% to 160%**
- **That Council consider and seek legal advice on providing a rebate to Vacant Landowners that live in the Council area.**

Retaining the Fixed Charge at the Current Level

The Consultation Paper discussed keeping the Fixed Charge as it is and only increasing by inflation each year. The survey question does not appear to have clearly matched with the proposal of the Consultation Paper.

However, the response did not indicate a move to increase the Fixed Charge.

Recommendation:

- **that Council retain the Fixed Charge at its current level, only increasing by inflation each year.**

Retaining Capping at the Current Level

There was not much response about the capping.

Recommendation:

- **That Council retain the current level of capping at 15%**

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2. Consultation

Information Provided to Community – Consultation Paper

A Consultation Paper was provided to the community via Council's website. This document included the following topics and should be read in conjunction with this report;

- The Purpose of the Consultation Paper
- Why Council's Collect Rates
- Nature of Council Rates
- Principles of taxation
- Legislative Framework for Setting Council Rates
- Valuations
- Rating Options Available
- Service Rates & Charges
- Rate Discounts
- Postponement of Rates
- Council's Current Rating Methodology
- Comparison to Similar Councils
- Council's Community Profile
- Rating as a Tool to Assist in Achieving Strategic Objectives
- Rating Structure – Potential Changes and their Impact
- Proposed Changes
- Likely Impact on Ratepayers
- Consultation Requirements

Consultation Period

The consultation period was from the 25th March to the 26th April 2021.

Advertising of Consultation

Council provided information on the proposed changes via the following methods.

- Victor Harbor Times
- On Council's Website

Survey

Council had a survey on www.yoursay.victor.sa.gov.au with hard copies for people to fill out at the Council Office.

Public Meetings

A public meeting was held on the 26th April at 6.30 at the Council Chambers

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3. Key Points from Feedback Received

A number of issues were raised in both the written feedback and the public meeting. They are summarised here with our comments:

Reducing the Commercial and Industry Differentials

The following summarised comments were made <u>for</u> the reduction of Commercial and Industry differentials

- Higher differential is a disincentive to new business and doesn't encourage commercial activity.
- Unfair to pay higher differential when receive the same services.
- Businesses have been affected by Covid-19 and online businesses.
- Lower business costs would encourage new businesses to the area and greater investment from existing businesses.

The following summarised comments were made <u>against</u> the reduction of Commercial and Industry differentials.

- that the higher differentials for Commercial and Industry properties for the purpose of economic development is sound.
- would not like to see a reduction in Council's investment in economic development.
- the higher differential was suggested by the Victor Harbor business community initially to prioritise economic development.
- That a reduced differential would mean that larger business rate payers that are national and multinational firms would share a lesser proportion of the rating burden
- That the removal of the higher differential will not see a growth in investment by business
- That the properties are used for to gain financial income and should pay higher rates.
- Don't want Residential Rates to increase to pay for a reduction in Commercial and Industry rates.
- That businesses are started for many other substantial reasons than the rates payable.

Survey Results

- The majority were supportive of the current differential rates of 130% for Commercial and 115% for industrial. (12 to 8)
- A small majority of survey respondents disagreed that the removal of the higher differentials would encourage business investment in the Council area. (9 to 8)
- The majority agreed that the higher differential on 'bricks and mortar' businesses is inequitable when compared to businesses run out of residential properties. (15 to 2)
- The majority disagreed that large national commercial businesses should pay the same rate in the dollar as residential properties. (12 to 5)
- The majority agreed that any reduction to the commercial and industrial differentials should be introduced over a 5-year period. (8 to 5)

Conclusion

There was an indicated preference to retain the current level of differentials for Commercial and Industry properties, particularly from the business community.

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Recommendation:

- **That Council retain the Commercial Differential at 130%**
- **That Council retain the Industry Differential at 115%**
- **That Council address the requests by the business community regarding how the spending of the additional rate revenue on economic development occurs.**

Increasing the Primary Production Differential

The following summarised comments were made for increasing the Primary Production Differential from 90% to 100%.

- Other Government support available for Primary Production, should not be a responsibility of Council.
- Primary Producers have good and bad years, it's the risk inherent in the industry.
- Drought hasn't had an impact in our region and leads to stronger prices for livestock.
- No longer in drought conditions. (from a ratepayer in the industry)
- Should have proof of income loss (excluding depreciation) for a reduction in rates.
- Primary producers derive income from their property and accordingly should pay at least the same rates as residential property owners. They are also well supported by favourable taxation schemes.

The following summarised comments were made against increasing the Primary Production Differential from 90% to 100%

- High increase in property values due to Valuer General's Revaluation Initiative
- Primary Production is a high-risk business.
- Less services available in the rural areas
- have responsibilities of controlling feral animals and weeds which benefits whole community.
- the industry makes a significant economic contribution to the district and does not receive the level of support that business and tourism does.
- Council has lower costs for primary production land.
- Primary Producers have responsibilities to decrease fire risk.
- Recognition of the contribution that rural landholders make towards retaining conservation land on their properties for the benefit of all ratepayers.

Survey Results

- The majority support the continued provision of a discount for primary producers. (12 to 9)

Conclusion

The respondents mostly favoured retaining the 10% differential discount for Primary Production properties. This reduced differential occurred due to a response to drought, but many Councils have a small discount for Primary Producers in acknowledgement of their contribution to the economics, environmental and aesthetic of the district.

Council will need to consider their response to any future situations such as drought. Further discounting the differential may make it difficult to return to its current level. Rebates can be

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targeted to those Primary Producers that are actually affected by the particular conditions and can be made available for just one year.

Recommendation

- **That Council retain the Primary Production Differential at 90%.**
- **That future responses to impacts on the industry such as drought be addressed through a short-term rebate rather than adjusting the differential.**

Increasing the Vacant Land Differential

The following summarised comments were made <u>for</u> increasing the Vacant Land Differential from 150% to 160%.

- Current housing shortage in the area would indicate we need vacant land turned into housing and not land banked.
- Encouraging infill and housing creates employment in the construction industry as well as leading to population growth with flow on benefits across the local economy.
- Higher rate but preceded by a 2-year honeymoon period to allow reasonable time to do improvements.
- Would encourage either the building or selling of the land.

The following summarised comments were made <u>against</u> increasing the Vacant Land Differential from 150% to 160%.

- Young people purchasing vacant land with the intention of building at some future date should not be disadvantaged to this degree.
- A Family wants to hold land for children who may not be able to get land later on.

Survey Results

- A small majority agreed that there was a shortage of vacant land in the Council area. (6 to 3)
- The majority support the proposal to increase the vacant land differential to 160% of the residential differential. (12 to 7)

Other comments

- Would like to see encouragement for properties to be converted to permanent rental properties.

Conclusion

There was an indicated preference for increasing the Vacant Land Differential.

There were concerns raised about people being able to pay additional rates whilst waiting to build. This could be alleviated if there was a rebate for owners of vacant land or who lived in the Council area however the legality of this within legislation would need to be checked.

Recommendation:

- **That Council increase the differential for Vacant Land from 150% to 160%**
- **That Council consider and seek legal advice on providing a rebate to Vacant Landowners that live in the Council area.**

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Retaining Fixed Charge at Current Level

Survey Results

- There was a majority who support a fixed charge applied equally across the ratepayer base. (11 to 7)

Comments were:

- that this system has been long established so no change
- That ratepayers with lower value properties are penalized by comparison to ratepayers with higher value properties.

Conclusion

The Consultation Paper discussed keeping the Fixed Charge as it is and only increasing by inflation each year. The survey question does not appear to have clearly matched with the proposal of the Consultation Paper.

However, the response did not indicate a move to increase the Fixed Charge.

Recommendation:

- **that Council retain the Fixed Charge at its current level, only increasing by inflation each year.**

Retaining Capping at the Current Level

The following summarised comments were made in regard to Rate Capping.

- The Rate Capping threshold should be 10% instead of 15% due to impact of valuation increases for Primary Producers.
- That Council retain the threshold of 15% for Primary Producers.

Conclusion

There was not much response about the capping.

Recommendation:

- **That Council retain the current level of capping at 15%**

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Appendix 1 – Submissions Received – Detail

Public Meeting Notes

Rating Review Public meeting feedback – 22 April 2021

John Miller – questioned the comment that 40% of ratepayers live outside the council area and wanted to know what % of this was vacant land holders.

Beryl – Is a long-standing primary production land holder, properties are in rural area, are a high-risk business. The business increases due to COVID-19 have only been 1 year of profits in 50 years. The Revaluation Initiative Project increase should warrant continued discount. Rural Properties provide huge benefit to the environment, community, and tourism. The rebate should continue to provide recognition of the benefits that rural properties give to the whole community. The council budget also provides funding to other businesses and the tourism sector but not to rural farms, their only financial assistance is the rate reduction. The primary producers in the area also provide a large support to the local businesses by spending money here and buying their products.

Bill – the vacant land increase in unfair. If the primary production differential rate is increased to 100% it should result in the same service levels as those properties in the township area, including sealing all roads, postal deliver, rubbish collection, footpaths etc. The current increases cost should also be removed, such as increased costs for developments, septic systems, and bushfire requirements etc. Council should be paying for road maintenance and should get the money from federal government because the community has already paid fuel excise tax, which was introduced for that reason. RAA recently said that only 23% of the fuel excise tax goes back into roads.

John Miller – Commented on the previous comments of Bill that septic & water is not council but SA Water.

Richard Lawrence – the Revaluation Initiative will increase values by 25% or more, increasing the differential by 10% will result in an overall increase of 35%. Rate capping should be given at 10%.

Cr Kemp – on behalf of businesses, asked how much is raised by the increased differentials and how is it spent. Was just a question but they aren't against keeping it.

Kellie Knight Stacey replied in the meeting that the amounts are published in the Annual Business Plan, in the Rating Policy and in the Budget each year. Further discussion was had about what it is spent on, including employees and whether this should be what changes instead of the differential.

Cr Charles – asked if alternative options could be provided based on the feedback that was being received.

Cr Robertson – rates are 85-90% of the budget income, this will put pressure on future years due to developments. Need to find other income streams, other than rates.

Derek McIlroy – representing Business Victor Harbor. They don't support the removal of the higher differential rates for commercial and industrial. Wants to see evidence that it is supporting development & investment. Big businesses should pay higher rates as it is a user pays system that they would not otherwise contribute to. Wants the ability to influence what the money is spent on.

Submissions Received

Agribusiness Working Group

The group were provided a summary of changes relevant to primary production properties and encouraged to provide feedback during the public consultation.

The Agribusiness Working Group agreed by consensus to provide the below responses as a response to the consultation.

- That Council continue to apply a 10% discount on the differential rate for primary production land classification given the contribution that rural landholders make toward maintaining non-productive and conservation land on their property for the benefit of all ratepayers.
- That the Council amend the rating policy to include rate capping provisions for primary production at 15% consistent with other classifications.

From:	Tony Dickson [redacted]
Sent:	Monday, 26 April 2021 12:35 AM
To:	City of Victor Harbor
Subject:	IREC24726421 - FM7.20.001 - Discounted rates for primary production

To whom,

I have been a regenerative farmer in Back Valley for over forty years. Like the majority of farmers in this country, we run at a loss and depend upon off farm income for financial survival. This reality represents a subsidy to the 98% of the population for the products they consume at below cost. Perhaps this explains why, of the eighteen dairies that existed in the valley when we purchased our property in 1979, only three now remain. It may also explain why the average age of the Australian farming community is approaching that of retirement and that suicide is approaching epidemic proportions.

Below cost food is not the only subsidy provided by the farming community. There is also the ecological management that farmers are required by law to provide for the vast majority of the continent, free of charge; not to mention providing the first line of defence against this country's greatest security threat: wildfire.

In short, I suggest that a ten percent discount on Council Rates is a rather modest recognition of the subsidies provided by Australian farmers to our coastal theme parks.

I refer you to a more detailed account of just one of the above mentioned subsidies: LET'S SCRAP THE SUBSIDIES – THE COUNTRY FIRE SERVICE AND THE MARKET ECONOMY. - Ferret Farm Forestry

Yours in futility,

Tony Dickson.

business victor harbor

working with our region

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22 April 2021

Ms Victoria MacKirdy
Chief Executive Officer
City of Victor Harbor
PO Box 11
VICTOR HARBOR SA 5211

RE: City of Victor Harbor Rating Review

Dear Victoria,

I am writing to you in response to your letter dated 25 March 2021, with regards to Business Victor Harbor (BVH)'s position on the city's recent, 'Rating Policy Review'.

The position, in this submission, is based on an incredibly careful review of all available information sources. These sources include, but are not limited to, the documentation provided to us as part of the recent review by UHY Haines Norton Chartered Accountants (A Review of the Basis of Rating Consultation Paper, dated Feb 2021), via consultation with our member base and the available historical documentation on the original purpose of the commercial and industrial differential rate by the City of Victor Harbor (CVH) right back to 2004, when first introduced.

We believe that the principles relied upon to formulate the basis of the application of the commercial and industrial differential rate were sound at time of introduction and have stood the test of time. We refer specifically to the fact that the differential rate follows a 'user' pays approach to sensible and sustainable economic development within our region and the city. Across Australia, it is well known the challenges faced by regional communities to remain strong, sustainable, and vibrant economically have continued to exist. The pressure on the south coast region, our home, in this regard remains as strong today, as it ever has been. The need to create an environment and culture within our business community that fosters economic development for our long-term future success is critically important.

The recently adopted CVH "Economic Development Strategy 2020-2030", reinforces a strong roadmap of projects and strategies that will create the necessary business environment to ensure our community continues to grow and be sustainable. The board of BVH believes the current differential rate for commercial and industrial properties is an essential element to allow the adopted plan to be successfully delivered for both our business community and the wider Victor Harbor region.

Of course, BVH does support any activity that will reduce the business cost base to operators and enhance return on investment for risk taken to operate a business. We do not however, oppose sensible and sound investment in the creation of an economic environment and conditions that will allow businesses to grow and expand as well as attract new business investment to the region from both existing and new operators.

We do contend however, that despite the growth in home-based business now and in the future, that the removal of the differential rate will NOT see a growth in the investment by business in our region. Businesspeople generally do see the value of effective and efficient local government, and this is something we do advocate for strongly as it creates the conditions for a strong and vibrant community for business. Our work with the CVH to enhance economic development is now starting to take shape very effectively. The removal of the differential business rate now, would be poorly timed and of questionable overall value.

We do in fact question, if this change were to take place, how much of the business rate base will be set aside specifically for economic development (the goal of the differential rate in the first place) and how can we as a business community be assured that economic development continues to be a focus for the council? Business has never questioned the need for the differential rate, as it was in fact suggested by the Victor

Harbor business community in the first place, so that much needed economic development is prioritised and funded. Our only point of contention and potential disagreement on the council's rating policy for business was not the levying of the differential in the first place, but rather the accounting for those funds and the Victor Harbor business community having a meaningful and accepted input on how such funds were spent. Ultimately this differential rate on commercial and industrial property are the funds of the business community for real and effective economic development (not a subsidy to the council general expense budget). It logically follows that the business community is entitled to a fair and reasonable say on how the funds are expended in the best interest of that rate payer base and then the wider community. It is the view of BVH, that if there is complete transparency of the amount collected and the actual disposition of the funds on economic development activity, then there will be no issue with the continuation of the current differential rate being levied on commercial and industrial properties.

The differential rate review, prompts BVH to ask that the CVH commits to work with us to improve the process of accountability, meaningful consultation, and respect for the views of the business community as to how the differential rate paid by commercial and industrial ratepayers be spent? As the peak chamber of commerce, with an increasing 'representation footprint' for the interests of business, BVH seeks to work co-operatively with the CVH to ensure the maximum value for business rate payers funds is made in this area of economic development. We must insist that this point be clearly understood by the CVH as it is intended. That is, that a meaningful say (for and on the behalf of the business community), in how the differential rate is expended on meaningful economic development should be at the core of why differential rate funds are collected in the first place.

The differential rate review consultation documents mention that the impact on the overall budget position will need to be addressed if the differential rate is removed and that a gradual 5-year increase over the entire rating base will be needed. In effect, any short-term improvement in business rate payer cost pressure will be short lived, and it is our view that the business community will lose the ability to ensure that a healthy economic development agenda is pursued. There are 2 issues that BVH can foresee with this position.

Firstly, the current elected member body of the CVH is very committed to the concept of economic development and is actively building capability and capacity in our business community through several initiatives including the bolstering of BVH capability in the creation of our executive office. This is greatly valued by the business community and our clear performance improvements as a chamber are well known. BVH does however question what will happen in the future when invariably new elected members will be in place at the CVH, and this commitment to economic development no longer exists? We as a business community, cannot be in a position where we are reliant on the 'goodwill' of the chamber on the day, to do the right thing, in terms of economic development. BVH is concerned that the commitment and strong direction currently in place toward economic development will be lost and in the end all rates will rise to cover the revenue gap that this change will cause. In time the goal of lower business rates will not be achieved and any link to economic development for business rates will be lost.

Secondly, this change will also see larger business rate payers (many of whom are national and multinational firms) sharing a lesser proportion of burden for essential economic development activity for the region. These types of businesses do indeed derive large benefits, due to their size from our business and wider communities and will see their proportionate share of contribution to economic development for the region fall with no viable alternative way of them contributing to this activity on the scale of their use. There is a clear equity position in play here and BVH cannot in good conscience, support this increased impost on most of the small business community in this area, not to mention the wider resident rate base.

Victoria, to summarize our position, BVH would like the CVH to consider in this review the following questions, ensuring that adequate answers can be made to each question before we look to change the differential business rate in any way.

1. How can the business community 'as a whole', be assured that economic development be prioritised for the area, without a differential business rate in place? Without it, we lose any semblance of a link to economic development.

2. Can the CVH develop a clear accounting (and accountability), of how the current business differential rate is collected and discretion from the business community as to how such rates raised be spent? Business understands the need for economic development and accepts it needs to share its burden to contribute. We would therefore respectfully request, the CVH to engage in a process of equal consultation further and fully with the business community and provide such transparency in the raising of and expending of funds towards sensible economic development?

3. How will equity be maintained across all ratepayers if large multinational and national businesses do not contribute their fair share to economic development, clearly something they benefit from doing business in our community? Currently they are contributing fairly to economic development with the business differential rate in place. Without it, the burden carries across the whole community unfairly.

4. Has the administration of council, or any of their engaged experts, modelled the overall expected economic investment benefits this change in rating policy is purported to have from an investment attraction point of view? We see no clear evidence of overall gain to the economic base let alone the effect on overall rate revenue for the council because of the removal of the differential business rate. To say that just because other councils do not have the differential business rate drives more investment in those council regions seems questionable without supportable logic?

Victoria, we as the preeminent Chamber of Commerce for our region, do always support the need to reduce the burden on business that government charges do have on business viability. In fact, we advocate for all council funds to be expended as transparently and efficiently as possible for our entire community for the benefit of the entire community at the lowest possible cost. We know that a beautiful and vibrant city is essential for our business community to thrive and continue to make us a place of choice to live and visit.

That said, in the case of the differential business rate, the removal of this now, will not in our opinion, reduce the burden on businesses, as all rates will need to rise to cover this gap in the longer term, to ensure council's overall rate revenue is preserved. It will also not have a significant positive impact on investment attraction as contended in the current review papers and there is no evidence provided to support this assertion, other than a simple comparison to other council areas. Finally, and most importantly there will be no clear way for the business community to demand a strong, positive, and continuous (beyond the term of this council) focus on economic development that the current business differential rate ensures and underpins the excellent work done with the currently adopted Economic Development Strategy 2020-2030 that exists now. We do ask though, that if the differential business rate on commercial and industrial properties is continued, that much more transparency and accountability in the use of these funds and that a clear link to suitable economic development is always maintained. It is the role of BVH to provide this voice to council on behalf of the business community as a whole and we acknowledge that in recent times with the upgrading of BVH capability and systems of governance that CVH is taking this input as intended. We ask now, that we move to this next level of engagement, and give BVH true input into what constitutes meaningful and relevant economic development for our region as we work more collaboratively together.

On behalf of the board, I would like to thank yourself and the council for the opportunity to provide this feedback and we hope it is taken in such way as intended. BVH stands ready to assist and consult in any possible way to ensure the best outcome for the business community and the wider community.

Yours sincerely,

Michael Schubert
Chairperson
Business Victor Harbor.
E: chair@businessvictorharbor.com.au

Further to my online submission lodged on the 9th April, I would like to add a further comment regarding the current application of the fixed charge.
I note that in the review of the rating policy – the last sentence in Section 9.5.4 attempts to clarify how fixed charges should apply to contiguous properties. (see copy below – my underlines and italics).

In my particular case in Victor Harbor, I am rated and levied fixed charges on 6 "properties" which cover 24% of the area of one single title of land. These 6 "properties" are in fact 6 leased rooms. The balance 76% of the title, which includes a hallway, kitchenette, toilet, and car park area are all contiguous to the rooms that are let. Surely is this captured in the statement highlighted below. If so, then I should only be paying 1 fixed charge (and 1 general rates) on the 1 title of land covering 886 sq metres.

A Review of the Basis of Rating Consultation Paper

9.5.4. Retain Current Fixed Charge Amount

The Fixed Charge represents a principal that all properties should at least contribute a certain level of funds to the rating total.
Increasing the Fixed Charge would decrease the rate in the dollar and the effect of this would be that lower valued properties would increase in rates. Members at the workshops were concerned that the effect of decreasing the Commercial and Industry Differentials would impact on the rates paid by other ratepayers and did not want to increase the Fixed Charge to further burden ratepayers of lower valued properties.
Council is considering that the Fixed Charge should only increase by inflation each year.
Contiguous properties (those owned by the same owner and next to each other) and Single Farm Enterprises (where multiple farming properties are owned by the same owner) only pay one Fixed Charge.

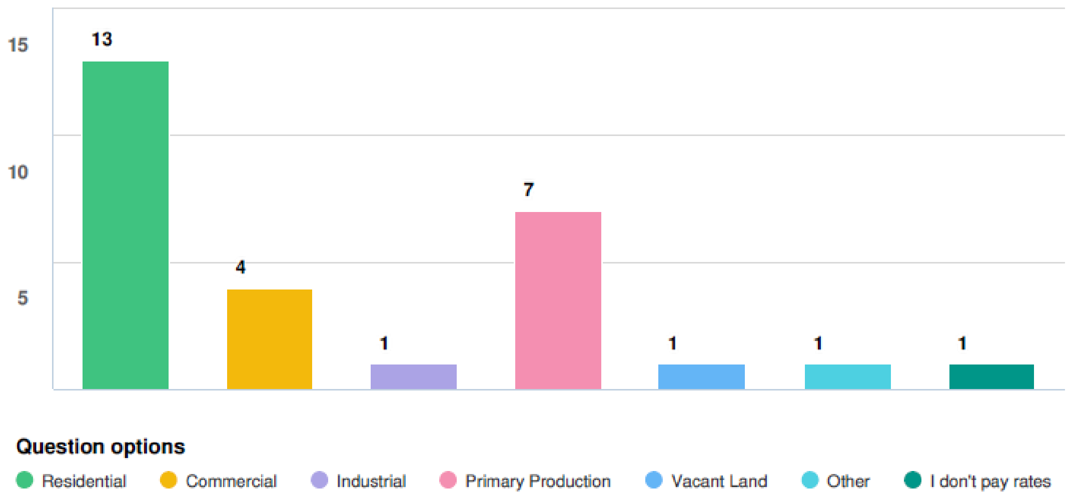
Geoff Keynes

12/4/21

Survey Responses

A survey undertaken provided the following responses. There were some additional feedback forms received that responded to the same questions as the survey but were not included in the survey responses. These are added into the responses as additional comments.

Question: What kind of property do you pay rates for in the City of Victor Harbor?



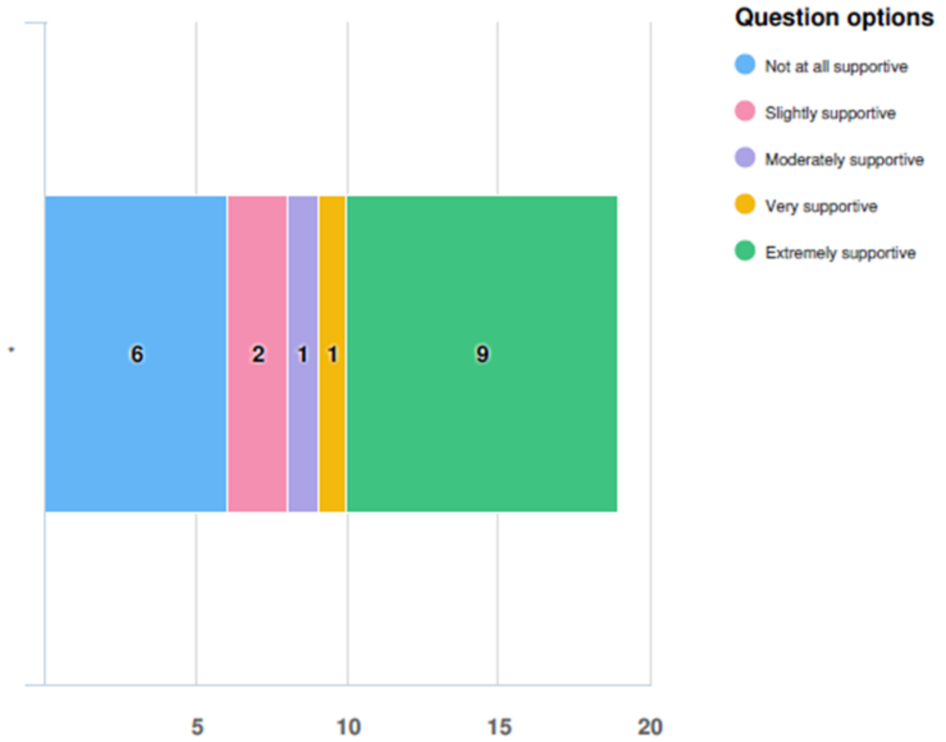
Optional question (20 response(s), -3 skipped)

Additional feedback forms:

- Primary Production 3
- Residential 1

Question Options	Revised Numbers with Additional Feedback Forms responses included
Residential	14
Commercial	4
Industry	1
Primary Production	10
Vacant Land	1
Other	1
I don't pay rates	1

Question: Council currently allocates the commercial and industrial differential rates to economic stimulus activities. To what extent do you support the current differential rates of 130% for commercial and 115% for industrial?



Optional question (19 response(s), -2 skipped)

Additional feedback forms

- Extremely Supportive 1
- Very supportive 1

Question Options	Revised Numbers with Additional Feedback Forms responses included
Not at all supportive	6
Slightly supportive	2
Moderately supportive	1
Very supportive	2
Extremely supportive	10

Further information provided by respondents regarding this question are:

- Higher percentage rates are a disincentive to new business.
- Unfair that commercial tenants who pay landlords rates are forced to pay higher differential rates than other ratepayers who enjoy the same uses of council facilities i.e., roads, parks, etc.
- Council should be encouraging commercial activity to stimulate the local economy.
- There may be a small disincentive to invest but residents should not be made to make up a shortfall if this differential is changed. Preferably it could be made up by implementing a higher rate on holiday homes.
- Businesses have done it hard through COVID-19 and need a few years of support at least.

- Both of these groups have land that is used for financial income. A house does not. The average wealth of the various owners is far greater than the average wealth of a homeowner. We currently have a least 13% of the residents whose income is below the poverty line (an AHBS fact). The proven past system of differential rates is proven correct. This seems like the business owners are pushing for this. Why?" to save money at the expense of the residents!!! Businesses can increase their income… residents cannot.
- Current rate for residential is high enough, no more increases please.
- I don't see the logic in having these differentials. Having the same rate in the dollar is probably the fairest method. Council has to raise revenue and having the same rate in the dollar for all tends to smother objections about one sector being treated better/worse than others.
- Those commercial enterprises derive income from their property and accordingly should pay higher rates than residential property owners.
- Should be assessed by valuation, services are same.
- As per Business Assoc. response
- Businesses receive significant financial support from Council – the Visitor Information Centre, Horse Tram, Whale Centre, Arts Centre, festivals and tourism promotions and funding for leadership and management officers. The business ratepayer should be financing this support.
- It is the current rates arrangement. I am not aware of problems arising from their rates. Both kinds of property benefit from the Council expenditure on streetscape and urban services which are not expenditures in the country areas. To lower these rates will mean increases for others.
- I don't feel I know enough about it to make an informed decision.

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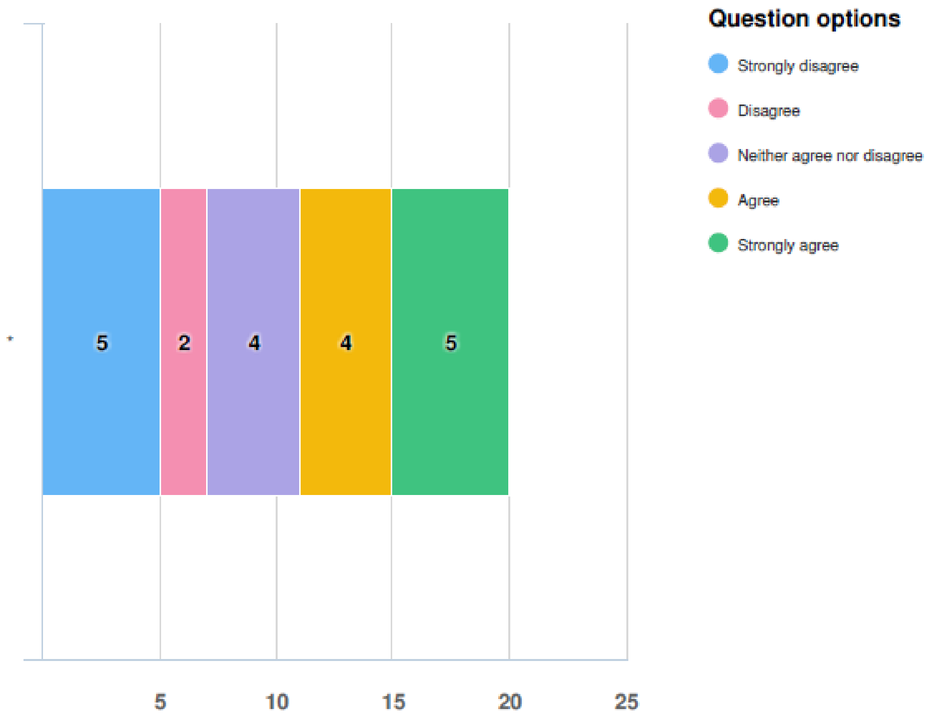
Question: To what extent do you agree that the removal of the higher differentials may encourage business and investment in the Council area?



Optional question (20 response(s), -3 skipped)

Additional feedback forms.

- Neither agree nor disagree 2
- Strongly disagree. 1

Question Options	Revised Numbers with Additional Feedback Forms responses included
Strongly Disagree	6
Disagree	2
Neither agree nor disagree	6
Agree	4
Strongly agree	5

Further information provided by respondents regarding this question are:

- Removes barriers and decreases costs for new and existing businesses and provides an incentive for businesses in higher rating areas to relocate to Victor Harbor.
- Absolutely any cost savings for long suffering commercial tenants or owner operators is most welcome in a tough trading environment especially for businesses impacted by the online sales world and who put in long hours many 7 days a week.
- Lower operating costs will encourage new businesses to the area and greater investment from existing businesses.
- Yes, it may.
- Simple economics. Cheaper rates will attract more business and help retain existing ones.
- Why will new enterprises start up with this small saving. This question does not make sense. Why reduce for current businesses? When your question is "seeking new business &

investment". If you want to do this, then for new businesses offer a say 2-year reduction % of their rates. Problem solves.

- Keep residential rates as low as possible please as a retired self-funded couple.
- I think it says to any potential investors and businesses that in terms of revenue raising, the council is bound to differentials in terms of rating policy. This in itself is probably a positive sentiment – something that businesses don't have to consider in planning for the future.
- Annual rates are a very small expense in the overall expenditure of a business. It is a stretch to believe that a slight reduction in annual general rates would ever be a deciding factor in a business starting up or not.
- Any reduction in cost to entry is a positive
- As per Business Assoc. response
- Industry and commerce are initiated for many other substantial reasons than the rates payable.
- Won't make any difference.

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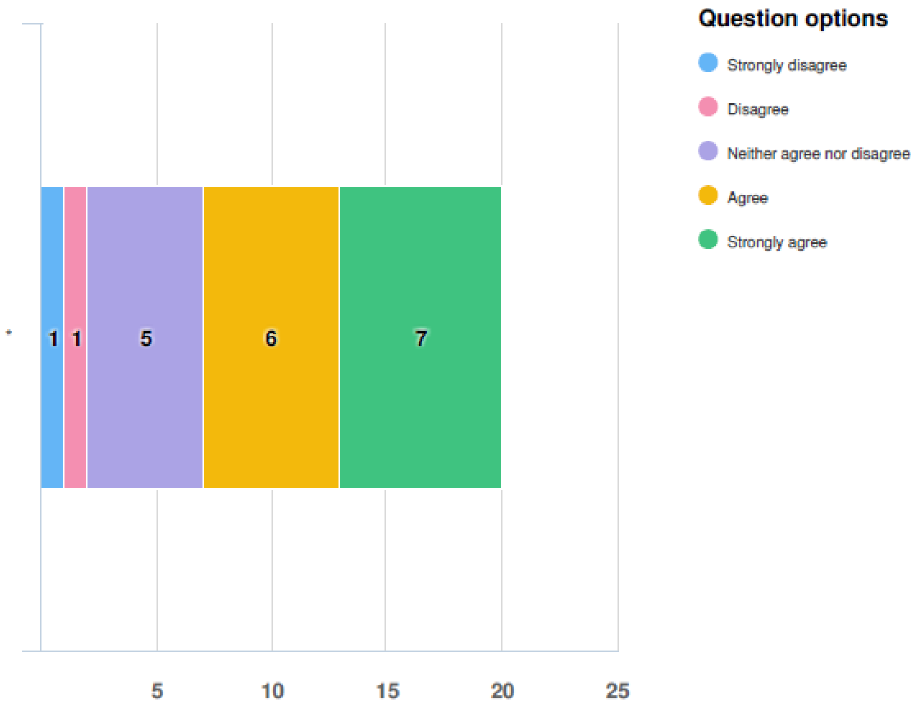
Question: Do you agree that the higher differential on 'bricks and mortar' businesses is inequitable when compared to businesses run out of residential properties?



Optional question (20 response(s), -3 skipped)

Additional feedback forms.

- Neither agree nor disagree 1
- Strongly agree. 1
- Agree 1

Question Options	Revised Numbers with Additional Feedback Forms responses included
Strongly Disagree	1
Disagree	1
Neither agree nor disagree	6
Agree	7
Strongly agree	8

Further information provided by respondents regarding this question are:

- Most home-based businesses are small or new in comparison.
- Obvious
- I have for a long time held the belief that any business should be charged the same – this includes the swiftly growing number of Air BnB or private holiday rental properties that are actually very profitable businesses, but they pay lower rates. This increases the number of vacant properties outside of peak times and reduces the amount of permanent rental properties and therefore permanent residents – overall I believe this sharp "peak and trough" population is detrimental to the running of the town.
- Home based businesses have an inherent cost advantage based on multiple use of the rated property.

- Council currently has the ability to charge more for a residential business. This is a weak excuse for businesses to ask for a reduction.
- A business is a business.
- Each property or allotment (title) should pay the same rate in the dollar.
- The majority of bricks and mortar businesses are service-level businesses that require foot traffic.
- It's an inequitable loophole.
- As per Business Assoc. response
- If the business benefits from the Council's financial support, then they should be contributing.
- An industrial or commercial business run out of any residential property should attract the same higher rates as respectively apply to other industries and commerce.
- If run a business from your home – explain to everyone how do the council judge. Some run lawnmowing businesses from home, wouldn't really count. Some run Solicitor conveyancing from home, does this count? Hairdressers from home? Please explain to us. A lot of people work from home for businesses they are employed by, maybe even Council employees?

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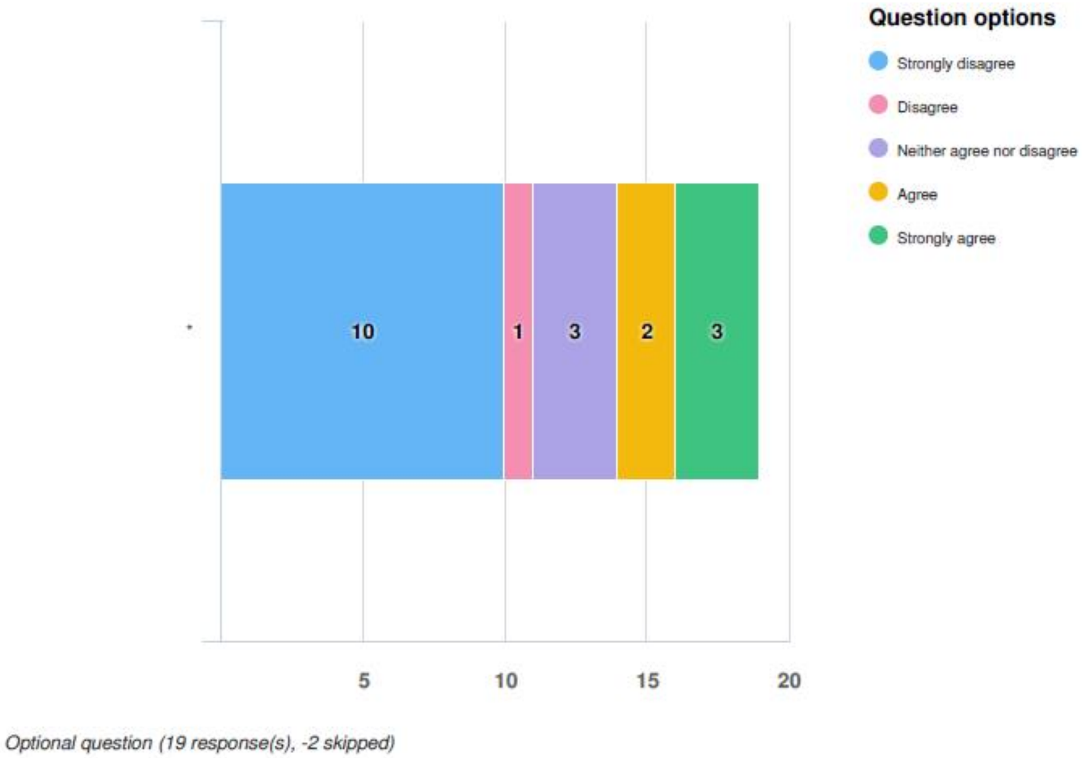
Question: As per legislation, Council cannot differentiate the rate in the dollar from one commercial business to another. Do you support the view that large national commercial businesses should pay the same rate in the dollar as residential property owners?



Additional feedback forms.

- Strongly disagree. 1
- Neither agree nor disagree 1

Question Options	Revised Numbers with Additional Feedback Forms responses included
Strongly Disagree	11
Disagree	1
Neither agree nor disagree	4
Agree	2
Strongly agree	3

Further information provided by respondents regarding this question are:

- Large commercial business provides jobs, plain and simple. Reduced rates provide a significant incentive for them to relocate their businesses to Victor Harbor and the potential benefit to the community is much greater than the cost of reduced rates.
- Yes, the likes of Woolworths, Big W, Kmart etc. pay very low rents etc. per sqm often linked to sales/ i.e., if sales fall so does rent and it's the small operators who subsidize the anchors with onerous leases and are often treated very poorly by landlords and are forced to agree or agree to craze conditions i.e., new shop fit upon lease renewal etc.
- We require these large businesses in the region, they create employment as well as vital services. They can choose to leave the region if it's not viable.
- No, I don't support that view.

- Businesses earn income from their rateable property so should contribute more than residential.
- I've answered this before. Plus, many commercial businesses shave eye catching and superb locations that are more valuable than residential houses. Hence, they should pay more in their rates.
- Again, my previous points apply to this question as well. It's the value of the property that is the important thing. The Valuer General must be diligent in ensuring that both commercial and residential properties are properly valued.
- Residential ratepayers should not be subsidizing large commercial enterprises.
- Proportionate to valuation should be the mechanism to ensure they pay fair share of council costs.
- The larger developments do require infrastructure support from council and should be contributing.
- These large commercial businesses should pay the same rates that apply to all other industries and commerce. Large businesses should in addition pay for site works including access roads at the time that these assets are built.
- This question is bizarre. You start talking about commercia properties, then ask if residential properties and commercial rates should be the same? There are two questions here, which one do we answer.

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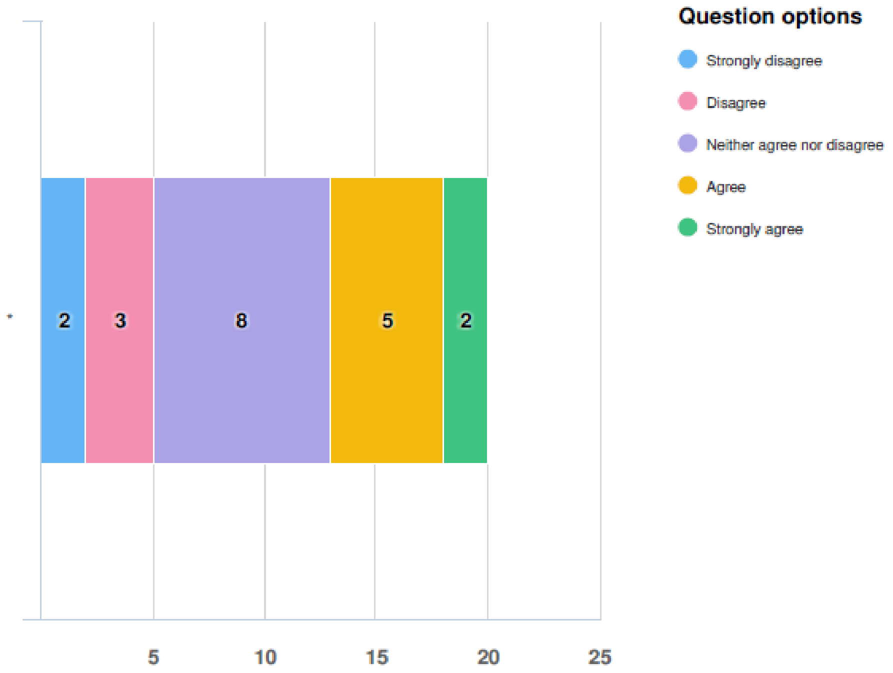
Question: A reduction in the commercial and industrial differentials would result in a re-distribution of rates. Do you agree that any amendment should be incremental over a five-year period?



Optional question (20 response(s), -3 skipped)

Additional feedback forms.

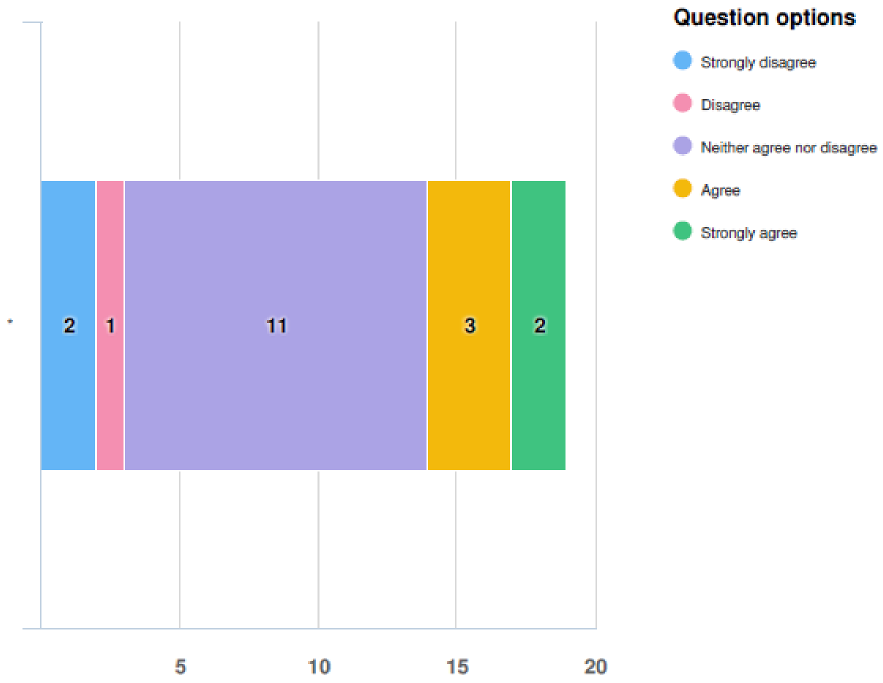
- Neither agree nor disagree 1
- Agree 1

Question Options	Revised Numbers with Additional Feedback Forms responses included
Strongly Disagree	2
Disagree	3
Neither agree nor disagree	9
Agree	6
Strongly agree	2

Further information provided by respondents regarding this question are:

- We need this now, not in 5 years.
- An increase in rates on vacant land would result in being utilized and elevating the current housing shortage.
- Yes, I agree
- Post COVID-19 stimulus is needed now.
- These are biased questions… sounds like it is going ahead!!
- Do it over two years. Five years will be barely noticeable. People will forget what it was for. The quicker the better.
- I do not believe that the reduction in differentials should happen at all.
- I do not agree that the commercial and industrial rates should be lowered. This is, I agree that these rates stay as they are now.
- I believe changes should be gradual.

Question: to what extent do you agree that there is a shortage of vacant land in the Council area?



Optional question (19 response(s), -2 skipped)

Additional feedback form.

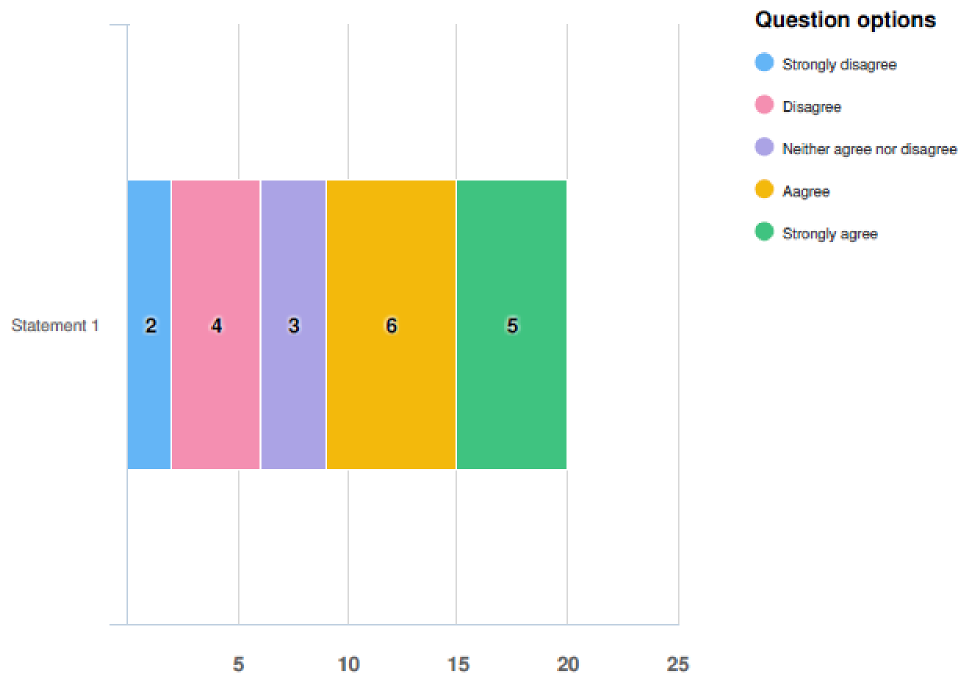
- Agree 1

Question Options	Revised Numbers with Additional Feedback Forms responses included
Strongly Disagree	2
Disagree	1
Neither agree nor disagree	11
Agree	4
Strongly agree	2

Further information provided by respondents regarding this question are:

- Seems to be a fair bit of land under-utilised still.
- No idea, I assume it's a supply demand situation, plenty of rezone able land on outskirts.
- Current housing shortage in the area would indicate we need vacant land turned into housing and not land banked.
- The type and quality of land offerings is poor – tiny 500m2 blocks or huge farms but not much in between.
- Haven't researched.
- Look at the nearby paddocks that have already been zoned in the 10-year plan for housing/commercial. Again, who says there is a shortage of vacant land?
- There seems to be a lot of farmland around Encounter Bay.
- Irrelevant to me
- Self-explanatory

Question: Council charges a higher rate in the dollar on vacant land to encourage infill and sufficient supply of land for development within the district. To what extent do you support the proposal to increase the vacant land differential to 160% of the residential differential?



Optional question (20 response(s), -3 skipped)

Additional feedback forms;

- Agree 1
- Strongly disagree. 1

Question Options	Revised Numbers with Additional Feedback Forms responses included
Strongly Disagree	3
Disagree	4
Neither agree nor disagree	3
Agree	7
Strongly agree	5

Further information provided by respondents regarding this question are:

- Prevents or disincentives land banking and promotes active development and renewal.
- If there is evidence of land banking yes
- Encouraging infill and housing creates employment in the construction industry as well as leading to population growth with flow on benefits across the local economy.
- This would greatly improve land and new home offerings and potentially the permanent population of the region would increase, the peak and trough population would smooth out, allowing greater year=long investments by businesses and highly likely to improve employment opportunities year-round. I would like to see encouragement for properties to be converted to permanent rental properties as approximately 40% of Australians now rent. These ;inducements could be in the form of a rate reduction for the first 5 years, a rate

freeze if converting from an Air BnB to a permanent rental or if building a new home to be a rental.

- I think the higher rate should be preceded by a 2-year honeymoon period to allow reasonable time to do improvements. If on the 3rd 1st July a block has no planning or building submitted for approval, then the 160% levy should be imposed.
- Either build on it or sell it
- Irrelevant to me
- Young people purchasing vacant land with the intention of building at some future date should not be disadvantaged to this degree.

- The shift from 150% to 160% may well add encouragement for the vacant land to be developed for a useful purpose.
- Family wants to hold for children who may not be able to get land later on. Don't penalise.

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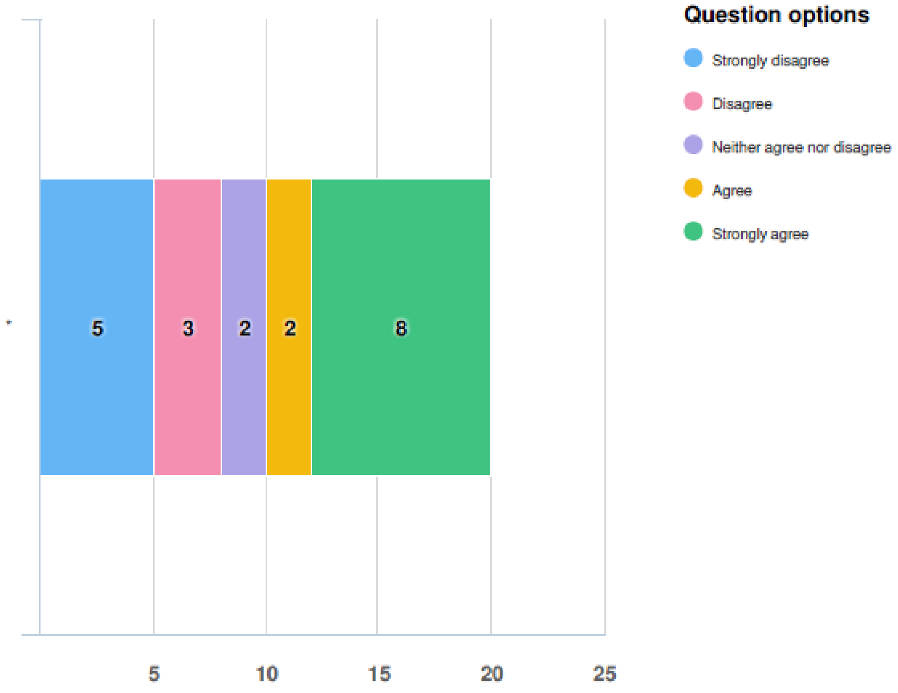
Question: Council introduced a discounted differential for primary production due to drought conditions. To what extent do you support the continued provision of a discount in this category?



Optional question (20 response(s), -3 skipped)

Additional Feedback forms;

- Strongly agree 2.
- Strongly disagree 1.

Question Options	Revised Numbers with Additional Feedback Forms responses included
Strongly Disagree	6
Disagree	3
Neither agree nor disagree	2
Agree	2
Strongly agree	10

Further information provided by respondents regarding this question are:

- There are enough other govt. programs that provide relief in these areas. It should not fall to Victor Harbor ratepayers to continue to provide discounted rates.
- Not sure, on balance no, rural producers have good years, bad years, high commodity prices, low prices. It's the risk they take of a farming enterprise in my opinion.
- Drought conditions have not had an impact in our region and in fact lead to stronger commodity prices for livestock, which is the main industry across the district.
- We are no longer in drought conditions and primary producers (I am in the industry) should be able to manage their own 'ebb and flow' years without assistance. Resources should be banked in strong years for the weaker years.
- Primary industry is essential land use and weather dependent. Income from it is weather dependent. Proof of income loss excluding depreciation should be necessary for reduction in rates.

- What drought!!
- Drought is a known condition and risk for any primary production business in Australia. Discounted rates should not be applied as a compensation for a known and recognised business risk. To leave it in place could potentially open up a Pandora's box.
- Primary production enterprises derive income from their property and accordingly should pay at least the same rates as residential property owners. They are also well supported by favourable taxation schemes.
- With increased property values and the unguaranteed reliability of the seasons, these guys are only just seeing positive prices for livestock come through now, they are so far behind to discontinue is a slap in the face for the areas major industry.
- My rates are high, and my services are low with relation to my farming property. It is already inequitable and unfair to increase would be very unreasonable.
- It is imperative that this differential be maintained due to rural landholders having meaningful costs controlling feral animals, invasive weeds etc which benefits the whole community. The rural sector is not always afforded the same level of service as residential in all areas. The description Primary Production is a misnomer and should be more accurately described as 'Rural Peasantry' or 'Rural Lifestyle' to be more politically correct.
- The Primary Production sector makes a significant economic contribution to the city of Victor Harbor and does not receive anywhere near the level of financial support that the business and tourism industry does. The tourism industry and local residents benefit from the appeal of the rural surrounds to Victor Harbor Rural Landholders who maintain the environment and conserve the land on their property for the benefit of all ratepayers.
- I urge this discount to primary production land to be increased. It is not just a response to drought. It is a discount to acknowledge lower Council costs for primary production land. Yes, road maintenance, yes rubbish collection but no cost to Council for streetscape, lighting and all the other urban amenities. It is also a discount to acknowledge primary producers conserve the bush environment (on their properties) to the benefit of everyone.
- Asking farmers to do more to keep their properties 'fireproof', cleaning up trees to 2 metres, slashing grass, cleaning up wood piles etc and yet the Council can't even keep their roadsides clear like that.
- Whilst I accept that current seasonal conditions and commodity prices have improved, there is increasing pressure and cost involved for primary producers to control the spread of weeds on their properties. This particularly applies to properties closer to build up areas. I have land at Waitpinga with a patch of scrub abutting the road, which I have owned for approx. 50 years. For the first 30 years or so, this scrub which I have fenced off from stock, was free of invasive weeds and in pristine condition. However, over the mor recent years there has been a problem with people dumping garden cuttings and soil on the roadside. At times rubbish has been dumped in the scrub on my property. With the combination of seeds being brought in by birds and the dumped garden waste it is becoming very difficult to control the weeds. On many occasions I have seen where rubbish has been dumped on quiet roadsides. In the last 4 years in an effort to preserve this native vegetation, I have personally spent $4,223 paying contractors to remove weeds. In addition to this I have spent many hours myself digging and pulling weeds. There has also been Govt. funding for protecting native vegetation which has been a great help, but this last year was not available. Because of the above I would be very disappointed to see an increase in my rates.

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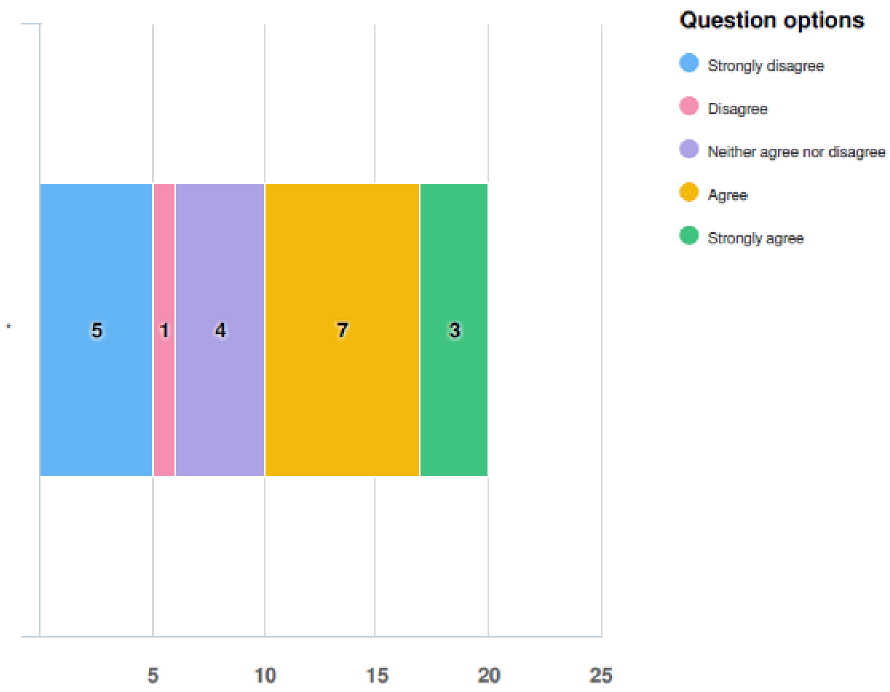
Question: Council currently applies a fixed charge which results in a lower differential rate but may disadvantage ratepayers with lower valued properties. To what degree do you support a fixed charge applied equally across the ratepayer base?



Optional question (20 response(s), -3 skipped)

Additional Feedback form.

- Agree 1
- Strongly disagree 1.

Question Options	Revised Numbers with Additional Feedback Forms responses included
Strongly Disagree	6
Disagree	1
Neither agree nor disagree	4
Agree	8
Strongly agree	3

Comments:

- It is a long-established practice not only for Victor Harbor Council but most if not all councils. No change here.
- Lower income people getting penalized. This council pushing to get more from everyone.

Question: Do you have any further comments for Council to consider as part of its rating review?

The survey respondents provided the following.

- As residential property values continue to grow their needs to be a ceiling on rate charges. I don't mind paying rates based on property value but feel that there should be a limit that once your property value goes over a certain threshold say $1 million, your rates stop increasing on the per $1,000 amount and a maximum rateable amount per property is reached.
- Yes, seems a fair proposition.
- All rate payers benefit from council services and need to provide a reasonable contribution. Many properties with a higher value are lifestyle properties on small acreage on the fringe of the township, which receive less services.
- The fixed charge is fair, council need to maintain a minimum income base bat there could be a 'floor value' implemented.
- The lower valued properties are generally owned by the lowest income recipients and socially wrong to make them worse off.
- Be fair. Rates must be based on property & improvement value. Will Council consider fairness, or the loudest most influential voice being heard and agreed to?
- Rates are far too expensive. This council tries to fly too high…many thousands of dollars wasted…disgraceful.
- My agreement is predicated on the principle that the ratepayer base means property owners – not the lessees of individual rooms as offices in a formerly residential building. There is an inconsistency between how farmland in the form of contiguous sections (titles) of land = owned by the same owner, only bears one fixed charge, whereas one single allotment (title) on which is a building with rooms let to different office tenants attracts a separate fixed charge for each portion of the property that is leased -= even through the property is a single section (title) owned by one owner. Limiting the fixed charge to a single charge per allotment (title) would go some way to reducing the dramatic imbalance in the way the fixed charge is applied.
- Remove the Fixed Charge and then all general rates will be based solely on the value of a property. This is the fair and equitable principle in action. Those who can afford to pay for high value properties should not have their rates subsidized by low value property owners and that is precisely the effect of a Fixed Charge.
- I am an Industry Advocate for Agriculture, working with all the farmers over the Fleurieu through my work with FPAG and also through Fleurieu Farming Systems and the Victor Harbor Councils Agribusiness Working Group. Discussions with property owners are not limited to the below but in short, strongly support my comments below. At the moment prices for livestock are good and the seasons have been relatively kind, which is helping landowners catch up, but these prices etc. are not guaranteed. Buying stock is also a problem, where they have spent money improving pastures and can't feed them off, effectively losing money in the process. Increased rates based on increased property valuations might be fine for professionals where farming is a hobby or a second income and where increased capital value of land is a positive for future sale. But where properties have been passed down and cash flow is tight or where there is high debt and income is purely reliant on farming, the proposed changes are not fair or sustainable. Those that don't use their land themselves and least out (many of the smaller/inherited properties only lease out to recover rates) will have to increase their lease rate to cover the increased costs and are

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worried that they will lose their arrangements. This also affects those that lease a lot of land & will have them re-assessing the value of their lease agreements.

- Rate Capping must be applied above 10% (not 15%) and applied to both Residential and Primary Production sectors.
- In addition to the (at least) 10% discount for primary production land, there should also be a 15% discount or cap which is available to other ratepayers but should be in additional be available for primary production ratepayers. The discount for rural land should be -10% and -15% = -25%
- I have asked before; why are you sending out rates four times a year and the time and effort to collect four times, than sending gout once and offer a % discount if pay the whole year in one payment.

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A Review of the Basis of Rating Consultation Paper

City of Victor Harbor

March 2021

This paper is presented to the community to provide information and invite feedback on possible changes to Council's basis of rating.

Consultation Period
Thursday 25th March to Monday 26th April 2021 at 5pm

Public Meeting
Thursday 26th April at 6.30pm at the Council Chambers

Submissions
Written submissions to:

Email: localgov@victor.sa.gov.au

Mail: City of Victor Harbor, PO Box 11, Victor Harbor SA 5211

Verbal and written submissions will be accepted at the Community Information Session and the Public Meeting.

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7. Introduction

Councils are responsible for the delivery of a broad range of services to their communities. Each community is unique and has different priorities. Councils receive income from several sources to pay for the services they provide, and the largest revenue source is rates.

The *Local Government Act 1999* allows Councils to raise rates and provides a degree of flexibility in the options used by Councils to do this. Councils need to determine the best method for their communities and review this from time to time to ensure the system they use remains relevant.

The City of Victor Harbor (Council) is reviewing the current methods for setting rates and what alternative methods, if any, may be more appropriate for the community.

This process is known as a rating review and considers a Council's rating requirements and the best way for that Council to distribute the rate burden amongst their community. Each Council will have different communities, so the rating system used is unique for each Council.

Section 151 of the *Local Government Act 1999*, states that Council must produce a public report that must address the following when considering changing their basis of rating:

- The reasons for the proposed change
- The relationship of the proposed change to the Council's overall rating structure and policies
- As far as practicable, the likely impact of the proposed change on ratepayers
- Issues concerning equity within the community.
- And any other issues that Council considers relevant.

1. Potential Changes to Rates

Council members have considered the information contained in this paper in a workshop and at a Council meeting. Rating methods available, the current method of rating, potential changes and likely impacts are detailed in this paper that is now provided for public consultation.

In summary Council is seeking feedback on the following potential changes to Council's rating structure.

- Decrease the Commercial and Industry differentials to the same as Residential Properties.
- Increase the Vacant Differential to 160% of the Residential Differential
- Increase Primary Production at 100% of the Residential Differential.

As the decrease in the Commercial and Industry differentials will affect other ratepayers, this change is proposed to be introduced over a 5-year period.

Section 9.5 of this paper discusses the various options discussed during workshops and Section 9.5.7 outlines the likely impact on ratepayers for a range of sample properties.

2. Consultation

It is important for Council to receive feedback from the community when making decisions that affect ratepayers. Council is required to consult when reviewing rating methods and your comments are very useful to help Council understand the community and make decisions that soundly reflect your current and future needs.

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3.1 Consultation Period

The consultation period will be for the following period:

- Thursday 25th March to Monday 26th April 2021 at 5pm

3.2 Submissions

Members of the community are invited to make written submissions expressing their views on the future structure of Council's basis of rating, and the information contained within this consultation paper. Submissions will be accepted until 5pm on Monday 26th April 2021.

Submissions can be provided by:

- Email: localgov@victor.sa.gov.au
- Mail: City of Victor Harbor, PO Box 11, Victor Harbor SA 5211

3.3 Public Meeting

In addition to written submissions, Council invites members of the community to attend a public meeting, at the Council Chambers on the 22nd April at 6.30pm. Members of the public can make submissions in person at this meeting.

Further information regarding the Review of Council's Basis of Rating can be obtained by contacting Council.

3. The Purpose of this Consultation Paper

The purpose of this consultation paper is to provide our community with information in relation to the following which Council has considered as background to the proposed changes:

- Why Councils collect rates.
- Council's current rating methodology
- Legislative framework for setting Council rates.
- Rating Options available
- Options that may be appropriate for Council
- Consultation Requirements.

4. Why Councils Collect Rates

Councils are responsible for the delivery of a broad range of services to the community. The range of services continues to grow.

To support the provision of services and to improve the quality of life for all the community, whether residential, business, or primary production, Councils provide significant levels of infrastructure in the form of roads, bridges, drainage, buildings, parks, and recreation facilities. This infrastructure needs to be maintained and replaced. Councils also provide a vast range of other services to their communities.

Each Council provides unique services for their own communities as different communities have different priorities. Councils are therefore faced with the challenge to:

- Establish a level of infrastructure and services for its community; and
- Equitably distribute revenue raising that provides funding for infrastructure and services.

As each Council faces different circumstances and provide a different mix of services to its community, it is likely that its revenue requirements are different from its neighbours. The capacity of each Council

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to raise revenue and the way that the ratepayers will share in providing the revenue will also be different in each Council.

5.1 Nature of Council Rates

Taxation is the major source of revenue for Governments. Councils are responsible for raising their own revenue by way of property taxation (Rates) and user charges as prescribed by legislation. Councils also receive Government funding.

Many ratepayers will question the value they individually receive from the rates they pay; however, rates are raised as a form of taxation for services for the whole community. Rates are a wealth tax, taxed against the value of property. The principle being that the more property, or the higher the value of the property, the more you should and are able to pay.

One problem with a wealth tax is that someone that owns a property that has a high value may not have the income to pay a higher level of tax. An example is a person, who has lived in an area their whole life, but the area has become popular, and the value of the property has increased dramatically. That person may now be living in a very valuable property and rated as such but may not have the income to afford this level of rating.

5.2. Principles of Taxation

When setting taxes, Governments and Councils need to be mindful of the principles of taxation. The principles are:

- equity – taxpayers with the same income pay the same tax (horizontal equity), wealthier taxpayers pay more tax (vertical equity);
- benefit – taxpayers should receive some benefits from paying tax, but not necessarily to the extent of the tax paid;
- ability-to-pay – in levying taxes the ability of the taxpayer to pay the tax must be considered;
- efficiency – if a tax is designed to change consumers' behaviour and the behaviour changes, the tax is efficient (e.g., tobacco taxes), if a tax is designed to be neutral in its effect on taxpayers and it changes taxpayers' behaviour the tax is inefficient; and
- Simplicity – the tax must be understandable, hard to avoid and easy to collect.

To some extent these principles conflict with each other. Governments and Councils must balance the application of the principles, the policy objectives of taxation, the need to raise revenue and the effects of the tax on the community.

6. Legislative Framework for Setting Council Rates

The *Local Government Act 1999* (the Act) sets out the framework of rating for Councils. The Act can be accessed at: https://www.legislation.sa.gov.au/.

The legislation outlines the following topics which are relevant for Council when considering changing its basis of rating.

Chapter 10 – Rates and Charges

- **Part 1 – Rates and charges on land**
    - Division 1 - Preliminary
    - Division 2 – Basis of rating
    - Division 3 – Specific characteristics of rates and charges
    - Division 4 – Differential rating and special adjustments

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- Division 5 – Rebates of rates
- Division 6 – Valuation of land for the purpose of rating

7. Valuations

Rates are calculated against the valuation of a property. There are two valuation options available under the current legislation being Capital (improved value) of a property, i.e., land and house valued together, or Site where only the land value is used.

Site value is not used by many Councils in South Australia and the drafted *Statues Amendment (Local Government Review) Bill 2020* may remove this option in the future.

8. Rating Options Available

There are several alternative rating options available under the Act. The options that can be considered are:

- A General Rate
- A Differential General Rate
- Fixed Charge
- Minimum Rate
- Tiered Rating
- Separate Rates

All rating options provide different ways for the cost of running the Council to be distributed amongst ratepayers. Councils need to consider the profile and issues of their communities and determine the method that distributes the rates tax burden in the most appropriate manner for their community.

7.1. A General Rate

All properties are charged the same 'rate in the dollar', regardless of land use or locality. This is very simple to administer.

7.2. A Differential Rate

This means there are different 'rates in the dollar' set for different categories of properties. Differentiating property based on Locality and Land Use are described below. A Council can use either Land Use or Locality or a combination of both.

A differential rate allows a Council to structure their rating strategy more closely with their community's needs and profile and to use rating as a tool to assist in achieving Council's strategic goals.

7.2.1. Locality

Rating according to where a property is. Some Councils set different 'rates in the dollar' for different townships, or whether a property is inside or outside a township(s). The locality is determined by development zone the property is in.

7.2.2. Land Use

This is where the 'rate in the dollar' is set depending upon what the property is used for. The Land Use types in accordance with the Local Government Regulations and as determined by the Valuer General are:

- Residential
- Commercial (Shop)

- Commercial (Office)
- Commercial (Other)
- Industrial (Light)
- Industrial (Other)
- Primary Production
- Vacant Land
- Other
- Marina Berth

The use of differential rates makes the rating system more complex, but not usually to the extent that it offends the simplicity principle. This is reflected by the fact that most South Australian Councils use this rating method. Differentials can also be used based on combinations of Locality and Land Use and Councils that use this combination can have quite complex rating structures.

Differential rates based on land use can allow a Council to set policy direction in regard to their rating, such as:

- Lower 'rate in the dollar' to assist or encourage a certain type of land use.
- Higher 'rate in the dollar' to deter a certain type of land use, or as an acknowledgement that a land use group needs to pay a higher contribution to the rates burden for the community.

7.3. Fixed Charge

Under this system a fixed amount is first applied evenly against all ratepayers. The remaining amount of rate revenue would be based on the valuation of the property.

The Act states that a Council must not seek to set a fixed charge at levels that will raise more than 50% of all general rate revenue.

The fixed charge is levied against a property first and then a Rate in the Dollar (RID) is charged against the valuation of the property and these amounts are combined to reach the rates that will be levied for this property. If a fixed charge is not levied, the RID will be higher to reach the same level of calculated rates.

The effect of a fixed charge is a lower rate in the dollar resulting in higher valued properties paying less than they would if there were no fixed charge.

This system would disadvantage owners of lower valued properties and could offend the 'ability to pay' principle.

Developers with several adjoining blocks will only pay one fixed charge and all the remaining properties will be charged at a lower rate in the dollar.

An advantage of the Fixed Charge is that having a higher Fixed Charge, resulting in a lower Rate in the Dollar, means that the risk of considerable increases in valuation is somewhat diminished. A Fixed Charge also sets a level of rating that is distributed equally between all ratepayers before the calculation of valuation x Rate in the Dollar is completed.

Contiguous Land provisions contained within the Act provide that only one fixed rate is payable across adjoining land owned and occupied by the same ratepayer (as if they were one property).

Single Farm Enterprises are also only subject to one fixed rate (where applicable). In accordance with legislation, the fixed charge is not applicable to Marina Berths.

7.4. Minimum Rate

A minimum rate is only applied where the calculated rates (valuation x RID) are lower than a point that Council has set as a minimum to pay. This ensures that all ratepayers pay at least a certain amount.

Unlike a fixed charge, the higher valued properties do not gain an advantage. Care must be taken that the minimum is not set so high as to offend the 'ability to pay' principle. Legislation also sets that the total of properties on the minimum rate does not exceed 35%.

Contiguous Land provisions contained within the Act provide that only one minimum rate is payable across adjoining land owned and occupied by the same ratepayer (as if they were one property). Developers with adjoining blocks will have only one minimum applied.

Single Farm Enterprises are also only subject to one minimum rate (where applicable). In accordance with legislation, the minimum rate is not applicable to Marina Berths.

7.5. Tiered Rating

In some Council areas, there are many low valued residential properties with relatively few high valued properties. The rate in the dollar will be set to obtain a reasonable contribution from every property towards the cost of providing infrastructure and services. It may well be the case that the few high valued properties are paying disproportionately more as compared to the impact of services on their property values. The Act makes a provision which allows Councils to adjust the rate in the dollar applied to properties in a specified range of values, however no more than 35% of rateable properties in a Council's area are to be affected by this measure.

The effect of this provision in a Council with a wide range of property values is that a significant number of lower valued properties will attract an increase in rates, whilst higher valued properties receive a reduction.

This method offends the equity principle. It would also affect negatively the 'ability to pay' principle. However, in considering the benefit principle, there may be some justification for considering this method.

Tiered rating can also be applied in the opposite manner where properties in the lower value range may pay a lower rate in the dollar.

This method is rarely used in South Australia.

7.6. Separate Rates

A Council can set a separate rate for the whole or part of an area for the purpose of planning, carrying out, making available, supporting, maintaining, or improving an activity that is of particular benefit to the occupiers of the land within that area.

7.7. Service Rates & Charges

A service charge is raised where a service is provided. Councils often raise service charges for the:

- Treatment or provision of water i.e., Community Wastewater Management System (CWMS)
- Collection of domestic waste i.e., Mobile Garbage Bin Collection
- Provision of Water

Legislation provides that Service Rates & Charges need to cover the costs of the services provided, including the cost of replacement infrastructure such as the replacement of pipes and pumps within a CWMS.

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7.8. Non-Rateable Property

Section 147 of The Act sets out the land which is exempt from rates as being:

- Crown Land
- Land held by the Crown or an instrumentality of the Crown for a public purpose.
- Land occupied by a university.
- Land exempt from rates and taxes under the *Recreation Grounds Rates and Taxes Exemption Act 1981*
- Land occupied by the Council except where under a lease or licence.
- Land occupied by a subsidiary.
- Land occupied or held by an emergency service organisation.
- Land exempt from Council rates by another Act

Non-Rateable properties will still incur Service Rates and Charges.

7.9. Rate Concessions

Rate Concessions for Pensioners and Self-Funded Retirees were provided on Council rates until 1 July 2015. The State Government funded the concessions.

This scheme was replaced with a 'Cost of Living Concession' which is directly provided to recipients by the State government. Councils are no longer involved in this concession.

7.10. Rate Rebates and Remissions

The Act requires Councils to rebate the rates payable for certain land uses ('Mandatory' Rate Rebates):

- Section 160 – Health Services
- Section 161 – Community Services
- Section 162 - Religious Purposes
- Section 163 – Public Cemeteries
- Section 164 – Royal Zoological Society of SA
- Section 165 – Educational Purposes

Councils also have a general power to grant discretionary rebates and remissions in accordance with Section 166 & 182 of the Act. The exercise of this power allows for:

- Local discretion;
- The pursuit of local policy objectives;
- Assistance to community organisations;
- Assistance to local businesses; and
- Assistance in the case of hardship.

7.11. Maximum Increase Capping

S153 (4) of the Act allows a council to set a maximum increase on rates, this is often termed as 'Capping'. Some Councils that have high levels of non-resident ratepayers offer Rates Remissions (Capping) to residents of the area. This type of remission reflects the taxation principle of 'ability to pay' and can relieve the higher burden of rates on properties that have been impacted by holiday popularity and consequently higher property values. The premise is that a 'holiday' home is likely to be an additional property for a ratepayer that lives elsewhere and therefore that ratepayer has more 'wealth' than a resident who only owns the property they live in.

A rate cap (remission) of this type is applied to ensure that the rates for resident ratepayers do not increase by more than x% as determined by the Council. Councils may offer different levels of capping for different types of resident ratepayers such as pensioners.

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An example of this is where a Council sets the following remissions:

- Pensioners and other Centrelink supported residents at 5%. This means that if their rates increase by more than 5%, they will receive a remission to ensure they only pay a 5% increase.
- Other residents at 10%. This means that if their rates increase by more than 10%, they will receive a remission to ensure they only pay a 10% increase.

Conditions can be developed to ensure that the Council is helping the ratepayers they intend to assist.

Some Councils offer Rates Remissions (Capping) where valuations have increased unevenly through the district and some Land Use categories are affected much more than others. A capping can assist in relieving the pressure in this situation.

Council must be mindful of the following when considering this type of remission:

- Whenever a system is adopted to allow one section of ratepayers to pay less, the other ratepayers of the Council pay more rates to cover the shortfall.
- Depending on how the rate capping is calculated;
    - Rate Capping can have an escalating effect with the amount remitted each year potentially growing.
    - Rate Capping may only assist the ratepayer in the first year with the impact of increased valuations affecting them in the second year.

7.12. Postponement of Rates

7.12.1. Hardship

Councils can wholly or partially postpone rates based on hardship in accordance with Section 182 of the Act.

7.12.2. Businesses

Councils can grant postponements of rates to assist or support a business in its area.

7.12.3. Valuation Anomalies

Councils can grant other postponements of rates to alleviate the effects of anomalies that have occurred in valuations, such as an unusual spike in valuations for a particular area. Councils may introduce capping to assist ratepayers affected in this manner.

7.12.4. Unusual Events

Councils may assist ratepayers who are affected by unusual events by postponing payments, not charging fines and interest, or offering rebates. Unusual events can include:

- Fires
- Floods
- Drought
- Covid-19

7.12.5. Seniors

S182A of the Act provides that ratepayers who hold a Seniors Card can apply to Council to postpone payment of the portion of rates on their principal place of residence that exceeds $500. Postponed rates remain a charge on the land and are not required to be repaid until the property is sold or disposed of. A Council may reject an application for postponement if the amount postponed would exceed 50% of the capital value of the land.

Interest accrues on the amount affected by the postponement in accordance with the prescribed interest rate.

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8. City of Victor Harbor's Current Rating Methodology

This section discusses Council's current rating system.

8.1. Land Valuation

Council uses the **Capital Value** provided annually by the Valuer-General as the basis for rating property within its area. The Capital Value includes both the value of the land and any improvements to the land (such as housing). This method results in higher valued properties, (such as land with a larger more expensive house), being rated higher than lower valued properties (such as land with a small house).

The Valuer-General analyses the sales of all property types to determine market movements, if any. This analysis of sales happens continuously throughout the year. The Valuer-General advises that different market movements can occur amongst varying property types and localities.

Certain properties may be eligible for a notional (concessional) value under the *Valuation of Land Act 1971*. This can relate to certain primary production land or where there is a state heritage recognition. A notional value is generally less than the capital value and therefore will result in reduced rates unless the minimum rate is applicable.

8.2. Differential Rates based on Land Use.

Council calculates its rates using different rates depending on the differentiating factors of land use. The categories are set out below showing the differential relationships with Residential Land use as the base.

Rating Category	Differential compared to Residential
Residential	100%
Commercial Shop	130%
Commercial Office	130%
Commercial Other	130%
Industry Light	115%
Industry Other	115%
Primary Production	90%
Vacant	150%
Other	100%

The Commercial and Industrial higher differential rate is currently used to fund economic development activities. There has been concern raised by commercial property owners that this increased differential is not imposed on businesses that do not have a physical business. Many businesses are now run from residential premises with no business shop front.

There is also concern that the higher differential may discourage investment in commercial and industry properties.

8.3. Fixed Charge

Council currently declares a Fixed Charge ($390 for 2020/2021). Rates are calculated by levying the fixed charge and then adding an amount calculated as value x rate in the dollar.

Council's rating strategy states that it aims for the Fixed Charge to raise 20% of the rating revenue. Currently this is not being achieved.

8.4. Separate Rates

Council sets a separate rate for the Landscape South Australia Levy which is raised on behalf of the State Government.

Council currently does not set any other separate rates.

8.5. Service Rates & Charges

Council does not currently levy any service rates and charges.

9. Comparison to Similar Councils

Exploring information about other similar councils can assist in understanding where the Council is similar and different and can assist in determining what might work best for this council.

There are 68 Councils in South Australia and they vary considerably in geographic and population size, economic situation, services provided and challenges they face. It can therefore be quite difficult to draw comparisons between Councils. However, Councils are grouped together in several ways, and these groupings can be useful to identify Councils that have similar situations.

Australian Centre of Local Government Grouping

The Department of Regional Australia, Local Government, Arts and Sport, classifies Councils in groups known as the ACLG code (Australian Centre of Local Government). The ACLG code and description for the Councils in South Australia are listed in Appendix 1.

Council is classified as 'Urban Regional Small' (URS). URS Councils are regional towns and cities with a population of up to 30,000.

South Australian Remuneration Tribunal Groupings

Councils in South Australia are grouped by the South Australian Remuneration Tribunal for the purposes of determining the level of allowances for Elected Members. The full list of groupings is listed in Appendix 2.

Council is classified in Group 3 of the Remuneration Tribunal Groupings.

LGA Region

South Australian Councils are grouped into regions based on locality. Council is in the Southern and Hills LGA Region. The full list of groupings is listed in Appendix 3.

Neighbouring Councils

Ratepayers will often compare their rates to neighbouring Councils even when those Councils may be quite different in size, both geographically and in ratepayer numbers as well as services provided. Victor Harbor's neighbouring Councils have been included in the comparison discussions below.

Regional Subsidiaries

Councils work with other Councils to solve common problems. This will often result in setting up a subsidiary between a number of Councils. Victor Harbor is part of 2 Regional Subsidiaries being:

- Fleurieu Regional Waste Authority (FRWA)
- Fleurieu Regional Aquatic Centre Authority (FRACA)

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Comparison Councils

Combining both the Australian Centre of Local Government Grouping, the South Australian Remuneration Tribunal Groupings, LGA Region and neighbours, results in the following Councils potentially being useful for comparison to Victor Harbor.

Council	ACLG Code: URS	Remuneration Tribunal Group 3	LGA Region Southern & Hills	Neighbours	Regional Subsidiaries		Common Factors
					FRWA	FRACA	
Victor Harbor	X	X	X	X	X	X	6
Adelaide Hills			X				1
Alexandrina			X	X	X	X	4
Berri Barmera`		X					1
Clare & Gilbert Valleys		X					1
Coober Pedy	X						1
Copper Coast		X					1
Kangaroo Island			X		X		2
Light Regional		X					1
Loxton Waikerie		X					1
Mid Murray		X					1
Mount Barker			X				1
Mount Gambier	X						1
Murray Bridge	X						1
Naracoorte Lucindale		X					1
Port Augusta	X						1
Port Lincoln	X	X					2
Port Pirie		X					1
Roxby Downs	X						1
Tatiara		X					1
Wattle Range		X					1
Whyalla	X						1
Yankalilla			X	X	X		3
Yorke Peninsula		X					1

This is a large list to compare against in any meaningful way. The councils with the most in common are used for this paper;

- Alexandrina
- Yankalilla

9.1. SA Local Government Grants Commission Database 2018/19

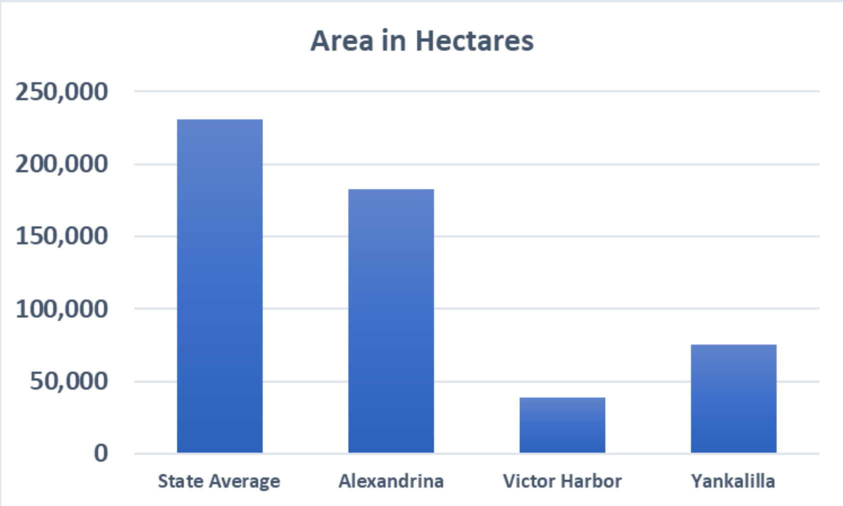
The South Australian Local Government Grants Commission Database is produced each year with the latest data available (being 2018/19 at the time of writing this paper).

This database has information collected from all South Australian Councils which can be useful when considering how a Council compares to others. Some useful comparisons are explored below.

9.1.1. Geographic Area

Councils vary widely in geographic size which can impact significantly on Council's asset management costs and the cost of delivering services. The average size of Councils in South Australia is 230,000 hectares, with Victor Harbor Council being 38,569 hectares in size.

The graph below shows that Victor Harbor has the smallest geographical area of the comparison councils.



9.1.2. Total Roads

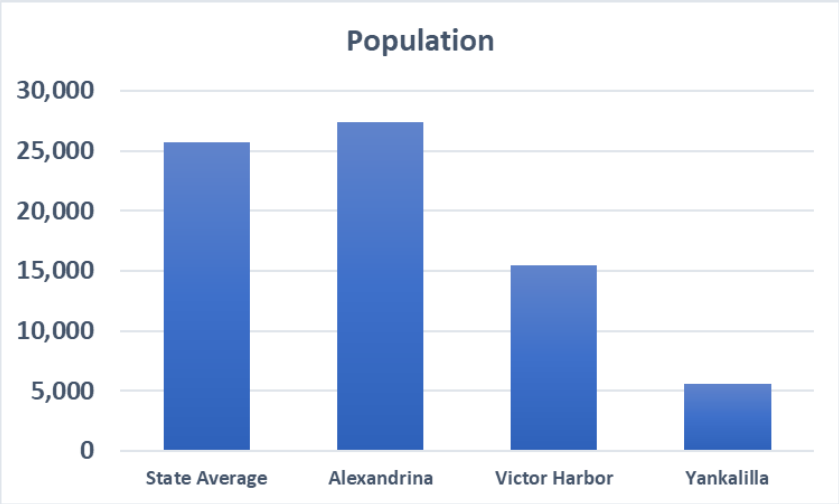
Councils are responsible for asset management in their district, with the largest and most costly asset type being road infrastructure. The average length of roads that Councils in South Australia are responsible for is 1,102 Kms.

Victor Harbor is responsible for 396 kms of Roads. This is the smallest road network of the comparison councils.

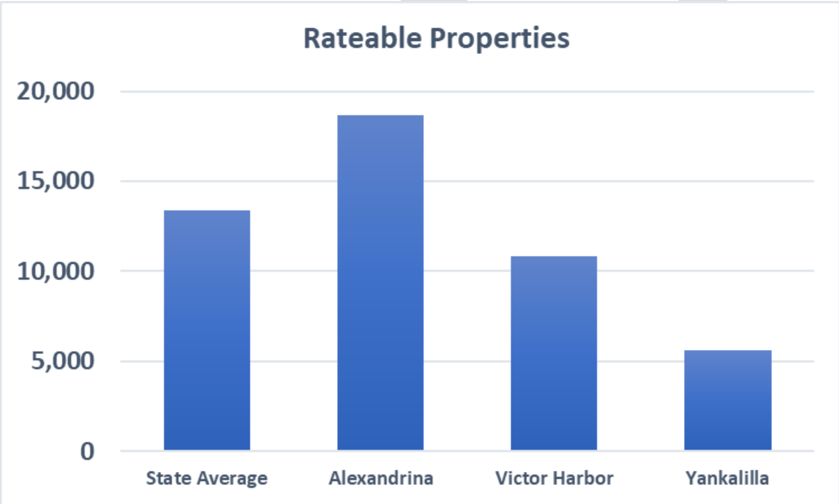
9.1.3. Number of Ratepayers and Population

A Council will have a community which is made up of ratepayers (people who own property) and non-ratepayers (such as renters and visitors/tourists). Ratepayers are made up of residents and non-residents. The size of the population determines many of the needs of a community. The population of the comparison Councils are listed in the Grants Commission Database, but this data does not reflect the extent that holiday visitors can expand the population.

Victor Harbor has the second highest population of the comparison councils.



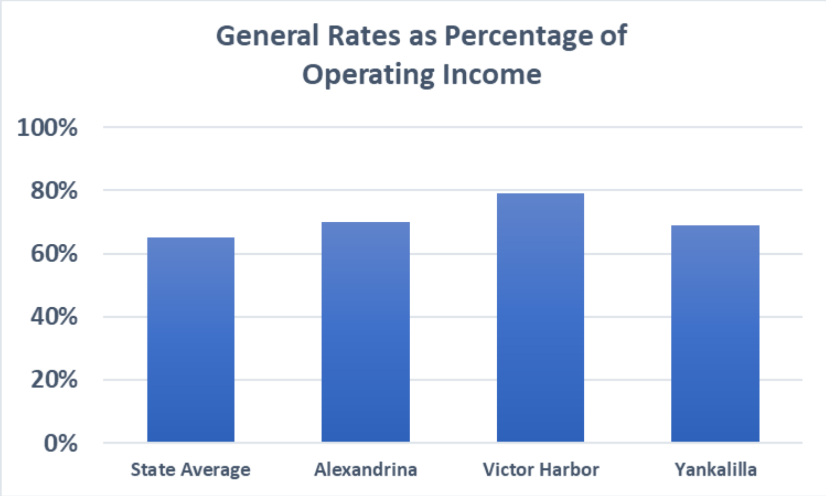
The ratepayers are the people who pay for the services that are available to the wider community. Victor Harbor has the second highest number of rateable properties of the sample Councils.



9.1.4. Rates Revenue compared to Total Revenue.

Most Councils in South Australia rely heavily on rates as their revenue base. The average % of general rates income as a proportion of total operating revenue was 65% in 2018/19 for all Councils. Lower percentages are usually achieved where the Council receives higher grant income. However, some Councils, such as Adelaide City rely heavily on User Charges such as car parking. Rural Councils do not generally have high levels of User Charges and rely mostly on Rates and Grants.

Victor Harbor rates proportion is 79% which is the highest proportion of the sample councils.

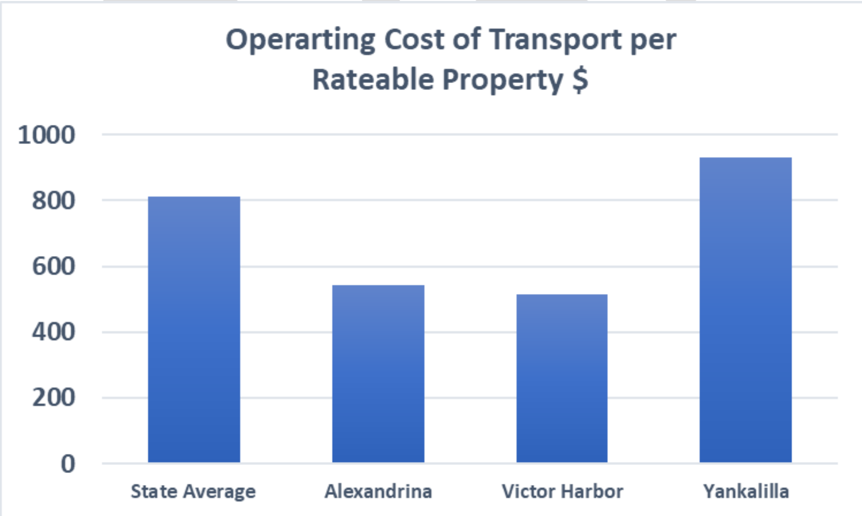


9.1.5. Cost of Transport Assets per Ratepayer

As discussed earlier, transport assets, particularly roads are the largest cost area for rural Councils. When trying to understand the cost impacts on different Councils it can be useful to calculate the cost of this area of expenditure per ratepayer. The graphs below show the operating expenditure on transport assets (roads, bridges etc.) and the cost per rateable property for the comparison Councils. This cost does not include capital costs.

The state average operating cost of transport assets per rateable property is $812. Victor Harbor's cost is $514 per rateable property.

Victor Harbor is the lowest of the comparison councils.



A summary of data used in the graphs above is shown in the table below;

	Size in hectares	Roads (Kms)	Estimated Population	Rateable Properties	General Rates as % of Total Operating Income	Operating Costs of Transport per Rateable Property $
State Average	230,633	1,102	25,674	13,367	65%	812
Alexandrina	182,833	1,379	27,427	18,685	70%	542
Victor Harbor	38,569	396	15,465	10,830	79%	514
Yankalilla	75,376	544	5,572	5,620	69%	930

9.2. Comparison Rate Structures

9.2.1. Rating of Comparison Councils

All the comparison Councils have different issues and costs depending on their communities needs and wants. They also may have different rating systems. This means that comparing a Council's declared rate in the dollar does not actually compare what the ratepayers are paying. Additional charges for waste collection and CWMS will change the total rates payable.

It is more useful to compare the total rates payable for a particular value of land and land type.

The tables below show the different rating structures, differential and resulting rates charged for various properties for the comparison Councils.

The sample properties below have not included CWMS charges as Victor Harbor does not have CWMS as the city is on the state sewerage scheme.

Council Rating Structure	Capital / Site	Location / Land Use	Fixed/ Minimum
Alexandrina	Capital	Land Use	Fixed
Victor Harbor	Capital	Land Use	Fixed
Yankalilla	Capital	Land Use	Minimum

Council Differential	Residential	Commercial Shop, Office & Other	Industry Light & Other	Primary Production	Vacant	Other
Alexandrina	100%	100%	100%	83%	100%	100%
Victor Harbor	100%	130%	115%	90%	150%	100%
Yankalilla	100%	100%	100%	100%	135%	100%

	Residential House Valued at $350,000	Commercial Property Valued at $350,000	Industry Property valued at $350,000	Primary Production Property Valued at $700,000	Vacant Land valued at $200,000	Other valued at $200,000
Alexandrina	$1,766	$1,766	$1,766	$2,671	$1,178	$1,178
Victor Harbor	$1,912	$2,369	$2,140	$3,130	$1,695	$1,260
Yankalilla	$1,810	$1,810	$1,810	$3,621	$1,397	$1,034

9.3. Victor Harbor Council Profile

9.3.1. Australian Bureau of Statistics

It is important to understand the profile of the community that a Council cares for prior to making decisions which may affect them. The Australian Bureau of Statistics (ABS) has considerable data that can be used.

Communities can vary over the whole Council. Victor Harbor is not divided further in the data from the ABS.

Highest Proportion	Victor Harbor

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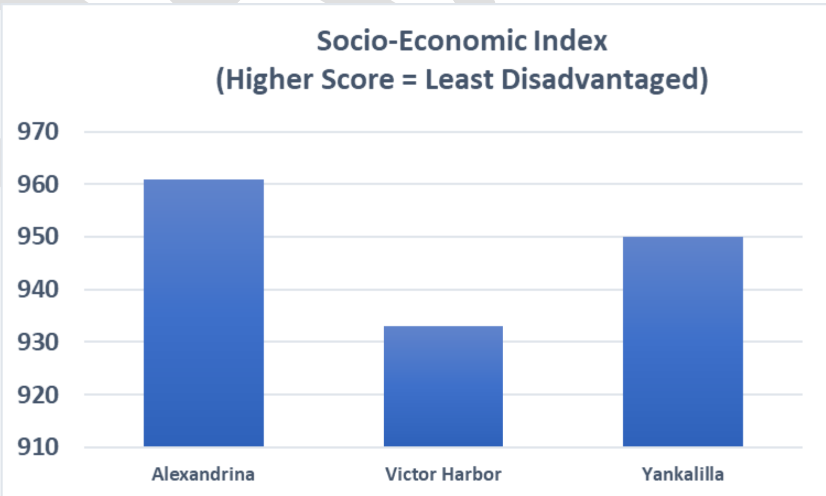
Personal Income (week) (highest proportions)	43% 28% 13%	$1 to $499 per week $500 to $999 per week $1000 to $1999 per week
Unemployed	7%	
Mortgage Repayments (month)	$1,315	
Employment Industry (main industries)	17% 14% 10% 10%	Health Care and Social Assistance Retail Trade Accommodation and food services Construction
Occupations	16% 15% 15%	Professionals Community and Personal Service workers Technicians and Trades workers
Household Type	62%	Couples without children
Homes owned outright	47%	
Mortgage Stress (where mortgage is higher than 30% of household income)	5%	
People older than 65	41%	

9.3.2. Socio-economic Index

The Australian Bureau of Statistics produces a Socio-economic Disadvantage Index from census data. This index shows the socio-economic situation of each Council area. A low score indicates greater disadvantage. An area could have a low score if there are (among other things), many households with low income, many people with no qualifications or many people in low skill occupations. A high score indicates a lack of disadvantage in general.

The graphs below show the Victor Harbor and the comparison Councils with Victor Harbor being the most disadvantaged.



9.4. Rating as a Tool to Assist in Achieving Strategic Priorities

Council's current Community Plan 2030 includes the following statements. Rating strategy could assist in achieving some of these.

Aspiration	Potential Rating Response

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Caring, connected, active community	Rebates for community group ratepayers	Currently applied S166 of the Act
Culture of innovation, collaboration, and creativity		
Manage Growth & Change Responsibly	Promote business development and employment opportunities	Current economic strategy using additional rates from Commercial and Industry properties. However, a strategy of not impacting these properties with additional rates compared to other properties could assist in this goal.
	Plan for sustainable development, residential amenity & security of prime agricultural land	Current rating of 90% differential for primary production
Services and Infrastructure that community needs	Ensuring Rate Revenue is sufficient and sustainable	
Financially sustainable & well governed		

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9.5. Rating Structure – Potential Changes and the Impact

Usually, a rating review will consider the distribution of rates between different types of ratepayers and not an overall increase in rates. Councils can increase total rates raised during their budget preparation each year.

The potential changes put forward in this paper are to distribute the rating burden and not to increase overall rates.

Council members attended a workshop where the topics within this paper was discussed. Council also discussed this Consultation Paper at a Council meeting on the 22nd February 2021.

Council resolved at the meeting on the 22nd February to send this Consultation Paper to the community for comment on the following;

- Increasing the Vacant Land Differential from 150% to 160% compared to the Residential Differential.
- Increasing Primary Production from 90% to 100% compared to the Residential Differential.
- Reducing the Commercial and Industry Differentials to 100% of the Residential Differential over a 5-year period to lessen the annual impact on residential properties that would occur if the change occurred in 1 year.

The following were discussed at Council's workshop;

- Leave the Fixed Charge the same but increase by inflation each year.
- Retain current level of Rate Capping.
- Potential future implementation of separate rates where a group of ratepayers want a specific increase in the level of service that predominantly advantages only them.,

9.5.1. Increasing the Differential for Vacant Properties

Coastal Councils are usually challenged with a significant number of ratepayers not living in the district and a tendency for investors to retain ownership of vacant land for future capital benefit. 40% of property owners do not live in Victor Harbor. Although many of these will be owners of holiday homes, they also own vacant land.

Retaining Vacant Land for investment can inflate the cost and diminish the ability of local young people to buy and build in the area.

Retention of vacant land also delays the building on that land and the change from vacant land to homes where the occupants become part of the community.

Victor Harbor's differential for Vacant Land is 150% of the Residential Differential. The Vacant Land Differential was increased above the Residential Differential in the following years:

- 2007/08 to 120%
- 2010/11 to 140%
- 2014/15 to 150%

Council is seeking feedback on increasing the Differential for Vacant Land from 150% to 160% of the Residential Differential. The effect of increasing the rates on Vacant Land will be to decrease the rates for all other properties.

9.5.2. Increasing the Differential for Primary Production Properties

The market value of a property is affected by where a property is and access to that property. Many Councils have considered that primary production properties in rural areas receive less services than properties in urban areas and therefore should have a lower rate in the dollar. However, the value of a property is affected by having less services.

For example, two identical properties, one facing a sealed road and one facing a dirt road, will have different values. One hectare in a rural area will have a lower value than one hectare in an urban area.

This means that as a lower level of services is reflected in valuation of a property there is no reason to have a lower rate in the dollar for primary production properties.

Primary Production properties are running a business as are Commercial and Industry properties. It is therefore not a consistent policy for one type of business to pay a higher rate in the dollar than another type of business. Business properties can also claim a tax deduction for their rates which homeowners cannot.

The Valuer General is undertaking a Revaluation Initiative. The valuations of Victor Harbor Primary Production properties will be reviewed in late 2020/2021 likely resulting is increased valuations for those properties for the 2021/2022 rating year.

Some information was provided to Council last year on the impact of the Revaluation Initiative which indicates the following possible increases;

- 1133 potentially effected properties
    - 27% decreasing in value.
    - 40% increasing in value up to 5%
    - 13% increasing in value from 5% to 10%

- 9% increasing in value from 10% to 15%
- 11% increasing in value over 15%   Capping is available at 15%

Council rates are a tax on wealth calculated on the value of property. When a property increases in value there is not necessarily an increase of income by that property owner, however Councils are not able to tax in any other manner. Councils need to take into account the capacity of a ratepayer to pay their rates and provide the following mechanisms to address that;

- Capping of rates that increase by more than 15% provided the reason for the increase in valuation is not related to development work or sale of the property.
- A Hardship Policy to assist ratepayers that are having trouble paying rates.

is seeking feedback on increasing the Primary Production Differential from 90% to 100% of the Residential Differential. The effect of increasing the rates for Primary Production will be to decrease rates for all other properties.

9.5.3. Decreasing the Commercial and Industrial Differentials

The higher differentials for Commercial and Industry properties were introduced some years ago to assist in funding economic development projects, however many aspects of the business world have changed considerably since that time.

Many businesses no longer have a 'bricks and mortar' shop front with many now running out of people's homes and online.

This means that the higher differential for the business sector is only affecting some businesses and not all. The Elected Members discussed this at the workshop and raised concerns that the higher differential is not equitable to all businesses and that the higher differential may deter potential businesses from filling shops.

Members raised concern as to whether higher Differentials for these land-uses was deterring businesses starting or remaining in the area.

Commercial and Industry differentials are higher than Residential but also higher than Primary Production. Primary Production properties are running a business as are Commercial and Industry properties. It is therefore not a consistent policy for one type of business to pay a higher rate in the dollar than another type of business. Business properties can also claim a tax deduction for their rates which homeowners cannot.

Most businesses would likely to have a commercial lease if not the owner of the property. It is common that these leases set out that the business pays all outgoings including rates. Where this occurs the benefit of a decrease in the Differential would be received directly by the business owner.

Council is seeking feedback on decreasing the Commercial Differential from 130% and the Industry Differential from 115% to the same as the Residential Differential. Council is considering that this could be undertaken over a period of 5 years as the effect of this level of reduction will result in higher rates for all other types of property.

9.5.4. Retain Current Fixed Charge Amount

The Fixed Charge represents a principal that all properties should at least contribute a certain level of funds to the rating total.

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Increasing the Fixed Charge would decrease the rate in the dollar and the effect of this would be that lower valued properties would increase in rates. Members at the workshops were concerned that the effect of decreasing the Commercial and Industry Differentials would impact on the rates paid by other ratepayers and did not want to increase the Fixed Charge to further burden ratepayers of lower valued properties.

Council is considering that the Fixed Charge should only increase by inflation each year.

Contiguous properties (those owned by the same owner and next to each other) and Single Farm Enterprises (where multiple farming properties are owned by the same owner) only pay one Fixed Charge.

9.5.5. Retain Current Level of Rate Capping

If a property is the principal place of residence of a ratepayer and their rates increase by more than 15% compared to the rates charged in the previous year, the ratepayer can apply to council for a capping rebate. This means that the excess rates above the 15% are rebated and the ratepayer will not pay more than a 15% increase.

All rebates provided are paid for by the other ratepayers that do not receive the rebates.

Where a property has increased in value due to development such as building a house or adding an extension, the ratepayer is unable to apply for the capping.

The outcome of the workshop was that the level of Rate Capping is appropriate.

9.5.6. Separate Rates

The members attending the workshop considered that a Separate Rate may be appropriate where there is a cost and benefit to a certain group of ratepayers. **This is not considered in this Rating Review but may be considered separately in the future.**

9.5.7. Likely Impact on Ratepayers

Changing the rating structure will affect ratepayers in different ways as whenever one group of ratepayers have lower rates, another group of ratepayers will have higher rates.

Council is seeking feedback on the following;

- Increasing the Vacant Differential from 150% to 160% of the Residential Differential in Year 1
- Increasing the Primary Production Differential from 90% to 100% of the Residential Differential in Year 1
- Decreasing the Commercial Differential from 130% to 100% of the Residential Differential over 5 years.
- Decreasing the Industry Differential from 115% to 100% of the Residential Differential over 5 years.
- Increasing the Fixed Charge by only inflation each year.
- Retaining the current level of capping at 15%

The following table shows the change in Differentials each year.

	Current	Year 1	Year 2	Year 3	Year 4	Year 5
Residential	100%	100%	100%	100%	100%	100%
Commercial	130%	124%	118%	112%	106%	100%
Industry	115%	112%	109%	106%	103%	100%
Primary Production	90%	100%	100%	100%	100%	100%
Vacant	150%	160%	160%	160%	160%	160%

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Other	100%	100%	100%	100%	100%	100%

The following tables shows the impact on different sample properties in dollars and percentage compared to the rates raised for 2020/2021. The table shows the effect of the full implementation in Year 5. The impact is proposed to be spread over 5 years.

No inflation or annual rises in rates due to Annual Business Plan requirements are included in this example. This example just shows the effect on properties of the proposed rating change.

Land-Use	Value $	**Current Rates**	**Rates Year 5**	Difference $	**Difference %**
		Fixed Charge $390			
Residential & Other	250,000	1,477	1,486	9	0.59%
	335,000	1,847	1,859	12	0.63%
	435,000	2,282	2,297	15	0.67%
Commercial	200,000	1,521	1,267	-254	-16.70%
	375,000	2,510	2,034	-476	-18.97%
	520,000	3,330	2,670	-660	-19.83%
Industry	160,000	1,190	1,091	-99	-8.30%
	210,000	1,440	1,311	-130	-9.00%
	300,000	1,890	1,705	-185	-9.79%
Primary Production	350,000	1,760	1,924	164	9.35%
	530,000	2,464	2,713	249	10.11%
	750,000	3,326	3,678	352	10.60%
	* 10,000,000	39,530	44,229	4,699	11.89%
Vacant	150,000	1,369	1,442	74	5.37%
	450,000	3,326	3,546	221	6.63%

*Single Farm Enterprise with multiple properties but only 1 fixed charge.

Decrease	Increase by up to 2%
Stay Same	Increase by more than 2%

10. Consultation Requirements

10.1. Legislative Requirements for Consultation

There is a legal requirement for Councils to consult with their communities when considering changes to their rating methodology.

S151(5) of the Act states that a Council must prepare a report before:

- changing the basis of rating of any land or
- changing the basis on which land is valued for rating purposes, or
- imposing separate rates, service rates or service charges,

S 151(7) of the Act states that the Council must follow the steps of its public consultation policy but must at least:

- publish a notice.
- describing the proposed change
- notifying that a Rate Review Report is being prepared.
- inviting interested person to
    - attend a public meeting.
    - make written submissions.

- Organise a public meeting which must be at held at least 21 days after the publication of the notice.
- Ensure copies of the report are available.
    - at the meeting
    - during the consultation period
    - for inspection at Council's office for free or
    - for purchase for a fee set by Council

Council must consider any submissions made either in writing during the consultation period or at the public meeting.

The *Statutes Amendment (Local Government Review) Bill 2020* is proposing to change some of the requirements around consultation, requiring Councils to have a Council Community Engagement Policy and the ability for the Minister to establish a Community Engagement Charter.

The proposed principles of the charter are that:

- *members of the community should have reasonable, timely, meaningful, and ongoing opportunities to gain access to information about proposed decisions, activities, and processes of councils and to participate in relevant processes.*
- *information about issues should be in plain language, readily accessible and in a form that facilitates community participation.*
- *participation methods should seek to foster and encourage constructive dialogue, discussion, and debate in relation to proposed decisions, activities, and processes of councils.*
- *participation methods should be appropriate having regard to the significance and likely impact of proposed decisions, activities, and processes.*
- *insofar as is reasonable, communities should be provided with information about how community views have been taken into account and reasons for decisions or actions of councils.*

Although the Bill is not yet enacted, the community engagement principles are sound and should inform Council's approach to community consultation on any rating changes.

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12. Appendix 1 – Australian Centre of Local Government Groupings

Codes

Clare And Gilbert Valleys	RAL	Adelaide City	UCC
Coorong	RAL	Charles Sturt	UDL
Grant	RAL	Marion	UDL
Lower Eyre Peninsula	RAL	Tea Tree Gully	UDL
Adelaide Plains	RAL	Burnside	UDM
Mid Murray	RAL	Campbelltown	UDM
Naracoorte Lucindale	RAL	Holdfast Bay City	UDM
Renmark Paringa	RAL	Mitcham	UDM
Tatiara	RAL	Norwood, Payneham & St. Peters	UDM
Wakefield	RAL	Unley City	UDM
Barunga West	RAM	West Torrens	UDM
Ceduna	RAM	Prospect	UDS
Goyder	RAM	Walkerville	UDS
Kangaroo Island	RAM	Port Adelaide Enfield	UDV
Kingston District	RAM	Salisbury	UDV
Mount Remarkable	RAM	Playford	UFL
Northern Areas	RAM	Adelaide Hills	UFM
Southern Mallee	RAM	Alexandrina	UFS
Streaky Bay	RAM	Barossa	UFS
Tumby Bay	RAM	Gawler	UFS
Yankalilla	RAM	Onkaparinga	UFV
Cleve District	RAS	Mount Barker	URM
Elliston	RAS	Coober Pedy	URS
Flinders Ranges	RAS	Mount Gambier	URS
Franklin Harbour	RAS	Murray Bridge	URS
Kimba	RAS	Port Augusta	URS
Orroroo/Carrieton	RAS	Port Lincoln	URS
Peterborough	RAS	Roxby Downs	URS
Robe	RAS	Victor Harbor	URS
Wudinna District	RAS	Whyalla	URS
Berri Barmera	RAV		
Copper Coast	RAV		
Light Regional	RAV		
Loxton Waikerie	RAV		
Port Pirie	RAV		
Wattle Range	RAV		
Yorke Peninsula	RAV		

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Descriptions

Type	Population	Code	
Capital City		UCC	Urban Capital City
Metropolitan	Up to 30,000	UDS	Urban Developed Small
	30,001 to 70,000	UDM	Urban Developed Medium
	70,001 to 120,000	UDL	Urban Developed Large
	More than 120,000	UDV	Urban Developed Very Large
Regional Towns/City	Up to 30,000	URS	Urban Regional Small
	30,001 to 70,000	URM	Urban Regional Medium
	70,001 to 120,000	URL	Urban Regional Large
	More than 120,000	URV	Urban Regional Very Large
Fringe	Up to 30,000	UFS	Urban Fringe Small
	30,001 to 70,000	UFM	Urban Fringe Medium
	70,001 to 120,000	UFL	Urban Fringe large
	More than 120,000	UFM	Urban Fringe Very Large
Rural	Significant Growth	RSG	Rural Significant Growth
Rural Agricultural	Up to 2,000	RAS	Rural Agricultural Small
	2,001 to 5,000	RAM	Rural Agricultural Medium
	5,001 to 10,000	RAL	Rural Agricultural Large
	10,001 to 20,000	RAV	Rural Agricultural Very Large
Rural Remote	Up to 400	RTX	Rural Remote Extra Small
	401 to 1000	RTS	Rural Remote Small
	1001 to 3000	RTM	Rural Remote Medium
	3001 to 20,000	RTL	Rural Remote large

13. Appendix 2 – South Australian Remuneration Tribunal Groupings.

GROUP 1A
City of Charles Sturt
City of Onkaparinga
City of Port Adelaide Enfield
City of Salisbury

GROUP 1B
City of Holdfast Bay
City of Marion
City of Mitcham
City of Playford
City of Tea Tree Gully
City of West Torrens

GROUP 2
Adelaide Hills Council
Alexandrina Council
Barossa Council
Campbelltown City Council
City of Burnside
City of Mount Gambier
City of Prospect
City of Norwood Payneham and St Peters
City of Unley
City of Whyalla
District Council of Mount Barker
Port Augusta City Council
Rural City of Murray Bridge
Town of Gawler

GROUP 3
Berri Barmera Council
City of Port Lincoln
City of Victor Harbor
Clare and Gilbert Valleys Council
District Council of Loxton Waikerie
District Council of The Copper Coast
District Council of Yorke Peninsula
Light Regional Council
Mid Murray Council
Naracoorte Lucindale Council
Port Pirie Regional Council
Tatiara District Council
Wattle Range Council

GROUP 4
Adelaide Plains Council (formerly Mallala)
Corporation of the Town of Walkerville
District Council of Coorong
District Council of Grant
District Council of Lower Eyre Peninsula
District Council of Yankalilla
District Council of Renmark Paringa
Kangaroo Island Council
Northern Areas Council
Regional Council of Goyder
Wakefield Regional Council

GROUP 5
District Council of Barunga West
District Council of Ceduna
District Council of Cleve
District Council of Coober Pedy
District Council of Elliston
District Council of Franklin Harbour
District Council of Karoonda East Murray
District Council of Kimba
District Council of Mount Remarkable
District Council of Orroroo Carrieton
District Council of Peterborough
District Council of Robe
District Council of Streaky Bay
District Council of Tumby Bay
Flinders Ranges Council
Kingston District Council
Southern Mallee District Council
Wudinna District Council

14. LGA Regions in South Australia

LGA Region	Councils
Eyre Peninsula	Ceduna
	Streaky Bay
	Wudinna
	Elliston
	Kimba
	Cleve
	Franklin Harbour
	Whyalla
	Lower Eyre Peninsula
	Tumby Bay
	Port Lincoln
Legatus Group	Flinders Ranges
	Orroroo
	Mount Remarkable
	Northern Areas
	Port Pirie
	Peterborough
	Goyder
	Barunga West
	Copper Coast
	Wakefield
	Clare & Gilbert Valleys
	Yorke Peninsula
	Adelaide Plains
	Light
	Barossa
Limestone Coast	Grant
	Kingston
	Mount Gambier
	Naracoorte Lucindale
	Robe
	Tatiara
	Wattle Range
Murraylands and Riverland	Berri Barmera
	Coorong
	Karoonda East Murray
	Loxton Waikerie
	Mid Murray
	Murray Bridge
	Renmark Paringa
	Southern Mallee
Southern and Hills	Adelaide Hills
	Alexandrina
	Kangaroo Island
	Mount Barker
	Victor Harbor
	Yankalilla
Spencer Gulf Cities	Pt Augusta
	Whyalla
	Pt Pirie

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