



FREQUENTLY ASKED QUESTIONS

Port Augusta City Council Rating Review

Definitions:

Site Value (or SV) - value of a parcel of land excluding structural improvements. It does however include improvements such as draining, filling, retaining walls, excavating, grading or levelling of land, removal of rocks, stone, sand or soil, and the clearing of timber, scrub or other vegetation.

Capital Value (or CV) - value of a parcel of land including improvements such as Buildings & structures, wells, dams & reservoirs and planting of trees for commercial purpose.

Differential Rate – generally rates may vary according to the use of the land; or according to the locality of the land; or according to the locality of the land and its use. The Differential Rate category determines the 'cents in the dollar rate' to be applied to that property.

General Rates - General rates are rates which are not raised for a specific purpose such as specific services. General rates are calculated by multiplying the value of a property by the Differential Rate category's 'cents in the dollar rate' and adding the Fixed Charge.

For example:

$$\$175,000 \times \$0.007725 = \$+ \$900 \text{ fixed charge} = \$2,252 \text{ general rates}$$

Service Charges - Council provides specific services for the benefit of specific properties for which service charges are applied, e.g. Kerbside Waste Collection and the Community Waste Water Management Scheme.

Minimum Rate – *This is a minimum amount that every ratepayer must pay regardless of their property value. Under the Local Government Act, no more than 35% of rateable properties can be on the minimum rate.*

Fixed Charge – A rating system where there is a fixed amount for every rateable property. This charge can represent no more than 50% of the Council's total general rates. A fixed charge makes up a portion of the General Rates for a property, with the remaining amount calculated by multiplying the rateable value of a property by the Differential Rate category's 'cents in the dollar' rate. Applying a fixed charge generally lessens the impact that a property's valuation has in determining how much rates a property owner will pay. (*see example above under General Rates*)

Rate Capping – where Council restricts the increase in general rates at a set percentage from one rating to year to the next to provide relief where a ratepayer has experienced a significant increase due to factors outside of their control. Examples include where property values in an area have significantly increased from one rating year to the next or where a change in rating system has seen a section of the community incur a significant increase in general rates. Capping exclusions apply as outlined in Councils Rating Policy. This provides the opportunity for Council to phase in those increases. However, under the Local Government Act, this should occur within a three year period. It should be noted that this is a form of 'discretionary rebate' and all other classes of ratepayers will pay a higher amount to compensate for this capping.

1. What is Council's current rating system?

At present, the general rate is calculated by multiplying the site value of the property by a 'cents in the dollar' rate which may differ depending on the land use and locality of the property. A minimum rate also applies to all Differential Rate categories. The Site Value of properties is provided by the Valuer General, and the land use and locality is based on Council's Development Plan.

2. Why is Council changing its rating system?

Port Augusta City Council is one of a small number of Councils' in South Australia that still uses Site Value as the basis of rating, with most Councils now using Capital Value.

Site value is generally more volatile than Capital Value resulting in further complexities in modeling impact on different classes of ratepayers.

There is legislation currently before State Parliament that will require Councils to move to Capital Value as the basis of rating if passed. This is expected to occur in the near future.

Under the Local Government Act, Council can only apply a minimum rate to 35% of properties. As Council is near that limit, only very minimal increases can be applied to those assessments on the minimum rate. This means that all other ratepayers see a larger increase to compensate which can create inequity across ratepayers.

The community has queried why everyone isn't paying the same rates. This is not possible within the current Local Government Act. The use of a fixed charge means that the Capital Value of a property will have less impact on the general rates payable. The fixed charge helps to address the Community's feedback that everyone should be paying the same amount of rates.

Council's current rating system is one of the most complex in the State, having 162 Differential Rate categories. This is due to the use of both land use and locality. Under the current system, properties of the same value and of the same land use can pay materially different rates. Most Councils use either land use or locality, and therefore have a smaller number of Differential Rate categories. Due to the complex nature of the current rating system, it is quite resource intensive.

Council's differential rate categories have also been in place for a number of years and Council needs to consider whether these differential percentages are still relevant today as much has changed across the Community.

3. Why use Capital Value?

Capital Value is the most common basis of land value for rating purposes in South Australian Councils'. Arguably, capital value may better demonstrate a ratepayer's wealth. The equity principle of taxation requires taxpayers of similar wealth pay similar taxes, so taxpayers of greater wealth pay more tax than taxpayers of lesser wealth.

There is currently legislation before State Parliament which is expected to be passed in the near future that will result in all Councils having to move to Capital Value as the basis of rating.

4. What are the Differential Rate Percentages?

Residential - Urban	100%
Residential - Non Urban (Rural Living, Primary Industry, Coastal Conservation)	80%
Residential - Coastal Holiday Settlement	80%
Commercial / Industrial	200%
Primary Production	80%
Vacant Land	150%
Other	100%

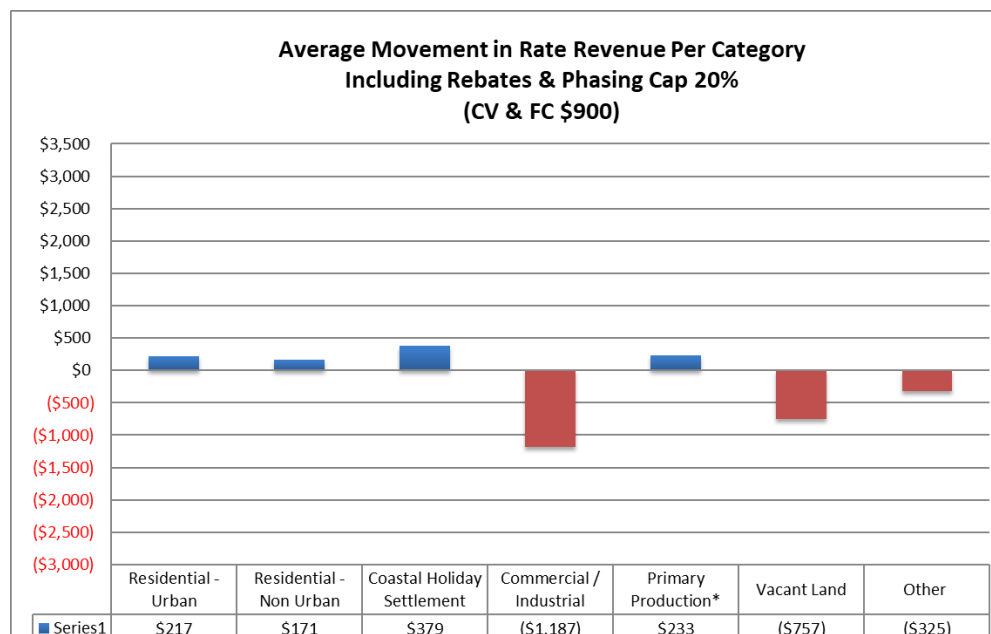
It is proposed that the locality of Coastal Holiday Settlement, Residential Non Urban (Residential Rural Living, Residential Primary Industry, Residential Coastal Conservation), and Primary Production all have a differential of 80% of residential land use as, arguably, the amenity of these areas is similar.

There has been much lobbying to Council about the high level of rates for vacant land. It is proposed to have a differential percentage of 150% of residential land use for vacant land. The change in the basis of rating to Capital Value will see the relativity of vacant land values to residential (ie land and house) decrease. Modelling has shown that, on average, there is likely to be a decrease in general rates for vacant land holders in the 2021/2022 rating year.

It is further proposed to have a differential percentage of 200% of residential land use for assessments with a commercial/industrial land use. Whilst the differential percentage has increased from previous years, modelling has shown that the move to Capital Value is likely, on average, to see a decrease in general rates for commercial/industrial land use assessments in 2021/2022. On average, there has been downward movement in Capital Value of commercial/industrial properties across Port Augusta in part due to consideration of impact of Covid-19 on Commercial/Industrial businesses by the Valuer General, further decreasing general rates for some assessments.

It is proposed that the category of 'other' remain at 100% of the residential land use category. This category has a minimal number of assessments.

The average movement per category based on current modelling is as per the graph below:



5. Why can't there be a rating system where everyone pays the same amount of rates?

The Local Government Act legislation prevents this. Rates constitute a system of taxation for local government purposes based on property values. The legislation intends that as a system of taxation, the higher the value of the land, generally the higher the amount of tax will be paid.

6. Will a change in the rating system mean that Council will collect more in rates?

The total amount of general rates collected is based on each financial year's annual budget and Long Term Financial Plan. A change in rating system will not increase or decrease the total amount of general rates collected by Council, however it may change the amount paid by individual ratepayers, with some ratepayers seeing an increase in their rates and others a decrease.

7. Will my rates go up considerably?

The introduction of the new rating system will see some property rates decrease but many properties increase as the new system is introduced.

Council will 'phase in' the changes over the next few years by setting a cap on the increase from the general rates paid in 2020/2021 to the general rates to be paid in 2021/2022. Therefore, those properties whose rates that would have increased significantly will be capped at a maximum increase of 20% from the previous year's general rates. At the same time, those properties that would have seen a decrease in rates will not receive the full relief in the first year, but the new rating system will be phased in over the next few years.

8. How will my rates be calculated?

In summary, rates will be calculated in accordance with the following process

- Valuer General provides Council with property valuations
- Council applies rate in the dollar based on property capital value
- Council applies any relevant differential percentage based on land use/locality
- Council applies fixed rate of \$900
- If rates are increasing significantly, a capping of 20% may be applied
- Rates notice may also include
 - o Regional Landscape Levy (collected on behalf of the State Government)
 - o Kerbside Waste Collection Service Charge
 - o CWMS Service Charge

For more information, please contact Port Augusta City Council on 86419100 or visit Council's website www.portaugusta.sa.gov.au and click on the button below:

