2013

RATING REVIEW

REPORT

Public Consultation Report—May 2013

2013 RATING REVIEW

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1. INTRODUCTION

The Port Pirie Regional Council Regional is conducting its first major rating review since 2004.

Council has implemented a strategic approach to the provision of a range and level of services to its community that is consistent with Council's Strategic Management Plan and supporting long term management plans.

In recent times, the Council has undertaken a comprehensive review and update of its Long Term Financial Plan, which considers the Council's current financial position and builds on this with further information based on:

- Council's Asset Management Plan and Capital Works Program
- Desired future services and service levels
- Expected changes in service provision costs
- **Future rating strategies**
- Anticipated growth of the Region
- Future efficiency gains that need to be realised.

The 2013 Rating Review acknowledges Council's Strategic Plan 2010-2020, which requires it to *"Ensure equity in Council's rates, charges, fees and funding decisions"* and to *"Provide a culture that promotes the transparency, integrity, openness and public accountability in Council's decision making process."* The Review meets these objectives through the production of this report.

Councils have an important responsibility to periodically review the impact and equity of rating across the entire district and to ensure that rate revenue is raised in an appropriate manner. As rate revenue comprises about 70% of the Council's operating revenue each year, it is essential that rates are calculated and applied in a fair and equitable manner, and that any variations are fully explained and justified.

This Review seeks to provide a fairer method of recovering rates from properties across the district, by applying important objectives relating to equity, consistency, sustainability and simplicity. In particular, the Review focuses on the composition and distribution of the rates burden. It does not propose increases or adjustments to total rate revenue, as this is a function of Council's long term planning strategy.

The 2013 Rating Review follows the legislative requirements of the Local Government Act 1999 to prepare this report and make it available to the public. Council will also provide information and invite attendance at a public meeting in June. Council will then consider public submissions following the consultation period before adopting its strategy for implementation from the 2013/14 year.

2. RATING SYSTEM OPTIONS

The Local Government Act 1999 prescribes how a Council may rate its community. These options are provided below.

A local government property tax is based on:

- the value of the property; and
- a rate (in the dollar).

Councils may adopt one of three valuation methodologies to value the properties in its area. These are:

- *Capital Value* – the value of the land and all the improvements on the land.
- *Site Value)* – the value of the land and any improvements which permanently affect the amenity of use of the land, such as drainage works, but excluding the value of buildings and other improvements.
- *Annual Value* – a valuation of the rental potential of the property.

A Council may impose differential rates based on the location of the land, the use of the land or both the location and the use of the land.

The Local Government Act allows Councils to impose a minimum amount or a fixed charge, but may not adopt both.

A minimum amount must apply to no more than 35% of rateable properties. Only one minimum amount can be imposed on adjoining properties with the same owner.

A fixed charge imposes a consistent amount on every property in its area, subject to the following:

- Where two or more adjoining properties have the same owner and occupier, only one fixed charge is payable by the ratepayer.
- Single Farm Enterprises also attract only one fixed charge.
- A maximum of 50% of general rate revenue can be raised through a fixed charge.

In setting its rates policy a Council must give recognition to the principles of taxation, because rates are a tax. The five principles that apply to the imposition of taxes on communities are:

- *Equity* – taxpayers with the same income pay the same tax (horizontal equity), wealthier taxpayers pay more (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 taken into account;
- *Efficiency* – if a tax is designed to change consumers behaviour and the behaviour changes, the tax is efficient (e.g. tobacco taxes), if the tax is designed to be neutral in its effect on taxpayers and it changes taxpayers behaviour a tax is inefficient; and
- *Simplicity* – the tax must be understandable, hard to avoid and easy to collect.

To some extent these principles can be in conflict with each other. 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.

3. FINANCIAL SUSTAINABILITY AND LONG TERM PLANNING

Financial Sustainability is defined as:

"A Council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services."

The importance of financial sustainability is to ensure that each generation 'pays their way', rather than leaving it to future generations to address the issue of repairing and replacing worn out infrastructure.

To achieve this 'intergenerational equity', it is crucial that current ratepayers effectively fund the current net cost of services provided and community assets consumed. An operating deficit requires future generations to subsidise these costs.

Council has been incurring annual operating deficits for many years, effectively providing a higher level of services than it can afford. Achieving and maintaining annual operating surpluses is a key to a Council's long-term financial sustainability.

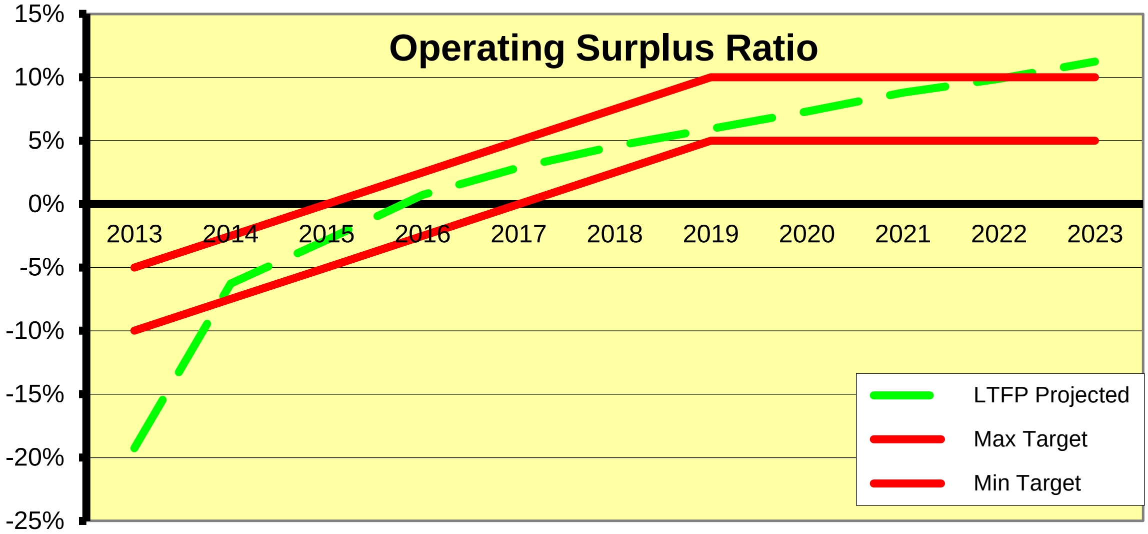
Council has prepared a draft Long Term Financial Plan 2013-2023 which incorporates the following important documents and strategies:

- Asset Management Plan 2013-2023
- Capital Works Program 2013-2023
- Operational outcomes 2013-2023
- Rating strategies 2013-2023.

In particular, the Plan seeks to achieve and maintain financial sustainability into the future. The key financial indicators to achieve this objective are provided as follows:

OPERATING SURPLUS RATIO

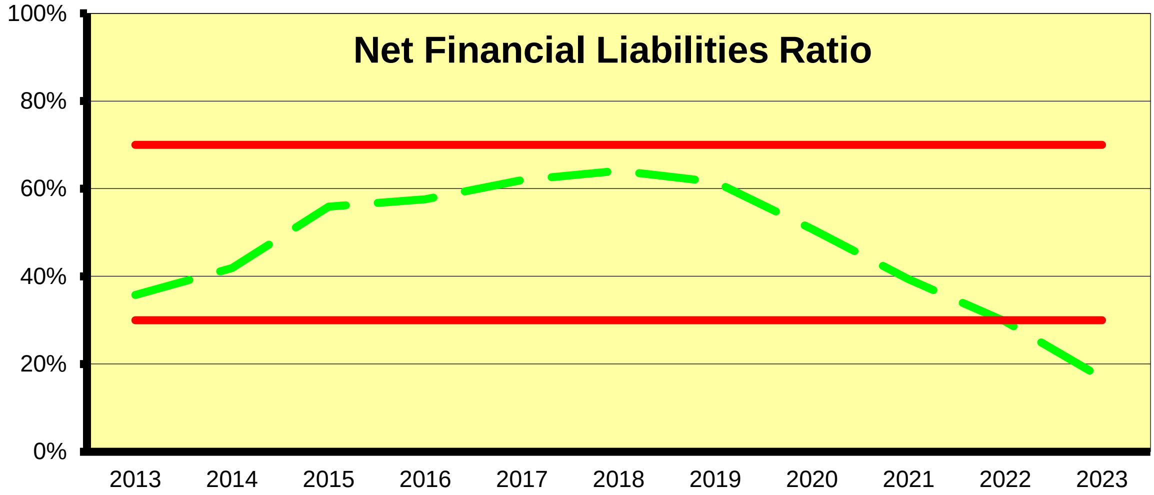
Council seeks to achieve an Operating Surplus, whereby its operating income exceeds its operating expenses (including depreciation) by 2016. Council has set target ranges to ensure that its forward planning takes this into account.



3. FINANCIAL SUSTAINABILITY AND LONG TERM PLANNING

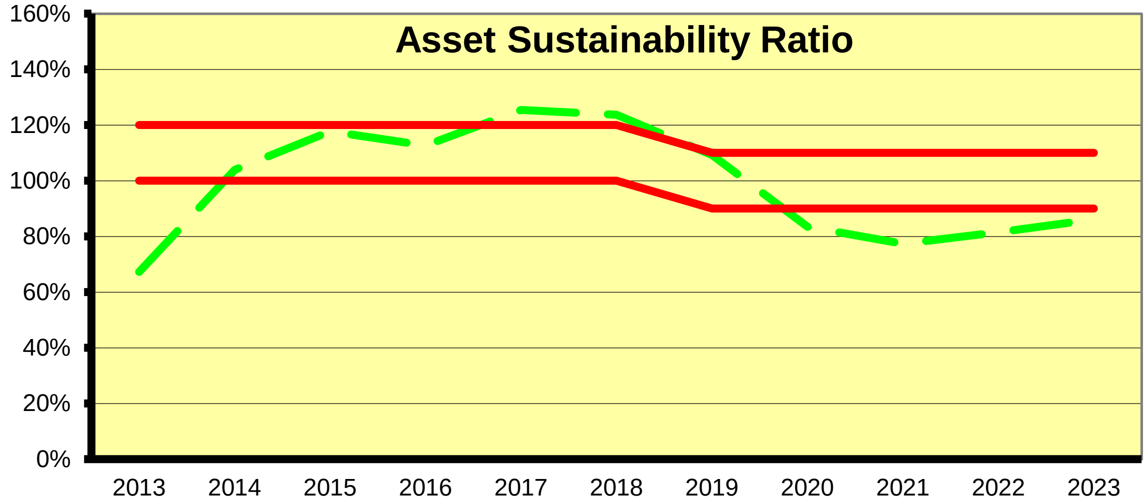
NET FINANCIAL LIABILITIES RATIO

Council accepts that a managed level of debt is necessary to achieve the requirements of the Plan. This ratio measures the net debt of Council against its annual operating income. Council has set a target of between 30% and 70% for the next ten years.



ASSET SUSTAINABILITY RATIO

Council understands that it must renew and replace its existing assets at approximately the same rate that they wear out or are consumed. This ratio is measured by comparing the amount to be spent on existing assets against annual asset depreciation. Council has set targets of 100%-120% for the next five years, and 90%-110% for the following five year period, averaging 100% over the term.



The Long Term Financial Plan provides a very positive and sustainable future for the Port Pirie Regional Council community. The Plan is however dependent on the Council setting achievable goals and objectives, and having the discipline to follow these. The draft Rating Strategy is an important element to this long term plan.

4. RATING PHILOSOPHY

To lay a foundation upon which the rating strategy is based, Council has considered and accepted the following broad philosophies in determining its proposals:

Valuations
Council general rates are considered a form of local (property based) taxation, the Capital (improved) Value of the land provides a good indicator of the capacity of the ratepayer to pay tax. This correlation is far from perfect but generally people who earn higher incomes live in and own higher valued properties (particularly when lifetime incomes, including incomes from capital gains, are taken into account).

For the purpose of satisfying the general *ability to pay* principle that applies to the imposition of taxes on communities, Council accepts the philosophy of using the Capital Value of the land as the basis for the raising of general rates.

Taxation Principle
General rates do not relate to any particular service or project of the Annual Business Plan or Budget (ie they are not a fee for service). There is however the principle that ratepayers should receive some benefits from paying general rates, but not necessarily to the extent of rates paid. Council's strategic planning documents set the long term direction for Council, which is ultimately largely funded by general rates.

For the purpose of satisfying the general *benefit* principle that applies to the imposition of taxes on communities, Council accepts the philosophy that general rates are a local (property based) taxation and not for particular services or projects.

Specific Services
There may be specific services or projects that Councils provide specifically to properties or to a part of an area for which a separate rate, service rate or an annual service charge can be applied to raise monies for that activity or project.

For the purpose of satisfying the general *equity* and *benefit* principles that apply to the imposition of taxes on communities, Council accepts the philosophy of only raising monies for the provision of 'unique services' (ie specific services or projects to properties or to a part of the Council area) through application of a service charge.

Fixed Charge
The fixed charge is a mechanism by which an equitable amount is charged on all properties, reflecting a common benefit to each.

For the purpose of satisfying the general *benefit* principle that applies to the imposition of taxes on communities, Council accepts the philosophy of raising one-third of its total general rate revenue through the imposition of a fixed charge, with the remaining two-thirds raised through rates applied against property valuations.

Differential Rating
Differential rating is the mechanism whereby Council can manipulate the amount payable through valuation of a property. Property valuations generally take into account the location of a property and therefore its access to facilities and services.

For the purpose of satisfying the general *equity* principle that applies to the imposition of taxes on communities, Council accepts the philosophy that property valuations take into account accessibility and service issues, and therefore that all properties of the same land use should contribute at the same rate level, regardless of location in the Council district.

5. REVIEW PROCESS

The 2013 Rating Review is being undertaken to review the Council's strategy to deliver a fair and equitable distribution of the rate burden within the Port Pirie Regional Council community. In reviewing the process, Council should investigate all options for the basis of the rating of any land including the basis upon which land is valued, the imposition of rates by declaring a separate rate, service rate or service charge and the basis for any differentiating factors.

The review needs to be considered and approved by Council for circulation to the community as part of its public consultation processes.

The 2013 Rating Review is the conclusion of a process commenced in 2011, when JAC Comrie Pty Ltd was commissioned to undertake an independent review of Council's rating structure. The report, produced by John Comrie (former CEO of both the Local Government Association of SA and the Department of Local Government) outlined the options and opportunities for Council to improve its rating structure in accordance with a planned and sustainable outcome into the future.

The main findings of this independent review were as follows:

- *"Council's rating system is structurally sound.*
- *The average residential rate is well below the State average and the Non-metropolitan State average.*
- *The rate charged for commercial properties, relative to residential properties was slightly higher than other Council's (however as noted above, the residential rate itself is extremely low by industry standards).*
- *The farmland/rural rate was low relative to the residential rate when compared to neighbouring Councils.*
- *The average income of residents was slightly below the State average.*
- *Council's expenditure was relatively high when compared to other Councils and its low rate base."*

Based on these findings, Council resolved at its meeting held in June 2011:

- ***That Council as part of the review of its Long Term Financial Plan seeks to, in the short to medium term (3-5 years), minimise the gap between Council's average residential rate and the State non metro average residential rate.***

- ***That Council as part of the review of its Long Term Financial Plan seeks to, in the short to medium term (3-5 years), increase and maintain its Regional Rural and Primary Production differential rates at 80% of the residential differential rate.***

- ***That Council as part of the review of its Long Term Financial Plan seeks to, in the short to medium term (3-5 years), achieve a Commercial and Light Industrial rate at 200% of the residential differential rate.***

5. REVIEW PROCESS (Cont'd)

As a result, rates in the dollar and their relationship to the base (residential) rate were amended in 2011/12 and 2012/13 as follows:

Historical Analysis	2010/11	2011/12	2012/13	% Revenue
PP Residential	**0.2892**	**0.3000**	**0.3070**	**52%**
% of Residential	*100%*	*100%*	*100%*	
PP Commercial/Industrial	**0.6926**	**0.6870**	**0.7680**	**16%**
% of Residential	*239%*	*229%*	*250%*	
PP Smelter	**4.1328**	**4.5115**	**3.8000**	**8%**
% of Residential	*1429%*	*1504%*	*1238%*	
PP Primary Production	**0.1605**	**0.1800**	**0.2150**	**0%**
% of Residential	*55%*	*60%*	*70%*	
PP Vacant	**0.5801**	**0.6000**	**0.6140**	**3%**
% of Residential	*201%*	*200%*	*200%*	
PP Other	**0.5801**	**0.6000**	**0.6140**	**1%**
% of Residential	*201%*	*200%*	*200%*	
Towns (all land uses)	**0.2892**	**0.3000**	**0.3070**	**12%**
% of Residential	*100%*	*100%*	*100%*	
Rural (all land uses)	**0.1605**	**0.1800**	**0.2150**	**8%**
% of Residential	*55%*	*60%*	*70%*	

NB: Rates in $ shown for comparative purposes, excluding service charges and annual revenue increases.

Further to this resolution and in response to another recommendation of the report, Council introduced a Waste Management Service Charge for the 2012/13 year.

The new charge was applied to all residential properties across the entire district, to recover the cost of kerbside waste collection and its disposal on an equitable basis. Legislation requires that Council cannot recover more than the cost of bin provision, collection and disposal of the waste collected.

Council originally proposed a charge of $175 for 2012/13, but this was reduced to $150 when it became apparent that the new service would not commence until October. A credit is to be applied to the 2013/14 service charge to refund the overcharge.

6. RATING STRATEGY PROPOSALS

The 2013 Rating Review includes the review of all rating elements as follows:

6.1 BASIS OF VALUATION

Councils have the option to adopt Site, Capital or Annual values as their basis of rating.

The Comrie Report provides information on the various methods of valuation:

"Whilst the availability of local government services affects the value of a property, it is generally the 'land' component that is affected. Site value therefore is a better indicator of relative benefits of local government services than capital value (which includes a component for land value and the value of buildings and other improvements to the property). Annual values too are influenced to a large degree by the nature of improvements to a property (e.g. the existence of a house that can be rented out).

Site value is more economically efficient than capital value. That is a person doesn't pay more in rates because of the extent of improvements they have made to a property. For example a person who wants to build a higher than average value home isn't discouraged from doing so because it won't mean that they'll pay higher council rates.

The disadvantage of site values for rating purposes is that they are not as good an indicator of capacity to pay as capital values.

Annual values can work well in localities where strong rental markets for different types of properties exist. They often cause confusion though for ratepayers and are therefore not administratively simple or popular in circumstances where the majority of properties are occupied by their owners."

Council has adopted the capital values basis of rating for many years. A change to site values would heavily impact on most ratepayers, whereby residents would generally pay much more and higher valued properties, including major businesses and large landholders would pay much less.

Council is proposing to continue to use **capital value** as the basis for valuing land within the Council area. The Council considers that this method of valuing land provides the fairest method of distributing the rate burden across all ratepayers when applying the equity test of taxation.

6. RATING STRATEGY PROPOSALS (cont'd)

6.2 FIXED CHARGE VS MINIMUM AMOUNT

The Local Government Act provides Councils with options to impose either a fixed charge or a minimum amount as part of its rating structure.

The Comrie Report states:
"If a large range of council services are provided and available relatively uniformly to all ratepayers then it is equitable from a benefit principle perspective to recover the costs of such services by way of a fixed charge. Councils though also need to have regard to both benefits received and capacity to pay in determining their rating structure. A system where a significant proportion of revenue was collected via a fixed charge and the balance by an ad valorem rate based on capital values would seem a reasonable trade-off in these circumstances.

Having a minimum rate rather than a fixed charge would mean that rates payable by all properties with a value above the threshold for which the minimum applies have the amount they pay determined purely based on their property value. Arguably this may mean that too much emphasis is being given to 'capacity to pay' relative to 'benefits received' considerations. At least equally importantly it means owners of the lowest valued properties, i.e. those to which the minimum applies, are effectively paying a higher ad valorem rate. It seems hard to see the justification for use of a minimum rate, relative to a fixed charge, particularly in circumstances where a council also uses capital values. This is because a council that uses capital values has, at least implicitly, determined that capacity to pay is a prime factor in design of its rating system yet it applies a higher rate of tax to the owners of the lowest valued properties."

Council considers that it provides a large range of services to all ratepayers uniformly and that these services should not be charged according to variations in valuation. Council therefore proposes to continue to utilise the fixed charge system, whereby

- Every property will pay a uniform amount (excluding contiguous and single farm enterprise adjustments)
- The total revenue raised via the fixed charge will approximate 33% of the total rate revenue (excluding service charges)

In dollar terms, this would mean that the fixed charge would increase by approximately the same percentage as the total rate revenue, which could be well in excess of CPI. However any increase to the total amount raised by an increased fixed charge will be offset by a similar decrease in the total amount required to be raised through differential rates.

A Fixed Charge component also ensures that all rateable properties make a consistent contribution to the cost of administering the Council's activities. Also, a higher fixed charge has a proportionally higher impact on general rates raised on low valued property (and therefore on lower income earners).

For the purpose of satisfying the general *equity* and *ability to pay* principles that apply to the imposition of taxes on communities, Council accepts the philosophy to maintain the Fixed Charge component of the general rate as a percentage of total general rate revenue.

6. RATING STRATEGY PROPOSALS (Cont'd)

6.3 DIFFERENTIAL RATING

Differential rates are used by Councils to apply a rate in the dollar to valuations of properties in the area. The rates themselves can be varied by land use or by locality, in accordance with the provisions of the Local Government Act.

A summary of Council's current differential rating structure is as follows:

Port Pirie City:

• Residential	"Base Rate"
• Commercial/Industrial	250% of the Base Rate
• Primary Production	70% of the Base Rate
• Vacant	200% of the Base Rate
• Other	200% of the Base Rate
• Smelters	Approximately 8% of total rate revenue

Other Areas:

• Towns (all land uses)	100% of the Base Rate
• Rural (all land uses)	70% of the Base Rate

Council therefore currently uses a combination of land use (in Port Pirie) and locality (outside of Port Pirie) rating strategies. This combination provides a serious conflict with the equity principle of rating, in that location itself requires for a different rating structure to be used.

The Comrie Report states:

"It is desirable that Council seek to obtain data to enable properties in its country townships and regional rural areas to be rated based on land use. This would enable it to consider further refining its application of differential rates and in all likelihood further improve the equity of its rating system."

The 2013 Rating Review proposes that locality rating be discontinued and that rating according to the principal use of land be applied to all properties in the Council area.

The Local Government Act 1999 provides the permitted land uses by which Councils can differentially rate. Each of these categories is explained below.

i) Residential

Council adopts its differential rating structure on the assumption that the base rate should represent the majority of properties and that other categories should be calculated as a percentage of this. As residential properties comprise approximately 75% of all properties, the Residential Rate is also used as the "base rate".

6. RATING STRATEGY PROPOSALS (Cont'd)

6.3 DIFFERENTIAL RATING

i) **Residential** (Cont'd)

Council proposes that the Residential rate be applied across the district. In the past, the rate has been applied to all residential properties in Port Pirie and to all properties (including commercial/industrial, vacant, primary production and other) in Crystal Brook and other towns. Residential properties in the rural area have received the reduced rural rate of 70%.

Council proposes, through the application of land use rating across the entire district, to apply the residential "base rate" to all residential properties, regardless of location. This action would have the following impacts:

- Port Pirie City: Unchanged
- Crystal Brook/Towns: Unchanged
- Rural: Increase (currently 70%)

ii) Commercial and Industrial

Many Councils charge a higher differential rate for commercial and industrial properties relative to its residential rate, often to acknowledge that businesses can generate a greater relative consumption of Council's infrastructure and services, therefore being a greater draw on Council's resources.

Council's current differential rate of 250% is however very high compared to most.

Council is proposing to adopt a differential rate of **200%** for commercial and industrial properties in accordance with its decision of 2011, and to apply it across the district. This action would have the following impacts:

- Port Pirie City: Decrease (currently 250%)
- Crystal Brook/Towns: Increase (currently 100%)
- Rural: Increase (currently 70%)

iii) Smelters

A very high rate in the dollar is applied for Nyrstar and associated smelters properties, given the unique nature of these properties, and a degree of subjectivity as to their capital values. The greater consideration is whether the total rates paid for these properties is reasonable. Rate revenue generated from these properties in recent years has equated to about **8%** of the Council's total rate revenue.

As there is little reliable comparative data available for similar circumstances in the State, Council has proposed to continue with this arrangement.

6. RATING STRATEGY PROPOSALS (Cont'd)

6.3 DIFFERENTIAL RATING

iv) Primary Production

Most regional Councils charge a slightly lower differential rate for primary production properties, mostly to acknowledge the economic and social importance of primary production to the district and therefore to support its long term viability.

Council currently charges a differential rate equivalent to 70% of the Residential rate in the dollar. This rate is equal lowest in the State (with Tatiara) and less than any neighbouring Council.

Council proposes to increase its Primary Production rate to **80%** of the Residential rate, as per with its decision of 2011. In many cases, the Primary Production rate will replace the rural rate in the dollar.

v) Vacant Land

Many Councils charge a higher differential rate for vacant land relative to its residential rate, to acknowledge that vacant land can incur a significant holding cost for constructed infrastructure (above what valuations would produce) and to encourage its development or sale.

Council is proposing to maintain its current differential rate of **200%** for vacant land and apply it across the district. This action would have the following impacts:

- Port Pirie City: Unchanged
- Crystal Brook/Towns: Increase (currently 100%)
- Rural: Increase (currently 70%)

vi) Other Land

Other land generally includes properties owned by community groups and sporting associations, many of which are eligible and receive rebates from Council.

Council is proposing to reduce this rate from 200% to **100%** (equal to the Residential Rate) and apply it across the district. This action would have the following impacts:

- Port Pirie City: Decrease (currently 200%)
- Crystal Brook/Towns: Unchanged
- Rural: Increase (currently 70%)

vii) Country Township

Properties in country townships (Crystal Brook, Napperby, Redhill, Koolunga and Mundoora) have been rated at the same rate in the dollar as that which apply to residential properties in Port Pirie. Council believes that this is reasonable for residential properties, as property values would reflect that they may have access to lesser services.

6. RATING STRATEGY PROPOSALS (Cont'd)

6.3 DIFFERENTIAL RATING

vii) Country Township (Cont'd)

Council however believes that commercial and industrial properties in these townships should pay the same rate in the dollar as that paid in Port Pirie. Again, the argument regarding access and services is met by equivalent considerations in property valuations.

Council therefore proposes to discontinue the use of the "Country Townships" locality and apply **differential rating according to land use** to all properties in these towns, which would have the following effect:

- Residential: Unchanged
- Commercial/Industrial: Increase to 250%
- Vacant: Increase to 200%
- Primary Production: Decrease to 80%
- Other: Unchanged

viii) Rural

Properties that were in the former District Councils of Port Pirie and Crystal Brook and are not in country townships have been previously classified and rated as Rural. These include genuine primary production properties and properties that are primarily used for other purposes, e.g. residential.

Council believes that it is reasonable for primary production properties to be charged a reduced rate in the dollar, albeit that it should increase from the current 70% to 80% of the Residential rate in accordance with its 2011 decision.

Council however believes that residential properties in these areas should pay the same rate in the dollar as that paid in Port Pirie. Again, the argument regarding access and services is met by equivalent considerations in property valuations. Similarly, commercial and industrial properties, previous enjoying a primary production subsidy, should also be charged in a consistent manner to other such properties.

Council therefore proposes to discontinue the use of the "Rural" locality and to apply **differential rating according to land use** to all properties in these areas which would have the following effect:

- Primary Production: Increase to 80%
- Residential: Increase to 100%
- Commercial/Industrial: Increase to 250%
- Vacant: Increase to 200%
- Other: Increase to 100%

6.4 SERVICE CHARGES

The Local Government Act allows Councils to apply a charge to ratepayers to recover the cost of dedicated services provided to specific properties. The use of such a charge is appropriate whenever beneficiaries can be identified and it is practical to do so.

It helps service recipients appreciate costs involved and provide feedback on value to service providers. It also means that properties that don't receive the service aren't paying higher taxes to help fund its provision to others.

Community Wastewater Management Scheme (CWMS)

All Councils that provide CWMS services levy affected properties with a charge for these. The charges are made to recover the actual operating and maintenance costs for the scheme, in addition to making provision for future upgrades and development.

Charges are made to both rateable and non-rateable properties, according to the number of services connected to a property. A reduced amount is charged for vacant properties within the service area.

Any amounts recovered but unspent in any year are retained by Council in a dedicated reserve fund, from which future costs of the services will be recovered.

Council proposes to continue the current practice of charging a fee for occupied (based on the number of services) and vacant properties within the service areas.

The following table provides the proposed fees to be charged for 2013/14:

CWMS	Crystal Brook		Napperby	
SERVICE CHARGES	2012/13	**2013/14**	2012/13	**2013/14**
Vacant	$216	**$222**	$266	**$274**
Occupied	$289	**$298**	$465	**$479**

It is proposed to increase Community Wastewater Management Scheme fees by CPI each year to keep pace with increasing costs of operating, maintenance and eventual replacement.

Further review of the annual service charge amount will be undertaken in conjunction with a review of the long term operating, maintenance and replacement of each system.

6.4 SERVICE CHARGES

Waste Management Service Charge

Many Councils also have in place a service charge for their waste collection services. In many (but not all) instances where Councils charge specifically for this service, it is only provided in part of their area (e.g. in townships but not rural areas).

Last year, Council introduced a Waste Management Service Charge on all residential properties throughout the city and district to fully recover the increasing cost of waste collection to those properties.

Council originally proposed a charge of $175 for 2012/13, but this was reduced to $150 when it became apparent that the new service would not commence until October. The actual cost for the collection cost for 2012/13 was $120 per assessment. As a result, a $30 reduction is to be applied to the 2013/14 charge.

The 2013/14 charge has been calculated as follows (per residential property):

Collection Cost	$88
Disposal Cost	$127
Bin Cost (over ten years)	$10
Total Cost	**$225**
Less reduction	$30
Net Charge for 2013/14	**$195**

It is expected that the charge will increase by CPI each year in accordance with contract provisions, however a review of these costs will be undertaken on an annual basis. Council is not permitted to recover more than the cost to provide this service.

NB: Many commercial properties have voluntarily participated in the new collection service and are invoiced through Council's debtor system, with no impact on rates.

About 200 properties receive a discounted charge where their property access point is more than 500 metres from their bin collection point. These rebates are applied automatically against these properties.

An analysis of the equivalent charge raised by 33 other regional Councils reveals that the service provided by the Port Pirie Regional Council is at the high end, while the actual charge is at the low end of those applied by these Councils.

6. RATING STRATEGY PROPOSALS (Cont'd)

6.5 NATURAL RESOURCE MANAGEMENT (NRM) LEVY

The Natural Resource Management Act 2004 requires Councils to raise a levy on behalf of regional NRM Boards and pay it to those Boards. The Port Pirie Regional Council is required to raise a total of $286,000 in 2013/14 (after rebates) and to make quarterly payments to the Northern and Yorke Natural Resources Management Board.

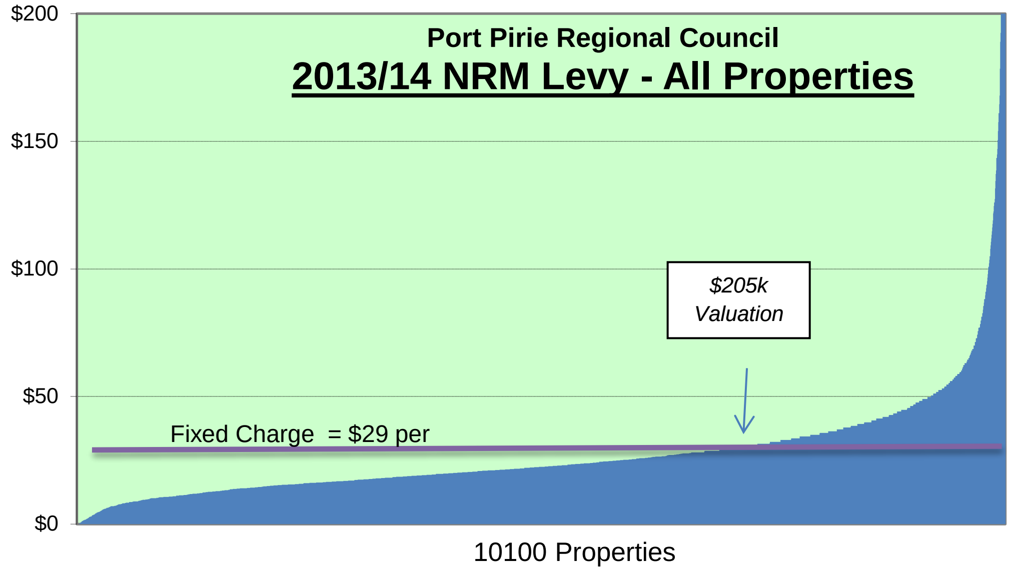
Council has historically recovered the NRM levy according to capital valuations, ie the higher the valuation, the higher the levy payable. Councils do however have the option to apply a fixed amount equally to each property.

As a comparison:

- 47 Councils recover the NRM levy via valuations, including all Mid North Councils.
- 21 Councils recover the levy via a fixed amount, including Port Augusta, Whyalla, Port Lincoln (all on site valuations), Mt Gambier and 9 Eyre Peninsula Councils.

Council has proposed to change the way in which it recovers this levy to a fixed amount, to reflect an equal contribution from each property in the district. To raise the necessary revenue, Council would impose an amount of $29 per property.

The following chart shows the respective amounts charged against each property in the district, according to valuation, and a line depicting the amount of $29 which would be charged if the same fixed amount was applied to each property.



The chart also indicates that about 70% of all properties would pay a small increase under the proposed fixed amount structure, and that high valued properties (typically rural and large businesses) would pay much less.

7. COUNCIL COMPARISONS

The following table provides comparative information on the various components of rates and charges for 2012/13. The selected Councils are either neighbouring Councils or Provincial Cities, where they have a comparable rating structure (ie if a Council uses site values, rates by locality or has numerous differential rates, these are not comparable circumstances).

	Port Pirie 2013/14 Proposed	Port Pirie 2012/13 Actual	Barunga West 2012/13	Copper Coast 2012/13	Wakefield 2012/13	Mount Gambier 2012/13	Murray Bridge 2012/13	Northern Areas 2012/13
Fixed Charge	**$380**	$350	$325	$404	$310	$516	Min Rate	$270
Commercial	**230%**	250%	117%	158%	167%	270%	158%	
Industrial	**230%**	250%	117%	139%	167%	270%	139%	
Smelters	**1176%**	1429%						
Primary Production	**74%**	70%	86%	88%	100%	100%	88%	
Vacant Land	**200%**	200%	93%	129%	278%	270%	129%	
Other Land	**100%**	200%		100%	100%	100%	100%	
Country Township	**NA**	100%						100%
Regional Rural	**NA**	70%						84%
Waste Management Charge	**$195**	$150	N/A	N/A	$233	N/A	$178	$238

The table confirms that the result of Council's strategy to adjust its Commercial, Industrial, Primary Production and Other differential rates is generally consistent with the Councils listed.

It should also be noted that all other things being equal, the lower the fixed charge amount, the more revenue needs to be recovered from differential rates.

This may also influence a Council's decision about the variations in differentials relative to its Residential rate. The average value of residential properties relative to the value of other properties may also impact on these relativities.

7. COUNCIL COMPARISONS (Cont'd)

Residential Rates Comparison

The Comrie Report noted that Port Pirie Regional Council's rating levels were relatively low…

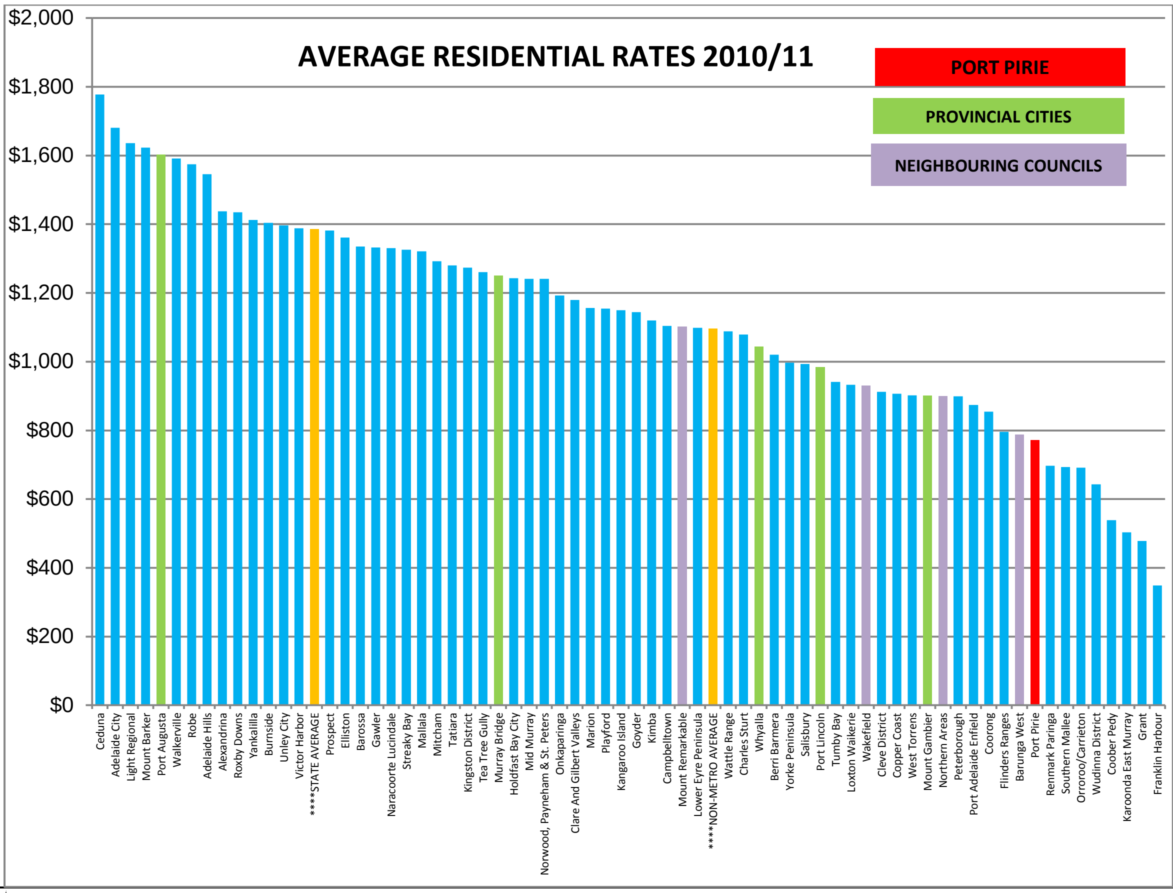
"Nevertheless it is worth noting that PPRC's rating levels are modest compared with other councils. In 2008/09 the average amount of general rates paid by residential ratepayers across all South Australian councils was $1,040. Ratepayers in metropolitan Adelaide paid slightly more (about $1,090) and elsewhere slightly less (about $990). The average amount paid by residential ratepayers in Port Pirie was $683 (rising to $800 in 2010/11).

The average income levels and therefore capacity to pay of ratepayers in PPRC is less than the State average, but not by much. The Australian Bureau of Statistics reports that for 2008 the average income of Port Pirie residents from all sources for all adults (whether working or not) was $36,583 which represented 92% of the State average."

The latest available information (shown below) provides further evidence that the Council's average residential rating is

- below that of all Provincial Cities;
- below that of all neighbouring Councils; and
- below the State Average and Non-Metropolitan Average.

Since this time, the average residential rate has increased through the introduction of the Waste Management Service Charge, however the relativity of amounts shown in the following graph remains:



8. IMPLEMENTATION STRATEGY

The 2013 Rating Review proposes some significant changes to the current rating structure of the Council. The most significant of these is the application of differential rates according to land use across the entire area.

In many cases, this is considered to be a "correction" of properties inadvertently receiving a primary production concession due to their rural location. In all cases, Council considers that valuations should be the critical element in determining the relative level of rating for a particular land use, assuming that these valuations reflect the accessibility to Council facilities and services.

As a consequence of a significant shift in the differential percentages to be applied to certain classes of properties, Council believes that the major impacts should be phased in over a three year implementation period as follows:

Locality/Land Use	Properties		2012/13	2013/14	2014/15	2015/16
Port Pirie City	***No***	***%***	***% of Base (Residential) Rate***			
Residential	6520	65%	100%	100%	100%	100%
Commercial/Industrial	500	5%	250%	230%	215%	200%
Primary Production	2	0%	70%	74%	77%	80%
Vacant	430	4%	200%	200%	200%	200%
Other	80	1%	200%	100%	100%	100%
Towns						
Residential	830	8%	100%	100%	100%	100%
Commercial/Industrial	55	1%	100%	140%	170%	200%
Primary Production	7	0%	100%	74%	77%	80%
Vacant	115	1%	100%	140%	170%	200%
Other	15	0%	100%	100%	100%	100%
Rural						
Residential	420	4%	70%	100%	100%	100%
Commercial/Industrial	25	0%	70%	140%	170%	200%
Primary Production	910	9%	70%	74%	77%	80%
Vacant	170	2%	70%	140%	170%	200%
Other	30	0%	70%	100%	100%	100%

*NB: Differential rates impact on approximately **67%** of the total general rates raised.*

The implementation plan deliberately increases the Rural Commercial, Industrial and Vacant land use categories to 140% in the first year of implementation, recognising that these properties have enjoyed a subsidised rate for many years, as a result of being included in a category designed for primary producers.

The second and third year adjustments then fall into line with adjustments made for Towns.

8. IMPLEMENTATION STRATEGY (Cont'd)

In terms of rates in the dollar, the following rates and impacts are proposed (2014/15 and 2015/16 rates are indicative and subject to annual budget considerations):

Future Strategy	2013/14	2014/15	2015/16	% Revenue
Residential (all)	**0.0034**	**0.0034**	**0.0034**	**63%**
% of Residential	*100%*	*100%*	*100%*	
Commercial/Industrial (PP)	**0.0078**	**0.0073**	**0.0068**	**13%**
% of Residential	*230%*	*215%*	*200%*	
Commercial/Industrial (other)	**0.0048**	**0.0058**	**0.0068**	**1%**
% of Residential	*140%*	*170%*	*200%*	
Smelters	**0.0400**	**0.0400**	**0.0400**	**8%**
% of Residential	*1176%*	*1176%*	*1176%*	
Primary Production (all)	**0.0025**	**0.0027**	**0.0027**	**10%**
% of Residential	*74%*	*77%*	*80%*	
Vacant (PP)	**0.0068**	**0.0068**	**0.0068**	**5%**
% of Residential	*200%*	*200%*	*200%*	
Vacant (other)	**0.0048**	**0.0058**	**0.0068**	**2%**
% of Residential	*140%*	*170%*	*200%*	
Other (all)	**0.0034**	**0.0034**	**0.0034**	**1%**
% of Residential	*100%*	*100%*	*100%*	

Port Pirie City: Commercial/Industrial to **gradually reduce** over 3 years.

Other to **immediately reduce**

Towns: Commercial/Industrial/Vacant to **gradually increase** over 3 years.

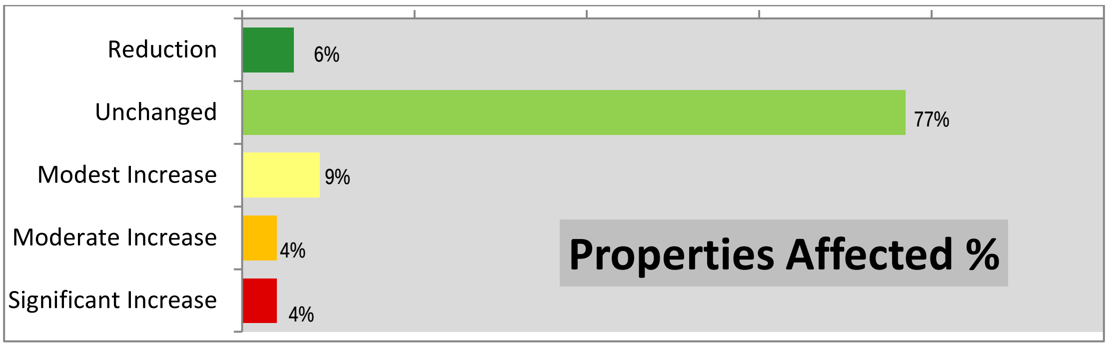
Rural: Residential to **immediately increase**.

Commercial/Industrial/Vacant to **increase immediately** to match Towns**, then staged** over 2 years.

Primary Production to **gradually increase** over 3 years.

Other to **immediately increase.**

All other categories are to remain at the same relative levels.



9. SUMMARY

The changes proposed in the 2013 Rating Review are summarised below:

1. **Capital Value** to continue to be used as the basis for rating valuations.

2. **Fixed Charge** to be retained (in lieu of a minimum amount).
   Fixed Charge to be applied equally to all properties, the total of which will raise approximately 33% of total general rate revenue.

3. **Differential Rating** to be charged according to the following land use categories across the entire district in accordance with the Local Government (General) Regulations 1999:
   - Residential
   - Commercial – shop
   - Commercial - office
   - Commercial – other
   - Industry – light
   - Industry – other (Smelters)
   - Primary Production
   - Vacant Land
   - Other

4. **Differential Rates** to be applied at the following percentages (based on the Port Pirie City Residential Rate being the "Base Rate"):
   - Residential 100%
   - Commercial – shop 200%
   - Commercial – office 200%
   - Commercial – other 200%
   - Industry – light 200%
   - Industry – smelters 8% of general rate revenue
   - Primary Production 80%
   - Vacant Land 200%
   - Other 100%

5. **Implementation Timeframe** of three years to stage significant adjustments to Commercial, Industrial, Primary Production and Vacant land use categories.

6. **CWMS Service Charges** for Crystal Brook and Napperby to continue to be based on actual services provided (for occupied properties) and service availability (for vacant properties).

7. **Waste Management Service Charge** to continue to be charged to all residential properties serviced by the kerbside collection services, calculated to recover the total cost of bin provision, collection and disposal of the waste collected.

8. **NRM Levy Separate Rate** to continue to recover the amount payable by the Council to the Northern and Yorke NRM Board, calculated on an equal contribution from all rateable properties.

10. PUBLIC CONSULTATION

Consultation Opportunities

The following arrangements have been made pursuant to Section 151 of the Local Government Act 1999, to enable members of the public to obtain information and provide feedback on the 2013 Rating Review as follows:

- Public consultation period between **29 May and 21 June 2013**.
- Consultation notices published in the local newspapers.
- Information published in the "Pirie-odical" in the Recorder and Flinders News.
- Information published within the Crystal Brook Chronicle.
- Documents available on Council's website www.pirie.sa.gov.au
- Public Meeting in the Council Chambers, 115 Ellen Street Port Pirie on **Thursday 20 June 2013, commencing at 7:00pm.**

Copy of Report

A copy of this report is posted on Council's website for download. Electronic versions can also be provided at no cost in response to email requests to council@pirie.sa.gov.au.

Reports are also available free of charge from the Port Pirie and Crystal Brook Offices during business hours.

Submissions to Council

Written submissions are invited from electors and residents to be addressed to:

Chief Executive Officer, Port Pirie Regional Council, PO Box 45, Port Pirie SA 5540, or emailed or delivered to the Port Pirie or Crystal Brook Council Offices.

SUBMISSIONS CLOSE AT 5PM ON FRIDAY 21 JUNE 2013.