RATING STRATEGY – 2016/17

PROPERTY RATES

Overview

Rates are a major review source for the delivery of the many Council services and activities. Periodically Council will review its approach to the setting of property rates, particularly as part of the preparation of the Annual Business Plan and Budget and also when reviewing Strategic long term plans.

From 2016/17 Council has decided that future rate increases will be both reasonable and consistent across all land use types. This follows the completion of the previous Rating Strategy which contained a number of changes in the rating structure.

Council will also continue to actively seek alternate funding sources in an effort to reduce the impact of the rate burden.

Purpose of Rates

Each year Council seeks to raise an amount in general rate revenue, including the waste management service charge that will provide a level of funding to enable Council to meet all of its operating expenses and to make a significant contribution towards the capital works program.

The Local Government Act 1999 provides for a Council to raise revenue to be spent for the purposes of its operations. Chapter 10 of the Act describes the requirements for the setting of property rates.

A Council is also able to raise a separate rate for specific areas of the Council or a service rate or charge for any specific service.

Previous rating strategy

In 2013, Council conducted a review of its rating structure, which resulted in a reduction of the business differential rate in the dollar and an increase to primary production rates in the dollar to 80% of the residential rate.

In addition, the 'Other' differential rate was reduced to align with the Residential rate, resulting in reduced rates for many sporting and community groups.

These changes were fully implemented over a three year period ending June 2016.

Property Rates Calculation

Council is able to raise revenue through a general rate, which applies to all rateable properties, or through a differential general rate, which applies to different classes of property (land-use types) and location.

Land use types are based on information provided by the SA Valuer General.

Land Use Types
Residential
Commercial - Shops
Commercial - Offices
Commercial - Other
Industry - Light
Industry - Other
Primary Production
Vacant Land
Other

Method Used to Value Land

In accordance with the Local Government Act 1999, Council 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 of 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.

Capital value will continue to be used 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.

The valuation method adopted also takes into account the locality of property and accessibility to facilities and services.

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Impact of Rating

Council considers the impact of rate increases on residential, business, including manufacturing and retail, service industry and primary production sectors. It takes into account the goals of the strategic community plan, comments received from community consultation and the current economic conditions.

Changes in the valuation of different types of properties, and the equity balance of the distribution of the rate burden are reflected in the Council decision to set a differential general rate based on the land-use types across the entire council area.

Setting of Rates

In setting the rates, Council considers a number of matters including the:

- service delivery needs and related expenditure priorities in relation to the Strategic Plan, community needs, and Federal and State grants received;
- need for an ongoing sustainable capital works program to renew and upgrade essential infrastructure assets;
- amount and type of resources required to deliver Council services;
- impact of rate increases on the community, including householders, businesses and primary producers;
- the broad principle that the rate in the dollar should be the same for all properties except where there is clearly a different level of services available to ratepayers or some other circumstance to consider a variation;
- minimising of the level of general rates required by setting fees and charges for council goods and services, on a user pays basis, where it is possible to recover the full cost of operating or providing the service or goods, with provision for concessions to those members of the community unable to meet the full cost;
- increase or decrease in the capital values of properties.

Fixed Charge and Differential General Rates

Council has decided to apply differential rating strategies across the council area.

Property rates for individual properties comprise of a fixed charge plus an amount calculated by multiplying the rating factor (determined by Council) by the capital value of the property (determined by the Valuer-General.)

The fixed charge component of individual property rates will continue to provide 33% of the total rate revenue by equal contribution. The remaining 67% is provided through the differential rates in the dollar.

In recognition of the variation in the level of services provided or available to occupiers of the different land-use categories and locations throughout Council's area, a differential rating factor has been applied. In setting the variable rate, Council is mindful to apply consistency across all assessments, and to ensure that the rate burden does not shift significantly from one sector to another.

Council has decided to apply the following differential rating strategies across the entire area, according to principal use of the land:

- The assumption that residential properties represent the majority number of properties (75%) and that any other categories should be calculated as a percentage of this 'base rate'.
- Acknowledgement that businesses can generate a greater relative consumption of Council's infrastructure and services, therefore being a greater draw on Council's resources. A differential rate of 200% of the base rate is applicable for Commerce and Industry.
- Acknowledgement of the economic and social importance of primary production to the district and therefore to support its long term viability. A differential rate of 80% of the base rate is applicable for Primary Production property.
- Acknowledgement that vacant land can incur a significant holding cost for constructed infrastructure (above what valuations would produce), to encourage its development or sale and to recover a meaningful contribution towards the provision of community facilities and services. A differential rate of 200% of the base rate is applicable for Vacant property.

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- Other land generally includes properties owned by community groups and sporting associations, many of which are eligible and receive rebates from Council. A differential rate of 100% of the base rate is applicable for Other property.

SERVICE CHARGES

Waste Management Service Charge (WMSC)

Council has a three bin waste collection service for all residential properties. Council is required to recover no more than the actual cost of providing the service.

A number of rural properties will receive a discounted charge where their property access point is more than 500 metres from their bin collection point. Rebates will be automatically applied to these properties.

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.

Community Wastewater Management Schemes

Council provides effluent disposal systems to residential and commercial properties in Crystal Brook and Napperby. The full cost of operating and maintaining the service is recovered through a charge for each property to which the service is available, including non-rateable properties.

The following charging principles apply:

- CWMS systems to be assessed independently, as each is of a different type and age;
- Total charges will reflect the average annual cost of operations (including depreciation);
- Charges on vacant properties will be 75% of occupied properties, reflecting pump out cost recovery from occupied properties;
- Ongoing Napperby irrigation costs be treated as general Council and not CWMS cost.

Any surplus of revenue over expense is kept in a dedicated reserve account for future replacement or upgrades of respective schemes.

Natural Resources Management Levy

The Natural Resource Management Act 2004 requires Council to raise a levy on behalf of the Northern and Yorke Natural Resources Management Board. This levy is shown separately on the rates notice.

Council is required to raise the levy amount on each property and it recovers this amount by applying a rate in the dollar against the capital value of every property in the area.

Council does not retain this revenue, nor determine how the revenue is spent.