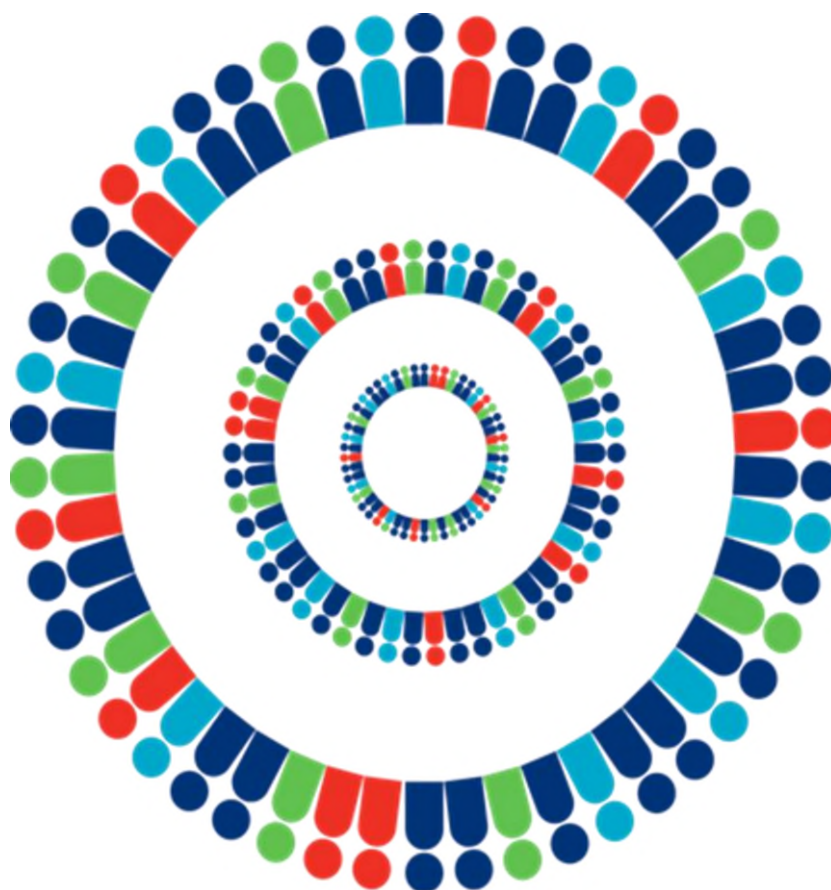




Rating Review Completion Report

June 2024





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1. Background

The *Local Government Act 1999* has undergone significant reform, introduced over the past few years.

A significant change has been that Councils in South Australia can no longer use the Site Value of properties as the basis to calculate rates but must use the Capital, the Improved Value, of those properties.

Councils must change to Capital Value for the 2024/25 Financial Year's Rating at the latest. The City of Port Lincoln and other Councils in the Eyre Peninsula are currently going through the process of making this change to their rating systems.

As part of this process, the Council is required to undertake a rating review and consider the best way for the Council to distribute the rate burden against the properties within its community.

A rating review includes consultation with the community to gain feedback on the Council's proposed changes.

This report details the consultation process undertaken by the Council.

2. Legislation

Section 151 of the *Local Government Act 1999* states that a council must produce a public report that must address the following when 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 the council considers relevant.

3. Reasons for Proposed Changes Provided in the Consultation

The reasons for the proposed changes that were provided to the community were:

- Legislation changes mean that the Council must move from using the Site Value of properties as the basis to calculate rates to using the Capital Value instead.
- When the Council considered the impact of this legislated change, they also sought to modify the rating system to diminish some of the impacts on Residential properties and to distribute the rating burden across the community in line with the Council's strategies and also in line with taxation principles. In particular:
 - Set the Rate in the Dollar for business properties to higher than the Rate in the Dollar for Residential properties
 - Set the Rate in the Dollar for Vacant Land higher than most other Rating Categories to discourage land banking and encourage conversion of vacant land to housing
 - Set the Rate in the Dollar for heavy industry activities such as Silos higher than other Rating Categories as these industries impact the Council's infrastructure assets.
- Increase the Fixed Charge to decrease the Rate in the Dollar, which diminishes some of the impact of moving from Site to Capital Value.
- Provide a capping rebate to support ratepayers that face significant increases in their rates due to changing from Site to Capital Value

4. Proposed Change sent to Consultation.

The proposed changes that were provided to the community were:

- Move from Site to Capital Value (noting that this is legally required)
- Retain the Land Use Rating Categories
- Create an additional Rating Category based on the Zone – Employment Bulk Handling
- Set the differentials of the Rating Categories to the following: (the Residential Rate in the Dollar is the base Rate in the Dollar, and the other categories are shown as percentages in comparison to the Residential Rate in the Dollar.)

○ Residential	100%
○ Commercial Shop	130%
○ Commercial Office	130%
○ Commercial Other	130%
○ Industry Light	130%
○ Industry Other	130%
○ Vacant Land	300%
○ Primary Production	130%
○ Vacant Land	300%
○ Other	100%
○ Marina Berths	100%
○ Employment Bulk Handling Zone	400%
- Increase the Fixed Charge to \$650.
- Provide a Capping Rebate to properties where the rates for 2024/25 increase by more than 25% compared to the rates for 2023/24. This rebate would not be available to properties in the Employment Bulk Handling Zone.

5. Consultation Undertaken

The council provided the Rate Review Consultation Paper to the community as per the requirements of Section 151 of the *Local Government Act 1999*. This document should be read in conjunction with this report.

Consultation Period

The consultation period was from 9 am Tuesday 21st May to 5 pm Wednesday 12th June 2024.

Advertising of Consultation

The Council provided information on the rating review via;

- The Port Lincoln Times
- Radio – Magic and 5CC
- Council's Facebook page
- Council's Website

The community were able to access the Consultation paper on the Council's website.

Hard copies of the Consultation Paper and a Summary were available at the Council office and the Public Library and the Public Meeting.

Public Meeting

The Council held two Public Meetings, at 2 pm and 6 pm, on Tuesday 11th June at the Nautilus Arts Centre. A presentation was made at the Public Meetings to explain the changes. Members of the public could ask questions.

Attendance at the Public Meetings

Three members of the general public attended the Public Meeting at 2 pm, and four attended the 6 pm Public Meeting.

6. Questions and Submissions

The community was invited to make submissions, both written and verbal, and were able to ask questions at the Public Meetings.

Questions

Questions at the Public Meeting

The following questions were raised at the Public Meetings, and answers were provided verbally at the meeting.

The questions raised are shown below, and answers, including additional information, are provided in italics below;

- What is the 6.3% increase? Is it on top of the Capital Value transition increase?
The 6.3% is the total amount that rates are increasing for the 2024/25 budget compared to the 2023/24 rates. This is not on top of the Capital Valuation changes. The Council's total rates increase by 6.3%, and this total amount of rates is then distributed to ratepayers to pay. The rating review is looking at how the rates are distributed between ratepayers.
- Is there a cost to change over to Capital Value? Does the Council have to pay a fee to do this?
The Council does not have to pay a fee to change to Capital Value. However, the Council has had to pay for the costs of doing the Rate Review, and the Council pays the Valuer General for the supply of valuations of properties.
- What happens if our property value decreases?
The Rate in the Dollar (RID) is calculated by dividing the rates that the Council needs by the total value of rateable properties. If properties as a whole increase, the RID decreases. If properties as a whole decrease, the RID increases.
- Capping Rates – can the cap be reduced to help with ratepayer affordability vs Council needs?
Capping Rates in this question refers to capping the increase to total rates that the Council charges. NSW caps its rates and has done so since the 70's. The result of this capping is that many country councils have not been able to increase rates enough over many years to cover the costs of infrastructure with the result that roads and other infrastructure deteriorates.

There is no mandatory rate capping in South Australia. A Council needs to increase rates by at least inflation to just cover the costs of delivering the same services to the community as the previous year. When a council provides additional services or new and upgraded assets, it needs to increase rates by more than inflation to pay for these additional costs.

Whilst ratepayers think of inflation in terms of the Consumer Price Index (CPI), which measures the inflation on general household goods, the majority of a council's expenditure is on expenses that are not included in the CPI measurement, such as road-making materials, construction contractors, etc. These costs have increased much more than CPI over the past few years.

- Would amalgamation with another council help with the rate burden?
The advantages and disadvantages of amalgamating councils are quite complex but not part of the considerations for this rating review.

- Does this change impact SA Water bills because they are already high?
We understand that SA Water is already charging according to the Capital Value of properties.

- How is Capital Value determined?
The Council engages the Valuer-General to provide valuation information on properties within the council area. The Valuer General's website explains the valuation the following process:

“Qualified valuers analyse property sales and market trends that occur to determine levels of value. Factors influencing values include location, site details, site influences, site use and buildings. Property values are calculated by comparing properties to similar properties recently sold with appropriate adjustments made for any differences.

- How much has the Council increased total Revenue for the budget?
The Council's 24/25 budget is proposed to have rates increase by a total of 6.3% compared to the total rates raised in 2023/24.
- Can the Council reduce the increase to 6% instead of 6.3% to assist with the burden on ratepayers?
 - *The CEO responded that the Council's Long Term Financial Plan required an increase of 7.3%, but the Elected Members and staff worked through the budget to reduce the required rates increase from this figure to 6.3%*
- Ratepayers' wage increases are not currently tracking in line with expenses increases.
This can be true. Rates are increasing by a total of 6.3%, but this factor, in combination with the changing from Site to Capital Value, will mean that many properties will have higher rates than in 2023/24, but also many properties will have lower rates.

Ratepayers can speak to staff available at this meeting or at the Council office to see what is likely happening with their individual rates.

The other changes that the Council is proposing in the Rate Review are alleviating some of the increases being faced by Residential ratepayers.

The Council has a Hardship Policy. If a Ratepayer is having any difficulty paying their rates, please contact the Council staff to discuss your situation.

- Those who have more than a 25% increase – what happens to them?

- *The CEO responded that the Council had discussed continuing the cap for 3 years.*
- Do ratepayers have to apply for the cap?
No, the cap will be applied automatically.

Submissions

Written Submissions

The Council placed the Rating Consultation Paper on its website. The website data shows the following:

- 101 individuals accessed the information provided regarding the Rating Review
- 50 users accessed the Frequently Asked Questions Tool with the following access to individual questions;

○ Will I receive a discount if I pay my rates in full on time?	5 users
○ How much will my rates go up?	9 users
○ How are my rates calculated?	9 users
○ What is a Differential Rate?	9 users
○ When are my Rates due?	4 users
○ Difficulty paying rates?	3 users
○ Why are these changes occurring?	4 users
○ What changes are taking place regarding rates?	7 users

There was 1 written submission made, detailed below:

Worried about the increase for small businesses given the other increases in cost and potential stalling of profits due to the general consumer having less disposable funds. Noticed you said there is an average increase of 11%. This is more than CPI and inflation and more than general income increase.

Ratepayers who have less of an increase have to cover the rebate of others. It feels very like the poor are propping up the rich; I really do not like this, even though I am one of those who have the rebate.

I am seriously concerned that pensioners can defer payments...somewhat indefinitely. I presume this is then paid for by the recipients of their will on their death. What a horrible surprise for the next generation. I would hope that counselling is provided to these pensioners to ensure they understand the implications of this decision and that they are not getting out of paying for it. How is the council going to absorb this cost if a large portion of pensioner ratepayers takes up this option?

I can appreciate the effort the council members have made to minimise the impact. However, I would like consideration to go into tightening the spending belt, even though I know you have already.

I would ask decision-makers to reconsider renewables. They tend to cost more money and do not always alleviate environmental damage in the long run, e.g. the landfill of wind farm blades, the dumping of lithium car batteries, etc. It looks good to say we are using renewables, but I am not convinced of their benefit.