

POLICY 5.22

Finance and Internal Controls

RATING



Version: 6 | Next Review: June 2024

INTRODUCTION

This document sets out the policy of the District Council of Tumby Bay for the declaration, imposition and recovery of rates within its area.

The policy covers:

- method used to value land
- adoption of valuations
- business impact statement
- Council's revenue raising powers
- fixed charge
- service charges
- payment of rates
- late payment of rates
- rebate and postponement of rates
- sale of land for non-payment of rates
- disclaimer

STRATEGIC FOCUS

In setting its rates the Council takes into account the principles set out in section 150 of the *Local Government Act 1999* (the LG Act), namely:

- (a) that rates constitute a system of taxation for local government purposes (generally based on the value of land)
- (b) that rating policies should make reasonable provision with respect to strategies to provide relief from rates (where appropriate), and any such strategies should avoid narrow or unreasonably restrictive criteria and should not require ratepayers to meet onerous application requirements
- (c) the financial effects of the decision on future generations.

It is important to note that no organisation can continue to carry on its business and financial affairs indefinitely with a large annual operating deficit i.e. where, year after year, operating expenses exceed operating revenue.

In a Local Government context, the most likely consequence of sustaining ongoing deficits would be that a Council would progressively find it more difficult over time to fund the renewal and replacement of assets as and when required to maintain service standards without excessively large increases in rate revenue or disruptive cuts to services.

Therefore, it is incumbent on Councils to set short-, medium- and long-term targets for their operating result to avoid either significant ongoing deficits or significant ongoing surpluses, and base their annual budget and long-term financial plan on the achievement of these targets. ¹

The Council also considers the following factors:

- the current economic climate and relevant factors such as inflation and interest rates
- the specific issues faced by the Council's community, which are:
 - the need to replace and upgrade essential infrastructure assets
 - the provision of funds to maintain daily operational services

¹ Source: Local Government Association of South Australia's Financial Sustainability Information Paper No. 20: *Rating and Other Funding Policy Options*

File Reference	Responsibility	Issued	Review Frequency	Next Review	Page
R23/12634	Council	20/06/2023	Annually ABP	June 2024	1 of 8

- input from electors and community organisations
- the budget for the current financial year
- the impact of rates on the community, including householders, businesses and primary producers
- the revenue required by the Council to meet inflationary costs and the rural and towns works program

The Council encourages feedback at any time and such comments may be sent to the Chief Executive Officer.

REVIEW OF RATING POLICY

Section 123 of the LG Act requires the Council to have for each financial year an annual business plan and budget.

The annual business plan must set out the rates structure and policies for the financial year and take into account the impact of the rates structure and policies on the community based on modelling that has been undertaken or obtained by the Council.

METHOD USED TO VALUE LAND

The Council may adopt one of the following three valuation methodologies to value the properties in its area:

- 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.

The Council has decided to continue to use site value as the basis for valuing land within the Council area. Whilst no valuation method is considered perfect, the site value method is considered the most equitable because it accords with the taxation principles that people should contribute to the community's social and physical infrastructure, in accord with their assumed capacity to pay as measured by property wealth.

PRINCIPLES OF TAXATION

Whilst the LG Act provides that rates constitute a system of taxation it does not specifically address the matter of the principle of taxation.

The paper "*Local Government Rating – A Consultation Paper, April 2001*" proposed the following five principles:

- i) Equity: Taxpayers with the same income pay the same tax (horizontal equity), wealthier taxpayers pay more tax (vertical equity).
- ii) Benefit: Taxpayers should receive some benefits from paying tax, but not necessarily to the extent of the tax paid.
- iii) Ability-to-pay: In levying taxes the ability of the taxpayer to pay the tax must be taken into account.
- iv) Efficiency: If a tax is designed to change consumers' behaviour and the behaviour changes, the tax is efficient. If a tax is designed to be neutral in its effect on taxpayers and it changes taxpayers' behaviour the tax is inefficient.
- v) Simplicity: The tax must be understandable, hard to avoid, and easy to collect.

File Reference	Responsibility	Issued	Review Frequency	Next Review	Page
R23/12634	Council	20/06/2023	Annually ABP	June 2024	2 of 8

The Paper stated that “to some extent these principles are in conflict with each other. Governments 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.”

ADOPTION OF VALUATIONS

The Council adopts the valuations made by the Valuer-General as applying to land within its area for rating purposes each year.

If a ratepayer is dissatisfied with the valuation made by the Valuer-General then the ratepayer may object to the Valuer-General in writing, within 60 days of receiving the notice of the valuation, explaining the basis for the objection, provided they have not:

- (a) previously received a notice of this valuation under the LG Act, in which case the objection period is 60 days from the receipt of the first notice; or
- (b) previously had an objection to the valuation considered by the Valuer-General.

The Council has no role in this process. The lodgement of an objection does not change the due date for the payment of rates.

BUSINESS IMPACT STATEMENT

The Council considers the impact of rates on all businesses in the Council area, including primary production. In considering the impact, Council assesses the following matters:

- The equity of the distribution of the rate burden
- That all ratepayers receive broadly comparable services and are generally similarly impacted by prevailing economic conditions.
- Current local, state and national economic conditions and expected changes during the next financial year.
- Changes in the valuation of townships and primary production properties from the previous financial year.

COUNCIL'S REVENUE RAISING POWERS

All land within a Council area, except for land specifically exempt (e.g. crown land, Council occupied land and other land exempt from rates under the LG Act (refer Section 147)), is rateable. The LG Act enables the Council to raise revenue for the broad purposes of the Council through a general rate. The Council may declare a general rate on all rateable property within its area for a particular financial year or differential general rates which vary according to the use of the land, the locality of the land or the locality of the land and its use.

In addition, the Council can declare separate rates, on land within a part of the area of the Council or service rates or service charges for prescribed services.

DIFFERENTIAL GENERAL RATES

The Council may impose differential general rates varying:

- 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, or
- On some other basis determined by the council.

A particular land use must not be used as a differentiating factor affecting the incidence of differential rates unless the land use is declared to be a permissible differentiating factor. The *Local Government (General) Regulations 2013* (the General Regulations) provides the following categories of land use are declared as permissible differentiating factors:

File Reference	Responsibility	Issued	Review Frequency	Next Review	Page
R23/12634	Council	20/06/2023	Annually ABP	June 2024	3 of 8

Policy 5.22 - Rating

- Residential
- Commercial – Shop
- Commercial – Office
- Commercial – Other
- Industry – Light
- Industry – Other
- Primary Production
- Vacant land
- Other

In addition, the General Regulations provide that a differentiating factor based on the locality of land must comply with the following principles:

- (a) there may be differentiation according to the zone in which the land is situated.
- (b) there may be differentiation according to whether the land is situated within or outside a township (with, at the discretion of the council, a separate differentiation according to zones).
- (c) if there are 2 or more townships in the area—there may be differentiation according to the township in which the land is situated (with, at the discretion of the council, a separate differentiation in relation to land outside the townships and, at the discretion of the council, a separate differentiation according to zones).

The Council has decided to impose differential general rates on rateable land in its area consisting of two components, one being based on the value of the land and the other a fixed charge.

The differential general rates vary according to the locality of the land and its use as follows:

- Rateable land within all the Townships in the Council's area excluding any such land with a land use Commercial-Shop, Commercial-Office, Commercial-Other, Industry-Light and Industry-Other.
- All rateable land with a land use Commercial-Shop, Commercial Office, Commercial-Other, Industry-Light and Industry-Other.
- All rateable land within the Employment (Bulk Handling) Zone under the *Planning and Design Code* (the Code).
- All other rateable land.

FIXED CHARGE

The Council may base a general rate on two components one being based on the value of the land and the other a fixed charge. The Council has determined to include a fixed charge as a component of general rate.

The reasons for imposing a fixed charge are:

- The Council considers it appropriate that all rateable properties make a contribution to the cost of creating and maintaining the physical infrastructure that supports each property.
- Council considers it appropriate that all rateable properties make a more equitable contribution to the cost of governance and administering Council's activities
- Council includes a fixed charge as part of its rate declaration in an effort to increase the level of rates paid by lower valued properties.

SERVICE CHARGE

Community Wastewater Management Scheme

The Council provides a septic tank effluent disposal system to properties in the townships of Tumby Bay and Port Neill. This includes the operation of the treatment facilities and supply of treated water to parks, gardens and ovals in Tumby Bay and Port Neill. The Council recovers these costs through the

File Reference	Responsibility	Issued	Review Frequency	Next Review	Page
R23/12634	Council	20/06/2023	Annually ABP	June 2024	4 of 8

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imposition of a service charge based on the Property Units Code. Where the service is provided to non-rateable land, a service charge is able to be levied against the land.

Refuse Collection, Treatment and Disposal Service

A weekly 140 litre squat bin waste collection service is provided to all properties within the Lipson, Port Neill, Tumby Bay and Ungarra townships. The cost of collection, treatment and disposal of the waste is recovered from property owners by way of an annual service charge.

SEPARATE RATES

Port Neill War Memorial Hall

Following a request from the ratepayers of the Port Neill Township and the Hundred of Dixon, Council has agreed to levy a Separate Rate on the properties within these areas to raise funds (i.e. approximately two thirds coming from the township and one third from the rural area) for the maintenance of the Port Neill War Memorial Hall.

LANDSCAPES LEVY

Council is required under the *Landscape South Australia Act 2019* to collect a levy from the properties affected to make a contribution to the Regional Landscape Board. A levy is applied against all properties that have a Fixed Charge.

Council is operating as a revenue collector for the Regional Landscape Board and does not retain this revenue or determine the amount of revenue raised and how the revenue is spent.

SENIORS POSTPONEMENT

Pensioner Concessions on Council rates are no longer administered by local government. However, the holder of a State Seniors Card can apply to the Council for a postponement of the prescribed portion of rates on their principal place of residence.

PAYMENT OF RATES

Rates are payable in four equal, or approximately equal, instalments due in September, December, March and June.

In relation to each instalment of rates, the Council will send the principal ratepayer a rates notice at least 30 days before the due date of the instalments. There will be no discount granted for early payment of rates.

Rates may be paid in person at the Council Office at Mortlock Street, Tumby Bay during opening hours, over the counter with cash, cheque or EFTPOS, by post to PO Box 61 Tumby Bay SA 5605, by phone with credit cards (Visa or Mastercard), by Bpay, or via Council's website at www.tumbybay.sa.gov.au.

Any ratepayer who may, or is likely to, experience difficulty with paying their rates by the due date is invited to contact the Chief Executive Officer to discuss alternative payment arrangements. To support this process, Council has adopted a policy regarding hardship. Such enquiries are treated confidentially by the Council.

LATE PAYMENT OF RATES

The LG Act provides if an instalment of rates is not paid on or before the date on which it falls due:

- (a) the instalment will be regarded as being in arrears; and
- (b) a fine of 2 per cent of the amount of the instalment is payable; and
- (c) on the expiration of each full month from that date, interest at the prescribed percentage of the amount in arrears (including the amount of any previous unpaid fine and including interest from any previous month) accrues.

File Reference	Responsibility	Issued	Review Frequency	Next Review	Page
R23/12634	Council	20/06/2023	Annually ABP	June 2024	5 of 8

DEBT RECOVERY

An instalment notice will be sent to ratepayers at least 30 days before the instalment falls due and if payment is not received by the instalment due date the following recovery procedure will come into effect:

1. Fines and interest as provided by the LG Act will be added.
2. An overdue notice will be forwarded within 7 days of the imposition of a late payment penalty.
3. The debt will be placed in the hands of a debt collector if payment or arrangement for payment is not made within 7 days. A notice of intention to issue a claim will be forwarded by the debt collector.
4. Court proceedings will be instigated if the payment is still overdue after 21 days.

When Council receives a payment in respect of overdue rates the money received is applied as follows: first – to satisfy any interest costs, second – in payment of any fines imposed, and third – in payment of rates, in chronological order (starting with the oldest amount first).

REBATE OF RATES

Mandatory

The LG Act requires the Council to rebate the rates payable on some land. Specific provisions are made for land used for health services, community services, religious purposes, public cemeteries, the Royal Zoological Society and educational institutions. These rebates vary from 75% to 100% and will be applied upon application.

Discretionary

Discretionary rebates of up to 100% may be applied by the Council under section 166 of the LG Act. It is recognised that Council has a requirement to balance the benefits of supporting community organisations, with the impact that such rebates have on our overall rating income. To promote the transparency of this process, Council has adopted a Rates Rebate Policy.

Remission of Rates

Under section 182(1) of the Act Council may remit all or part of the rates if it is satisfied that the payment of these rates would cause hardship.

Postponement of Rates

Under sections 182(1)(a) and (2) of the Act a postponement of rates may be granted if Council is satisfied that the payment of these rates would cause hardship.

Council may, on application and subject to the ratepayer substantiating the hardship, consider granting a postponement of payment of rates on conditions determined by the Council including that the ratepayer agrees to pay interest on the amount affected by the postponement at a rate fixed by the Council (but not exceeding the cash advance debenture rate) as the prescribed percentage rate as defined in section 181 of the LG Act and provided the ratepayer satisfies the following criteria:

- the property is the principal residence of the ratepayer and is the only property owned by the ratepayer, and
- the property has been owned by the ratepayer and has been their principal residence for a minimum of 5 years and
- the ratepayer is able to produce one of the following identification cards:
 - Pensioner Concession Card – Centrelink
 - Pensioner Concession Card – Veterans' Affairs
 - Veteran Gold Card – Veterans' Affairs
- or can demonstrate to Council that they are a self-funded retiree with an income of less than \$30,000 per year.

File Reference	Responsibility	Issued	Review Frequency	Next Review	Page
R23/12634	Council	20/06/2023	Annually ABP	June 2024	6 of 8

Applications

All applications for rebates, remissions or postponements must be in writing, addressed to the Chief Executive Officer and include sufficient details to identify the relevant property and support the application.

SALE OF LAND FOR NON-PAYMENT OF RATES

Section 184 of the LG Act provides that a Council may sell any property where the rates have been in arrears for three years or more. The Council is required to provide the principal ratepayer and the owner (if not the same person) with details of the outstanding amounts and advise the owner of its intention to sell the land if payment of the outstanding amount is not received within one month. The District Council of Tumby Bay enforces the sale of land for non-payment of rates after 3 years or more in accordance with the provisions of the LG Act.

CHANGES TO ASSESSMENT RECORDS

All changes to postal address of ratepayer/owner and changes of ownership of a property must be notified promptly to Council in writing addressed to the Chief Executive Officer.

DISCLAIMER

A rate cannot be challenged on the basis of non-compliance with this policy and must be paid in accordance with the required payment provisions. Where a ratepayer believes that the Council has failed to properly apply this policy it should raise the matter with the Council. In the first instance contact the Chief Executive Officer, to discuss the matter.

FURTHER INFORMATION

Further details on any section of this policy can be obtained from the Council office by phone on (08) 8688 2101, email to dctumby@tumbybay.sa.gov.au or in person at the Council office, Mortlock Street, Tumby Bay.

POLICY REVIEW

This policy will be reviewed annually in line with the Annual Business Plan.

AVAILABILITY OF POLICY

This policy will be available for inspection at the Council's Offices during ordinary business hours and via the Council's website www.tumbybay.sa.gov.au. Copies will also be provided to the public upon request, and upon payment of a fee in accordance with the Council's Schedule of Fees and Charges.

File Reference	Responsibility	Issued	Review Frequency	Next Review	Page
R23/12634	Council	20/06/2023	Annually ABP	June 2024	7 of 8

Policy 5.22 - Rating

Strategic Reference	Quality Services and Infrastructure
Delegation	Chief Executive Officer
Effective date	20/06/2023
Minutes reference	25c/62023
Next review date	June 2024
Applicable Legislation	Sections 123, 148-155 <i>Local Government Act 1999</i>
Related Policies	Policy 5.21 Rates Rebates Policy 5.28 Rates Customer Hardship
Related Documents	Local Government Association of South Australia's Financial Sustainability Information Paper No. 20: <i>Rating and Other Funding Policy Options</i> <i>Local Government Rating – A Consultation Paper, April 2001</i>

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Amended by Council:	20/06/2023	{Motion 25c/62023}

SIGNED:



Responsible Officer
Date: 20/06/2023

File Reference	Responsibility	Issued	Review Frequency	Next Review	Page
R23/12634	Council	20/06/2023	Annually ABP	June 2024	8 of 8

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