

# *Council Policy*

Rating



## COUNCIL POLICY

 <p><b>Adelaide Hills</b> COUNCIL</p>	<h3 style="margin: 0;">RATING</h3>
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<b>Policy Number:</b>	<b>FIN-02</b>
<b>Responsible Department(s):</b>	<b>Financial Services</b>
<b>Other Relevant Policies:</b>	<b>None</b>
<b>Relevant Procedure(s):</b>	<b>None</b>
<b>Relevant Legislation:</b>	<i>Local Government Act 1999</i> <i>Valuation of Land Act 1971</i> <i>Natural Resources Management Act 2004</i> <i>Aged Care Act 1987 (Commonwealth)</i> <i>Community Housing Providers National Law</i> <i>Community Titles Act 1996</i> <i>Education Act 1972</i> <i>Health Commission Act 1976</i>
<b>Policies and Procedures Superseded by this policy on its Adoption:</b>	<b>Rating, 28 June 2016, Item 14.9, 1.11, 122</b> <b>Rating, 27 June 2017, Item 14.3, 1.11, 130/17</b>
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## RATING POLICY

### 1. INTRODUCTION

- 1.1 In South Australia, council rates are a form of property tax levied by Local Government, as our primary source of funding for the many mandatory and discretionary services that are provided by councils. Rates are administered by each council in line with the *Local Government Act 1999* (the Act) which allows some flexibility for each council to make decisions that suit its local community. This document sets out the policy of the Adelaide Hills Council for setting and collecting rates from its community.

### 2. PURPOSE

- 2.1 The purpose of this policy is to outline Council's approach towards rating its communities and to meet the requirements of the Act with particular reference to section 123 which requires Council to have a rating policy that must be prepared and adopted (as part of the Annual Business Plan) each financial year in conjunction with the declaration of rates.

### 3. DEFINITIONS

- 3.1 **'Act'** refers to the *Local Government Act 1999* (SA).
- 3.2 **'Capital value'** refers to the valuation methodology used in determining the value of land, as defined in the *Valuation of Land Act 1971*.
- 3.3 **'Council'** refers to the elected Council body.
- 3.4 **'CWMS'** refers to the Community Wastewater Management System within the Council area.
- 3.5 **'Differential rate'** refers to a rate that may be applied to a category of land that is different to the rate **applied** to other land categories (termed differential rates under the Act).
- 3.6 **'Fixed charge'** refers to a charge that must apply equally to each separate piece of rateable land in the **area** under section 152(1) of the Act.

### 4. POLICY STATEMENT

- 4.1 Council's powers to raise rates are found in Chapter 10 of the Act which provides the framework within which the Council must operate, but also leaves room for the Council to make a range of policy choices. This document includes reference to compulsory features of the rating system, as well as the policy choices that the Council has made on how it imposes and administers the collection of rates.

All land within a Council area, except for land specifically exempt (e.g. Crown Land, Council occupied land and a few other limited categories under section 150(a) of the Act, is rateable.

Rates are not fees for services. They constitute a system of taxation for Local Government purposes. Council considers the fairest and most equitable method of charging rates to our community is through the combined use of a fixed charge component and a variable rate per rateable property.

#### 4.1 PRINCIPLES OF TAXATION

This Policy represents the Council's commitment to balancing the five main principles of taxation.

- i) **Benefits received** (i.e. services provided, or resources consumed). Reliance on this principle suggests that (all other things being equal) a person who received more benefits should pay a higher share of tax.
- ii) **Capacity to pay.** This principle suggests that a person who has less capacity to pay should pay less; and that persons of similar means should pay similar amounts.
- iii) **Administrative simplicity.** This principle refers to the costs involved in applying and collecting the tax and how difficult it is to avoid.
- iv) **Economic efficiency.** This refers to whether or not the tax distorts economic behaviour.
- v) **Policy consistency.** The principle that taxes should be internally consistent, and based on transparent, predictable rules that are understandable and acceptable to taxpayers.

Further, in achieving equity across the community, this policy has an overriding principle that all ratepayers should contribute an amount to basic service provision.

#### 4.2 VALUATION OF LAND

Council is permitted to adopt one of three valuation methodologies to value the properties in its area (section 151 of the Act):

- **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 adopted the use of capital value as the basis for valuing land. Council considers that this method provides the fairest way to distribute the rate burden across all ratepayers on the following basis:

- the 'capacity to pay' principle of taxation requires that ratepayers of similar wealth pay similar taxes and ratepayers of greater wealth pay more tax than ratepayers of lesser wealth;

- 'property value' is a relatively good indicator of wealth (when lifetime incomes, including incomes from capital gains, are taken into account). Capital value closely approximates the market value of a property, provides the best indicator of overall property value

Council does not determine property valuations but chooses to exercise the right under Section 151 of the Act to adopt the capital valuations as assessed by the Valuer-General through the State Valuation Office. If you are dissatisfied with the valuation made by the State Valuation Office your rates notice will include information about how to object to the valuation. The Council has no role in this process. The lodgement of an objection does not change the due date for the payment of rates.

#### 4.3 COMPONENTS OF RATES

##### **Fixed Charge or Minimum Rate**

Council has discretion to apply either:

- a fixed charge (applying equally to all rateable properties); or
- a minimum rate (to lower-value properties)

but cannot use both of these mechanisms.

The Adelaide Hills Council will apply a fixed charge this financial year as in previous years. Council considers a fixed charge to be the most fair and equitable means of ensuring that all ratepayers contribute equally to the administration of Council's services and the development and maintenance of the community's infrastructure. In addition, the fixed charge provides a mechanism to adjust the rates contributions across high and low valued properties. This redresses the balance and equity of the rate system.

The Council is unable to raise more than 50% of total rate revenue by the imposition of a fixed charge component of general rates as per section 151(10) of the Act.

##### **A rate in the dollar**

The largest component of rates levied is the component that is calculated by reference to the value of the property. Property values reflect, among other things, the relative availability of and access to Council services. This applies to all types of land use, and to land in all locations.

The Act allows councils to 'differentiate' rates based on the use of the land, the locality of the land, the use and locality of the land or on some other basis determined by the council. The Council applies different rates on the basis of land use.

Definitions of the use of the land are prescribed by regulation and are categorised as follows for rating purposes:

- Residential
- Commercial
- Industrial
- Primary Production
- Vacant Land
- Other

*Commercial and Industrial Differential Rate:*

Those properties categorised as commercial or industrial will pay a differential rate in the dollar that is 15% higher than the rate in the dollar charged for other categories of ratepayer.

If a ratepayer believes that a particular property has been wrongly classified as to its land use, then an objection may be made with the Council.

**Separate Rate***Stirling Business Separate Rate:*

A separate rate for businesses in Stirling (Stirling Business Separate Rate) will be applied to carry out the activity of promoting and enhancing business viability, profitability, trade and commerce within the zone.

This rate is levied on all properties within the precinct known as the District Centre (Stirling) Zone and businesses fronting both sides of Mt Barker Road east of the District Centre (Stirling) Zone to Pine Street, excluding land attributed a land use category 1 (residential) and government owned land. Council also sets a maximum amount ( 'top') and a minimum amount ( 'tail') per property each financial year for this separate rate. The amount raised is distributed to the Stirling Business Association to promote Stirling as a destination, the 'Gateway to the Hills'.

*Verrall Road Separate Rate:*

A separate rate for Verrall Road, Upper Hermitage at a value of \$858 will be applied. This rate which provided for the sealing of the northern end of the road in 2014/15 is levied on the properties that use that section of road.

**Natural Resources Management Levy**

The Council is required under the Natural Resources Management Act 2004 to make a specified contribution to the Adelaide and Mt Lofty Ranges Natural Resources Management Board region. This is done by imposing a separate rate against all rateable properties.

This separate rate is effectively a State tax that Councils are required to collect, and return to a State Government agency, the local Natural Resources Management Board.

**Community Wastewater Management System**

The Council provides Community Wastewater Management System (CWMS) to some areas within the Council district. To fund the provision of this service Council imposes a service charge to recover the cost to the council of establishing, operating, maintaining, improving and replacing infrastructure (taking into account depreciation of any assets and including future capital works).

Following a detailed assessment of the cost of providing CWMS services, in accordance with the guidelines set by the Essential Services Commission of South Australia (ESCOSA) as part of the 2017/18 Budget, it has been identified that current charging is approximately 30% below the levels necessary to achieve full recovery. As such charging for CWMS services has been increased by 10% in 2018/19 being the second year of an incremental step towards full recovery over a three year period.

#### 4.4 RATES CAPPING

The Act (s153(3)) requires a council to decide each year whether to apply a maximum rate increase (or a rates cap) to a ratepayers principal place of residence. A cap is applied to provide relief against a substantial change in rates payable incurred due to rapid changes in valuations.

The Council has determined that it will apply a maximum increase (rates cap) of 15% for the general rate to be charged on rateable land constituting the principal place of residence of a principal ratepayer.

#### 4.5 REBATE OF RATES

##### Mandatory rebates

Councils are required to rebate (discount) the rates payable on some land.

The Adelaide Hills Council will act in accordance with the Local Government Act in providing mandatory rebates as referenced in Section 160 – 165 of the Act.

A 100% rebate must be applied to land used for:

- Health services,
- Religious purposes,
- Public cemeteries,
- The Royal Zoological Society.

A compulsory rebate of at least 75% must be applied to land used by:

- Community service organisations, and
- Schools and universities.

Where a “community services organisation” is eligible for a mandatory rebate, the residential rate must be applied to the land to which the rebate relates in accordance with Section 161 (2) of the Act. This is as a result of Council declaring differential rates according to land use and providing for a distinct residential rate.

Where the Council is satisfied from its own records, or from other sources, that a person or body meets the necessary criteria for a mandatory rate rebate, the Council will grant the rebate accordingly.

Where the Council is not satisfied based upon the information in its possession or otherwise does not hold relevant information it will require the person or body to lodge an application form with such information as stipulated and any other information that the Council may reasonably require.

Applicants who satisfy the criteria for a mandatory rebate will be granted the rebate at any time provided the application is lodged prior to the 30 June of the rating year and provided the entitlement to the rebate existed at 1 July of the rating year.

Council will confirm the continuation of a person or body’s eligibility for a mandatory rebate on a regular basis (at least biennially) to ensure that rebates are only granted where they are warranted. This will require the relevant person or body to lodge an

application form with such information as stipulated and any other information that the Council may reasonably require to confirm the continuation of eligibility.

### **Discretionary rebates**

As identified in Section 166 of the Act Council may grant a discretionary rebate of rates up to and including 100% of the relevant rates or service charges under a number of cases and for a period not exceeding the timeframe.

Council has determined that only where a not-for-profit community services organisation, that in the opinion of the Council:

- provides a direct benefit or service to the local community under Section 166 (j) of the Act that is significantly aligned to Council's outcomes in accordance with Council's Strategic Plan, Corporate Plan and functional strategies being services that would be required to be provided by Council if not undertaken/ offered by organisations seeking a rebate (including Community Halls); or
- provides community services that support the disadvantaged or sections of the community that require assistance;

a discretionary rebate of 100% will be granted

In all other circumstances, the maximum discretionary rebate will be 75% to ensure ratepayers contribute an amount towards basic service provision.

Under the same premise, although Council may, pursuant to the Act, increase a mandatory rebate by up to a further 25%, Council will not grant any additional discretionary rebate to ensure ratepayers contribute an amount towards basic service provision.

In deciding whether to grant a discretionary rebate for land uses, Council will take the matters as detailed in Section 166 (1a) of the Act to determine its decision.

Financial assistance via discretionary rate rebates will be aimed at persons who or bodies which have a limited capacity to raise funds. Discretionary rebates will not be provided to groups and organisations whose purposes are considered to be primarily the responsibility of State or Federal Government or to "for profit" organisations.

Persons who or bodies which seek a discretionary rebate will be required to submit an application form to the Council and provide to the Council such information as stipulated on the application form and any other information that the Council may reasonably require.

All persons who or bodies which wish to apply to the Council for a discretionary rebate of rates must do so on or before 30 April prior to the rating year unless the application is a result of a change in eligibility for a mandatory rebate or rate exemption. In those circumstances where an application relates to a change in rebate/rate exemption in a relevant rating year, then the application will be applied for the full rating year if received within 2 months of the change in rebate/exemption being advised. The Council reserves the right to refuse to consider applications received after the specified date.

Persons or bodies who previously received a discretionary rebate greater than 75% may apply for a phasing in period (up to 2 years) in circumstances where the above change impacts significantly on the persons or bodies' financial capacity. In these circumstances, an application will be considered if received within 2 months of the

change in rebate being advised. The Council reserves the right to refuse to consider applications received after the specified date.

Where there is no maximum timeframe specified for a rebate provided under Section 166, Council will grant a discretionary rebate to the last rating period commencing within a Council term to allow for a regular review of discretionary rate rebates.

A summary of all discretionary rebates applied for, including whether they have been successful or not and the associated reasons will be reported to Council on an annual basis.

Each rebate that is granted either reduces the Council's revenue and hence its capacity to provide services, or else it effectively increases the amount that must be collected from other ratepayers. The principles of equity dictate that Council remains diligent in only awarding rebates and exemptions where they are warranted.

Council has determined that those primary production properties genuinely in the business of primary production but not benefitting from a notional capital value for their property can apply for a 10% rebate on the differential rate.

If you or your organisation wishes to apply for a discretionary rate rebate, you may apply by contacting the Council's Rate Administrator.

### **All rebates**

If an entitlement to a rebate ceases or no longer applies during the course of a financial year, council will recover rates proportionate to the remaining part of the financial year.

If a person or body has the benefit of a rebate of rates and the grounds on which the rebate has been granted cease to exist, the person or body must immediately inform the Council of that fact and (whether or not the Council is so informed) the entitlement to a rebate ceases. If a person or body fails to do so that person or body is guilty of an offence.

The Council will, in writing, advise an applicant for the rebate of its determination of that application. The advice will state:

- if the application has been granted, the amount of the rebate; or
- if the application has not been granted, the reasons why.

Any person or body who is aggrieved by a determination of the delegated officer in respect of an application for a rebate may seek a review of that decision in accordance with Council's Internal Review of Council Decisions Policy.

### **Single Farming Enterprise**

The Local Government Act 1999 provides that "if two or more pieces of rateable land within the area of the Council constitute a single farm enterprise, only one fixed charge may be imposed against the whole of the land".

A Single Farm Enterprise is defined in the Local Government Act -

*"A reference to a single farm enterprise is a reference to two or more pieces of rateable land*

*(a) which –*

*(i) are farm land; and*

*(ii) are farmed as a single enterprise; and*

*(iii) are occupied by the same person or persons,*

*whether or not the pieces of land are contiguous; or*

*(b) which –*

*(i) as to all the pieces except one, are farm land farmed as a single enterprise occupied by the same person or persons; and*

*(ii) as to one piece contiguous with at least one of the other pieces, is the principal place of residence of that person or one of those persons."*

In effect, this means that land can be recognised as a "single farming enterprise" and not attract a fixed charge to each of the assessments, provided:

- that if the occupier of all the land concerned is the same person, (this means that if there is a house being occupied that is not your principal place of residence, it cannot be part of the single farm enterprise)
- all of the land is used to carry on the business of primary production, and
- managed as a single unit for that purpose,

Primary producers can apply to the Council for the 'single farming enterprise' provisions of the Local Government Act.

You should also be aware that if the grounds on which you apply for a single farm enterprise cease to exist, the person or body who have the benefit of the provisions must immediately inform the Council of the fact.

#### 4.6 **RATE RELIEF**

Council applies rate remissions and postponement in accordance with the Act.

##### **Remission of rates**

The Council has a discretion to partially or wholly remit (i.e. waive) rates on the basis of hardship. If you are suffering financial hardship, you may contact the Council's Rates Administrator to discuss the matter. Such inquiries are treated confidentially, and any application will be considered on its merits.

##### **Seniors Postponement**

If you hold a State Seniors Card then (unless you have a mortgage entered before 2007 that is greater than 50% of your home's value) you are eligible to postpone, on a long-term basis, a large component of the rates on your principal place of residence. The postponed amount is subject to a monthly interest charge, with the accrued debt falling due for payment only when the property is sold or transferred to someone else, or no longer becomes the principal place of residence. However, some or all of the debt may be paid at any earlier time, at your discretion.

Persons other than the holders of a Seniors Card may also apply for postponement of rates. The Council will consider each case on its merits, but any successful applicant should expect that any postponed rates would be subject to accruing interest charges in the same manner as the Seniors Rate Postponement Scheme.

#### 4.7 **PAYMENT OF RATES**

Rates are declared annually, and may be paid, at your discretion, either in one lump sum, or in quarterly instalments that fall due in September, December, March and June. The exact dates that rates fall due, and the various options for paying rates, are clearly indicated on your rates notice.

If you have (or are likely to have) difficulty meeting these payments, you should contact the Council's Rates Administrator to discuss alternative payment arrangements. Such inquiries are treated confidentially.

#### 4.8 **LATE PAYMENT OF RATES**

The Act provides that councils must impose a penalty of 2% on any payment for rates by instalment, which is not paid on or before the due date. A payment that continues to be late is then charged a prescribed interest rate for each month it continues to be late.

When Council receives a payment in respect of overdue rates Council applies the money received in accordance with the Act as follows:

- First – to satisfy any costs awarded in connection with court proceedings;
- Second – to satisfy any interest costs;
- Third – in payment of any fines imposed;
- Fourth – in payment of rates, in chronological order (starting with the oldest account first).

#### 4.9 **NON- PAYMENT OF RATES**

A separate Debt Recovery Policy has been adopted by Council and is available for review on the Adelaide Hills Council website.

The purpose of this policy is to set out Council's principles in regard to the management of debt and to ensure that money owed to Council is collected as soon as possible through efficient and effective debt recovery practices. This policy assists to ensure a strategic, equitable, accountable, consistent and transparent approach to Council's debt management, collection decisions and practices.

It should be noted that Council may sell any property where the rates have been in arrears for three years or more. Council is required to notify the owner of the land of its intention to sell the land, provide the owner 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.

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## **5. CONTACTING THE COUNCIL'S RATES ADMINISTRATOR**

- 5.1 If you believe that Council has failed to properly apply this policy you should contact the Council's Rates Administrator to discuss the matter. (See contact details below). If after this, you are still dissatisfied then you should write to the Council's Chief Executive Officer at PO Box 44, Woodside SA 5244.

For further information, queries, or to lodge an application for rate postponement or remissions please contact the Council's Rates Administrator on:

Phone: 8408 0400

E-mail: [mail@ahc.sa.gov.au](mailto:mail@ahc.sa.gov.au)

Post: PO Box 44, Woodside SA 5244

## **6. DELEGATIONS**

- 6.1 The Chief Executive Officer has the delegation to approve, amend and review any procedures that shall be consistent with this Policy.

## **7. AVAILABILITY OF THE POLICY**

- 7.1 This Policy will be available for inspection at the Council's Offices during ordinary business hours and via the Council's website [www.ahc.sa.gov.au](http://www.ahc.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.