



# Alexandrina Council

## Rates Briefing

## November 2011

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# Agenda

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- **Nature of taxation**
- **Local government rates – the legal framework**
- **Rating systems**
- **Developing a Rates Model**
- **Community Consultation**

# Nature of Taxation

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## Principles of taxation

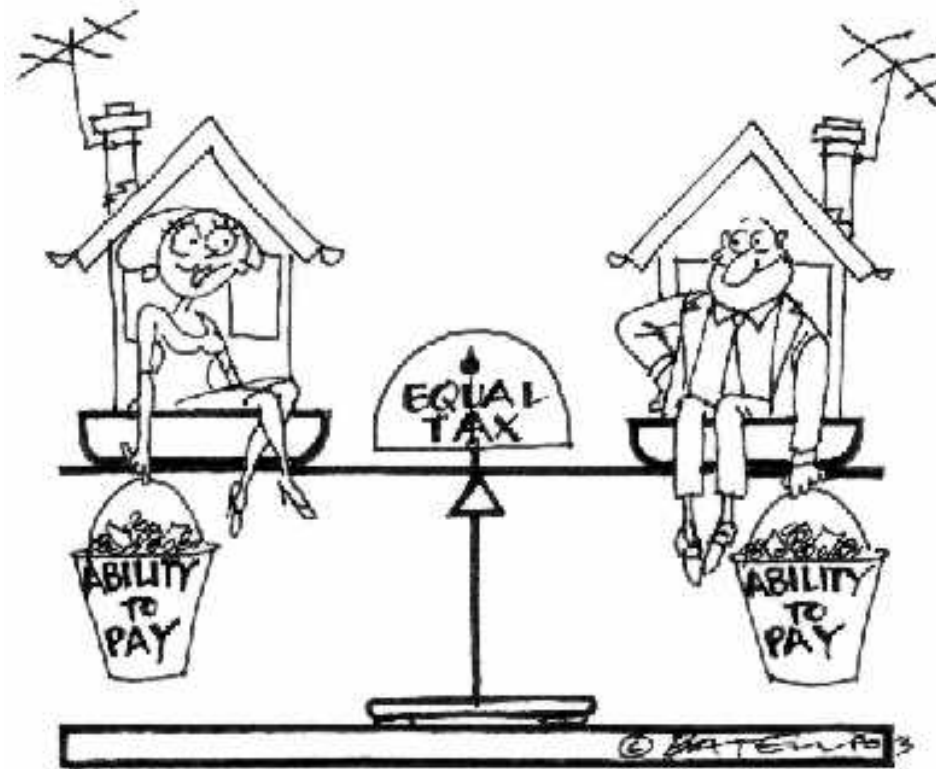
- Equity**
- Benefit**
- Ability to pay**
- Efficiency**
- Simplicity**



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# Equity Principle

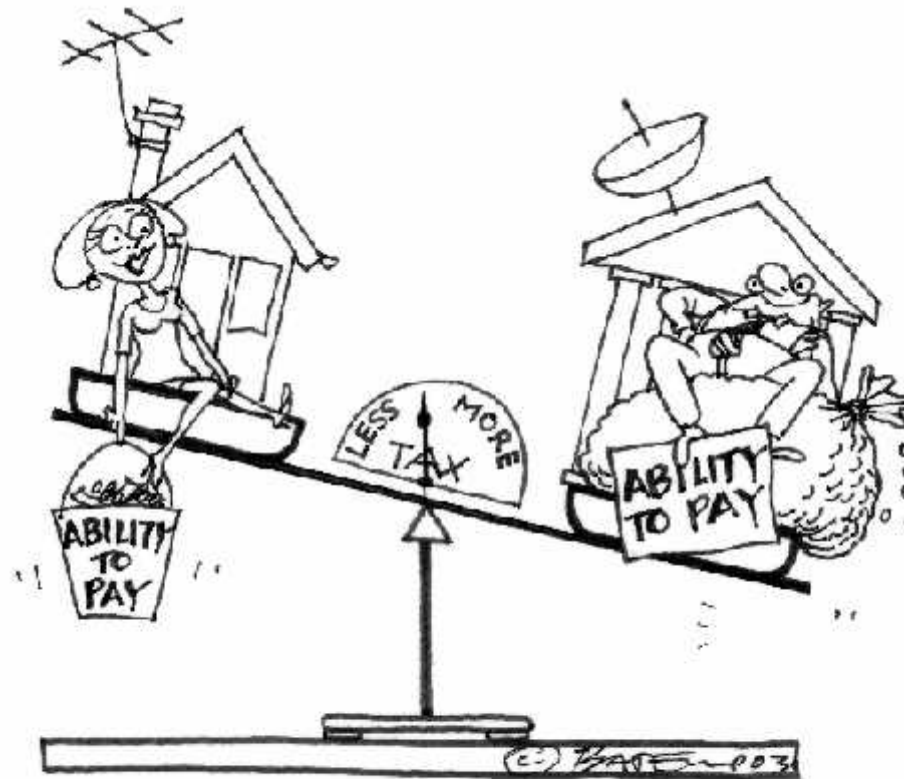
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Horizontal Equity

# Equity Principle

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Vertical Equity

# Benefit Principle

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**“He who pays benefits, he who benefits pays!”**

- Not ‘fee for service’**
- Every action of LG affects amenity of area**
- Cyclical nature of usage**

**Rates are a system of taxation!!!**



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# Efficiency Principle

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- ❑ **Known impacts**
- ❑ **Impacts on correct person;**
- ❑ **Limited or no ‘spillover’ effects**
  
- ❑ **LG rates efficient because:**
  - ❑ **Incidence of tax known.**
  - ❑ **Built into property value.**
  - ❑ **Generally, does not change markedly from year to year.**
  - ❑ **Generally, low proportion of income.**

# Simplicity Principle

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**Simplicity refers to:**

- Understandability by ratepayers.**
- Certainty of application.**
- Ease of collection.**

**LG rates usually meet this test, except where many rates in the dollar are used which leads to lack of understanding of basis for taxation.**



# The Legal Framework

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## **Local Government Act 1999**

**Chapter 10 - Sections 146-187  
and Sections 44, 123, 138 & 270**

## **Local Government (Financial Management) Regulations – Regulation 6**

**Local Government (General) Regulations -  
Regulations 9A to 14A**

## **Valuation of Land Act 1971**

**Section 22A & 22B – Notional Valuation**



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# The Legal Framework

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- **General principles (Section 150)**
  - **System of taxation, generally based on land value**
  - **Rating policies need to make provision for rate relief**
  - **Council needs to consider financial effects on future generations**

# The Legal Framework

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- **All land rateable – except specific exemptions**
- **Rate based on value of land**
- **Valuation basis**
  - **Capital**
  - **Site**
  - **Annual**

# The Legal Framework

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## Rates

- **General**
- **Fixed charge**
- **Differential**
  - ▣ **Basis - locality, land use or both [or another basis determined by council (special case)]**
- **Minimum rate**
- **“Tiered” systems**
- **Rate capping**



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# The Legal Framework

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## **Separate rates -**

- Specific activity for part of Council area – e.g. Main Street project.**

## **Service rates or charges –**

- Water, waste management (e.g. CWMS), TV transmission, other by permission or regulation**
- May be both – (e.g. head works charge and rate)**

# Taxing the Community

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	<b>Property A</b> ¼ acre block 4 bedroom home with pool	<b>Property B</b> ¼ acre block modest 3 bedroom home
<b>Capital Value</b>	<b>\$360,000</b>	<b>\$240,000</b>
<b>Site Value</b>	<b>\$70,000</b>	<b>\$70,000</b>
<b>Annual Value</b>	<b>\$15,000</b>	<b>\$12,000</b>



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# Taxing the Community

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	<b>AAV</b>	<b>CV</b>	<b>SV</b>	<b>Total</b>
<b>Metro</b>	<b>1</b>	<b>18</b>	<b>0</b>	<b>19</b>
<b>Non-Metro</b>	<b>0</b>	<b>41</b>	<b>8</b>	<b>49</b>
<b>Total</b>	<b>1</b>	<b>59</b>	<b>8</b>	<b>68</b>



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# Taxing the Community

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	<b>Single rate in \$</b>	<b>Differential Rates</b>	<b>Total</b>
<b>Metro</b>	<b>3</b>	<b>16</b>	<b>19</b>
<b>Non-Metro</b>	<b>4</b>	<b>45</b>	<b>49</b>
<b>Total</b>	<b>7</b>	<b>61</b>	<b>68</b>



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# Taxing the Community

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	<b>Minimum Rate</b>	<b>Fixed Charge</b>	<b>Total</b>
<b>Metro</b>	<b>15</b>	<b>3</b>	<b>18</b>
<b>Non-Metro</b>	<b>21</b>	<b>28</b>	<b>49</b>
<b>Total</b>	<b>36</b>	<b>31</b>	<b>67</b>

Adelaide CC does not impose a minimum or a fixed charge



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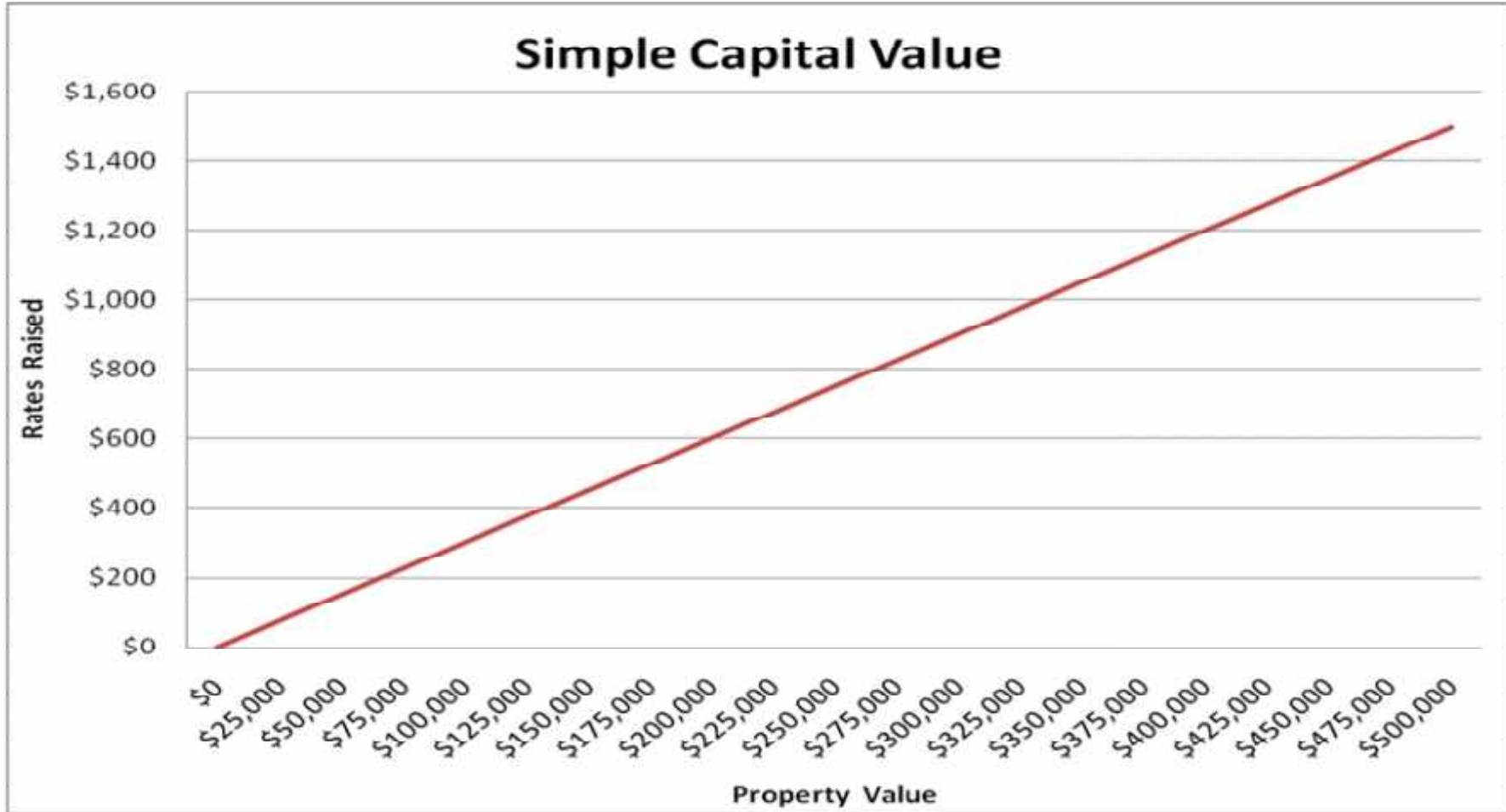
# Taxing the Community

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- ❑ **Except for Adelaide CC all councils use the values set by the Valuer-General**
- ❑ **This means that the valuation process is independent of the Council and that all appeals regarding values are handled independently**

# Rating Systems

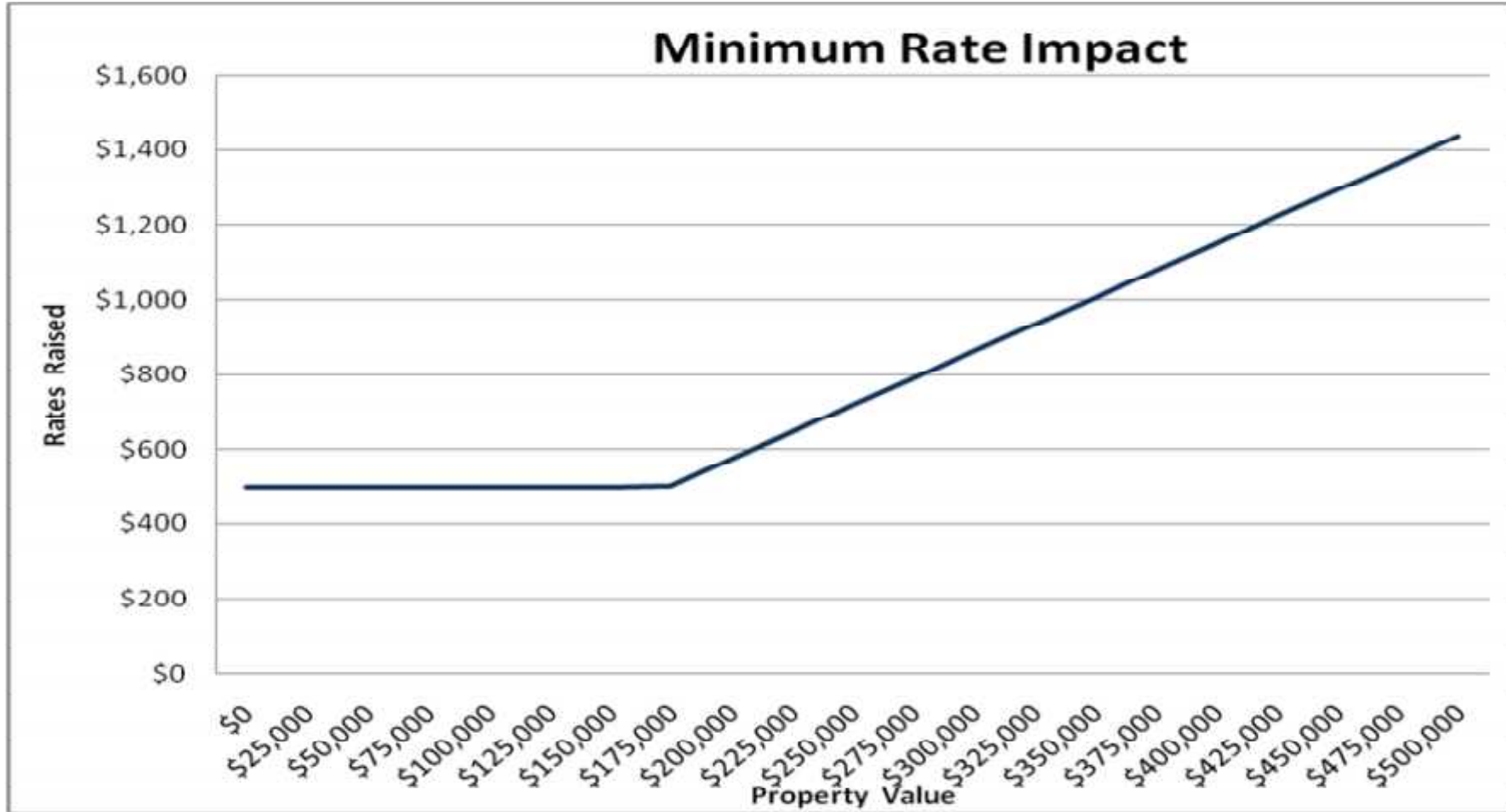
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# Rating Systems

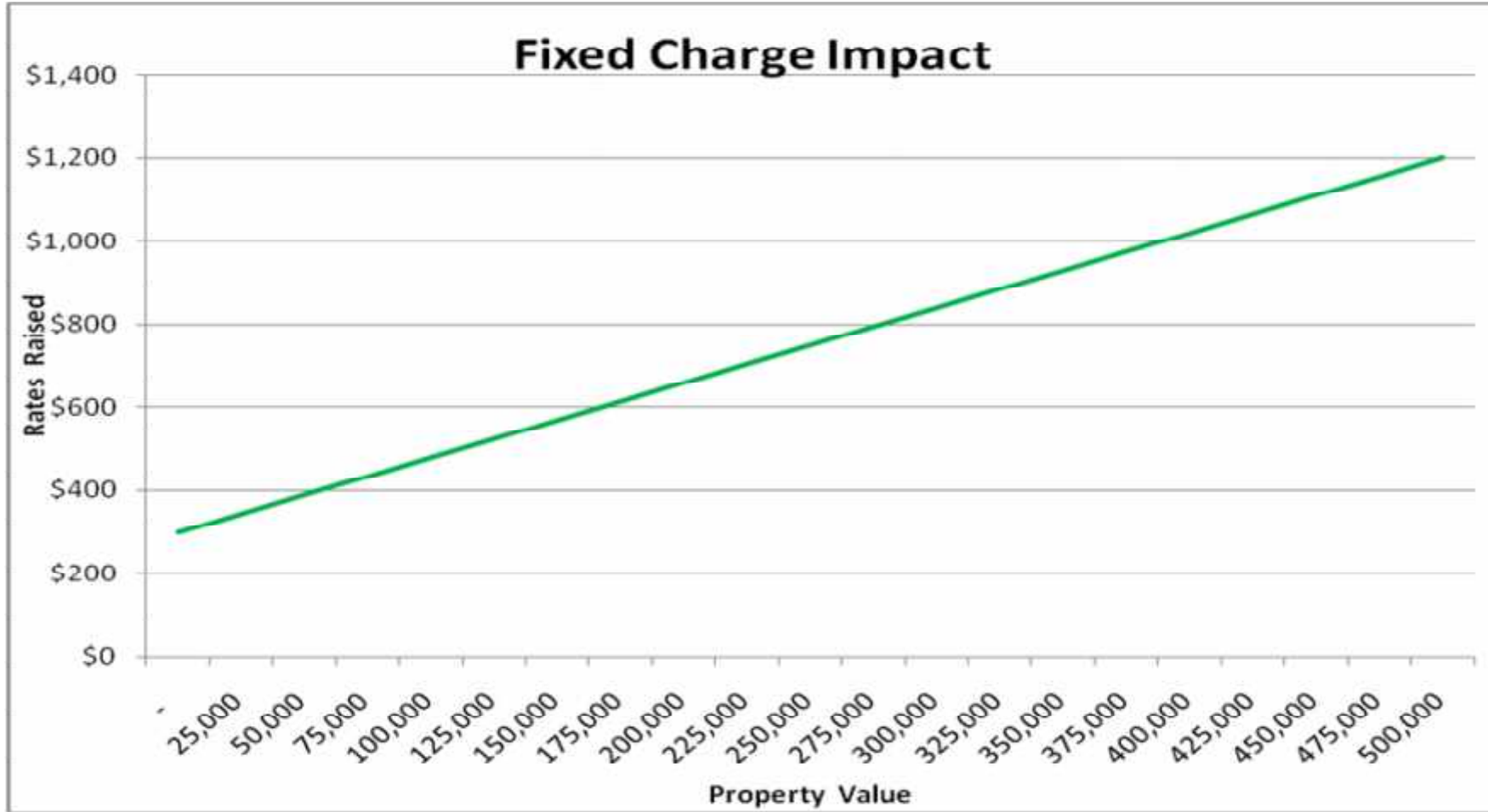
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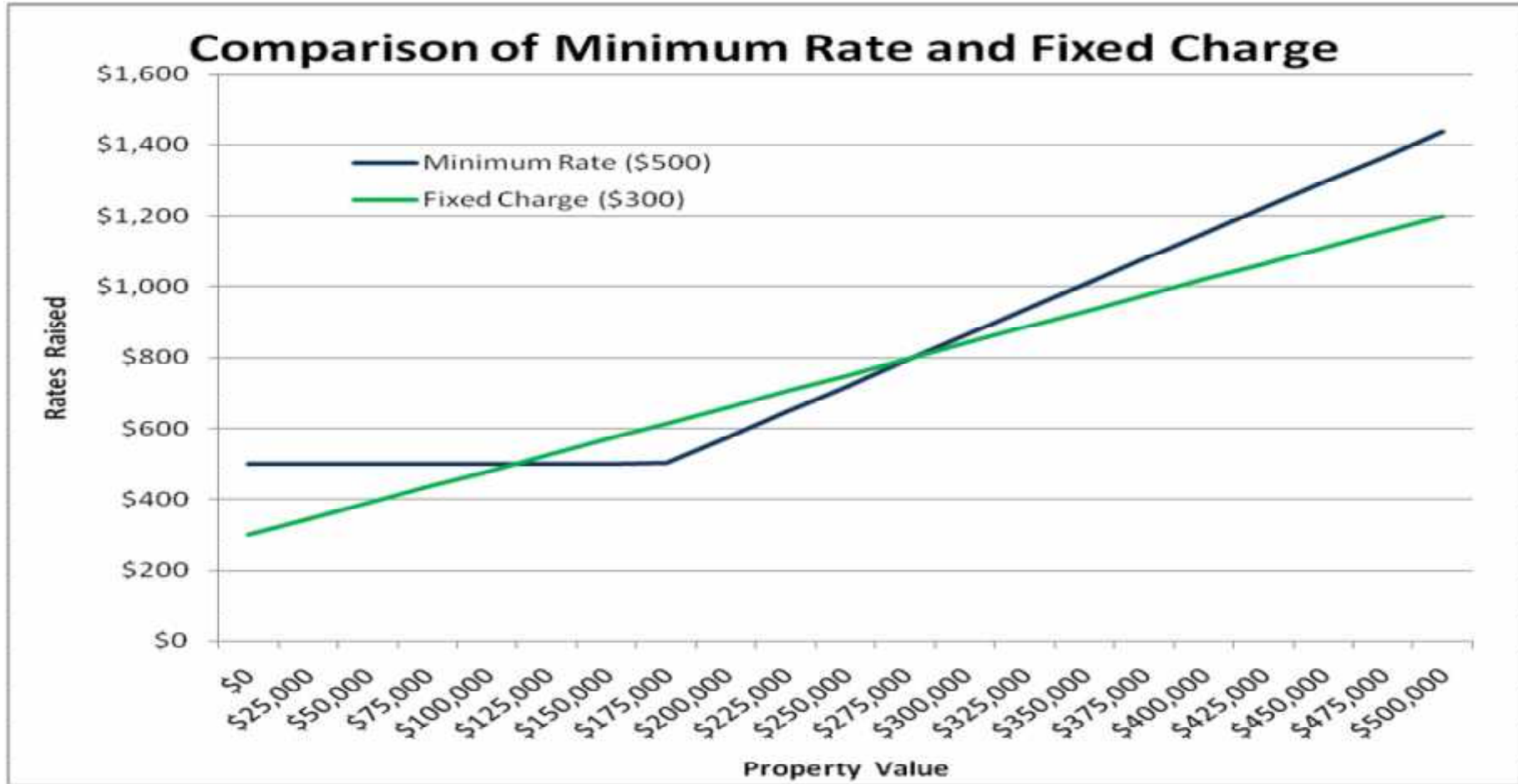
# Rating Systems

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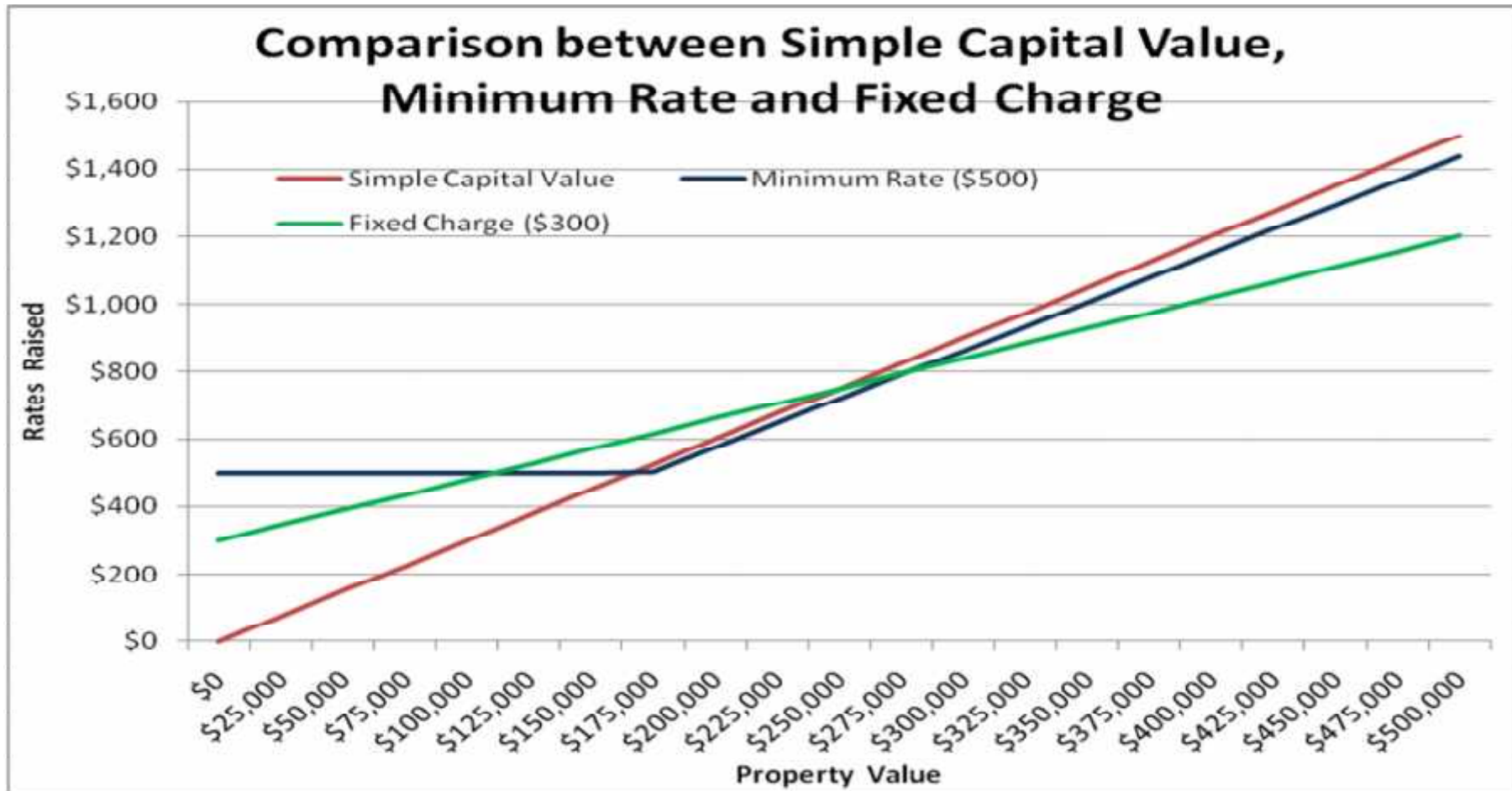
# Rating Systems

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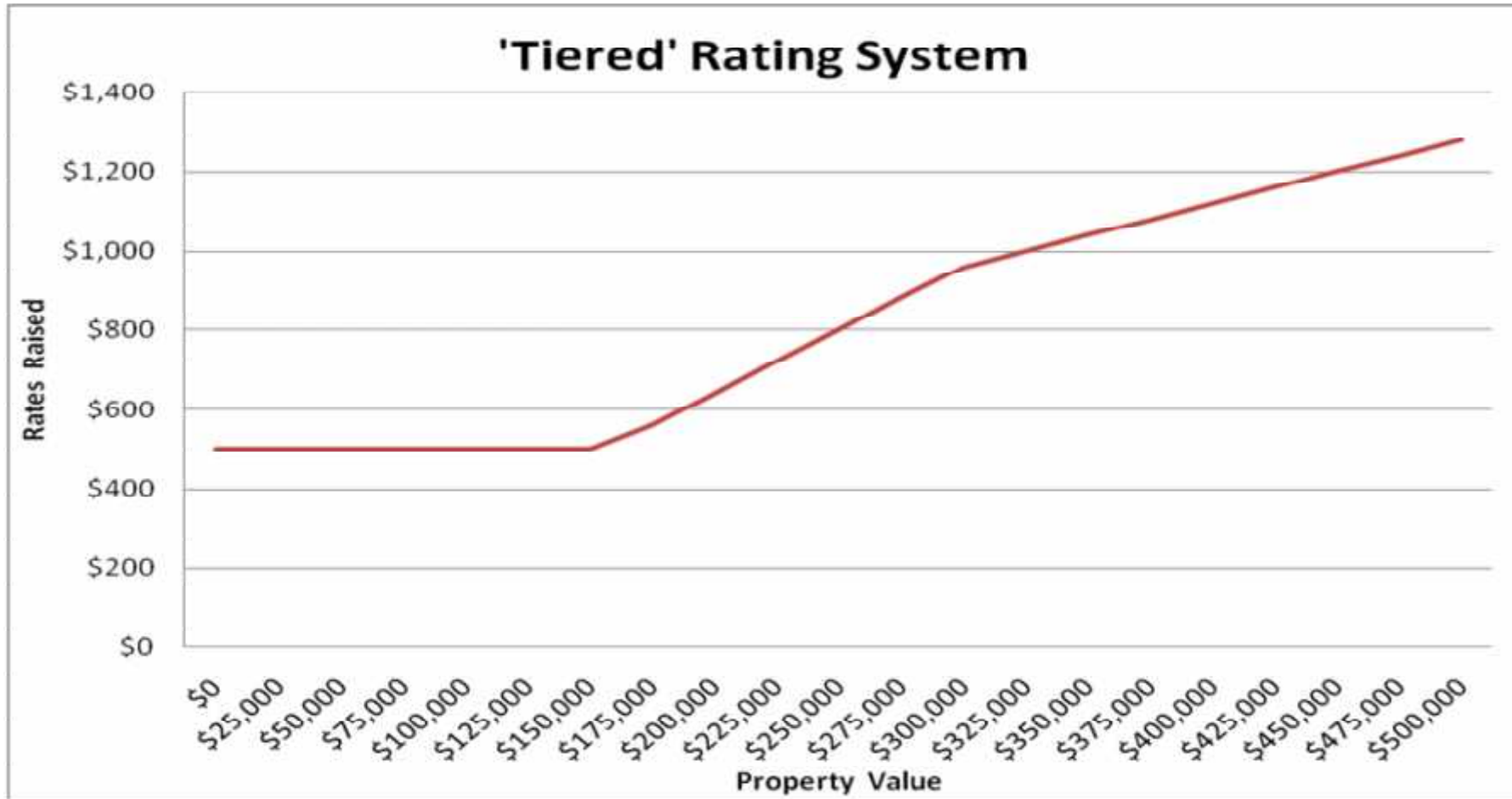
# Rating Systems

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# Rating Systems

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# Rating Systems

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## Minimum Rate vs. Fixed Charge

- **Minimum rate**
  - ▣ **Subject to restrictions in application – not more than 35% of properties**
  - ▣ **Does not raise significant revenue**
- **Fixed charge**
  - ▣ **Applies to all properties (except contiguous and Single Farm Enterprises)**
  - ▣ **Up to 50% of rate revenue can be raised**

# Rating Systems

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## Differential rates

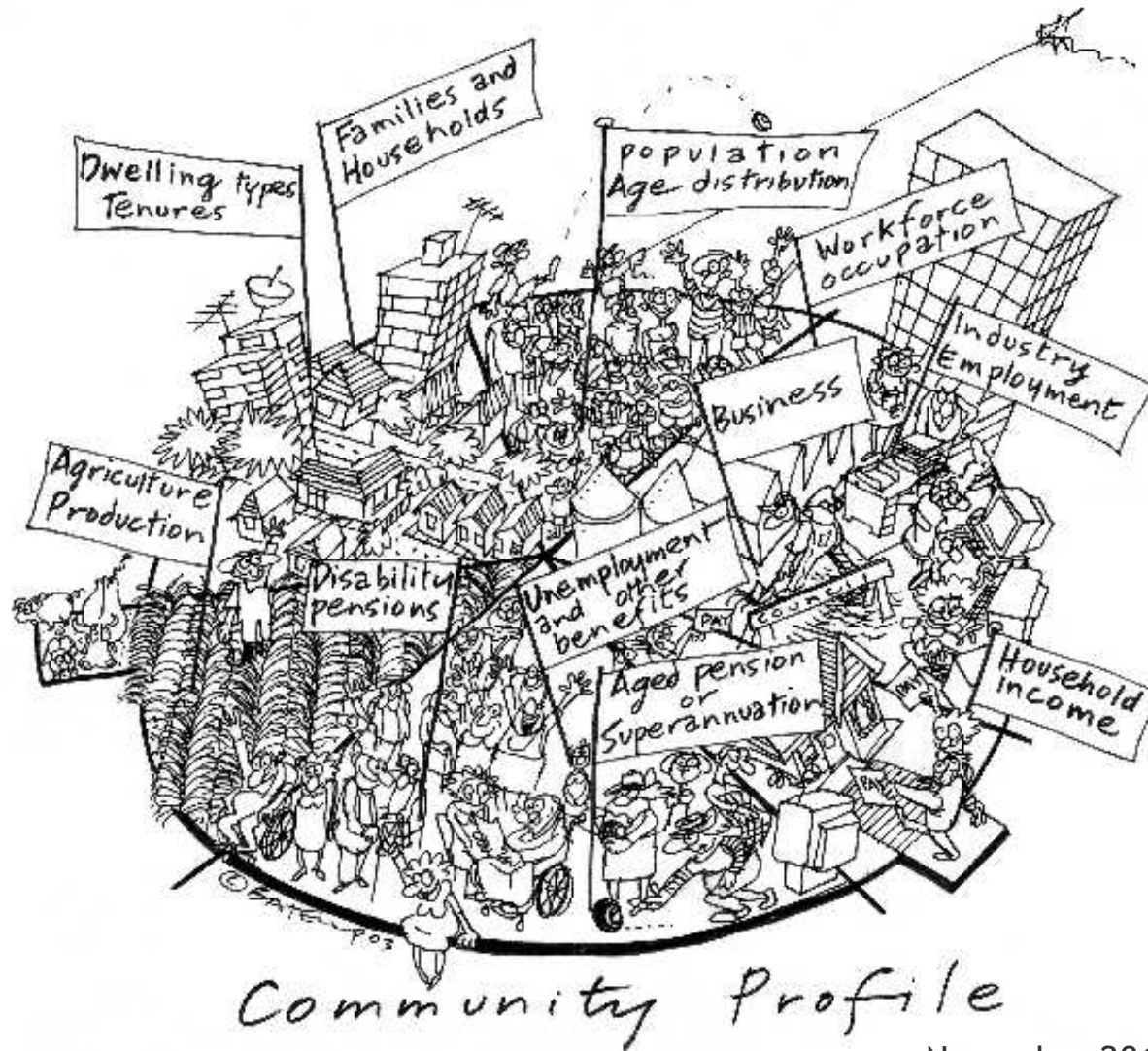
- ▣ Equity
- ▣ Benefit
- ▣ Ability to Pay
- ▣ Commercial/Industrial properties
- ▣ Marinas
- ▣ Licenses and leases
- ▣ Non-Urban properties
- ▣ Owner Occupier vs. Absentee Owners



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# Developing A Rates Model

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# Developing A Rates Model

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- ❑ **Comparative model**
- ❑ **Revenue neutral**
- ❑ **'Winners' & 'losers'**
- ❑ **Capital value vs. site value**
- ❑ **Fixed charge vs. minimum rate**
- ❑ **Differential rates – zoning vs. land use**
- ❑ **Whatever you choose – you can phase in!**



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# Developing A Rates Model

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- **Opportunity for councillors to:**
  - **view various models**
  - **suggest scenarios to be modelled**

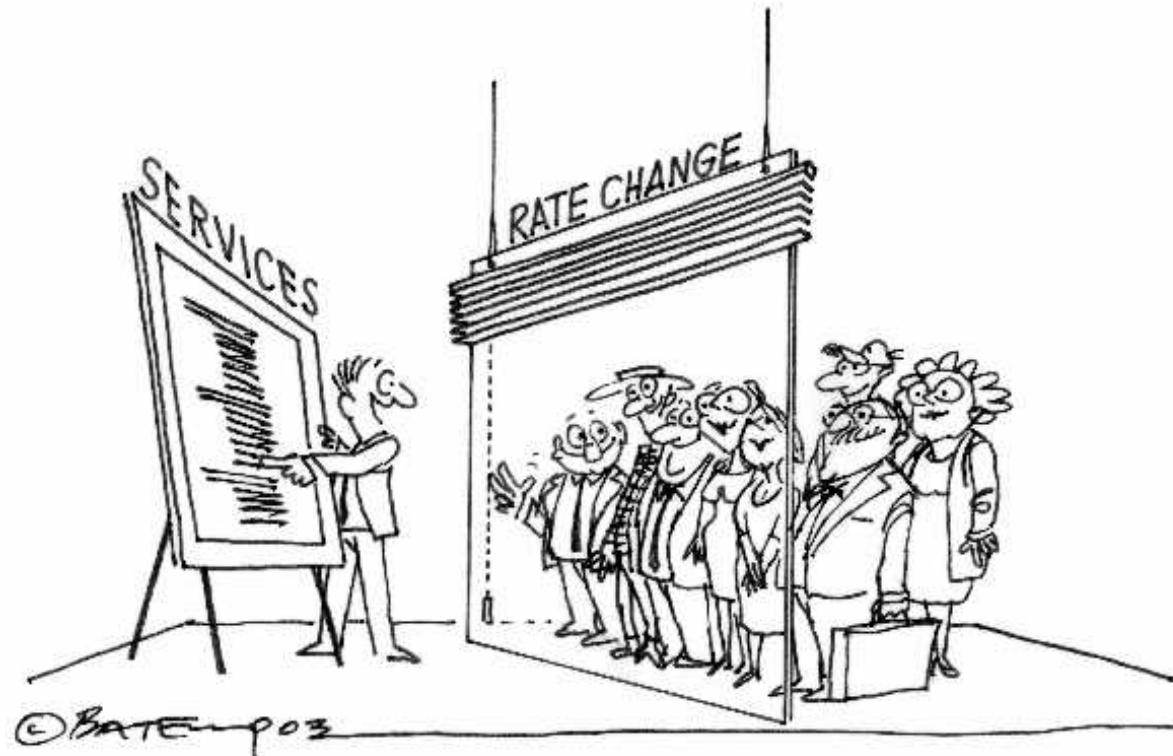
# Rating review requirements

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- Review existing arrangements**
- Develop proposal(s)**
- Consult the community**
- Prepare comprehensive report on effects of proposed changes (Discussion paper)**
- Hold public meeting**
- Report on responses**

# Community Consultation

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Transparency

# Consultation process

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- **Prepare Discussion Paper**
- **Prepare summary**
  - **Insert in Local paper**
  - **Letter box drop**
  - **Post to non-resident ratepayers**
- **Public notice of review - time**
- **Web site - with capacity to receive comments**

# Consultation process

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- **Liaison with particular sectors**
  - **Ratepayers or Progress Association(s)**
  - **Business sector**
- **Council's Customer Service Centre – public queries**
- **Hold public meeting**
- **Submissions to Council: written, fax, email**
- **Response sheets**