



A Review of the Basis of Rating Consultation Paper

This paper is presented to the community to provide information and invite feedback on possible changes to the Council's basis of rating.

Consultation Period

16th May to 13th June 2023

Information Session at Council Chambers, Cross Street, Kimba

Presentation: Thursday 18th May 1.30 pm to 3.30 pm

Drop-In Sessions at Council Chambers, Cross Street, Kimba

Thursday 25th May 2.00 pm to 4.00 pm

Tuesday 30th May 5.00 pm to 7.00 pm

Public Meeting & Community BBQ at Council Chambers, Cross Street, Kimba

Wednesday 7th June 2023 12.30 pm to 1.30 pm

Submissions

Written submissions to:

**Chief Executive Officer,
District Council of Kimba
PO Box 189, Kimba, SA 5641**

Email: council@kimba.sa.gov.au

May 2023

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1. Introduction

Councils are responsible for delivering a broad range of services to their communities. Each community is unique and has different priorities. Councils receive income from several sources to pay for their services, with the largest revenue source being rates.

The District Council of Kimba (Council) is required by legislation to change from rating against the site value of properties to rating against the capital value of properties. As part of this process, Council is required to undertake a rating review and consider the best way for Council to distribute the rate burden against the properties within its community.

Section 151 of the *Local Government Act 1999* states that 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 Council considers relevant.

2. Reason for Proposed Changes

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 District Council of Kimba and other Councils in the Eyre Peninsula are currently going through the process of making this change to their rating systems.

Kimba is seeking to change to Capital Value for the 2023/24 Financial Year's Rating to allow time to ensure that the rating system is changed within the timeframe provided in the legislation.

3. Proposed Changes to Rates

The main change is to change from Site to Capital Value as the basis for rating as required by legislation. This change will result in a distribution of the rating costs across ratepayers, with some ratepayers paying less than previously and others paying more.

Council is therefore also considering some other changes to diminish the impact on ratepayers as much as possible.

Council's current rating system is based on locality, which has limited capacity to differentiate properties in a way that allows the Council to identify where rating changes impact different ratepayers. Council is considering moving to a rating system based on land use instead of where properties are.

In summary, the changes proposed in this paper are;

- Increase the Minimum Rate.

- Move to a differential rating structure based on land use instead of locality. These Land Uses would be:
 - Residential
 - Commercial
 - Industrial
 - Vacant Land
 - Primary Production
 - Other
- An additional differential factor would be the Land Use Commercial but the locality of Bulk Handling. This factor is currently used in Council's rating structure.

The proposed changes are detailed in Section 17 of this paper.

Section 18 of this paper summarises the expected impacts for a range of sample properties.

4. Support for Ratepayers

The change to Capital Value will result in some ratepayers paying less rates than previously and some ratepayers paying more.

Whilst the main change of moving to Capital Value is outside of Council's control, Council is aware that ratepayers affected by increased rates may find this difficult to manage.

If a ratepayer is concerned about paying for their rates, then the Council can;

- Make a payment plan for ratepayers that apply for assistance. Where payment arrangements are in place, ratepayers will not be charged fines for late quarter payments, provided they adhere to the payment plan. Interest would still apply.
- Postpone a portion of rates. The postponed portion would not require payment until a property is sold. Interest would still apply.

5. Consultation

It is important for Council to receive feedback from the community when making decisions that affect ratepayers. Council is required to consult when reviewing rating methods, and your comments are very useful to help Council understand the community and make decisions that soundly reflect your current and future needs.

Consultation Period

The consultation period will be for the following period:

16th May to 13th June 2023

5.1. Information Sessions

Council will hold an information session where a presentation will be made to explain the changes and ratepayers attending will be able to speak to staff to see the possible changes for their properties. There will be two additional drop-in sessions where ratepayers will be able to see the possible changes for their properties.

These sessions will be held at the Council Chambers, Cross Street, Kimba.

Presentation and Drop-In	Thursday 18th May	1.30 pm to 3.30 pm
Drop-In Sessions	Thursday 25th May	2.00 pm to 4.00 pm
	Tuesday 30th May	5.00 pm to 7.00 pm

5.2. Submissions

Community members are invited to write submissions expressing their views on the future structure of the Council's basis of rating and the information contained within this consultation paper. Submissions will be accepted until **5pm on the 13th June 2023**.

Written submissions to:
Chief Executive Officer,
District Council of Kimba
PO Box 189, Kimba, SA 5641

email to: council@kimba.sa.gov.au

5.3. Public Meeting

In addition to written submissions, Council invites members of the community to attend a public meeting and Community BBQ on

Wednesday 7th June 12.30 pm to 1.30 pm

Members of the public can make submissions in person at this meeting.

Further information regarding the Review of Council's Basis of Rating can be obtained by contacting Council.

6. The Purpose of this Consultation Paper

The purpose of this consultation paper is to provide our community with information concerning the following, which Council has considered as background to the proposed changes:

- Why Councils collect rates.
- Council's current rating methodology
- The legislative framework for setting Council rates.
- Rating options available
- The right option for Kimba?
- Consultation Requirements

7. Why Councils Collect Rates

Councils are responsible for delivering a broad range of services to the community. The range of services continues to grow.

To support the provision of services and to improve the quality of life for the community, whether residential or business, Councils provide significant levels of infrastructure in the form of roads, drainage, buildings, parks, and recreation facilities. This infrastructure needs to be maintained and replaced. Councils also provide a vast range of other services to their communities.

Each Council provides unique services for their communities as different communities have different priorities. Councils are therefore faced with the challenge to:

- Establish a level of infrastructure and services for its community
- Equitably distribute revenue raising that provides funding for infrastructure and services.

As each Council faces different circumstances and provides diverse services to its community, its revenue requirements are likely different from its neighbours. The capacity of each Council to raise revenue and how the ratepayers will share in providing the revenue will also be different in each Council.

7.1. Nature of Council Rates

Taxation is the primary source of revenue for Governments. Councils are responsible for raising their revenue through property taxation (Rates) and user charges as prescribed by legislation. Councils also receive Government grant funding.

Rates are a tax against the value of a property. The principle is that the more property, or the higher the property's value, the more you should pay. Many ratepayers will question the value they individually receive from their rates; however, rates are raised as a form of taxation for services for the whole community.

One problem with a property tax is that someone who owns a property with a high value may not have the income to pay a higher level of taxation. To address this, Councils have hardship policies that can be used to assist ratepayers who find it difficult to pay their rates.

7.2. Principles of Taxation

When setting taxes, Governments and Councils need to be mindful of the principles of taxation. The principles are:

- Equity – taxpayers with the same income pay the same tax (horizontal equity), and wealthier taxpayers pay more tax (vertical equity). With rating, this means those with higher-valued properties pay more rates.
- Benefit – taxpayers should receive some benefit from paying tax, but not necessarily to the extent of the tax paid. The community should receive the benefit from the tax.
- Ability-to-pay – in levying taxes, the ability of the taxpayer to pay the tax must be considered;
- Efficiency – if a tax is designed to change consumers' behaviour and the behaviour changes, the tax is efficient (e.g., tobacco taxes). If a tax is intended to be neutral in its effect on taxpayers and it changes taxpayers' behaviour, the tax is inefficient; and
- Simplicity – the tax must be understandable, hard to avoid and easy to collect.

To some extent, these principles conflict with each other. Governments and Councils 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.

8. Legislative Framework for Setting Council Rates

The Local Government Act 1999 (The Act) sets out the framework of Rating for Councils. The Act can be accessed at: <https://www.legislation.sa.gov.au>.

The legislation outlines the following topics which are relevant for the Council when considering changing its basis of rating.

Chapter 10 – Rates and Charges

- **Part 1 – Rates and charges on land**
 - Division 1 - Preliminary
 - Division 2 – Basis of Rating
 - Division 3 – Specific characteristics of rates and charges
 - Division 4 – Differential rating and special adjustments
 - Division 5 – Rebates of rates
 - Division 6 – Valuation of land for the purpose of rating

Section 151(2) of the *Local Government Act 1999* sets out that the value of the land for the purpose of rating is its capital value.

Section 151(3) allows Councils to declare rates on site value, but the reference to site value will be removed from the Act.

9. Rating Options Available

There are several alternative rating options available under the Local Government Act 1999. The options that can be considered are:

- A General Rate
- A Differential Rate
- Fixed Charge
- Minimum Rate
- Separate Rates

All rating options provide different ways to distribute the cost of running the Council among ratepayers. Councils need to consider the profile and issues of their communities and determine the method that distributes the rates tax burden in the most appropriate manner for their community.

The following areas of this section explain how rates are calculated and how different rating options work.

9.1. How Rates are Calculated

Rates are calculated by dividing the total rates needed for the Council's budget by the value of the properties being rated. The result is the Rate in the Dollar (RID) which is multiplied against an individual property value to achieve the rates due.

For example;

- A council needs to raise \$2 million in rates
- The value of all the properties in the Council is \$435 million

The Rate in the Dollar (RID) would be $\frac{\$2,000,000}{\$435,000,000} = .004597701$

An example property has a value of \$200,000.

Multiply the value of the property by the RID = $\$200,000 \times .004597701 = \919.54 in rates

If the value of all or some of the properties increases and Council still needs to raise the same amount of rates, the RID will decrease. Council does not receive additional rates when values go up; however, valuations are not uniform across all types of properties, and this may result in some properties paying more rates and some paying less than previously.

9.2. A General Rate

All properties are charged the same 'rate in the dollar', regardless of land use or locality. This is very simple to administer.

9.3. A Differential Rate

This means there are different 'rates in the dollar' set for different categories of properties. A Council can use either Land Use, Locality, or a combination. Differentiating properties based on Locality and Land Use are described below.

A differential rate allows a Council to structure their rating strategy more closely with its community's needs and profile and to use rating as a tool to assist in achieving Council's strategic goals.

9.3.1. Locality

Rating by Locality is rating according to where a property is located. The development zone determines the locality the property is in. For example, some Councils set a different RID for different townships or whether a property is inside or outside a township(s).

9.3.2. Land Use

This is where the RID is set depending on what the property is used for. The Land Use types in accordance with the Local Government Regulations and as determined by the Valuer General are:

- Residential
- Commercial (Shop)
- Commercial (Office)
- Commercial (Other)
- Industrial (Light)
- Industrial (Other)
- Primary Production
- Vacant Land
- Other
- Marina Berth

Differential rates make the rating system more complex, but not usually to the extent that it offends the simplicity principles. This is reflected by the fact that most South Australian Councils use this rating method. Differentials can also be used based on Locality and Land Use combinations, and Councils that use this combination can have quite complex rating structures.

Differential rates allow a Council to set policy direction regarding their rating, such as:

- A Lower 'rate in the dollar' to assist or encourage a specific type of land use.
- A Higher 'rate in the dollar' to deter a specific type of land use or as an acknowledgement that that land use group needs to pay a higher contribution to the rates burden for the community.

9.4. Fixed Charge

Under this system, a fixed amount is first applied evenly against all ratepayers. The remaining amount of rate revenue required is then divided by the total valuations of all the properties to result in the RID. Properties are charged the Fixed Charge + the rate calculation.

For example;

- A council needs to raise \$2 million in rates
- The value of all the properties in the Council is \$435 million
- The Fixed Charge is \$700
- The Number of Properties to be rated is 900

\$700 Fixed Charge x 900 properties = Rates of \$630,000

The total rates needed is \$2 million less rates raised from the Fixed Charge.

$\$2,000,000 - \$630,000 = \$1,370,000$ still needing to be raised

The RID is $\frac{\$1,370,000}{\$435,000,000}$ Rates still needed RID = .003149425
Total value of properties

An example property has a value of \$200,000.

The Fixed Charge of \$700 is levied against the property

Multiply the value of the property by the RID = $\$200,000 \times .0003149425 = \629.89

Rates for this property is $\$700 + \$629.89 = \$1,329.89$

The Act states that a Council must not seek to set a fixed charge at levels that will raise more than 50% of all general rate revenue.

The effect of a fixed charge is a lower rate in the dollar, so higher-valued properties pay less than they would if there were no fixed charge, and lower-valued properties pay more.

This system would disadvantage owners of lower-valued properties and could offend the 'ability to pay' principle.

Developers with several adjoining blocks will only pay one fixed Charge, and all the remaining properties will be charged at the lower Rate in the dollar.

Contiguous Land provisions within the Act provide that only one fixed Rate is payable across adjoining land owned and occupied by the same ratepayer (as if they were one property).

Single Farm Enterprises are also only subject to one fixed Charge (where applicable). In accordance with legislation, the fixed Charge does not apply to Marina Berths.

9.5. Minimum Rate

A minimum rate is only applied where the calculated rates (valuation x RID) is lower than a point that Council has set as a minimum to pay. This ensures that all ratepayers pay at least a certain amount.

For example;

- A council needs to raise \$2 million in rates
- The value of all the properties in the Council is \$435 million

The Rate in the Dollar (RID) would be
$$\frac{\$2,000,000}{\$435,000,000} = .004597701$$

An example property has a value of \$200,000.

Multiply the value of the property by the RID = $\$200,000 \times .004597701 = \919.54 in rates

Unlike a fixed charge, the higher-valued properties do not gain an advantage. Care must be taken that the Minimum is not set so high as to offend the 'ability to pay' principle. The legislation also sets that the total of properties on the minimum Rate does not exceed 35%.

Contiguous Land provisions within the Act provide that only one Minimum Rate is payable across adjoining land owned and occupied by the same ratepayer (as if they were one property). Developers with adjoining blocks will have only one Minimum applied.

Single Farm Enterprises are also only subject to one minimum Rate (where applicable). In accordance with legislation, the Minimum Rate does not apply to Marina Berths.

9.6. Separate Rates

A Council can set a Separate Rate for the whole or part of an area for the purpose of planning, carrying out, making available, supporting, maintaining, or improving an activity that is of particular benefit to the occupiers of the land within that area.

10. Service Rates & Charges

A service charge is raised where a service is provided. Councils often raise service charges for the following:

- Treatment or provision of water, i.e., Community Wastewater Management System (CWMS)
- Collection of domestic waste, i.e., Mobile Garbage Bin Collection
- Provision of Water

The legislation provides that Service Rates & Charges must cover the costs of the services provided, including the cost of replacement infrastructure, such as replacing pipes and pumps within a Community Wastewater Management System.

Service Rates and Charges are not being considered as part of this Rating Review.

11. Non-Rateable Property

Section 147 of The Local Government Act sets out the land which is exempt from rates as being:

- Crown Land
- Land held by the Crown or an instrumentality of the Crown for a public purpose.
- Land occupied by a university.
- Land exempt from rates and taxes under the Recreation Grounds Rates and Taxes Exemption Act 1981
- Land occupied by the Council except where under a lease or licence.
- Land occupied by a subsidiary.

- Land occupied or held by an emergency service organisation.
- Land exempt from Council rates by another Act

Non-Rateable properties will still incur Service Rates and Charges.

12. Rate Rebates

The Local Government Act requires Councils to rebate the rates payable for certain land uses ('Mandatory' Rate Rebates):

- Section 160 – Health Services
- Section 161 – Community Services
- Section 162 - Religious Purposes
- Section 163 – Public Cemeteries
- Section 164 – Royal Zoological Society of SA
- Section 165 – Educational Purposes

Councils also have a general power to grant discretionary rebates and remissions in accordance with Sections 166 & 182 of the Local Government Act 1999. The exercise of this power allows for the following:

- Local discretion;
- The pursuit of local policy objectives;
- Assistance to community organisations;
- Assistance to local businesses; and
- Assistance in the case of hardship.

Councils can provide Rate Rebates for many reasons, including to assist ratepayers:

- To support certain activities
- Where there are significant increases in valuations for only some properties resulting in substantial increases in rates
- Where there is a change in the basis of rating, some ratepayers may face significant rate increases.

The Council must be mindful that when providing rebates, the same level of rates is still required for Council's budget. If some ratepayers are provided rebates, all the other ratepayers will need to pay more.

13. Postponement of Rates

13.1. Hardship

Councils can wholly or partially postpone rates based on hardship in accordance with Section 182 of the Local Government Act 1999.

13.2. Businesses

Councils can grant postponements of rates to assist or support a business in its area.

13.3. Seniors

Ratepayers who hold a Seniors Card can apply to Council to postpone payment of the portion of rates on their principal place of residence that exceeds \$500. A Council may reject an application for a postponement if the amount postponed exceeds 50% of the capital value of the land. Postponed rates remain a charge on the land and are not required to be repaid until the property is sold or disposed of.

Interest accrues on the amount affected by the postponement in accordance with the prescribed interest rate.

13.4. Unusual Events

Councils may assist ratepayers affected by unusual events by postponing payments, not charging fines and interest, or offering rebates. Unusual events can include;

- Fires
- Floods
- Drought
- Covid-19

14. District Council of Kimba's Current Rating Methodology

14.1. Land Valuation

The District Council of Kimba uses the **Site Value** provided annually by the Valuer-General to rate property within its area. Legislation changes now require that Council move from Site Value to Capital Value.

The Capital Value includes the land's value and any improvements to the land (such as housing). This method results in higher-valued properties (such as land with a larger, more expensive house) being rated higher than lower-valued properties (such as land with a small house).

The Valuer-General analyses the sales of all property types to determine market movements, if any. This analysis of sales happens continuously throughout the year. The Valuer-General advises that different market movements can occur amongst varying property types and localities.

Certain properties may be eligible for a notional (concessional) value under the Valuation of Land Act 1971. This can relate to certain primary production land or where there is a state heritage recognition. A notional value is generally less than the capital value and will reduce rates unless the Minimum Rate is applicable.

14.2. Differential Rates Based on Locality and Land Use

The District Council of Kimba calculates its rates using different rates depending on the differentiating factors of locality and land use. The categories are set out in the following table;

The Rate in Dollar (RID) Declared for 2022/23	Rating Category
.3465 cents in the dollar	Land in Rural Zone
19.59 cents in the dollar	Land in the Commercial (Bulk Handling) Zone
4.0600 cents in the dollar	Land in all other Zones

14.3. Minimum Rate

The District Council of Kimba declares a minimum rate (\$315 for 2022/23). Rates are calculated by multiplying the property's capital value with the declared Rate in the dollar for the locality/land use.

If the result is below the Minimum Rate, the Minimum Rate applies. If the result is above the Minimum, then the calculation applies.

15. District Council of Kimba Profile

15.1. Australian Bureau of Statistics

Understanding the community profile is essential before making decisions affecting the community. The Australian Bureau of Statistics has considerable data that can be used. The data available is from the 2020 Census and only reflects the 'permanent' residents of the district. The table below shows some of the data for the Council area.

Note that percentages in the following tables do not always add up to 100% as not all data is included, and some census respondents did not respond in all categories.

People

ABS data published in 2021	Kimba
Estimated Resident Population	1,053
Percentage of Population of Working Age (15 to 64 years)	58.2%
People 65 and older	22.4%
Pensioners - Age	11.8%
People with a disability	16%
People who are carers	9%
Family Households	69%
<ul style="list-style-type: none"> Couple families without children or non-dependent children 	56%
<ul style="list-style-type: none"> Couple families with children under 15 or dependent students 	38%
<ul style="list-style-type: none"> One-parent families with children under 15 or dependent students 	3%
<ul style="list-style-type: none"> Other 	3%
Access to the Internet at home	79%

Income

ABS data published in 2021	Kimba
Personal Income	
<ul style="list-style-type: none"> Earning \$1-\$499 per Week (\$52 to \$25,948 per year) 	27%
<ul style="list-style-type: none"> Earning \$500-\$999 per Week (\$26,000 to \$51,948 per year) 	26%
<ul style="list-style-type: none"> Earning \$1000-\$1999 per Week (\$52,000 to \$103,948 per year) 	27%
<ul style="list-style-type: none"> Earning \$2000-\$2999 per Week (\$104,000 to \$144,948 per year) 	4%
<ul style="list-style-type: none"> Earning \$3000 or more per Week (\$156,000 or more per year) 	3%
<ul style="list-style-type: none"> Earning nil income 	4%
<ul style="list-style-type: none"> Not stated 	9%
Median Household Income (Week)	\$849
(year)	\$44,148

Expenses

ABS data published in 2021	Kimba
Median Household Mortgage Repayments(month) (year) <i>Note that interest rates are higher in 2023</i>	\$860 \$10,320
Median Weekly Household Rental Payments (year)	\$150 \$7,800
Private dwellings	
<ul style="list-style-type: none"> Owned outright 	51%
<ul style="list-style-type: none"> Owned with a mortgage 	23%
<ul style="list-style-type: none"> Rented 	17%
<ul style="list-style-type: none"> Other 	9%
Mortgage and Rent affordability	
<ul style="list-style-type: none"> Households where mortgage repayments are less than or equal to 30% of income 	68%
<ul style="list-style-type: none"> Households where mortgage payments are more than 30% of income 	10%
<ul style="list-style-type: none"> Households where rent payments are less than or equal to 30% of income 	73%
<ul style="list-style-type: none"> Households where rent payments are more than 30% of income 	11%

ABS data published in 2021	Kimba
Estimated Resident Population	1,053
Percentage of Population of Working Age (15 to 64 years)	58.2%
People 65 and older	22.4%
Pensioners - Age	11.8%
Unemployed	
Personal Income	
<ul style="list-style-type: none"> Earning \$1-\$499 per Week (\$52 to \$25,948 per year) 	27%
<ul style="list-style-type: none"> Earning \$500-\$999 per Week (\$26,000 to \$51,948 per year) 	26%
<ul style="list-style-type: none"> Earning \$1000-\$1999 per Week (\$52,000 to \$103,948 per year) 	27%
<ul style="list-style-type: none"> Earning \$2000-\$2999 per Week (\$104,000 to \$144,948 per year) 	4%
<ul style="list-style-type: none"> Earning \$3000 or more per Week (\$156,000 or more per year) 	3%
<ul style="list-style-type: none"> Earning nil income 	4%
<ul style="list-style-type: none"> Not stated 	9%
Median Household Income (Week) (year)	\$849 \$44,148
Median Household Mortgage Repayments(month)	\$860

ABS data published in 2021	Kimba
Median Weekly Household Rental Payments	\$150
Families with dependent children	
Homes owned outright	

Business

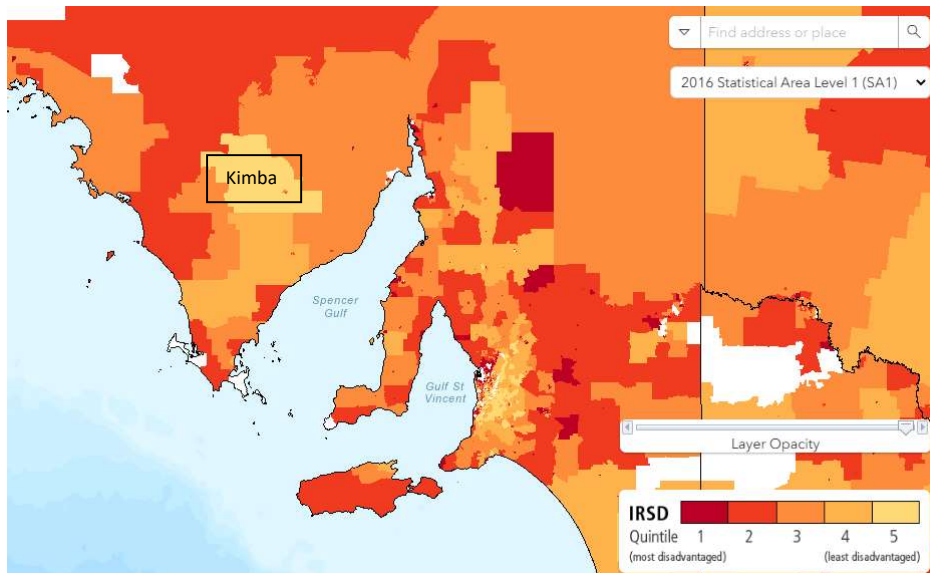
ABS data published in 2021	Kimba
Number of Businesses	203
Types of Businesses	
<ul style="list-style-type: none"> Agriculture, forestry, and fishing, predominantly broadacre crops and Sheep/lambs and 	64%
<ul style="list-style-type: none"> Rental, hiring and real estate 	8%
<ul style="list-style-type: none"> Manufacturing 	5%
<ul style="list-style-type: none"> Construction 	3%
Turnover of Businesses	
<ul style="list-style-type: none"> \$5m to less than \$10m 	1%
<ul style="list-style-type: none"> \$2m to less than \$5m 	7%
<ul style="list-style-type: none"> \$200k to less than \$2m 	52%
<ul style="list-style-type: none"> \$40k to less than \$200k 	25%
<ul style="list-style-type: none"> Less than \$50k 	15%
Main Industries of Employment	
<ul style="list-style-type: none"> Agriculture 	44%
<ul style="list-style-type: none"> Retail Trade 	9%
<ul style="list-style-type: none"> Education and Training 	8%
<ul style="list-style-type: none"> Health Care and Social Assistance 	7%
<ul style="list-style-type: none"> Construction 	4%

15.1.1. Socio-economic Index

The Australian Bureau of Statistics produces Socio-economic Indices from census data. An area could be considered disadvantaged if there were many households with low incomes, many people with no qualifications or many people in low-skill occupations.

The latest Socio-economic Indices are from the 2016 census data published in 2018.

The following map shows that Kimba is an area with fewer disadvantages compared to other local government areas.



16. Issues and Impact of Current Rating System on the Community

Kimba's rating is based on Site Value. Taxation is based on higher values resulting in higher rates; however, Site Value doesn't consider a property's entire value. This means that two properties next to each other that are the same land size pay the same rates when using Site Value, even if one property has a large, expensive house and the other a small, moderate house. Capital Value means that the larger, more expensive house is rated higher than the smaller house.

Council also uses a combination of Locality and Land Use to create a different rating level for different types of properties. This system makes it difficult for Council to use rating as a tool for assisting in achieving the Council's strategies and goals and in assisting different types of ratepayers.

17. Rating Structure – Potential Changes and the Impact

Council has held workshops with Elected Members to explore the issues around the current rating structure, the legislation requirements of moving to Capital Value, and to consider potential improvements in the existing structure. The outcomes of the workshops were to consider;

- Increasing the Minimum Rate to relieve pressure on other ratepayers.
- Introducing a system predominantly based on Land Use

17.1. Increasing the Minimum Rate

When setting a minimum rate, Councils determine the minimum contribution that they feel should be contributed by all rateable properties. Single Farm Enterprises or Contiguous (adjoining) properties only pay one Minimum per entity.

When the rating calculation is completed, if the rates calculated for a property are below the Minimum Rate, then the Minimum Rate applies. If the rates calculated is above the Minimum Rate, then the calculation applies.

Kimba has a Minimum Rate of \$315 which is considerably lower than most other Councils that use a Minimum Rate.

A higher Minimum Rate reflects a better minimum contribution towards services and will alleviate some of the impacts on the higher-value properties moving from Site to Capital Value.

The Minimum can't be so high that more than 35% of properties within the Council area would incur the Minimum.

In the workshops held, Elected Members considered that a Minimum Rate of \$590 better reflects a minimum contribution to the cost of the Council's services. This minimum results in 35% of properties paying the Minimum Rate.

Section 18 of this paper details the effect on ratepayers of this change.

17.2. Land Use System

As described previously, the 'Rate in the Dollar' is set depending on what the property is used for. The Valuer General determines the Land Use in accordance with the prescribed Local Government Land Use Codes as contained within the Local Government Regulations. The land use categories that Council is considering are;

- Residential
- Commercial (Shop, Office, Other)
- Industrial (Light, Other)
- Primary Production
- Vacant Land
- Other
- Marina Berth (not relevant for Kimba)
- Commercial Bulk Handling (Land Use and Locality)

Marina Berths are not relevant for Kimba. Council is also considering retaining the Land Use and Locality for Silos being the Land Use Commercial and the Locality of Bulk Handling.

Rating by Land Use divides the properties in the district into categories that are more distinctly defined. It allows Council to set rates for different categories to assist in achieving strategic objectives and understanding impacts on certain types of ratepayers.

An example is that valuations often increase for one type of ratepayer differently from others, and this is more easily demonstrated when using Land Use to differentiate the properties. Council can then determine if support is needed to be available for the affected ratepayers.

An example of using rating for strategic objectives would be a Council that wishes to discourage vacant land and encourage building on that land; they might have a higher rate in the dollar for vacant land.

Moving to Capital Value reduced most of the Vacant Land rates compared to the previous year. This doesn't align with the Council's strategy of discouraging vacant land and encouraging building and meant that the other rating categories were paying more.

Council is considering having a higher differential for:

- Vacant Land
- Commercial Bulk Handling

The move to Capital Values impacts the Primary Production properties the most. Council is therefore considering setting a lower rate in the dollar for Primary Production to assist in alleviating some of the impacts of the change in rating.

18. Likely Impact on Ratepayers

Changing from Site to Capital Value will redistribute the rates and affect ratepayers differently, with some properties paying lower rates than previously and some paying more.

The Council is budgeting for \$1,942,220 in rates for 2023/24. This is an increase of 7.9% compared to 2022/23 due to current inflationary pressures. More detail on this can be found in Council's Annual Business Plan. Council uses the Consumer Price Index (CPI) to measure inflation.

Council will continue to get reports from the Valuer General and changes to property valuations until the date of the adoption of the Annual Business Plan. This will change the final Rate in the Dollar (RID) adopted by Council and the resulting rates for each property.

The Commercial Bulk Handling properties have been considered as a group and are owned by one owner. The total group of properties will increase by 7.9%, which is the inflation factor that rates are increasing by. The RID is set accordingly.

The RIDs are shown below: (note that the RID will change according to final valuations received by Council when adopting the rates)

Rating Category	RID compared to Residential	Rate in the Dollar (RID)	Used for Calculation of Rates
Residential	100%	.4087	.004087
Commercial	100%	.4087	.004087
Industrial	100%	.4087	.004087
Vacant	500%	2.0436	.020436
Other	100%	.4087	.004087
Primary Production	80%	.3270	.003270
Commercial Bulk Handling (Silos)	127%	.9485	.009485

For each rating category, the table below shows the difference in possible rates for 2023/24 compared to 2022/23. Although Land Use has not been used previously for Rating by Kimba, each rate notice shows the Land Use.

Rating Category	Greatest Decrease \$	Highest Increase \$	Average Change \$
Residential	-1,643	2,896	-452
Commercial	-1,602	1,969	-561
Industrial (1 property)	275	275	275
Primary Production	-3,876	3,716	790
Vacant	-964	1,136	-287
Other	-892	590	-31
Commercial Bulk Handling (Silos)	-9,205	23,555	934

The table below shows the number of properties that increase and decrease for each rating category. Properties on the Minimum will increase due to the Minimum increasing from \$315 to \$590.

Rating Category	Number of Properties that Decrease	Number of Properties that Increase
Residential	321	14

Rating Category	Number of Properties that Decrease	Number of Properties that Increase
Commercial	47	5
Industrial (1 property)		1
Primary Production	21	399
Vacant	47	10
Other	2	5

Ratepayers attending the information sessions will be able to see how their individual property will likely be affected. Ratepayers unable to attend the consultation session can contact Council and ask how their property will likely be affected.

19. Consultation Requirements

19.1. Legislative Requirements for Consultation

There is a legal requirement for Councils to consult with their communities when considering changes to their rating methodology.

S151 (5) of the Local Government Act 1999 states that a Council must prepare a report before:

- changing the basis of rating of any land or
- changing the basis on which land is valued for rating purposes, or
- imposing separate rates, service rates or service charges,

S 151(7) of the Local Government Act 1999 states that the Council must follow the steps of its public consultation policy but must at least:

- Publish a notice.
- Describing the proposed change
- Notifying that a Rate Review Report is being prepared.
- Inviting interested persons to
 - attend a public meeting.
 - make written submissions.
- Organise a public meeting which must be held at least 21 days after the publication of the notice.
- Ensure copies of the report are available.
 - at the meeting
 - during the consultation period
 - for inspection at Council's office for free or
 - for purchase for a fee set by Council

The Council must consider any written submissions during the consultation or public meeting.