

## A Review of the Basis of Rating Consultation Paper

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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 - For written submissions:**

**Wednesday 17<sup>th</sup> April to Friday 10<sup>th</sup> May 2024**

**Public Meeting**

**Verbal Submissions**

**Tuesday 21<sup>st</sup> May 2024**

**3 pm at the Council Chambers**

**1 Market Square, Burra**

**Submissions in writing to**

**Regional Council of Goyder**

**1 Market Square**

**Burra SA 5417**

**Email: [council@goyder.sa.gov.au](mailto:council@goyder.sa.gov.au)**

**April 2024**

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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 Regional Council of Goyder (the Council) is considering making changes to the basis upon which rates are charged. When considering making these changes, a council is required to undertake a rating review and consider the best way for the Council to distribute the rate burden against the properties within its community.

Section 151 of the *Local Government Act 1999* (the Act) states that the 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.
- Any other issues that the Council considers relevant.

## 2. Proposed Changes to Rating

The Council is considering the following changes:

- Increase rates from Primary Production Properties
- Increase rates from the 'Other' Land Use rating category.
- Increase rates from Commercial and Industrial properties and distribute this as a decrease across Residential and Vacant properties.
- Increase the Fixed Charge from \$150 to \$200.

## 3. Reason for Proposed Changes

### **Rating contribution from different land use categories.**

An analysis of the Council's current rating database shows the following;

- Residential properties make up 14% of the total valuations and contribute 31% of the rates.
- Primary Production properties make up 84% of the total valuations and contribute 64% of the rates.
- The average rates for the Commercial, Industry and Primary Production categories for Goyder are significantly lower than the average of the comparison councils and much lower than the comparison for Residential rates. Commercial, Industry and Primary Production rates are also tax deductible whilst most Residential property rates are not.
- There are many wind towers within the Council's district that are leased by electricity-generating businesses, and the Valuer-General can only value the land on which the tower sits, not the wind turbine itself. This means that these properties, over time, have not been impacted by valuation changes in the same way as other properties, and their contribution to rating has decreased. These properties are within the Rating Category of 'Other'.



- The right option for the Regional Council of Goyder
- Consultation Requirements

## 6. Why Council's 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 challenges of:

- Establishing a level of infrastructure and services for its community
- Equitably distributing 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 likely differ from those of 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.

### 6.1. 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 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.

### 6.2. 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.

- 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.

## 7. Legislative Framework for Setting Council Rates

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 that are relevant for the Council when considering setting and reviewing its rates.

### 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

## 8. Rating Options Available

### Definition: Rate in the Dollar = RID

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

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

A Fixed Charge or Minimum Rate can be used in conjunction with a General Rate or a Different Rate.

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.

### 8.1. Valuations Used

Recent changes to the Act require that all councils in South Australia are to use capital values for the purpose of rating.

Capital value is the amount that a property would reasonably expect to be sold for. It is the value of the land plus improvements such as buildings and other structures.

The Valuer General provides councils with the valuations of properties within their districts.

## 8.2. A General Rate

All properties are charged the same RID, regardless of Land Use or Locality. This is very simple to administer.

## 8.3. A Differential Rate

This means there are different RIDs set for different categories of properties. A Council can use either Land Use, Locality (Zones), 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 the Council's strategic goals.

### 8.3.1. Locality

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

### 8.3.2. 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 Berths

Differential rates based on Land Use can make it easier for a Council to understand what factors are impacting different types of ratepayers and how different rating strategies are affecting them.

Differential rates based on Land Use can allow a Council to set policy direction regarding their rating, such as:

- A Lower RID to assist or encourage a specific type of Land Use.
- A higher RID to deter a specific type of land use or as an acknowledgement that a particular land use group needs to pay a higher contribution to the rate burden for the community.

### 8.3.3. Combination of Land Use and Locality

Differentials can also be used based on Locality and Land Use combinations, and councils that use this combination can have more complex rating structures.

#### 8.4. Fixed Charge

Under this system, a fixed amount is first applied 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. The RID is then multiplied against each property's valuation to achieve the remaining rates required. Properties are charged the Fixed Charge plus the calculation of RID x property valuation.

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.

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 only subject to one Fixed Charge (where applicable).

The following provides an example of how rates are calculated when a council uses a Fixed Charge. Note that this is a simple example. The use of Differential Rates and Rebates will impact the RIDs used.

- A council needs to raise total rates of \$5,000,000
- The value of all the rateable properties in the council is 2,500,000,000
- Council charges a Fixed Charge of \$200
- The number of properties that pay the Fixed Charge is 3,000

Rates raised from the Fixed Charge is the Number of Properties x Fixed Charge

$$3,000 \text{ properties} \times \text{Fixed Charge of } \$200 = \$600,000$$

Council still needs to raise the remaining rates of (Total Rates less raised from Fixed Charge)

$$\text{The total rates needed is } \$5,000,000 \text{ less raised from Fixed Charge is } \$600,000$$

$$\text{Total rates still needed is } \$5,000,000 \text{ less } \$600,000 = \$4,400,000$$

The total rates still needed are divided by the valuations of the rateable properties.

$$\$4,400,000 / 2,500,000,000 = .00176$$

The Rate in the Dollar (RID) is .00176

The Rate in the Dollar (RID) is then adjusted to provide for rebates and any higher or lower differentials allocated against specific categories of ratepayers. For the example below, the RID has not been adjusted.

A property with a Value of \$300,000 would have the following rate calculation:

|   |                 |
|---|-----------------|
| Fixed Charge                                    | \$200.00        |
| Property Valuation of \$300,000 x RID of .00176 | <u>\$528.00</u> |
| Total Rates                                     | \$728.00        |

If the value of all or some of the properties increases and the 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, valuation changes are not uniform across all types of properties, and this may result in some properties paying more rates and some paying less than previously.

### 8.5. Minimum Rate

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

The legislation specifies that the number of properties on the minimum rate cannot exceed 35% of the total number of properties.

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).

Single Farm Enterprises are also only subject to one Minimum Rate (where applicable).

The following provides an example of how rates are calculated when a council uses a Minimum Rate. Note that this is a simple example. The use of Differential Rates and Rebates will impact the RIDs used.

- A council needs to raise total rates of \$5,000,000
- The value of all the rateable properties in the council is \$2,500,000,000
- Council has a Minimum Rate of \$200

The total rates required are divided by the total values of all rateable properties. This provides the RID.

$$\text{Total Rates of } \$5,000,000 \text{ divided by Valuations of } \$2,500,000,000 = .002$$

A property with a valuation of \$300,000 would have the following rate calculation;

$$\text{Value of } \$300,000 \times \text{RID of } .002 = \$600 \text{ in rates}$$

If the value of all or some of the properties increases and the 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, valuation changes are not uniform across all types of properties, and this may result in some properties paying more rates and some paying less than previously.

### 8.6. Fixed Vs Minimum

Fixed Charges result in different rates for properties than Minimum Rates.

As an example, a council needing to raise \$5,000,000 in rates with valuations of \$2,500,000 would have the following rates for sample properties depending on whether they used a Fixed Charge or a Minimum Rate:

| Value of Property \$ | Rates with Fixed Charge \$ | Rates with Minimum Rate \$ |
|----------------------|----------------------------|----------------------------|
| 200,000              | 552                        | 400                        |
| 500,000              | 1,080                      | 1,000                      |
| 800,000              | 1,608                      | 1,600                      |

In the example above, a Fixed Charge or a Minimum Rate of \$200 has been used. Councils that use a Minimum Rate tend to have a higher Minimum Rate than the Fixed Charge that is set by councils that use a Fixed Charge.

The table below shows the Fixed Charges and Minimum Rates set for country councils for 2023/24 (councils that currently rate on-site value are not included).

| Council                | Fixed \$   | Minimum \$ |
|------------------------|------------|------------|
| Adelaide Hills         | 784        |            |
| Adelaide Plains        | 185        |            |
| Alexandrina            | 440        |            |
| Barossa                | 420        |            |
| Barunga West           | 415        |            |
| Berri Barmera          |            | 670        |
| Ceduna                 | 770        |            |
| Clare & Gilbert Valley |            | 730        |
| Cleve                  | 570        |            |
| Coorong                | 150        |            |
| Copper Coast           | 579        |            |
| Elliston               | 325        |            |
| Flinders Ranges        |            | 892        |
| Franklin Harbour       | 460        |            |
| Goyder                 | 150        |            |
| Grant                  |            | 650        |
| Karoonda East Murray   |            | 425        |
| Kimba                  |            | 590        |
| Kingston               |            | 673        |
| Light                  |            | 925        |
| Lower Eyre             | 685        |            |
| Loxton Waikerie        | 1382       |            |
| Mid Murray             |            | 925        |
| Mount Barker           |            | 868        |
| Mount Remarkable       | 500        |            |
| Murray Bridge          |            | 1104       |
| Naracoorte             |            | 450        |
| Northern Areas         | 150        |            |
| Orroroo Carrieton      | 358        |            |
| Peterborough           | 430        |            |
| Port Augusta           | 900        |            |
| Port Pirie             | 590        |            |
| Renmark Paringa        | 400        |            |
| Southern Mallee        |            | 695        |
| Streaky Bay            | 695        |            |
| Tatiara                |            | 600        |
| Tumby Bay              | 774        |            |
| Wakefield              | 350        |            |
| Wattle Range           |            | 650        |
| Wudinna                |            | 545        |
| Yankalilla             |            | 1021       |
| <b>Average</b>         | <b>512</b> | <b>730</b> |

## 8.7. 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, or to visitors to that part of the area.

A separate rate can be based on the value of the land or based on a proportional basis according to estimated benefit or a fixed charge. It can be declared for a specified period. A council can have multiple separate rates.

If a separate rate is designed to raise funds for a particular purpose, it must be used for that purpose or refunded back to the properties that paid the rate.

Councils are required to levy a separate rate for their Landscape Region Board. Councils do not retain these funds but are required to transfer the funds to the Landscape Region Board.

## 9. 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 and 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.

The council currently has service charges for the Community Wastewater Management Systems (CWMS) and waste collection.

No changes to Service Rates and Charges are being considered as part of this Rating Review.

## 10. Non-Rateable Properties

Section 147 of the 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.

## 11. Rate Rebates

The 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 and 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
- 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 the Council's budget. If some ratepayers are provided rebates, all the other ratepayers will need to pay more.

## 11.1. Postponement of Rates

### 11.1.1. Hardship

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

### 11.1.2. Businesses

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

### 11.1.3. Seniors

Ratepayers who hold a Seniors Card can apply to the 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 only required to be repaid once the property is sold or disposed of.

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

## 11.2. 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:

- Fire

- Flood
- Drought
- Pandemic

## 12. Regional Council of Goyder Profile

### 12.1. Australian Bureau of Statistics

Understanding the community profile is helpful 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 and 2022  | Goyder |
|--|--------|
| Estimated Resident Population  | 4,144  |
| Percentage of Population of Working Age (15 to 64 years)   | 56.4%  |
| People 65 and older  | 27.7%  |
| Pensioners – Age Pension   | 697    |
| People on Job Seeker and Youth Allowance   | 257    |
| Family Households  | 1078   |
| <ul style="list-style-type: none"> <li>• Couple families without children</li> </ul>                                 | 559    |
| <ul style="list-style-type: none"> <li>• Couple families with non-dependent children</li> </ul>                      | 75     |
| <ul style="list-style-type: none"> <li>• Couple families with children under 15 or dependent students</li> </ul>     | 296    |
| <ul style="list-style-type: none"> <li>• One-parent families with children under 15 or dependent students</li> </ul> | 73     |
| <ul style="list-style-type: none"> <li>• One-parent families with non-dependent children</li> </ul>                  | 61     |
| Access to the Internet at home   | 74.1%  |

#### Income

| ABS data published in 2021   | Goyder |
|--|--------|
| Median household income  |        |
| <ul style="list-style-type: none"> <li>• Earning \$1-\$499 per Week (\$52 to \$25,948 per year)</li> </ul>           | 32.3%  |
| <ul style="list-style-type: none"> <li>• Earning \$500-\$999 per Week (\$26,000 to \$51,948 per year)</li> </ul>     | 33.4%  |
| <ul style="list-style-type: none"> <li>• Earning \$1000-\$1999 per Week (\$52,000 to \$103,948 per year)</li> </ul>  | 20.3%  |
| <ul style="list-style-type: none"> <li>• Earning \$2000-\$2999 per Week (\$104,000 to \$144,948 per year)</li> </ul> | 2.5%   |
| <ul style="list-style-type: none"> <li>• Earning \$3000 or more per Week (\$156,000 or more per year)</li> </ul>     | 1.3%   |
| <ul style="list-style-type: none"> <li>• Earning nil income</li> </ul>   | 2%     |

#### Expenses

| ABS data published in 2021   | Goyder   |
|--|----------|
| Median Household Mortgage Repayments (month)                             | \$867    |
| (year)   | \$10,404 |
| <i>Note that interest rates are higher in 2023</i>                       |          |
| Median Household Rental Payments (week)                                  | \$190    |
| (year)   | \$9,880  |
| <i>Note that Rental Increases have occurred across Australia in 2023</i> |          |

| ABS data published in 2021   | Goyder |
|--|--------|
| Private dwellings  |        |
| • Owned outright   | 49.3%  |
| • Owned with a mortgage  | 26.8%  |
| • Rented   | 18.1%  |
| Mortgage and Rent affordability  |        |
| • Households where mortgage repayments are less than or equal to 30% of income | 71%    |
| • Households where mortgage payments are more than 30% of income               | 13.6%  |
| • Households where rent payments are less than or equal to 30% of income       | 60.1%  |
| • Households where rent payments are more than 30% of income                   | 26.4%  |

## Business

| ABS data published in 2021                        | Goyder   |
|---|----------|
| Number of Businesses                              | 568      |
| Types of Businesses (Most Common)                 |          |
| • Agriculture                                     | 311      |
| • Rental, hiring and real estate                  | 51       |
| • Construction                                    | 46       |
| • Transport, postal and warehousing               | 32       |
| • Retail Trade                                    | 22       |
| • Professional, scientific and technical services | 21       |
| Turnover of Businesses                            |          |
| • \$10m or more                                   | 5        |
| • \$5m to less than \$10m                         | 7        |
| • \$2m to less than \$5m                          | 14       |
| • \$200k to less than \$2m                        | 236      |
| • \$50k to less than \$200k                       | 177      |
| • Less than \$50k                                 | 133      |
| Main Industries of Employment                     |          |
| • Agriculture, forestry and fishing               | 29.2%    |
| • Health Care and Social Assistance               | 9.5%     |
| • Retail Trade                                    | 8.6%     |
| • Manufacturing                                   | 7.8%     |
| Gross Value of Agriculture Production             | \$158.1m |

### 12.1.1. 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 socioeconomic indices are from the 2021 census data published in 2023.

A higher score indicates an area of lower disadvantage. The highest score council in South Australia is Burnside on 1,083, and the lowest score council is Peterborough on 773.

There are 49 councils in South Australia with higher scores than Goyder and 18 with lower scores.

The following table shows the Index of Relative Socio-Economic Disadvantage (IRSD) for the councils that form part of the Legatus Group of Councils.

| Council                   | Index of Relative Socio-Economic Disadvantage |
|---------------------------|---|
| Light                     | 1,027   |
| Barossa                   | 1,014   |
| Orroroo Carrieton         | 1,006   |
| Clare and Gilbert Valleys | 998   |
| Adelaide Plains           | 988   |
| Northern Areas            | 979   |
| Mount Remarkable          | 974   |
| Yorke Peninsula           | 952   |
| Barunga West              | 950   |
| Goyder                    | 947   |
| Flinders Ranges           | 933   |
| Copper Coast              | 924   |
| Wakefield                 | 921   |
| Port Pirie                | 889   |
| Peterborough              | 773   |

## 12.2. Department of Agriculture, Fisheries and Forestry

The most common business and largest employer for the council area is Agriculture. Due to the significance of this business in the area, additional statistical information is provided.

The Regional Council of Goyder is in the SA Murray Lands and Yorke Peninsula ABARES (Australian Bureau of Agriculture and Resource Economics and Sciences) region. Note that this is a very large region, and data may not be consistent across the region.

The following data is from the Australian Government Department of Agriculture, Fisheries and Forestry, Farm Data Portal.

| Variable – for SA Murray Lands and Yorke Peninsula<br>Financial Year ended.<br>Per Farm Average | 2021        | 2022      | 2023         |
|---|-------------|-----------|--------------|
| Farm business profit  | \$167,760   | \$130,100 | \$290,000    |
| Farm business debt  | \$1,204,260 | \$739,600 | Not provided |
| Rate of Return excluding capital appreciation   | 2%          | 2%        | 3%           |

## 13. Regional Council of Goyder’s Current Rating System

### 13.1. Land Valuation

The Regional Council of Goyder uses Capital Value provided annually by the Valuer-General to rate properties within its area. Recent legislation reform requires all councils in South Australia to use 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.

### 13.2. Differential Rates Based on Land Use

The Regional Council of Goyder calculates its rates depending on the differential factors of Land Use.

The Council sets two Rates in the Dollar (RID), one for land used for Primary Production and another rate for properties having all other Land Uses.

| The Rate in Dollar (RID) Declared for 2023/24 | Rating Category  | Differential – Compared to Residential               |
|---|--|--|
| .001646                                       | Primary Production   | The RID is 36% of the RID for Residential Properties |
| .004582                                       | All other Land Uses; <ul style="list-style-type: none"> <li>• Residential</li> <li>• Commercial – Shop/Office/Other</li> <li>• Industry – Light/Other</li> <li>• Vacant Land</li> <li>• Other</li> </ul> | 100%   |

### 13.3. Fixed Charge

The Regional Council of Goyder sets a Fixed Charge against each rateable property. The Fixed Charge for 2023/24 was \$150.

Rates are calculated by levying the Fixed Charge against each property and then multiplying the property value by the RID. The Fixed Charge and the calculated rates are added together.

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 only subject to one Fixed Charge (where applicable).

### 13.4. Range of Property Valuations

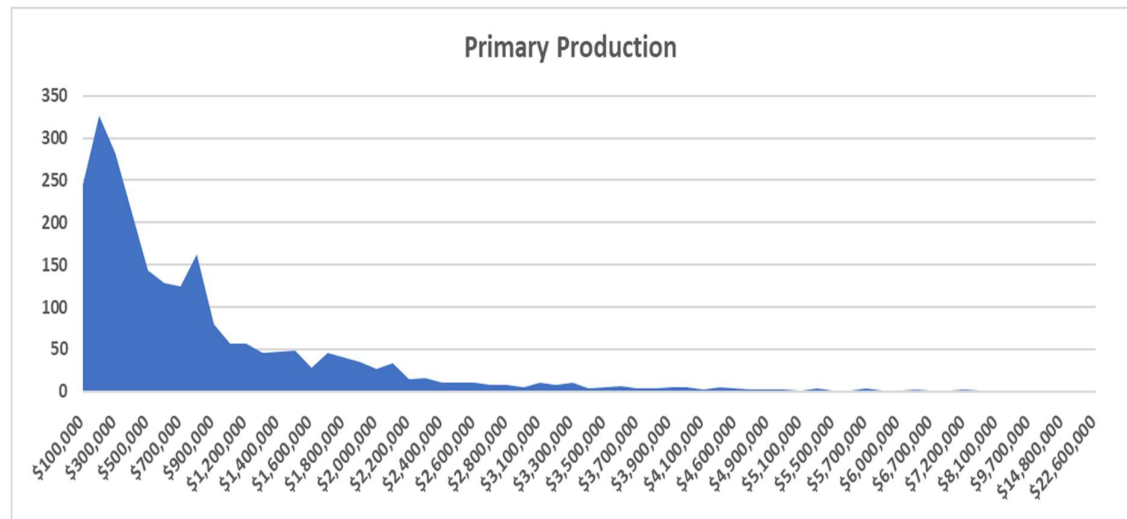
Before setting rating principles, It is helpful to understand the valuations of properties within a council area. The following table shows information about properties within each Land Use category and shows the latest valuations. Information on property valuations will continue to be supplied to the Council by the Valuer General until the Council adopts its property valuations and rates.

| Land Use           | Lowest Property Value | Highest Property Value | Average Value |
|--------------------|-----------------------|------------------------|---------------|
| Residential        | 7,000                 | 1,250,000              | 247,137       |
| Commercial Shop    | 7,000                 | 580,000                | 125,849       |
| Commercial Office  | 33,199                | 295,000                | 117,560       |
| Commercial Other   | 1,100                 | 2,700,000              | 279,921       |
| Industry Light     | 2,200                 | 127,000                | 73,950        |
| Industry Other     | 90,000                | 1,900,000              | 468,000       |
| Primary Production | 600                   | 23,975,000             | 901,053       |
| Vacant Land        | 120                   | 184,000                | 43,785        |



|       |     |           |         |
|-------|-----|-----------|---------|
| Other | 220 | 1,658,731 | 216,849 |
|-------|-----|-----------|---------|

The following two graphs show the distribution of properties by valuation for Residential and Primary Production properties. There are more higher valued Primary Production properties.



## 14. Comparisons to Other Councils

### Choosing comparison councils

Many Elected Members and Ratepayers like to compare their councils to others.

The Grants Commission provides comparison information on councils in South Australia. The latest data available is from the 2021/22 financial year.

The Australian Classification of Local Governments (ACLG) categorises councils taking into account certain characteristics. The Regional Council of Goyder is classified as a 'Rural Agricultural Medium' (RAM).

Councils classified as RAM have the following characteristics;

- Population is between 2,001 and 5,000
- Less than 90% of the council area is urban

Councils in South Australia that are categorised as RAM are;

- Barunga West
- Ceduna
- Goyder
- Kingston
- Mount Remarkable
- Northern Areas
- Southern Mallee
- Streaky Bay
- Tumby Bay

Elected Members and Ratepayers will also compare their councils to neighbouring councils.

The Regional Council of Goyder's neighbours are:

- Peterborough – RAS – Rural Agricultural Small – pop. Up to 2,000
- Northern Areas - RAM
- Clare and Gilbert Valleys (RAL) – Rural Agricultural Large – pop. 5,001 to 10,000
- Mid Murray (RAL)
- Light (RAV) – Rural Agricultural Very Large – pop. 10,001 to 20,000

The table below shows some key characteristics of the South Australian councils that are in the RAM category or neighbouring councils.

| Council                 | ACLG | Total Roads (km) | Rateable Properties | Metres of Road per Rateable Property |
|-------------------------|------|------------------|---------------------|--------------------------------------|
| Barunga West            | RAM  | 927              | 2,735               | 339                                  |
| Ceduna                  | RAM  | 1,715            | 2,323               | 738                                  |
| Clare & Gilbert Valleys | RAL  | 1,835            | 6,876               | 267                                  |
| Goyder                  | RAM  | 3,010            | 4,410               | 683                                  |
| Kingston                | RAM  | 712              | 2,635               | 270                                  |
| Light                   | RAV  | 1,460            | 7,970               | 183                                  |
| Mid Murray              | RAL  | 3,386            | 10,360              | 327                                  |
| Mount Remarkable        | RAM  | 2,069            | 3,151               | 657                                  |
| Northern Areas          | RAM  | 2,204            | 4,226               | 522                                  |
| Peterborough            | RAS  | 1,231            | 1,680               | 733                                  |
| Southern Mallee         | RAM  | 1,332            | 1,714               | 777                                  |
| Streaky Bay             | RAM  | 1,736            | 2,353               | 738                                  |
| Tumby Bay               | RAM  | 1,081            | 2,419               | 447                                  |

#### Issues with comparing with other councils.

One of the most significant costs for country councils is the management of their roads. As seen in the table above, the variation of road networks that each council is responsible for varies considerably across the councils. If we divide the total road network by the number of rateable properties available to contribute to the cost of maintaining the road network, the resultant metres of road per rateable property is far less in the councils of Barunga West, Clare and Gilbert Valleys, Kingston, Light and Mid

Murray. This indicates that the burden of road costs falls more heavily on those councils with more extensive road networks but lower numbers of rateable properties. Councils with more extensive road networks may attain higher levels of grant funding but not necessarily proportionate to fully cover the additional costs. Additional costs can impact rates that councils need to set. This is just one of the factors that can make comparing councils difficult.

### Rating Systems

The table below compares the rating systems between the comparison councils, including whether they use a Fixed Charge or Minimum Rate and the percentage of differential for the different land uses compared to Residential properties. Where councils use locality for rating, such as townships and rural, the township rate has been taken as Residential, and the rural rate has been taken as Primary Production for ease of comparison.

LU = Land Use

- 1 = Residential
- 2 = Commercial Shop
- 3 = Commercial Office
- 4 = Commercial Other
- 5 = Industry Light
- 6 = Industry Other
- 7 = Primary Production
- 8 = Vacant Land
- 9 = Other

| Council                      | Fixed \$ | Minimum \$ | LU1 % | LU2 % | LU3 % | LU4 % | LU5 % | LU6 % | LU7 % | LU8 % | LU9 % |
|------------------------------|----------|------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Barunga West                 | 415      |            | 100   | 100   | 100   | 100   | 100   | 100   | 54    | 243   | 100   |
| Ceduna                       | 770      |            | 100   | 129   | 129   | 129   | 209   | 209   | 131   | 277   | 83    |
| Clare & Gilbert Valleys      |          | 730        | 100   | 136   | 136   | 136   | 136   | 136   | 57    | 100   | 100   |
| Goyder                       | 150      |            | 100   | 100   | 100   | 100   | 100   | 100   | 36    | 100   | 100   |
| Kingston                     |          | 673        | 100   | 95    | 95    | 95    | 95    | 95    | 63    | 135   | 100   |
| Light                        |          | 925        | 100   | 175   | 175   | 200   | 278   | 278   | 78    | 175   | 100   |
| Mid Murray                   |          | 925        | 100   | 100   | 100   | 100   | 100   | 100   | 95    | 100   | 100   |
| Mount Remarkable             | 500      |            | 100   | 100   | 100   | 100   | 100   | 100   | 100   | 100   | 100   |
| Northern Areas               | 150      |            | 100   | 110   | 110   | 110   | 110   | 110   | 33    | 150   | 125   |
| Peterborough                 | 430      |            | 100   | 100   | 100   | 100   | 100   | 100   | 37    | 100   | 100   |
| Southern Mallee              |          | 695        | 100   | 100   | 100   | 100   | 100   | 100   | 85    | 100   | 100   |
| Streaky Bay                  | 695      |            | 100   | 110   | 110   | 110   | 110   | 110   | 100   | 100   | 100   |
| Tumby Bay *** (old)          | 774      |            | 100   | 100   | 100   | 100   | 100   | 100   | 29    | 100   | 100   |
| Tumby Bay *** (new)          | 774      |            | 100   | 100   | 100   | 100   | 100   | 100   | 100   | 100   | 100   |
| Average (Tumby Bay new used) | 518      | 790        | 100   | 111   | 111   | 113   | 124   | 124   | 71    | 134   | 101   |

\*\* Streaky Bay also has a rating category for Silos, which is a 651% differential compared to Residential.

\*\*\* Tumby Bay was using Site Value and must move to Capital Value for the 2024/25 financial year. They have recently completed a rate review and moved from a rating system based on a combination of land use and locality (zoning). The table above shows the rating system that was declared for 2023/24 and the revised system after the rating review. Tumby Bay also rates Silos separately, and

the differential for 2023/24 was 1,372% compared to Residential, the differential after the rating review is 373%

### Average Rates per Council

The average rates in the table below were sourced from each Council's Annual Business Plan or the Government Gazette, except for Goyder and Tumby Bay, which are sourced from their rating databases. Where councils use locality for rating, such as townships and rural, the township rate has been taken as Residential, and the rural rate has been taken as Primary Production for ease of comparison.

Mount Remarkable only provided an average for all properties, not by land use. Streaky Bay's averages were not included in their Annual Business Plan. Tumby Bay's averages are the expected averages after the rating review. A few councils provided the overall average as well.

All the councils have a separate charge for the collection of waste except for Barunga West. Where a separate charge is not levied, the cost of waste collection is covered by the general rates.

| Council                    | Ave.  | LU1   | LU2   | LU3   | LU4   | LU5   | LU6    | LU7   | LU8   | LU9   |
|----------------------------|-------|-------|-------|-------|-------|-------|--------|-------|-------|-------|
| Barunga West               | 1,888 | 1,205 | 930   | 850   | 891   | 925   | 2,350  | 3,386 | 1,093 |       |
| Ceduna                     | 2,279 | 1,835 | 3,097 | 3,097 | 3,097 | 3,105 | 3,105  | 3,660 | 1,724 | 1,701 |
| Clare & Gilbert Valleys    | 1,912 | 1,507 | 2,375 | 2,375 | 2,375 | 496   | 496    | 2,723 | 472   | 1,056 |
| Goyder                     | 1,198 | 1,060 | 593   | 593   | 1,092 | 397   | 2,120  | 1,464 | 226   | 966   |
| Kingston                   | 1,985 | 1,079 | 1,412 | 1,412 | 1,412 | 730   | 730    | 5,044 | 661   | 687   |
| Light                      | 2,333 | 1,722 | 2,474 | 2,279 | 3,822 | 3,894 | 38,424 | 2,683 | 1,238 | 4,249 |
| Mid Murray                 | 1,502 | 1,579 | 1,649 | 1,142 | 2,306 | 1,460 | 3,060  | 1,871 | 913   | 840   |
| Mount Remarkable           | 1,113 |       |       |       |       |       |        |       |       |       |
| Northern Areas             | 1,113 | 1,362 | 1,222 | 1,222 | 2,296 | 1,119 | 1,866  | 2,664 | 490   | 2,366 |
| Peterborough               | 895   | 1,016 | 1,016 | 1,016 | 1,016 | 1,016 | 1,016  | 999   | 1,016 | 1,016 |
| Southern Mallee            | 2,473 | 807   | 807   | 807   | 807   | 807   | 807    | 4,128 | 807   | 807   |
| Streaky Bay                | 1,608 | 1,538 | 2,049 | 2,199 | 1,421 | 1,300 | 1,608  | 2,249 | 835   | 127   |
| Tumby Bay                  | 2,080 | 1,518 | 1,436 | 1,540 | 1,273 | 1,293 | 1,388  | 3,377 | 1,144 | 244   |
| Average                    | 1,782 | 1,352 | 1,724 | 1,671 | 1,999 | 1,472 | 5,515  | 2,854 | 880   | 1,360 |
| Goyder compared to Average | 67%   | 78%   | 34%   | 35%   | 55%   | 27%   | 38%    | 51%   | 26%   | 71%   |

Goyder has lower rates for each rating category compared to the average of the comparison councils; however, the Commercial, Industry and Primary Production average rates are considerably lower and much lower than Residential rates.

### Average Valuations per Council

| Council                 | Rateable Valuations | Rateable Properties | Average Valuation per Property |
|-------------------------|---------------------|---------------------|--------------------------------|
| Barunga West            | 2,210,716,936       | 2,792               | 791,804                        |
| Ceduna                  | 789,300,000         | 2,334               | 338,175                        |
| Clare & Gilbert Valleys | 4,096,688,221       | 7,039               | 581,999                        |
| Goyder                  | 2,363,172,892       | 4,526               | 522,133                        |

|                  |               |        |           |
|------------------|---------------|--------|-----------|
| Kingston         | 2,685,800,108 | 2,649  | 1,013,892 |
| Light            | 4,795,879,258 | 8,274  | 579,632   |
| Mid Murray       | 3,381,227,073 | 10,652 | 317,426   |
| Mount Remarkable | 1,304,208,660 | 3,257  | 400,433   |
| Northern Areas   | 2,840,112,745 | 4,262  | 666,380   |
| Peterborough     | 280,717,700   | 1,913  | 146,742   |
| Southern Mallee  | 1,218,075,500 | 1,752  | 695,249   |
| Streaky Bay      | 940,033,280   |        |           |
| Tumby Bay        | 2,073,597,660 | 2,420  | 856,859   |
| Average          | 2,229,194,618 | 4,323  | 515,718   |

## 15. Issues with the Current Rating System

### Rating contribution from different land use categories.

An analysis of the Council's current rating database shows the following;

- Residential properties make up 14% of the total valuations and contribute 31% of the rates.
- Primary Production properties make up 84% of the total valuations and contribute 64% of the rates.
- The average rates for the Commercial, Industry and Primary Production categories for Goyder are significantly lower than the average of the comparison councils and much lower than the comparison for Residential rates. Commercial, Industry and Primary Production rates are also tax deductible whilst most Residential property rates are not.
- There are many wind towers within the Council's district that are leased by electricity-generating businesses, and the Valuer-General can only value the land on which the tower sits. This means that these properties, over time, have not been impacted by valuation changes in the same way as other properties, and their contribution to rating has decreased. These properties are within the Rating Category of 'Other'.

Council Members considered the above information, the Australian Bureau of Statistics data and an analysis of the current rating database and considered that the current rating system appears to be placing a higher rating burden on Residential Properties owners, making it difficult for many to pay their current level of rates.

### Fixed Charge

The fixed charge is very low compared to other councils at \$150 compared to an average of \$518; however, the Council has had a lower fixed charge in order to protect very low-valued properties.

The Council is considering increasing the fixed charge to \$200, which, whilst lower than other councils, will still protect very low-valued properties but increase the minimum contribution from ratepayers.

## 16. Rating Structure – Potential Changes

Council members attended a workshop to explore issues around the current rating structure and to consider potential changes to the existing structure. The outcome of the workshop is to propose the following changes to the current structure being:

- Increase rates from Primary Production Properties
- Increase rates from the 'Other' Land Use rating category.

- Increase rates from Commercial and Industrial properties and distribute this as a decrease across Residential and Vacant properties.
- Increase the Fixed Charge from \$150 to \$200.

## 17. Likely Impact on Ratepayers

Before changing the rating structure, the Council needs to consider what the impact of any changes would be on a range of different types of properties. The following table shows the likely impact of these changes. Modelling has used the latest valuation information from the Valuer General. The Council will continue to receive changes in valuations until the date of adoption of their rates, so the information in this table only indicates the impact.

| Rating Category    | Number of Properties that Increase | Number of Properties that Decrease |
|--------------------|------------------------------------|------------------------------------|
| Residential        | 856                                | 741                                |
| Commercial Shop    | 45                                 | 4                                  |
| Commercial Office  | 5                                  | 1                                  |
| Commercial Other   | 33                                 | 34                                 |
| Industrial Light   | 11                                 | 1                                  |
| Industrial Other   | 8                                  | -                                  |
| Primary Production | 1,694                              | 658                                |
| Vacant Land        | 160                                | 185                                |
| Other              | 49                                 | 2                                  |

Although there is a saving in the rates contributed from Residential Properties as a group, many of the Residential Properties had significant increases in valuations which resulted in higher rates compared to 2023/24.

The table below shows the range of change in rates from the greatest decrease to the highest increase and the average change.

| Rating Category    | One property has the greatest decrease of \$ | One property has the highest increase of \$ | Average Change \$ | Average Change % |
|--------------------|--|---|-------------------|------------------|
| Residential        | -734   | 957   | -8                | 1%               |
| Commercial Shop    | -78  | 300   | 57                | 13%              |
| Commercial Office  | -15  | 182   | 59                | 14%              |
| Commercial Other   | -1,468                                       | 421   | -79               | 2%               |
| Industrial Light   | -2   | 94  | 40                | 12%              |
| Industrial Other   | 57   | 561   | 212               | 29%              |
| Primary Production | -1,504                                       | 4,413                                       | 112               | 9%               |
| Vacant Land        | -449   | 225   | -4                | -2%              |
| Other              | -6   | 291   | 58                | 12%              |

## 18. Consultation Requirements

### 18.1. 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 Act 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 Act 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 the Council's office for free or
  - for purchase for a fee set by the Council,

The Council must consider any written submissions received during consultation and any verbal submissions made at the public meeting.