

# RATING POLICY

25 June 2024

legislative

## PURPOSE

The purpose of this policy is to outline Council's approach towards rating its community in line with the requirements of the *Local Government Act 1999* (SA) (the Act).

Section 123 of the Act requires Council to have a rating policy that must be prepared and adopted as part of the Business Plan and Budget each financial year in conjunction with the declaration of rates.

## STATEMENT

Council's powers to raise rates are found in Chapter 10 of the Act which provides the framework within which the Council must operate, but also leaves room for the Council to make a range of policy choices.

This document includes reference to compulsory features of the rating system, as well as the policy choices that the Council has made on how it imposes and administers the collection of rates.

At all times, the rating policy should be fair and equitable, recognising that all ratepayers have access to core goods and services and should contribute toward the costs.

### Principles of Taxation

Rates are not fees for services. They constitute a system of taxation on the community for Local Government purposes. This policy represents the Council's commitment to balancing the five main principles of taxation with the need to raise revenue for the purpose of providing the goods and services the community requires.

*Benefits received* – ratepayers who receive more benefits (services provided, or resources consumed) should pay a higher share of tax,

*Capacity to Pay* – a ratepayer who has less capacity to pay should pay less, and ratepayers of similar means should pay similar amounts,

*Administrative simplicity* – minimal costs are involved in applying and collecting the tax and the tax is difficult to avoid,

*Economic efficiency* – whether or not the tax distorts economic behaviour,

*Policy consistency* – the tax should be internally consistent, and based on transparent, predictable rules that are easily understood and accepted by ratepayers,

In applying these principles, any decision with respect to rating should consider the financial effects of the decisions made today on the future generations of tomorrow.

Council operating deficits imply that today's ratepayers are paying less than the cost of the services they are consuming, and this is inequitable to the ratepayers of the future.

### Valuation Methodology

The City of Adelaide acknowledges the Kurna people as the Traditional Owners of the Country where the city of Adelaide is situated, and pays its respect to Elders past, present and emerging.

Under S151 of the Act, Council may adopt one of three valuation methodologies to value the properties in its area:

- Capital value: the value of land, buildings, and other improvements
- Site value: the value of land and any improvements, but excluding the value of any buildings
- Annual assessed value: the value of the rental potential of the property.

The Council has adopted the use of annual assessed value as the basis for valuing land. The main reasons for choosing annual assessed value are:

- The majority of residential and non-residential properties in the City are leased (ie are not owner occupied), therefore it is a suitable valuation measure considering the ability to pay according to the income earning potential of the property
- Annual assessed value is based on the predominant non-residential land use for the city, annual value has been used for many years and is understood by the majority of ratepayers
- The availability of a significant amount of annual market rental information makes the annual value method more efficient to administer
- This method is considered consistent with the equity, ability to pay, efficiency and simplicity principles of taxation.

As per Section 167 of the Act, Council employs its own property valuers to undertake an annual valuation program to ensure that rating valuations are equitable. This is achieved by ensuring that the valuations are assessed on the basis of the most recent market evidence and are consistent across the Council area.

#### Exemptions

The City of Adelaide's practice is to identify and value all land in the council area. Once identified each separate piece of land is assessed for rateability. Section 147 of the Act specifies those types of property which shall be exempt from council rates.

The City of Adelaide has the highest proportion of rate-exempt property of any Council in South Australia.

Properties can be identified as exempt from council rates in certain circumstances:

- Crown Land – public properties used or held by the Crown for a public purpose
- University Land – properties occupied by a University
- Recreation Grounds – properties satisfying the criteria set out in the *Recreation Grounds Rates and Taxes Exemption Act 1981*
- Council Land – public properties occupied or held by the Council
- Emergency Services – properties satisfying the criteria set out in the *Fire and Emergency Services Act 2005*

- Another Act – properties specifically exempted from council rates by virtue of another Act (either Commonwealth or State).

Council is mindful that wherever properties become exempt from paying council rates, or where a rebate is applied, those rates foregone must be contributed by the rest of the community.

The principles of equity dictate that Council remains diligent in only awarding exemptions where they are warranted.

It is Council’s practice to adopt valuations for all exempt properties. Where exempt properties become rateable part of the way through the financial year, rates will be calculated and recovered.

Components of Rates

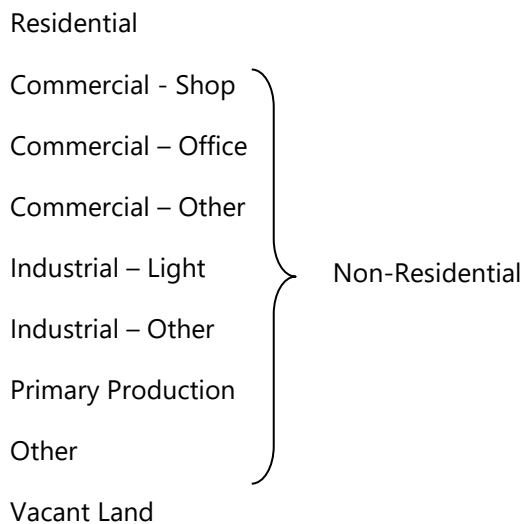
Differential Rating

The largest component of rates levied is calculated by reference to the value of property. Property values reflect, among other things, the relative availability of and access to Council services.

The Act allows Council to ‘differentiate’ rates based on the use of the land, locality of the land, the use and locality of the land or on some other basis determined by Council. The Council has determined that differential rates will be applied to all rateable properties based on their predominant land use.

In formulating the rating structure, Council should consider issues of consistency and comparability across council areas in the imposition of rates on various sectors of the business and wider community.

Definitions of the use of the land are prescribed by regulation and are categorised as:



Council’s current rating structure has been formulated so that there is effectively one rate in the dollar for all property falling within the defined land use classes residential, non-residential, and vacant land.

#### Short-Term Accommodation (STA)

From the 1 July 2024, residential properties meeting councils' criteria for short-term-accommodation will be considered as having a commercial predominant land use.

The council adopted criteria for being classified as short-term-accommodation is a property must be available.

- for more than 90 days in the preceding financial year, and
- on a non-hosted basis.

A property meeting the criteria will be assigned a property classification of COM-Other attracting the non-residential rate in the dollar.

As a non-residential property a Rundle Mall Separate Rate may be applied if the property is located within the Rundle Mall Levy area.

A property owner may submit an objection to Land Use within 60 days of receiving their first quarter rate notice. The objection application must include evidence supporting the property does not meet councils short-term-accommodation criteria.

#### Separate Rates

Under Section 154 of the Act, a Council may declare a separate rate on rateable land within a part of the area of the council for the purpose of planning, carrying out, making available supporting, maintaining or improving an activity that is, or is intended to be, of particular benefit to the land, or the occupiers of the land, within that part of the area, or to visitors to that part of the area.

Council has determined that the use and level of the separate rate provisions of the Act will be limited to the use of a separate rate for:

- Recovery of the funding requirements of the Green Adelaide Board
- Marketing and managing the Rundle Mall Levy Area.

#### Regional Landscape Levy Separate Rate

On 1 July 2020, the *Landscape South Australia Act 2019* came into effect replacing the former *Natural Resources Management Act 2004*. Natural Resource Management (NRM) levies have been replaced with regional landscape levies.

In the Adelaide region, the landscape levy will fund the work of the Green Adelaide Board (previously the Hills and Fleurieu Board) in leading the city towards a greener, more sustainable and climate resilient future through urban greening, water management and biodiverse urban habitat projects.

The regional landscape levy is paid by all ratepayers and is collected on behalf of the Green Adelaide Board by the Department of Environment and Water who will invoice Council quarterly for the respective share of the levy.

All Council contributions will be set out in the Green Adelaide Landscape Board business plans, with the Board having responsibility for notifying councils of their respective share each year.

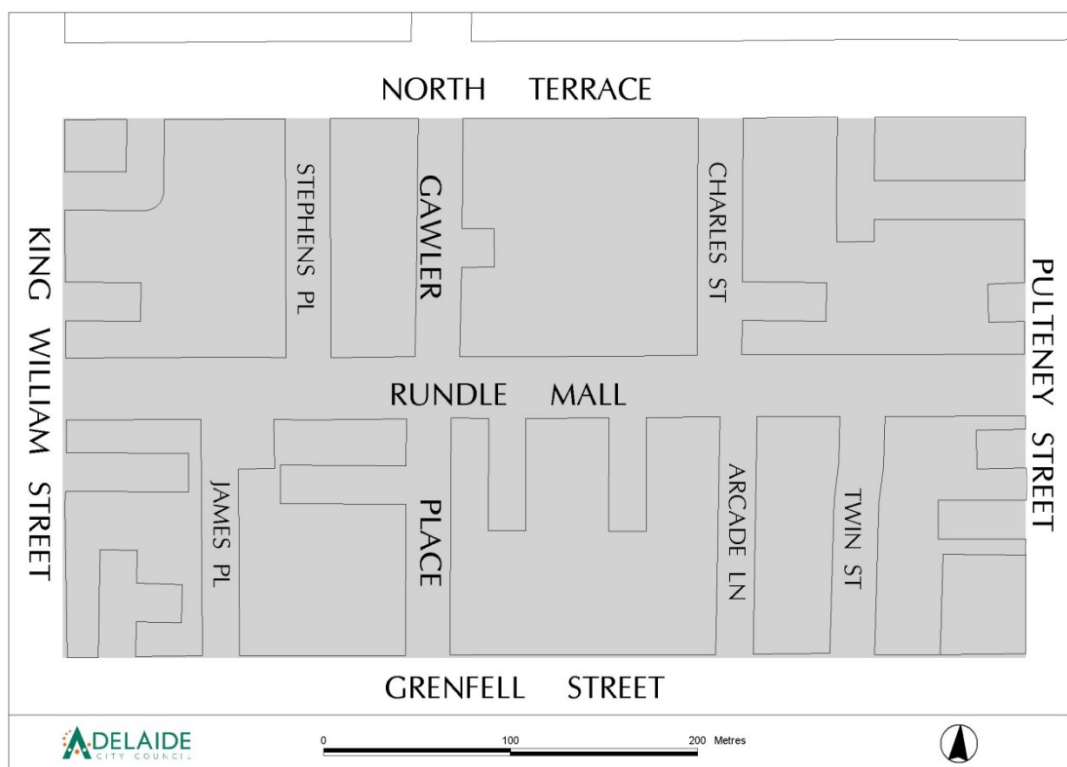
The contribution is recovered from ratepayers through a separate rate known as the regional landscape levy. The levy applies to all rateable land in the Council area and is fixed and calculated to raise exactly the same amount as the Council’s share to be contributed.

Rundle Mall Differential Separate Rate

The Rundle Mall Differential Separate Rate is contributed by non-residential ratepayers within the defined Rundle Mall ‘Levy Area’ and is crucial to the success of the precinct and its increasing appeal to customers, visitors, tourists, shoppers, workers, city residents and students.

Customers and visitors demand high standards of activity and presentation in today’s competitive marketplace. Organised activity and programs attract customers and directly benefit all staff and businesses located in the Rundle Mall ‘Levy Area’. The long-term delivery of marketing and management for the Rundle Mall ‘Levy Area’ requires sustainable funding and staff resources to attract more visitors and to satisfy their needs.

The map below identifies the Rundle Mall Levy Area.



Rate Rebates

The Act provides for ratepayers to apply for a mandatory and/or discretionary rebate on council rates as follows:

Mandatory Rebates (Section 159 to 165)

A rebate of rates will be granted to ratepayers who satisfy the eligibility criteria for a mandatory rebate under Sections 159 to Section 165 of the Act.

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

- Health services
- Religious purposes

- Public cemeteries
- The Royal Zoological Society.

A 75% rebate must be applied to land used for:

- Community services
- Educational purposes.

Where a “community services organisation” is eligible for the mandatory rebate, and Council has declared a distinct residential rate, then the residential rate must be applied to the land to which the rebate applies in accordance with Section 161(2) of the Act.

Where applications do not meet the eligibility criteria for a mandatory rebate, an applicant may apply for a rebate of rates under the discretionary rebate criteria.

#### Discretionary Rebates (Section 166)

An application for a discretionary rebate is reviewed on a case-by-case basis in accordance with Council’s *Discretionary Rate Rebate Policy*.

Applications for a rebate must be made in writing, explaining the need for financial assistance and include sufficient information and documentary evidence to support the request.

All assessment criteria will be applied fairly and equitably to each application on merit. All applications for a rebate are reviewed by a senior member of finance before being processed.

#### Review of Rebates

Under Section 159(7) of the Act, if the grounds on which a rebate has been granted cease to exist, the person or body must inform Council and the entitlement to the rebate will cease.

However, internally, a review of all mandatory and discretionary rebates will be performed on a regular basis (at least biennially) to ensure that rebates continue to remain valid. This may require the relevant person or body to lodge another application form with relevant information and supporting evidence to confirm the continuation of eligibility.

#### Special Discretionary Rebate (Section 166(1)(l))

Council has determined that a rebate will be applied to all properties to cap any increase in the general rates payable at 10% subject to specific criteria.

The rebate will not apply where the increase in rates payable is the result of an increase in valuation that recognises a capital improvement on the property (regardless of when the development was undertaken) or where there has been a change in land use, ownership or licence to occupy during the previous financial year.

A capital improvement includes any addition, alteration, or new development on the property.

Application of this rebate recognises that in some instances, property owners have no control over increases in property valuations. Where a valuation increase is as a result of market forces, the rates levied as a result of that valuation increase should be capped at a level that minimises the impact to a reasonable level.

As per the Act, a rebate may be granted for a period exceeding one year, but not exceeding three years. After three years the rebate will be removed and the rates payable will reset to levels that would ordinarily apply in the absence of the rebate.

Council applies the rebate automatically to all properties that are eligible.

#### Postponement of Rates

Under certain circumstances, ratepayers will be able to postpone the payment of their rates. The postponed amount is subject to a monthly interest charge, with the accrued debt being payable on the disposal or sale of the property. The debt may be paid at an earlier time at the ratepayer's discretion.

#### Seniors Postponements

In accordance with Section 182A of the Act eligible Seniors Card holders can apply to postpone any part or all of their annual council rates in excess of \$500 on a long-term basis. The deferred amount is subject to a monthly interest charge, with the accrued debt being payable on the disposal or sale of the property.

Postponement is similar to a reverse mortgage by relying on the equity in the property. A ratepayer who has a Seniors Card may apply for a postponement on the property they own if it is their principal place of residence and if no other person, other than their spouse has an interest as owner of the property and there is sufficient equity available.

All applications for postponement of rates must be in writing on the prescribed application form and provide supporting documentation to be considered.

Where an application for postponement under Section 182A is granted, a presumption of on-going annual postponement will be assumed.

#### Discretionary Postponements

Where an application from a ratepayer demonstrates that payment of rates in accordance with this policy would cause hardship, the Council may postpone the payment of rates in whole or in part for such a period as Council thinks fit.

Postponement enables ratepayers to defer payment of rates until such time as the property is sold or their circumstances change.

The amount postponed can be up to 100% of the rates payable and applications will be assessed on a case by case basis and must satisfy the application criteria. Discretionary postponements are only intended to provide temporary, flexible support to those experiencing hardship.

#### Financial Hardship

Applications for remission of rates based on financial hardship will be considered by Council on merit and on a case by case basis. An applicant who satisfies the eligibility criteria for hardship does not automatically become eligible for a remission of rates. If appropriate, and wherever possible, consideration will be given to flexible payment options such as weekly, fortnightly, or monthly contributions.

Ratepayers who are experiencing financial difficulties and are unable to make their rate payment by the last date are encouraged to contact Council's accounts receivable team at the earliest opportunity to discuss a revised instalment payment plan.

All discussions relating to payment difficulties are treated in the strictest confidence.

#### Rate Concessions - Pensioner

Ratepayers who hold a Pensioner Concession card and satisfied the eligibility criteria to receive a State Government funded Cost of Living Concession may upon application to council receive a rate rebate of \$100 for the financial year.

#### Objections

Ratepayers who wish to dispute the valuation or land use of their property may lodge an objection within sixty days after the date of service of the Notice of Valuation (Valuation and Rate Notice). The objection must be made to the council in writing setting out a full and detailed statement of the grounds on which the objection is based.

The Council may accept an objection lodged outside of the 60-day timeframe in limited circumstances. The following will be considered by the Council Valuers in deciding to accept a late objection:

- The likelihood that the objection will result in a material difference
- Time elapsed since the end of the 60-day timeframe
- If the objection lodged constitutes a valid reason for objection, is not frivolous or vexatious.

Upon receipt of an objection, the Council's valuer may inspect the property and reconsider the valuation and/or land use. The ratepayer will then be notified of the valuer's determination. Should the ratepayer be dissatisfied with this decision they may request Council to refer the valuation to the Valuer-General for further review by an independent valuer.

If an objector, or the council, is dissatisfied with the valuation after the further review, the objector or the council may, in accordance with the appropriate rules of court, appeal against the valuation to the Land and Valuation Court.

It is important to note that the lodgement of an objection to the valuation does not change the last date for payment of quarterly instalments of council rates.

#### Vacant Land

A differential vacant land rate on all vacant land holdings will be declared to:

- Provide a disincentive to withholding land from development
- Discourage land banking
- Recognise the cost of surrounding infrastructure and services.

The differential rate on vacant land will be 100% higher than the declared residential rate (ie: double).

The discretionary rebate powers available to Council under Section 166 of the Act will provide a rebate (rate relief) to the principal ratepayers of vacant land that is not within the definition of "long term".

The effect of the rebate will be to reduce the differential rate to the applicable non-residential rate.



In looking to define long-term vacant land consideration has been given to our understanding of development time frames. These can reasonably take up to five (5) years to progress through planning, pre-sales, and construction phases.

For the purposes of this policy, the definition of long term will be five (5) years or more for land held by the current owner.

Note: there are a number of small parcels of vacant land on separate titles that form part of a rear garden, a side gate entrance or other small piece of adjacent land that may not be able to be developed in their own right. Where it is clear the land cannot be developed the rebate entitlements under Section 166 of the Act will be applied.

#### Payment of Rates

Rates are payable by quarterly instalments due on 1 September, 1 December, 1 March, and 1 June of each year.

The total outstanding balance may be paid in full at any time.

#### Payment Methods

Council has determined that rates may be paid by the following methods (as detailed on the back of the rate notice):

Non-electronic payment options:

- Australia Post outlets or by phone
- In person at Council offices, 25 Pirie Street, Adelaide
- By mail to City of Adelaide, GPO Box 2252, Adelaide, 5001

Pay on-line:

- Australian Post BillPay
- BPay/BPay View
- Credit cards (Mastercard & Visa) through Council's online payments system
- Debit Card
- Electronic Funds Transfer (EFT) (non-residential on request only)

Other

- Direct Debit – monthly, quarterly, and annual deductions

#### Late payment of rates

Council has determined that penalties for late payments will be imposed in accordance with the provisions of Section 181(8) of the Act.

Fines and interest for late payment are levied in accordance with the provisions of Section 181(8) and Section 181(17) of the Act.

If an instalment of rates is not paid on or before the date on which it falls due:

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

Council may take legal action to recover any overdue amounts, fines, and interest.

If an amount payable by way of rates in respect of land has been in arrears for three or more years, Council may sell the land in accordance with Section 184 of the Act.

Contacting Council's Rates Administration

If you believe that Council has failed to properly apply this policy, you should contact the Council's Rates Administrator to discuss the matter.

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

Phone: 8203 7203

E-mail: [Rates@cityofadelaide.com.au](mailto:Rates@cityofadelaide.com.au)

Post: GPO BOX 2252 ADELAIDE SA 5001

In person at: 25 Pirie Street, Adelaide, SA

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**OTHER USEFUL DOCUMENTS**

**Related documents**

- Discretionary Rate Rebate Policy
- Separate Rate Policy

**Relevant legislation**

*Local Government Act 1999*

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**GLOSSARY**

Throughout this document, the below terms have been used and are defined as:

**AAV** – annual assessed value, the value of the rental potential of the property.

**Act** – refers to the *Local Government Act 1999 (SA)*.

**CADR** – cash advance debenture rate for that financial year.

**Council** - refers to the elected Council body.

**Differential rate** – is a rate that may be applied to a category of land that is different to the rate applied to other land categories.

**Exemption** – to free from an obligation or liability to which others are subject to.

**General Rate** – rate that applies to rateable land.

**Prescribed percentage (P)** – is calculated as  $P = \frac{\text{CADR} + 3\%}{12}$

**Rebate** – an amount paid by way of reduction, return or refund on what has already been paid or contributed.

**Remission** – the cancellation of a debt, charge, or penalty.

**Separate Rate** – an amount levied on ratepayers in addition to general rates used to fund specific activities.

**ADMINISTRATIVE** As part of Council's commitment to deliver the City of Adelaide Strategic Plan, services to the community and the provision of transparent information, all policy documents are reviewed as per legislative requirements or when there is no such provision a risk assessment approach is taken to guide the review timeframe.

This Policy document will be reviewed every year unless legislative or operational change occurs beforehand. The next review is required in February 2022.

**Review history:**

Trim Reference	Authorising Body	Date/ Decision ID	Description of Edits
ACC2024/71624	Council	June 2024	Introduce an increased rate for Short Stay Accommodation and re-introduce the Pensioner rebate
ACC2024/13873	Council	June 2023	No Changes
ACC2022/94292	Council	June 2022	No Changes
ACC2021/90051	Council	June 2021	Introduce an increased rate for long-term vacant land and remove the Pensioner and Self-funded Retiree rebate
ACC2020/193025	Council	August 2020	No Changes
ACC2019/136963	Council	June 2019	No Changes
ACC2015/116842	Council	June 2018	No Changes
ACC2015/116842	Council	June 2017	No Changes

**Contact:**

For further information contact the Finance and Procurement Program

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