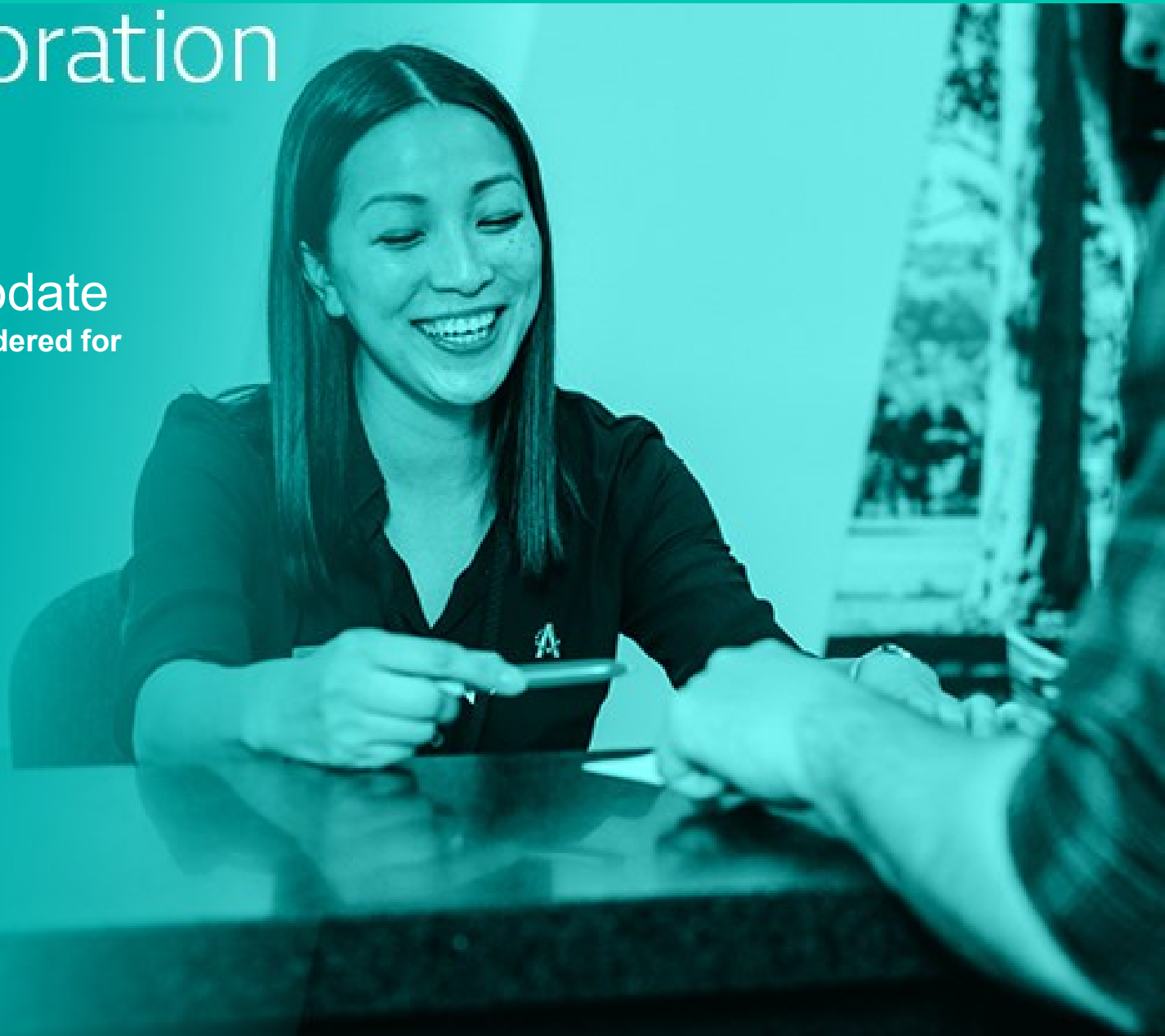


Our Corporation

Rating Review - update

Outline change options considered for rating in 2025/26

Chief Operating Officer
Anthony Spotalis



Rating Review

A 2024-2028 Strategic Plan success indicator is to “Review the rating system to ensure optimum outcomes by 2024”

Rating Options	Opportunity
Introduction of a minimum rate or fixed charge	<ul style="list-style-type: none"> Minimum rate - everyone contributes at least the minimum rate amount set Fixed charge - Equal base-line contribution, from all ratepayers, toward base expenditure
Systematically reviewing validity of existing property exemptions and mandated rebates	<ul style="list-style-type: none"> Review current recipients - targeted approach Consolidate evidence base
Reducing or removing the 10% cap (Especially for commercially rated properties)	<ul style="list-style-type: none"> Review the ongoing need, and appropriate application of LG Act sections Options: remove the cap, increase threshold level above 10%, apply to residences only (per S153(3)) Provide discretionary support for hardship customers
Review the approach to discretionary rebates	<ul style="list-style-type: none"> Update process / eligibility Annual check Council endorsement prior to Budget adoption
Increasing Commercial-Other rates to specifically target short-stay accommodation properties	<ul style="list-style-type: none"> Lever for housing change – convert short stay to traditional rental properties
Separate rate to fund a Hindley Street Tenancy Mix Manager	<ul style="list-style-type: none"> A separate rate levied to properties in a targeted area to deliver a specific community and commercial benefit
Rating Incentives	<ul style="list-style-type: none"> Using rate rebates to target council strategic initiatives

Rating Review

These are the options being considered for inclusion in 2025/26 Business Plan and Budget

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Minimum Rate or Fixed Charge

Fixed charge and minimum rates – other councils

SA LGAs

- About half apply a fixed charge, and half a minimum rate
- CoA only LGA to apply neither (based on 23/24 LG Return)

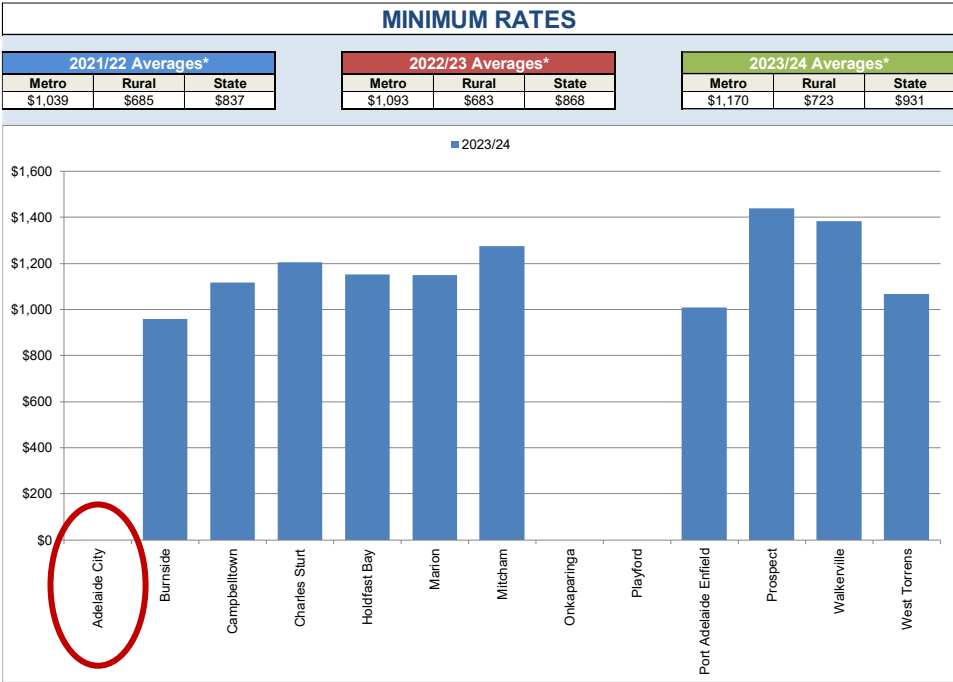
Minimum rate

- Lowest = \$425 (Karoonda East Murray)
- Highest = \$1438 (Prospect)
- Others – Charles Sturt (\$1285); Salisbury (\$1228); PAE (\$1069)
- Capital City comparison
 - Perth (\$785 res. \$1025 comm.)
 - Sydney (\$668 res. \$855 comm.)

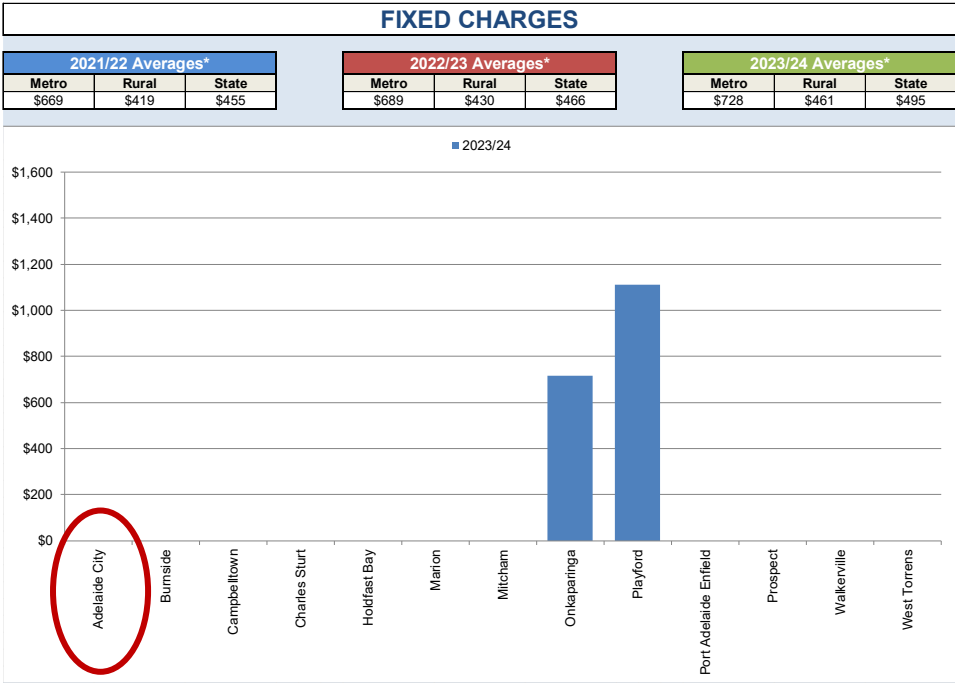
Fixed Charge

- Lowest = \$100 (Coober Pedy)
- Highest = \$1012 (Playford)
- Others – Onkaparinga (\$760)

Fixed charge and minimum rates – other councils



CoA is the only LGA to have neither a Minimum Rate or a Fixed Charge



Changes proposed for 2025/26 rating

Introduce a minimum rate or fixed charge to

- Create a more equitable base for contribution to Council services
- Increase the “value” of a Council electoral vote

	Min. rate	Fixed charge
Primarily impacts low-paying rateable property	✓	✗
Equal base-level contribution for all rateable property	✗	✓
Mitigates against sharp valuation increases	✗	✓
In addition to existing rate (but can be returned via RID)	✗	✓
Applies across entire rate base	✗	✓
Low rate can generate significant revenue	✗	✓
More commonly used in other local government areas (inc some capital cities)	✓	✗

Changes proposed for 2025/26 rating

Introduce a minimum rate or fixed charge to

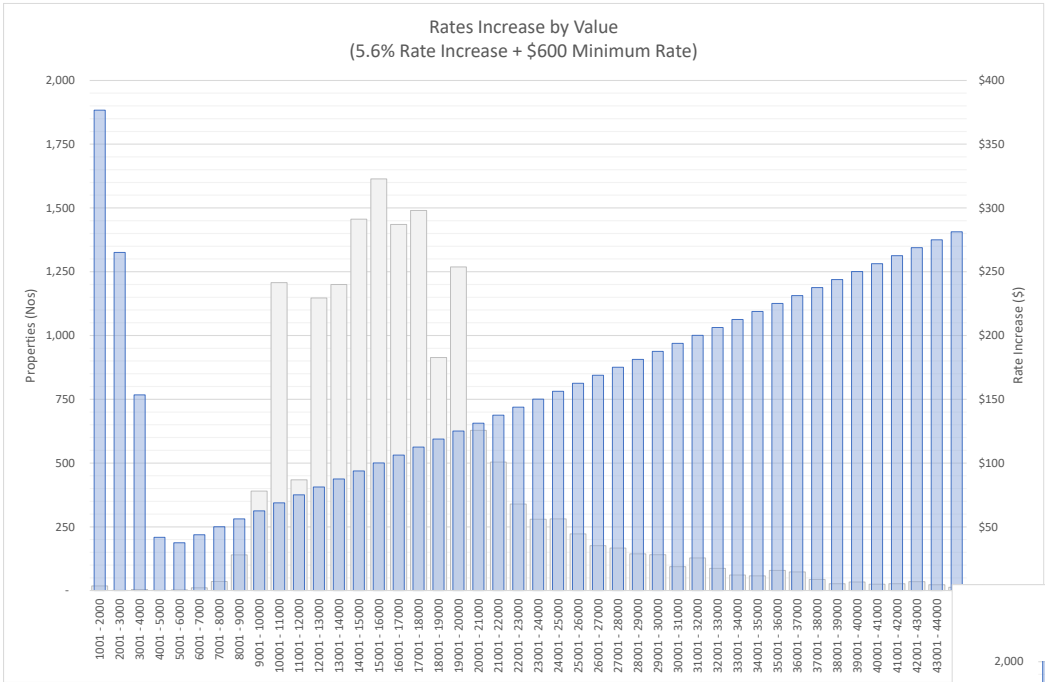
A Minimum Rate is a more regressive tax:

- Impacting lower value properties and / or those who have less capacity to pay
- Is less easy to administer (than A Fixed Charge)
- Is less consistent with providing an equitable base contribution

Taxation Principles	Min. rate	Fixed charge
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	✗	✓

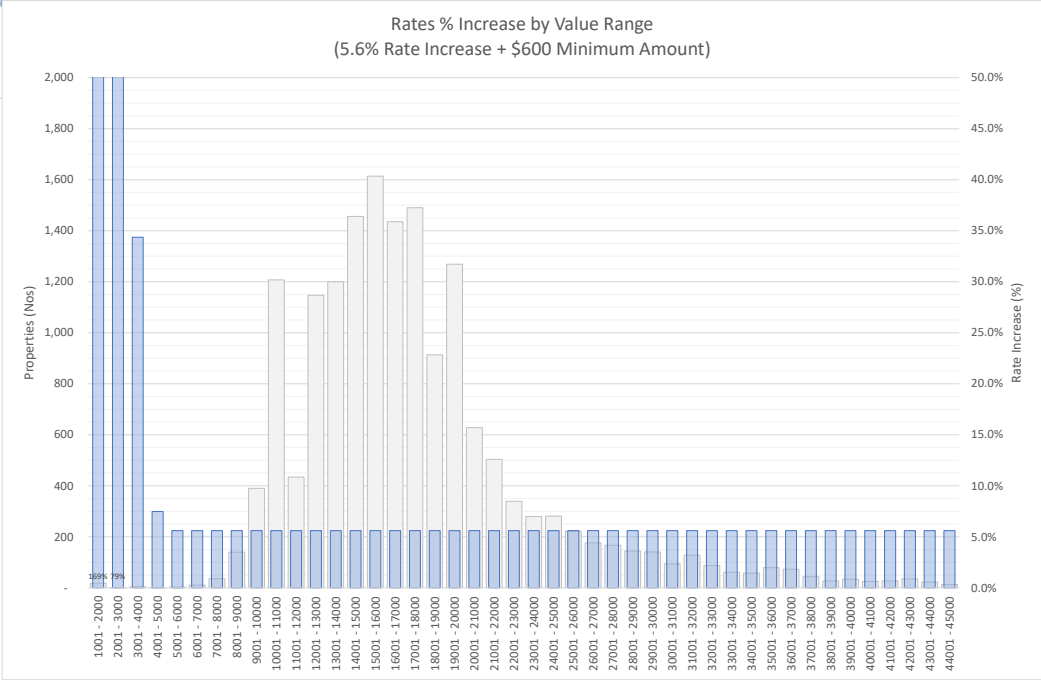
The above comparison is an indication of which approach aligns best to the taxation principle

Rates Increase by Value
(5.6% Rate Increase + \$600 Minimum Rate)



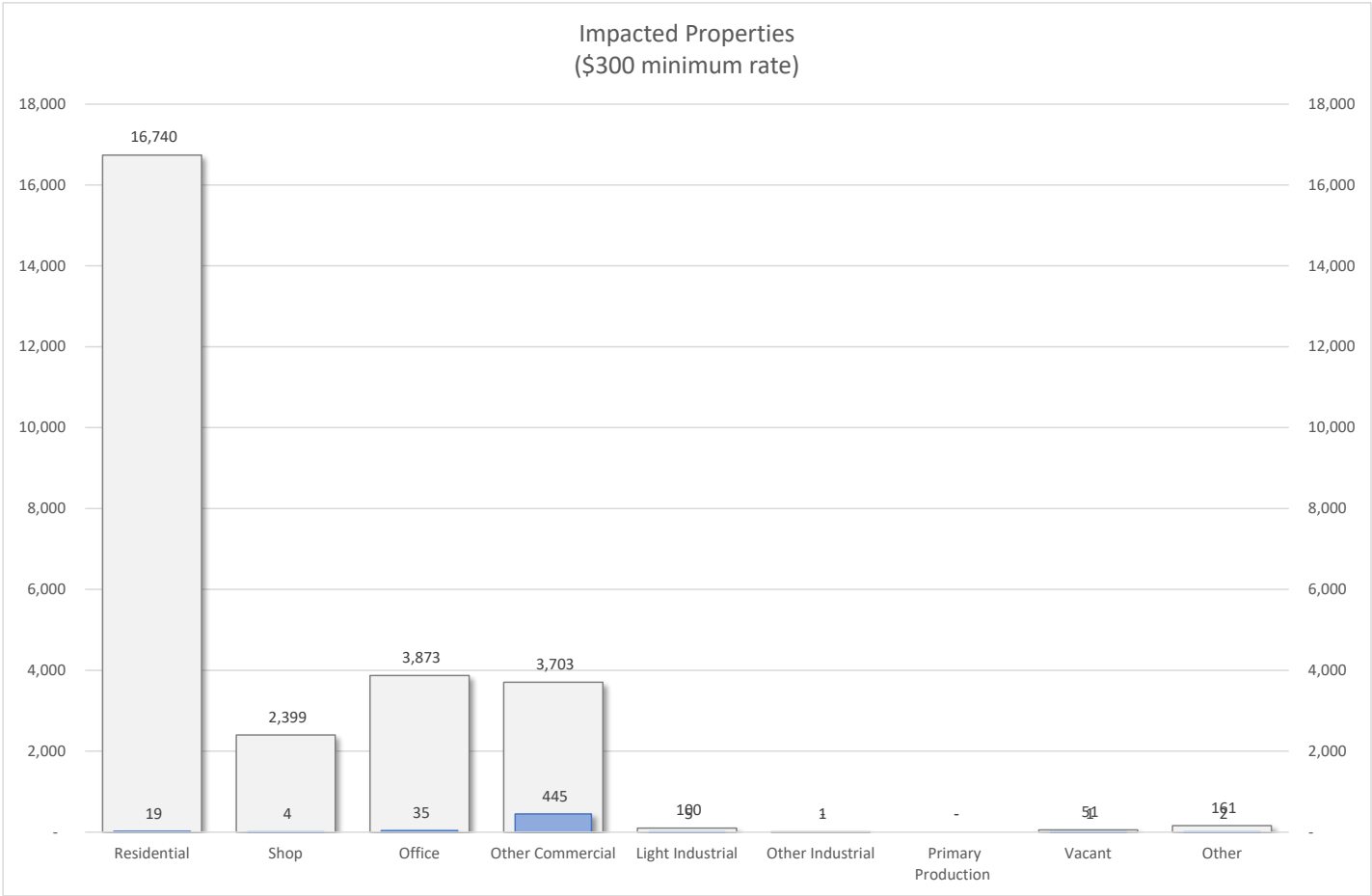
A Minimum Rate impacts low value properties more severely

Rates % Increase by Value Range
(5.6% Rate Increase + \$600 Minimum Amount)



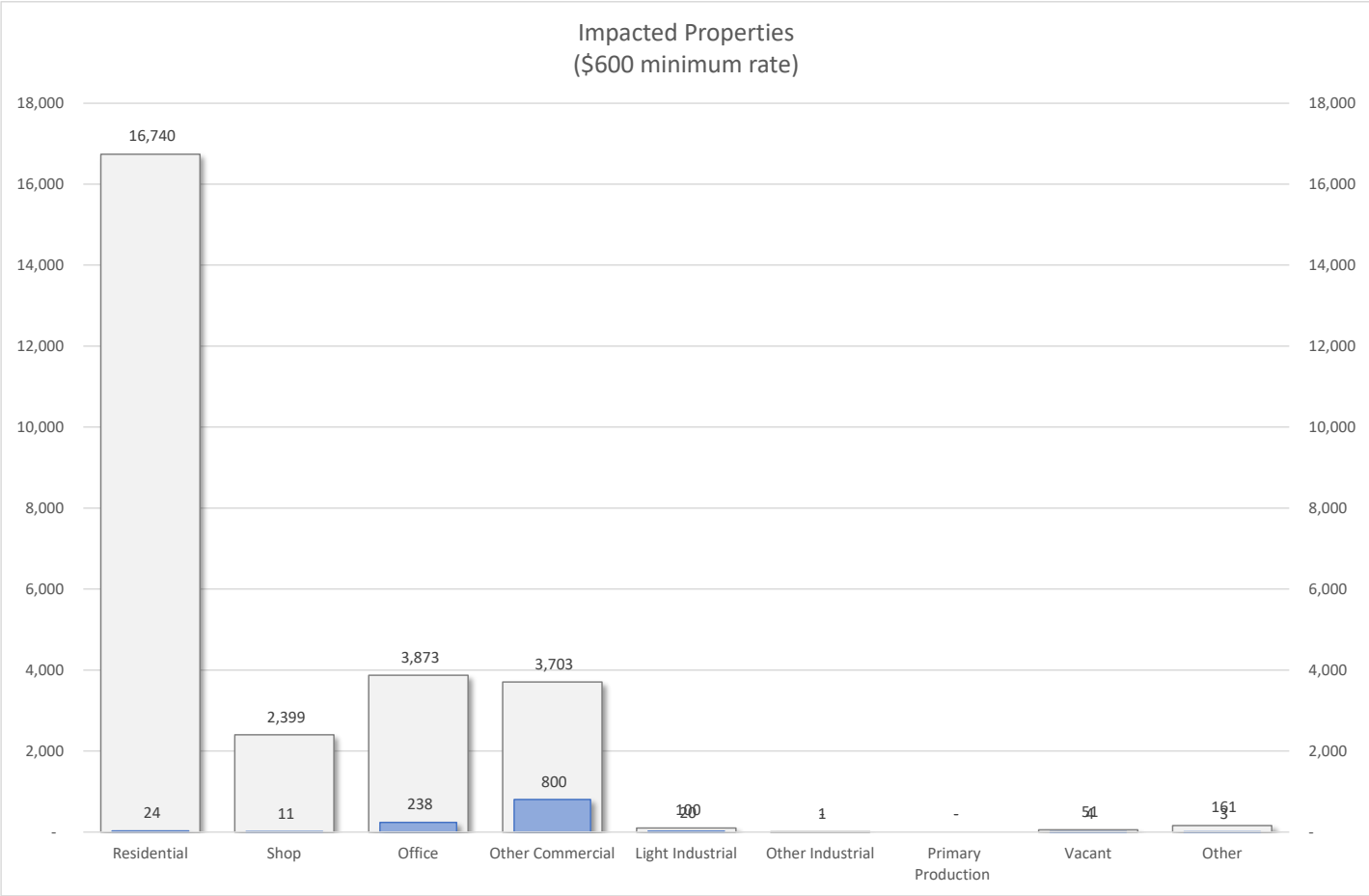
Changes proposed for 2025/26 rating

Minimum rate – properties impacted, modelled for \$300 & \$600



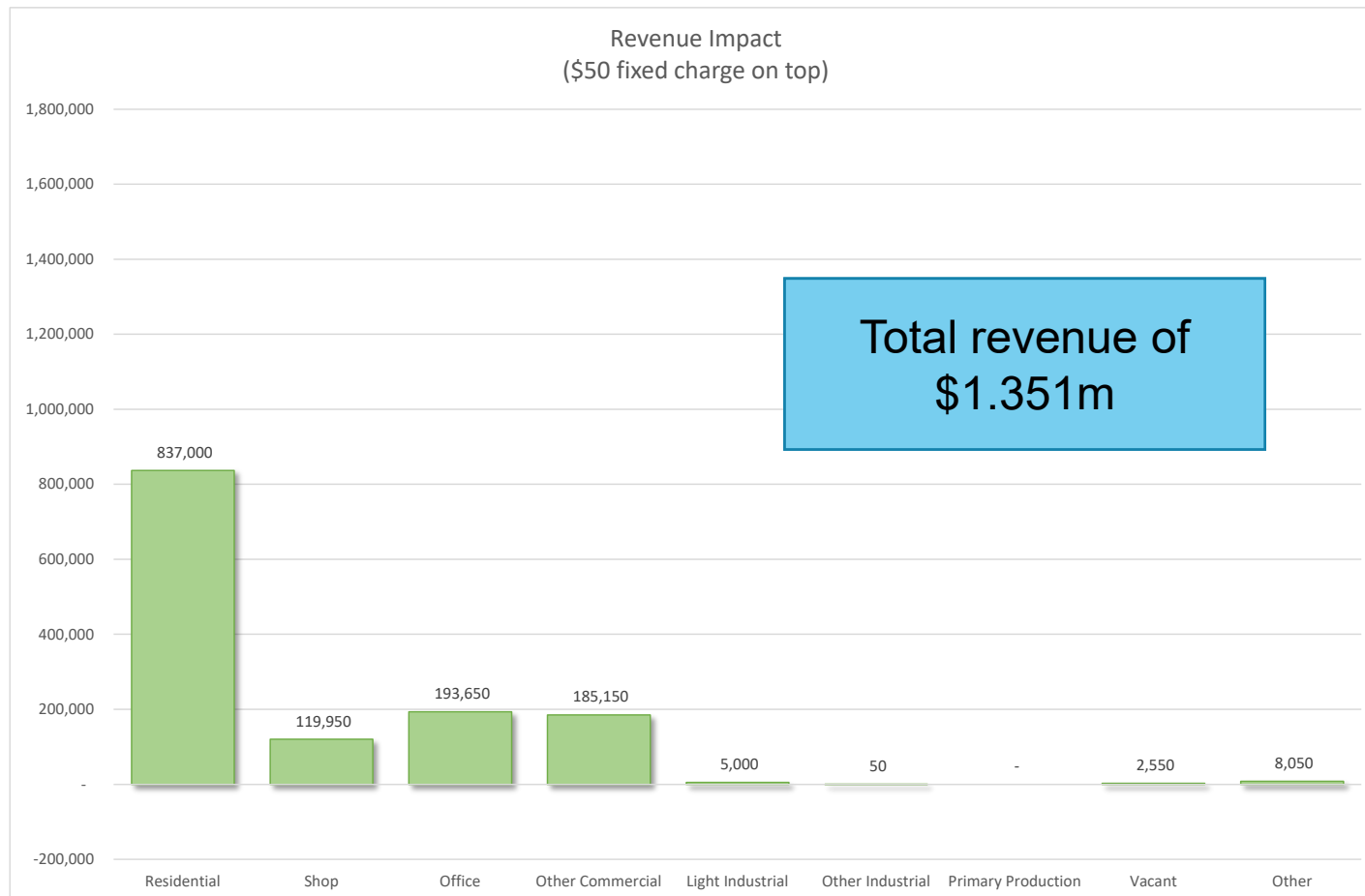
Changes proposed for 2025/26 rating

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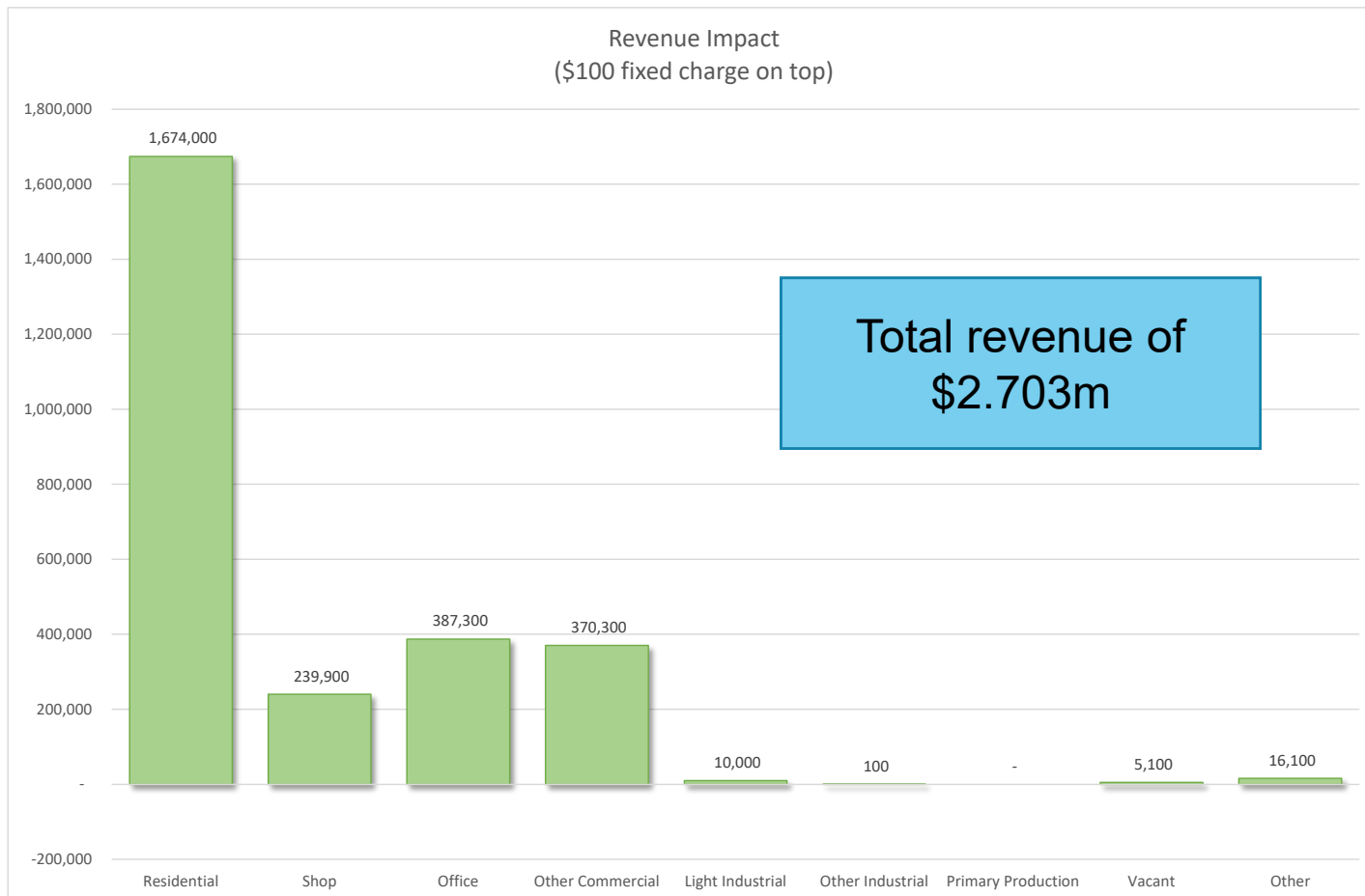
Changes proposed for 2025/26 rating

Fixed charge – revenue impact, modelled for \$50 and \$100



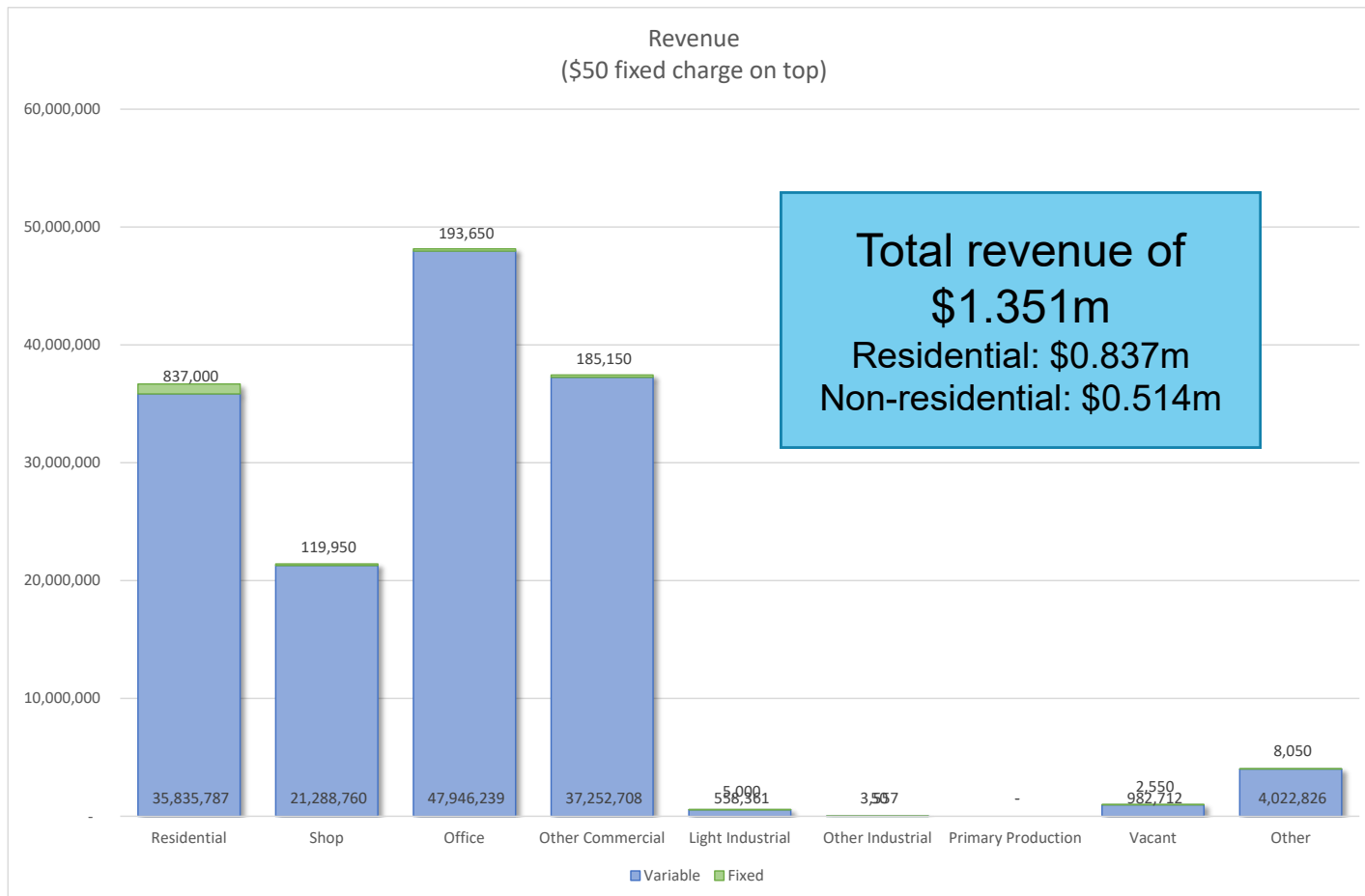
Changes proposed for 2025/26 rating

Fixed charge – revenue impact, modelled for \$50 and \$100



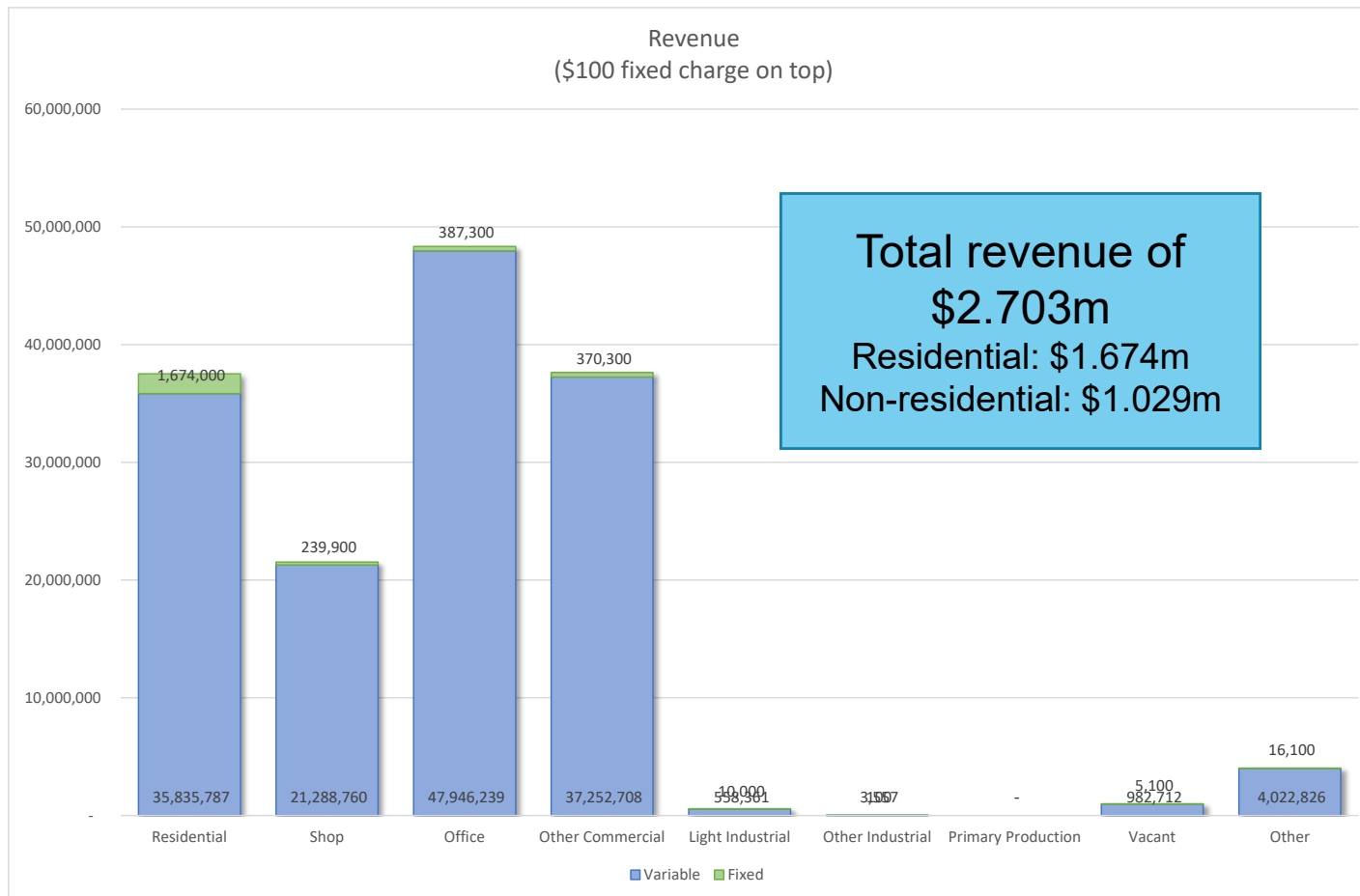
Changes proposed for 2025/26 rating

Fixed charge – revenue impact, modelled for \$50 and \$100



Changes proposed for 2025/26 rating

Fixed charge – revenue impact, modelled for \$50 and \$100



Changes proposed for 2025/26 rating

Discussion / Recommendation

- Fixed charge (not minimum rate) – more progressive & more equitable
- Introduce at \$50 (minimise impact to ratepayer)
- Use additional rates raised to fund strategies

10% Rate Capping

Changes proposed for 2025/26 rating

Lift or remove the rate cap

Rationale: \$3.3m foregone revenue in 2024/25

Land Use Category	Total Rates (\$'000)	Cost of Rate Caps (\$'000)	% of total
Residential	35,835	832	2.3
Commercial - Shop	21,289	351	1.7
Commercial - Office	47,944	1,165	2.4
Commercial - Other	37,253	916	2.5
Industry - Light	558	7	1.3
Industry - Other	3.6	0	0
Vacant Land	983	0	0
Other	4,023	13	0.3
Total	147,889	3,284	2.2

- Equity issue - placing additional revenue burden on other rate payers, who pick up the slack
- Section 153(3) specifically defines allowable capping (residential) which is preferred long-term solution
- Existing approach = workaround using Section 166(1)(l) to provide rebate to commercial properties
- Hardship provisions can still be offered
- Sharp valuation increases unlikely in the medium term (overdue revaluations conducted in 2023/24)

Considerations:

- Any change would require a change to the existing Rating Policy (eg application of S153(3) rather than the blanket rebate mechanism currently applied (S166(1)(l))

Changes proposed for 2025/26 rating

Lift or remove the rate cap

	10% Rebate			12.5% Rebate			15% Rebate		
Category	\$	Properties	Average Rebate	\$	Properties	Average Rebate	\$	Properties	Average Rebate
Residential	(832,328)	6,343	(131)	(596,289)	4,448	(134)	(434,504)	3,319	(131)
Commercial-Shop	(350,723)	759	(462)	(252,101)	506	(498)	(182,658)	364	(502)
Commercial-Office	(1,165,068)	1,100	(1,059)	(844,641)	821	(1,029)	(569,199)	653	(872)
Commercial-Other	(915,553)	1,166	(785)	(733,528)	595	(1,233)	(602,620)	411	(1,466)
Industry-Light	(7,214)	22	(328)	(5,126)	15	(342)	(3,154)	9	(350)
Industry-Other	-	-	-	-	-	-	-	-	-
Vacant Land	-	-	-	-	-	-	-	-	-
Other	(13,152)	16	(822)	(6,251)	10	(625)	(2,465)	7	(352)
Total	(3,284,039)	9,406	(349)	(2,437,936)	6,395	(381)	(1,794,600)	4,763	(377)
Additional Burden		18,895	(174)		21,906	(111)		23,538	(76)

Changes proposed for 2025/26 rating

Discussion / Recommendation

- Do we have a cap at all?
- If so, at what level?
- Does it apply to all property types, or just Residential?

Rating Short Term Rental Accommodation

Changes proposed for 2025/26 rating

Increasing Commercial-Other rates to target short-stay accommodation properties

How:

- Charge higher rates for all Commercial-Other properties (c 3,500) – eg 200% as with vacant land
- rebating the increase back to non-target properties (c 3,250)

Legal advice received on the approach:

- heavy-handed
- administratively burdensome

Conclusion:

- Impost doesn't justify the rate revenue raised
- Financial disincentive still heavily outweighed by rental incentive

Recommendation:

- Leave rating status quo for short-stay rental accommodation
- Work with State and other local government areas towards a coordinated statewide approach

Separate Rate for Hindley Street

Changes proposed for 2025/26 rating

Introduce a separate rate (levy) to fund activation activity in Hindley Street

- Major property owners have suggested funding a tenancy mix manager to assist revitalise Hindley Street
- Applied to a defined area – Hindley from Morphett to King William, and one property back on side streets
- Potentially use existing Rundle Street levy governance as the model
- Set target budget and adjust rate in the dollar to achieve the revenue target (est. cost \$200-400k)
- Would represent additional 5-8% rate increase for ratepayers in the area (approx. 1,000 assessments)
- Opportunity to package the mix manager function with other activation activity and funding through the precinct review model

	Assessments	Rates (23/24)	Average Rates	Cost	One-off Rate Rise	Average Rates Increase	Average Rates	Function
Original Grouping	1,000	4,650,000	4,650	200,000	4.30%	200	4,850	Tenancy Mix Curation
				300,000	6.45%	300	4,950	Marketing
				400,000	8.60%	400	5,050	Tenancy Mix Curation + Marketing

Other Rating Matters

Other review components to be finalised

Property Exemptions and Mandatory Rebates:

- Systematic review in train
- Targeted approach to identify a small number of significant ineligible exemptions/rebates in the first sweep
- To be completed before 2025/26 rates are set
- No consultation required.

Discretionary Rebates

- Assessment of the current robust and objective approach being conducted
- To provide more transparency to Council Members, Council will approve discretionary rebates as part of annual BP&B process.

Rating Incentives

- Using rate rebates to target council strategic initiatives
- Any rebate offered means other rate payers will make up the difference to the target level of rate revenue
- Review approach - identify and respond as needs and as good ideas arise (via quarterly review process)
- Possible examples identified to date could include:
 - Adaptive Reuse City Housing Initiative (ARCHI)
 - Activation of long-term vacant commercial spaces (eg Renew Adelaide) - providing rates relief for building owners
 - Sustainability and housing affordability

Consultation

How will we engage the community?

Consultation process and materials for the draft 2025/26 Business Plan and Budget will include specific questions seeking community views relating to the proposed rating changes.

Consultation period will be from 6 – 27 May 2025.

The Hindley Street levy will be conducted separately but during the same period.

Rating Review

Consultation requirements

LG Act S151
S155
S156

Consultation on changes in the basis of rating (LG Act S151), separate rates (LG Act S155) and differential rates (LG Act S156) requires at least:

- A publicly available report which outlines the proposed change
- Newspaper notice which:
 - Informs the public of the preparation of the report
 - Invites the public to a meeting (held at least 21 days after the notice publication)
 - Invites written submissions

These requirements will be satisfied by the consultation planned for the draft 2025/26 Business Plan and Budget.

The Hindley Street levy proposal will be consulted upon separately during the same period and will also meet these minimum parameters, plus include more targeted business consultation.

Rating Review

Questions and discussion