Local Government Association of South Australia

Fact Sheet 03
About council rates

SA councils PART of your EVERY DAY.

Local councils provide a wide range of services for the benefit of the community, including managing and maintain expensive infrastructure such as local roads, libraries, sport and recreation facilities, parks and playgrounds, and street lighting. Councils also provide services such as planning and development assessment, waste collection, and economic development.

Local government is responsible for **less than 4%** of the total tax collected nationally.

In setting rates, councils are governed by the Local Government Act 1999 (the Act), which provides flexibility for councils to make decisions that suit their local community. As a result, the way one council structures its rates may differ from another council. However, no matter what council, your rates will reflect the cost of services provided to your community.

Council rates and the budget process

Each council is legislatively required to develop publicly available plans, including long-term financial and infrastructure plans. These plans set the long term objectives and priorities for the community.

Councils are also required to prepare Annual Business Plans. These plans outline programs and outcomes to be achieved for the year and include income sources, infrastructure needs, and service needs. Councils work with their communities to strike a balance between expenditure, revenue and service standards.

Unlike other spheres of government, councils must release their Annual Business Plan and budget for community consultation prior to being adopted by council.

Consultation influences the annual budget that is presented to council for consideration and adoption. The budget can only be set at council meetings which are open to the public.

Once a council sets its rates for the year, it sends out a rates notice advising the amount, the date for payment and how rates can be paid. Rates are payable quarterly and penalties apply for late payment.

Rates are based on Property Values

In South Australia, council rates are a form of property taxation. Rates are not a fee for service but are a tax. Property values play an important part in determining how much each ratepayer will pay. Generally, the Act assumes that the higher the value of the property, the higher the rates to be paid. For example, a person with a property valued at $300,000 will contribute less than someone with a property valued at $500,000 in the same council area.

Every year property values are reviewed based on market movements and recent sales trends. Councils may use valuations provided by the Valuer-General or a valuer authorised under the Land Valuers Act 1994 engaged by the councils. Ratepayers can object to a valuation if they believe it is inaccurate (see Fact Sheet 4 for more information).

Did you know?

South Australian councils consult with their communities on many projects and services they deliver in their communities. Look on your local council website their consultation projects including annual business plan & budget.

Determining who pays how much

Having determined the budget, council then divides the portion of the budget to be raised from rates by the sum of all property values in its area to arrive at what is called a 'rate in the dollar'. Each individual property value is then multiplied by the 'rate in the dollar' to produce the rates bill for the property. The total rates paid by the community will equal the amount set in the budget.

The rate in the dollar is set annually to ensure it only raises the budgeted amount required. Valuations do not determine the rates income of a council and as a result, councils do not gain windfalls from valuation increases.

Rating options available to councils

Councils work hard to ensure that rates are kept to a reasonable level, while maintaining essential infrastructure and services. They also seek to ensure that rates are applied across the community as fairly as possible.

To assist in making the impact of rates fairer to the community, councils have a number of options they can use in determining how rates will be structured.

These include:

Single rate – The same rate in the dollar is applied to all properties no matter what the land is being used for or where it is located.

Differential general rates – A council may charge a different rate in the dollar depending on whether the land is used for residential, commercial, primary production, industrial, vacant land or other purposes. Different rates can also be used for different areas within a council, such as between townships and rural areas, or they can be applied according to both the use and location of the land.

Minimum amount – Provides a mechanism where lower valued properties do not pay less than a minimum amount as determined by the council. Typically, only a small number of all properties – with no more than 35% - pay a minimum amount.

Fixed Charge – This is an alternative to the Minimum Amount and ensures all rateable properties pay a base amount to the cost of administering council activities and maintaining the services and infrastructure that supports each property. Rates based on values are then applied in addition to the fixed charge.

Tiered rates – Provides a council the opportunity to alter the rates for properties within specific valuation ranges. This may be used where a relatively small number of highly valued properties lie within an area of comparatively lesser-value properties such as a coastal strip.

Separate rate – A valuation-based charge that is for a specified purpose within part of the council area such as main street improvement programs.

Service charge – An additional charge for a specific service such as Community Wastewater Management Schemes, which may not be valuation based.

Hardship

People experiencing difficulty in paying their rates should contact their council as they may agree to more flexible payment arrangements for those who have difficulty meeting quarterly payments.

Under the Local Government Act, fines must be imposed when the quarterly amounts are not paid in full by the due dates – but by paying a small amount on a regular basis it gradually reduces the amount outstanding leaving only a small balance to pay on the due date. This will help to minimise or eliminate any fines.

Where people are in genuine financial hardship, councils have processes in place to provide support and flexibility. Depending on individual circumstances councils can offer short term (ie. payment plans) and longer term (ie. postponement of rates) options.

State Government – concessions

The State Government is no longer funding the concession on council rates. Instead, the State Government has introduced a 'Cost of Living Concession' payment which will be paid directly to those eligible. For more information go to www.sa.gov.au/concessions.

Concessions for Council Community Wastewater Management Schemes (CWMS) or council provided water remains unchanged but is now paid directly to the recipient and is no longer provided via council rates notices.

Postponement of rates

A ratepayer who holds a State Seniors Card may apply to postpone, on a long-term basis, part of their council rates. The deferred amount is subject to a monthly interest charge, with the accrued debt being payable on the sale or change in title of the property. However, the debt may be paid at any earlier time at the ratepayer's discretion.In setting rates, councils are governed by the Local Government Act 1999 (the Act), which provides flexibility for councils to make decisions that suit their local community. As a result, the way one council structures its rates may differ from another council. However, no matter what council, your rates will reflect the cost of services provided to your community.