



## Council rates and property values explained\*

Council programs and services in South Australia are funded predominately by council rates. Council rates are a form of property tax, not a fee for service. Property taxes are generally considered a 'fair' tax in that rate payers contribute proportionally based on the value of their property (and people who have lower property values pay a proportionately lower amount). Local government is responsible for less than 4% of the total tax collected nationally.

Many council activities are provided for the benefit of all community members, as such there is not a direct link between the amount of rates paid by a property and the level of council services received. Councils work to balance the needs and desires of their communities with the impact of those choices on current, and future, ratepayers.

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### How does the annual budget process work?

A council begins their annual budgeting process by determining the services and programs it needs to provide and the assets and infrastructure that need to be built, updated or maintained. This will then determine the total budget needed.

Councils have three main sources of revenue to fund the delivery of these services and programs: council rates (taxation on property); fees and charges (ie. permit fees, fines and infringements); and grants and subsidies (from other levels of government).

Councils will estimate the revenue to be received from sources such as State and Commonwealth Government funding and from other fees and charges. By using these estimates a council can calculate the amount it needs to collect in rates revenue to meet its financial responsibilities for the coming year.

Councils use property valuations to calculate each property's contribution to the required rate revenue total. To do this (in simple terms), they calculate the 'rate in the dollar'. This is done by dividing the required rate revenue by the total value of rateable properties. The 'rate in the dollar' is then multiplied by the value of the property to establish the rate contribution for that property.

Councils do not automatically receive more money because property values increase but this may alter how rates are apportioned across each ratepayer.

Once a property's contribution to general rates has been determined, any other applicable rates and charges (including the South Australian Government's Regional Landscapes Levy which is not retained by councils) are then added to determine the total amount payable on a property.

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### How are property values determined?

Each year, the Valuer-General of South Australia independently and objectively determines site and capital values for every rateable property in the state (referred to as the General Valuation). Property valuations may increase or decrease each year depending on changes to the property and other market influences.

Councils may use valuations provided by the Valuer-General or a valuer authorised under the Land Valuers Act 1994 engaged by the council. The vast majority of councils in SA use capital value (with the exception of a small number of regional councils who currently use site value and the City of Adelaide who use annual value) and adopt valuations from the Valuer-General (with the exception of the City of Adelaide who undertake their own valuations and City of Port Adelaide Enfield who undertake their own valuations for commercial and industrial and vacant land).

### What if I don't agree with the property valuation?

When you receive your rates notice and you disagree with the value of your property, you may lodge a written objection within 60 days following receipt of the first rates notice. Information on how to do this is on the back of the rates notice.

### How do I have a say on council budgets?

Councils prepare Annual Business Plans, which includes revenue sources, infrastructure needs, service needs and what the council believes the community can afford in rates. Unlike other levels of government, councils release these plans for community consultation prior to being adopted. This process generally takes place around April to June. Keep an eye on your council's website or social media pages to keep informed on when these opportunities are happening in your council area.

*\*The process has been simplified and applies generally to local government in South Australia, for information relating to the rating policy of a specific council please refer to the website of the council in question.*



# 'rate in the dollar'

## Example:

A council calculates that in order to provide all the services and programs for the coming financial year (e.g. road reseals, building maintenance, parks and gardens, coastal protection, waste and recycling, public health programs, libraries, community events and other programs that create accessible and inclusive communities) they need a total budget of **\$65m**.

They estimate that they will receive around **\$17m** from fees and charges and **\$8m** in grants and subsidies from the State and Commonwealth Governments. This means that they need to collect **\$40m** in council rates.

Councils use property valuations to calculate each ratepayer's contribution to the required rate revenue total. The total rates paid by the community will equal the amount set in the budget.

To do this, they calculate the 'rate in the dollar'. This is done by dividing the required rate revenue by the total value of rateable properties, e.g.

$$\begin{array}{ccc} \$40 \text{ million} & \div & \$10 \text{ billion} \\ \text{Rates needed} & & \text{Total value of rateable properties} \\ & & \text{in the council area} \end{array} = \$0.004 \text{ ('rate in the dollar')}$$

$$\text{Property value} = \$320,000 \times \$0.004 \text{ ('rate in the dollar')}$$

$$\text{Rates contribution} = \$1,280$$

$$\text{Property value} = \$500,000 \times \$0.004 \text{ ('rate in the dollar')}$$

$$\text{Rates contribution} = \$2,000$$

The 'rate in the dollar' is then multiplied by the value of a property to establish the rate contribution for each property, e.g.

Rates are calculated on the value of a property. Higher value properties (relative to others within a council area) will contribute more in rates than lower value properties.



Councils adjust the 'rate in the dollar' each year to react to changes in property values. Councils do not automatically receive more money because property values increase but this may alter how rates are apportioned across each ratepayer (ie. some people may pay more or less rates, this is dependent on the change in value of their property relative to the overall valuation changes across the council area).



Once a property's contribution to general rates has been determined, any other applicable rates and charges (e.g. Community Wastewater Management Scheme charge, waste collection service rate and/or the South Australian Government's Regional Landscapes Levy) are then added to determine the total amount payable on a property (ie. the amount on the rate notice).

$$\begin{array}{ccc} \text{Rates contribution} & + & \text{Other fees \& charges} \\ & & = \text{Rates Notice} \end{array}$$