

A South Australian rate oversight system

June 2018



Government of South Australia

Department of Planning,
Transport and Infrastructure

Legislative approach

- Enabling legislation in LG Act
- Establish independent regulator
- Ensure flexibility and responsiveness

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A South Australian Rate Capping System



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Objects of the Bill

Establish a 'rate oversight' system that will:

1. Ensure that rates are subject to appropriate oversight
2. Ensure that councils have the financial capacity to perform their duties and functions

Rate oversight - key elements

1. The rate cap
2. Variation process
3. Monitoring and reporting

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1. Setting the rate cap

- ESCOSA will set the cap – by 31 December
- It may apply to:
 - All councils
 - A class of councils
 - A single council
- It will apply to general rates

Calculating the rate cap

- Two choices
 - capping total general rate revenue OR
 - capping a nominal individual rate
- How to account for growth?

Calculating the rate cap

- Proposal to cap the ‘base standard rate’ – BSR
- $\text{BSR} = \frac{\text{total general rate revenue}}{\text{number of rateable properties}}$ – on 30 June
- Rate cap then applies to BSR to create ‘capped standard rate’ – CSR – on 1 July

Calculating the rate cap

- BSR also calculates total annualised rate revenue
- Councils can capture all new rateable properties each year on an annualised basis

2. Rate cap variations

- Councils may apply for a variation (increase) of the rate cap
- ESCOSA will receive and assess applications
- Applications must be made by 31 March
- Variations can be requested for up to five years

Rate cap variations

Councils will need to specify:

- The amount of increase wanted and the reasons why
- The community engagement process undertaken
- The likely impact of the increase on ratepayers and their capacity and willingness to pay it
- Consideration that's been given to re-prioritising and/or alternative funding mechanisms
- How the varied rate cap represents value for money for ratepayers and promotes the efficient use of council resources
- How the proposal is consistent with the council's long term financial plan and asset management plan

3. Monitoring and compliance

- ESCOSA will report annually on compliance to the Minister
- ESCOSA will also report every two years on outcomes of the system

Questions?

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