



NOTICE OF SPECIAL MEETING

A Special Meeting of Council will be held in the Council Chambers, Forrest Road, Capel on Tuesday 5 June 2018, commencing at 5.30pm.

P F Sheedy.

**P F SHEEDY
CHIEF EXECUTIVE OFFICER**

30 May 2018

PURPOSE OF MEETING

- To determine the rates in the dollar, minimum rates, specified area rate and Annual Refuse Site Charge for the 2018-19 Financial Year.

GENERAL INFORMATION ON SPECIAL COUNCIL MEETINGS

COUNCIL MEETINGS

No action should be taken on any item discussed at a Special Council meeting prior to written advice on the resolution of Council being received.

AGENDAS

The agenda for the upcoming Special Council meeting is available in PDF format on the Council's website www.capel.wa.gov.au. A hard copy of the agenda can be obtained from the front counter of the Shire Administration building.

MINUTES

Minutes of the Special Council meeting will be made available on the website within ten days of the meeting being held. Hard copy versions of Council Minutes are also available at the front counter at the Shire Administration building and for perusal online in the Shire's Public Libraries.

MEETING GUIDELINES

All speakers should be clear and to the point, and speak through the Presiding Member at all times. Members of the public are not permitted to enter into debate with elected members or staff. Any correspondence received after the agenda is finalised will not be reflected in the staff report and will not be distributed to elected members by administration.

To minimise disruption during meetings, please ensure your mobile phone is turned off before entering the Chambers. You may enter and leave the Chamber at any point during the meeting.

PUBLIC QUESTION TIME

As per Local Government (Administration) Regulations 1996 7 (1)(a) the President (Presiding Member) has determined the following procedures for "Question Time for Public".

ASKING A QUESTION AT A COUNCIL MEETING

If you want to ask a question, here is what you are required to do:

1. You may ask up to two (2) questions with a total time limit of two (2) minutes per speaker. Additional questions will be permitted if time allows at the discretion of the Presiding Member.
2. Please state your name, address and the agenda item number you are referring to, and then ask your question.
3. Questions are required to be in writing, in legible print and are required to be provided to the Minute Officer at least 10 minutes prior to the commencement of the meeting.
4. Questions that have not been submitted in writing by 12.00noon on the day before the meeting will be responded to if they are straightforward. Otherwise they will be taken on notice and will be answered in writing after the Council meeting.
5. Questions must relate to a matter affecting Council and that is within Council's jurisdiction but should be a matter of general community concern. Please give staff the opportunity to try to answer your questions before a Council meeting.
6. Where a question raises a significant issue about an agenda item that might not have been addressed in the staff report or prior discussions with elected members and cannot be adequately responded to, Council will need to consider whether the item should be held over or referred back for further consideration, taking into account statutory deadlines and other implications of deferring the item.
7. A person who has asked a question will not be permitted to make a presentation on the same topic at the same meeting – this is unfair to the other members of the public who wish to communicate with Council.
8. To ensure that an informed response can be provided at the meeting, you are encouraged to submit your question in writing to the CEO by 12noon on the day before the Council meeting at info@capel.wa.gov.au.

PLEASE NOTE:

Members of the public should note that no action should be taken on any item discussed at a Council meeting prior to written advice on the final resolution being received.

Questions on any matter that is on the Special Council agenda are required to be asked prior to the matter/s being discussed by the Council in the 'Public Question Time' session of the Council meeting.

If you wish to ask a question of Council, please complete the attached form (page 3).



COUNCIL MEETING PUBLIC QUESTION FORM

If submitting a question for the Council meeting by 12.00noon on the day before the meeting, please either:

- Fax this form to the Chief Executive Officer on 9727 0223
- Email it to info@capel.wa.gov.au
- Hand deliver it to the Chief Executive Officer at the Shire Administration building, Forrest Road, Capel.

Questions received after that time may be taken on notice and answered in writing after the meeting.

If submitting a question on the Council meeting day, it must be handed to the Minute Officer no later than 10 minutes prior to the commencement of the meeting.

Name _____ Date/...../.....

Address _____

QUESTION 1

QUESTION 2

Author's Signature _____

A G E N D A

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- 1 **DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS**

- 2 **RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE (PREVIOUSLY APPROVED)**

- 3 **PUBLIC QUESTION TIME**

- 4 **DEPUTATIONS**

Mr Neill Rowlandson, 38 Gelorup Rise, Gelorup has requested a Deputation on behalf of the ratepayers in Zone 12 – GRV Special Rural. The Deputation is to highlight the effect of the proposed change in rate structure will have on the 463 properties in the Special Rural category.

5 BUDGET – RATES 2018-19

5.1 Budget – Rates for 2018-19

Location: Whole of Shire
Applicant: Shire of Capel
File Reference: Nil
Disclosure of Interest: Nil
Date: 28.05.18
Author: Executive Manager Corporate Services, S Stevenson
Senior Officer: Chief Executive Officer, P Sheedy
Attachments: Nil

IN BRIEF

Council to determine the rates in the dollar, minimum rates and the specified area rate for the 2018-19 financial year.

RECOMMENDATION

That Council resolves to endorse:

- 1. A single rate in the dollar of 8.1620 cents for all GRV assessments/properties;**
- 2. A single rate in the dollar of 0.5060 cents for all UV assessments/properties;**
- 3. A Minimum rate of \$1,345.00 for assessments/properties;**
- 4. A Specified Area Rate of 3.8656 cents, to a maximum of \$150.00 per assessment/property in Dalyellup, for the purpose of "maintenance of Parks and Reserves in Dalyellup"; and**
- 5. Set the Annual Refuse Site Charge at \$40.00 for 2018/19;**

and these be included in the draft 2018/19 budget.

BACKGROUND / PROPOSAL

Background

As part of the annual budget process, Council must adopt its rating level for the coming year.

Council has previously adopted a rating strategy which allowed for a 6% overall yield (excluding growth) for the 2018-19 financial year with 4% in yield (excluding growth) thereafter.

Reference should be made to the Shire's ten-year financial plan that was adopted by Council on 9 June 2010 (OC0609) and the subsequent Long Term Financial Plan adopted in July 2016 (OC0712) and Long Term Financial Plan 2017-32 adopted on 28 February 2018 (OC0213). This plan has assumed an annual increase in rate yield (excluding growth) of 6% for the 2018-19 and 2019-20 financial years with 4% increase in yield thereafter. Growth rates are currently under review and will form part of any revised Long Term Financial Plan.

As part of the Integrated Planning Process a review of the original 10 year Long Term Financial Plan has been undertaken, particularly taking into consideration the 61 Service Strategies and Plans reviewed with Council on 26 February 2013, with feedback from Council on rating, borrowing and staffing strategies informing and influencing the document. Council adopted the updated 10 year Long Term Financial Plan on 26 June 2013 (OC0616).

The Long-Term Financial Plan is reviewed on a rolling annual basis with amendments being made as required.

Council has previously adopted the following Differential Rating in the following categories (OC1106).

- Residential (rate group 1 GRV);
- Dalyellup Residential (rate group 3 GRV);
- Vacant Residential (rate group 2 GRV);
- Vacant Dalyellup Residential (rate group 4 GRV);
- Commercial Developed (rate group 5 GRV – only commercial);
- Dalyellup Commercial Developed (rate group 8 GRV);
- Industrial Developed (rate group 7 GRV – only industrial);
- Vacant Commercial & Industrial (rate group 6 GRV);
- Special Use (rate group 9 GRV);
- Land Use Commercial (rate group 10 – UV);
- Rural (rate group 11 – UV); and
- Special Rural (rate group 12 – GRV).

Shire officers have received advice from the Department of Local Government, Sport and Cultural Industries (DLGSCI) regarding the “Objects and Reasons” for differential rates. Should Council wish to continue to adopt differential rates, the DLGSCI have recommended consolidating the “Objects and Reasons” as follows:

- Residential & Urban Development (rate groups 1 & 3 GRV);
- Residential & Urban Development Vacant (rate groups 2 & 4 GRV);
- Dalyellup Residential (rate group 3 GRV);
- Town Centre, Light Industry, Commercial & Special Use (rate groups 5, 7, 8 & 9 GRV);
- Town Centre, Light Industry, Commercial & Special Use Vacant (rate group 6 GRV);
- Rural and Land Use (rate groups 10 & 11 UV); and
- Special Rural (rate group 12 – GRV).

In April 2016, the Shire received scheduled revaluations for properties valued under Gross Rental Value (GRV) and Unimproved Values (UV). These revaluations were reflected in rates notices issued for the 2016/17 financial year. Properties valued under Unimproved Values (UV) are amended annually. Unimproved Values (UV's) are not expected to vary materially from the 2017-18 valuations received. Updates to UV's and any further updates to individual valuations received from the Valuer General will be reflected in the 2018-19 Draft Budget report to Council.

Councillors were invited to a workshop and information session on Wednesday 28 February 2018. Councillors were presented with background information on the process for levying differential rates and the main legislative and ministerial requirements. Councillors were also presented with a number of rates models with revenue outcomes compared against rates revenue projections in the Shire's Long Term Financial Plan. A comparison was also shown highlighting the Shire of Capel's 'rate in the dollar' level versus neighbouring local governments. This was an opportunity for new and established Councillors to be provided with information on the rating process and ask any questions from a procedural aspect.

In addition to legislative requirements laid out in the Local Government Act 1995, Council must give regard to key values set out in the Rating Policy published by the Department in March 2016.

The key values set out in the Rating Policy are:

- Objectivity;
- Fairness and Equity;
- Consistency; and
- Transparency and administrative efficiency.

Rates revenue in context

Council generates revenue from a number of sources with federal and state grant income, fees and charges, developer contributions and rates income being the main elements. When considering the amount of rates to be raised, Council needs to make the decision in the context of:

- Community service level expectations;
- The range of services provided by the Shire;
- Current and future asset renewal requirements;
- Capital additions and non-cash capital contributions requiring Shire funding;
- Funding of current and future community projects;
- Other funding levels and sources available to the local government;
- Long term revenue impacts;
- Property growth rates;
- Levels of funds available from developer contributions; and
- Operational efficiencies available.

When setting rates, Council must consider the needs and expectations of the Shire community as a whole and the cumulative long-term impacts of a given the rates decision. Rates are a critical source of funding for the Shire and rates decisions will dictate which projects are delivered and operational service levels provided to the community.

Planned Future Projects

As a result of previous community consultation, a number of infrastructure projects have been planned in the next few years. An extract of projects, up to and including the 2024-25 financial year, is shown below. This is not an exhaustive list however indicates the major projects.

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Boyanup								
Renovation of recreational facilities (Bowling Club, basketball amenities, Football club changerooms)	\$ 250,000							\$ 250,000
Boyanup Public Open Space (Childrens Play Equipment, Lions park shelter, seating and path, sullage point, toilet, carpark Fettle's Park)		\$ 416,800						\$ 416,800
Boyanup Public Open Space (Shelter and seating in parks)Childrens Play Equipment, Lions park shelter, seating and path, sullage point, toilet, carpark Fettle's Park)		\$ 78,000						\$ 78,000
Boyanup Public Open Space (Market Relocation)		\$ 70,200						\$ 70,200
Boyanup Public Open Space (Markets and open Air Entertainment)				\$ 374,268	\$ 374,268	\$ 748,537		\$ 1,497,073
	\$ 250,000	\$ 565,000	\$ -	\$ 374,268	\$ 374,268	\$ 748,537	\$ -	\$ 2,312,073
Capel								\$ -
Capel Civic Precinct - Project completion (Updated for latest project schedule)	\$ 3,588,676							\$ 3,588,676
New Playground - Maslin Street Capel		\$ 82,000						\$ 82,000
Jamieson Road Boardwalk - improved accessibility	\$ 250,000				\$ 112,000			\$ 362,000
	\$ 3,588,676	\$ 82,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,670,676
Dalyellup								\$ -
Skate Park		\$ 687,400						\$ 687,400
Youth Facilities and Multipurpose Design	\$ 212,328							\$ 212,328
Youth Facilities - Building			\$ 2,075,078					\$ 2,075,078
Multipurpose Building			\$ 2,955,572	\$ 2,955,572	\$ 2,955,572			\$ 8,866,716
Dalyellup Surf Life saving Clubrooms			\$ 165,000			\$ 1,416,704	\$ 1,416,704	\$ 2,998,408
	\$ 212,328	\$ 687,400	\$ 5,195,650	\$ 2,955,572	\$ 2,955,572	\$ 1,416,704	\$ 1,416,704	\$ 14,839,930
Whole of Shire								\$ -
Annual Playground Asset management Provision	\$ 38,221	\$ 39,941	\$ 41,738	\$ 43,616	\$ 45,579	\$ 47,630	\$ 49,774	\$ 306,499
Community Infrastructure	\$ 4,089,225	\$ 1,374,341	\$ 5,237,388	\$ 3,373,456	\$ 3,375,419	\$ 2,212,871	\$ 1,466,478	\$ 21,129,178

In summary, within the next seven financial years, major projects (excluding roads, drainage and path works) with a capital value of \$21.129M are planned across the Shire with:

- \$2.312M proposed for Boyanup;
- \$3.691M proposed for Capel;
- \$14.840M proposed for Dalyellup; and
- \$0.306M planned for remainder of Shire.

While accepting that portions of many of the above projects will attract grant funding, Council must still fund a significant portion from municipal funds, reserves, loans and developer contributions.

Council should be aware that as indicative costings have been used for projects in the long-term plan, these may increase or decrease in line with economic conditions prevalent at the time of design and construction or with any change in scope. This may mean that additional funds may be required to be allocated from either financial reserves or rates income as a given project moves closer to commencement.

Should insufficient funds be available from the combination of municipal funds, reserves and developer contributions, projects may need to be subject to a change in scope or moved further into the future.

Developer Contributions

Council, at its April 2018 meeting (OC0406), adopted the revised Developer Contribution Plan (DCP) for referral to the Western Australian Planning Commission (WAPC) for approval. Assuming there are no changes made to the plan by the WAPC, no changes in assumed growth rates and eligible project timelines remain within the timeframe of the DCP, the following revenue streams may be expected. Please refer to the Proposed DCP Revenue in the table below.

Prior DCP Revenue (LTFP 2017-2032)	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Boyanup	\$ 14,320	\$ 57,280	\$ 214,800	\$ 429,600	\$ 465,400	\$ 393,800	\$ 393,800	\$ 823,400	\$ 286,400
Capel	\$ 25,720	\$ 25,720	\$ 25,720	\$ 51,440	\$ 25,720	\$ 10,288	\$ 10,288	\$ 10,288	\$ 5,144
Dalyellup	\$408,450	\$ 953,050	\$ 980,280	\$1,034,740	\$1,225,350	\$1,225,350	\$1,361,500	\$1,307,040	\$1,688,260
	\$448,490	\$1,036,050	\$1,220,800	\$1,515,780	\$1,716,470	\$1,629,438	\$1,765,588	\$2,140,728	\$1,979,804
<u>Proposed DCP Revenue</u>									
Boyanup	\$ 6,560	\$ 26,240	\$ 98,400	\$ 196,800	\$ 213,200	\$ 180,400	\$ 180,400	\$ 377,200	\$ 131,200
Capel	\$ 10,850	\$ 10,850	\$ 10,850	\$ 21,700	\$ 10,850	\$ 4,340	\$ 4,340	\$ 4,340	\$ 2,170
Dalyellup	\$175,950	\$ 410,550	\$ 422,280	\$ 445,740	\$ 527,850	\$ 527,850	\$ 586,500	\$ 563,040	\$ 727,260
	\$193,360	\$ 447,640	\$ 531,530	\$ 664,240	\$ 751,900	\$ 712,590	\$ 771,240	\$ 944,580	\$ 860,630
<u>Variance</u>									
Boyanup	(\$7,760)	(\$31,040)	(\$116,400)	(\$232,800)	(\$252,200)	(\$213,400)	(\$213,400)	(\$446,200)	(\$155,200)
Capel	(\$14,870)	(\$14,870)	(\$14,870)	(\$29,740)	(\$14,870)	(\$5,948)	(\$5,948)	(\$5,948)	(\$2,974)
Dalyellup	(\$232,500)	(\$542,500)	(\$558,000)	(\$589,000)	(\$697,500)	(\$697,500)	(\$775,000)	(\$744,000)	(\$961,000)
	(\$255,130)	(\$588,410)	(\$689,270)	(\$851,540)	(\$964,570)	(\$916,848)	(\$994,348)	(\$1,196,148)	(\$1,119,174)

The DCP adopted for referral is the latest revision of the plan. It now has a lower developer contribution per lot than the previous plan. This will now be updated in the Long-Term Financial Plan and annual budget for 2018-19. As a result, Council may now expect to have a reduced level of income for allocation to its financial reserves. Should Council wish to continue with its proposed community infrastructure projects, revenue would need to be raised from other sources. Should additional grant funding not be available then any shortfall would need to come from municipal funds, predominantly rates income.

Non-cash infrastructure

Once new developer constructed infrastructure is complete, the Shire must take ownership of this infrastructure and it subsequently becomes a Shire asset. The Shire therefore assumes

responsibility for the maintenance and renewal of these assets resulting in on-going operating and capital expenditure. As a rule of thumb, annual on-going operating expenditure for these assets is around 2% of the asset value.

In the past 7 years (including forecast values for the 2017-18 financial year), the Shire has taken on responsibility from developers for the following levels of non-cash capital assets which must be maintained annually.

Assets transferring to the Shire from various developers have resulted in approximately \$370,524 of additional operating expense per annum. This value represents approximately 3.5% of actual rates collected for the 2016/17 financial year and is funded from a combination of financial reserves and rates income.

Schedule 12 Transport - Road Infrastructure	\$	9,767,403
Schedule 12 Transport - Drainage Infrastructure	\$	4,874,725
Schedule 12 Transport - Dual Use Paths	\$	1,658,340
Schedule 11 Recreation and Culture Subdivision Parks & Gardens Infrastructure	\$	46,991
Schedule 12 Transport Subdivision Parks & Gardens Infrastructure	\$	2,178,731
Total	\$	18,526,189

Projects not yet incorporated into the annual budget or Long-Term Financial Plan

The Shire often receives infrastructure requests from ratepayers. In recent years, common themes have been for improved playground equipment, shade sails for both playgrounds and picnic areas and additional dual use paths within the Shire. This is of particular interest to families with children, who make up a significant proportion of the Shire population.

In addition, through improved asset management activity and planning, Shire officers have identified expenditure areas which require more funding. To give an example, Council has recently endorsed the 10 Year Playground Shade Sail Program for consideration in the long-term financial planning discussions proposed for the latter part of 2018. No funding has been allocated for this program at present. There is, however, great community desire to have these facilities improved so this may become an area of focus for rates income allocation. If included in full, expenditure over the 10 year period would amount to an estimated \$368,793.

Operational Efficiencies

As part of the annual budget process, Shire officers are reviewing all variable expenditure lines. These changes will be incorporated into the Budget for 2018-19. As this approach has been taken for a number of years now, the scope for further reductions in expenditure is now limited.

Types of Expenditure and Services provided by local governments

The table below provides a useful reminder of the types of activities, that a local government provides for its community as a whole. While some ratepayers may not access all services, the services must still be funded.

Program	Types of Expenditure
Governance	Members of Council and other governance expenditure. Includes fees, expenses and allowances paid to elected members, Council chamber expenses, election costs and other Council committee expenses.
General Purpose Funding	Rates and other general purpose funding. Includes rating valuation costs and costs of rates levying.
Law, Order, Public Safety	Fire prevention, animal control and other law, order & public safety.
Health	Maternal and infant health, health inspections, pest control (including mosquito management).
Education & Welfare	Care of families and children, senior citizens expenditure, other aged and disabled services and other welfare.
Community Amenities	Sanitation, refuse collection, transfer station operations, waste management education, sewerage costs, stormwater drainage, protection of environment and climate change, land conservation activities, town planning and regional development and cemeteries.
Recreation and Culture	Public halls and civic centres (including community centres), beaches, other recreation and sport, public parks, gardens and reserves, recreation grounds and sports pavilions, public toilets and BBQ cleaning, recreation and sport master plans and studies, libraries and heritage expenditure.
Transport	Roads, bridges, verges, path and drainage maintenance, road and path infrastructure, weed control, road sweeping, street lighting and depot maintenance.
Economic Services	Tourism and area promotion, building control and permits, saleyards and markets, swimming pool inspections, economic development, community development, public utility services and extractive industries.
Other property and Services	Private works, general administrative overheads, public works overheads, plant operations and town planning schemes.

Shire of Capel rates in comparison to neighbouring local governments

In recent years there has been significant focus on the annual percentage increase in the 'rate in the dollar' applied to house valuations provided by the Office of the Valuer General. While this is an important measure in terms of year on year costs to households, another vital measure is the Shire's 'rate in the dollar' compared to neighbouring local governments. The table below shows rates data from the 2017-18 Budget cycle.

While recognising that the local governments shown below do not have the same rating categories as the Shire of Capel, there is enough information held within their budget documentation to allocate the rates in the dollar on a 'best fit' basis.

Basis	BASED ON BUDGET 2017/18						Donnybrook/		
	Capel	Busselton	Bunbury	Harvey	Dardanup	Balingup	Augusta/MR		
Minimum Rate	\$ 1,269	\$ 1,227	\$ 1,131	\$ 1,018	\$ 1,424	\$ 1,052	\$ 833 to \$1,539		
Revenue Raised from Minimum Rating	\$ 3,256,254	\$ 5,769,354	\$ 3,179,241	\$ 2,343,436	\$ 2,748,320	\$ 1,320,574	\$ 2,884,157		
Differential Rates									
1 GRV Residential	7.3410	8.8250	9.0870	8.0626	9.2622	7.5632	10.1900		
2 GRV Residential Vacant	12.6403	8.8250	9.0870	8.0626	9.2622	7.5632	19.5206		
3 GRV Urban Development	7.3410	8.8250	9.0870	8.0626	9.2622	7.5632	10.1900		
4 GRV Urban Development Vacant	12.6403	8.8250	9.0870	8.0626	9.2622	7.5632	19.5206		
5 GRV Town Centre	7.6861	10.5680	9.0870	8.0626	9.2622	7.5632	12.0698		
6 GRV Town Centre/Special Use/Light Industry Vacant	7.6861	11.6339	9.0870	8.0626	9.2622	7.5632	12.0698		
7 GRV Light Industry	7.6861	10.5680	9.0870	8.0626	9.2622	7.5632	12.0698		
8 GRV Commercial Use Urban Development	7.6861	10.5680	9.0870	8.0626	9.2622	7.5632	12.0698		
9 GRV Special Use	7.6861	10.5680	9.0870	8.0626	9.2622	7.5632	12.0698		
10 UV Rural Commercial Use	0.4600	0.3701 / 0.7401	9.0870	0.4890	0.5760	0.5030	0.04456 / 0.07798		
11 UV Rural	0.4600	0.4047	9.0870	0.4890	0.5760	0.5030	0.0446		
12 GRV Special Rural	6.3452	8.8250	9.0870	8.0626	9.2622	7.5632	9.7613		
Revenue Raised from Differential Rating									
GRV	\$ 6,960,297	\$ 32,046,211	\$ 34,114,553	\$ 14,580,117	\$ 7,599,683	\$ 1,592,181	\$ 16,821,202		
UV	\$ 1,273,358	\$ 5,969,599	\$ -	\$ 2,601,245	\$ 1,578,718	\$ 1,624,067	\$ 3,478,305		
Revenue Raised from Specified Area Rates	\$ 655,574	\$ 503,782	\$ 45,861	\$ 576,043	\$ 341,370	\$ 1,000	\$ -		
Discounts/Interims/Adjustments	\$ 110,000	\$ 571,895	\$ 71,318	\$ 723,000	\$ -	\$ 20,000	\$ -		
Total Rates Revenue	\$ 12,255,483	\$ 44,860,841	\$ 37,268,337	\$ 19,377,841	\$ 12,268,091	\$ 4,555,822	\$ 23,183,664		
% Increase in \$ Rate in 2017-18 Budget	6.0%	5.3%	4.5%	3.5%	4.5%	5.0%	3.0%		

There are a few important things to note:

- Capel has the lowest Residential ‘rate in the dollar’ (Zones 1 & 3);
- With the exception of the Shire of Donnybrook/Balingup, the Shire of Capel has the lowest commercial ‘rate in the dollar’ (Zones 5 to 9);
- The Shire of Capel has a ‘Special Rural’ zone (Zone 12) which attracts a significantly lower ‘rate in the dollar’. Zone 12 attracts an approximate 14% reduction in the ‘rate in the dollar’. Only the Shire of Augusta/Margaret River has an equivalent category. This category attracts a lower reduction at 4%;
- None of the Shire’s neighbouring local governments increased its rate in the dollar in line with the Consumer Price Index (CPI). Increases were above CPI and varied from 3% to 5.3%; and
- Many of the Shire’s neighbouring local governments have moved away from differential rates to a single rate in the dollar.

The table below shows the stated residential ‘rates in the dollar’ in dollar terms for ease of comparison. Vacant land valued on a Gross Rental Value (GRV) basis has been excluded from the calculation as circa 84% of these properties are charged the minimum rate in the Shire of Capel.

The following table compares the rates payable for a property with a GRV of \$20,800 across a number of local governments. This is based on the rates for the 2017-18 Budget.

Property with Gross Rental Value of \$400 per week (\$20,800) per annum		Capel	Busselton	Bunbury	Harvey	Dardanup	Donnybrook/ Balingup	Augusta/MR
1 GRV Residential		7.3410	8.8250	9.0870	8.0626	9.2622	7.5632	10.1900
2 GRV Residential Vacant		12.6403	8.8250	9.0870	8.0626	9.2622	7.5632	19.5206
3 GRV Urban Development		7.3410	8.8250	9.0870	8.0626	9.2622	7.5632	10.1900
4 GRV Urban Development Vacant		12.6403	8.8250	9.0870	8.0626	9.2622	7.5632	19.5206
5 GRV Town Centre		7.6861	10.5680	9.0870	8.0626	9.2622	7.5632	12.0698
6 GRV Town Centre/Special Use/Light Industry Vacant		7.6861	11.6339	9.0870	8.0626	9.2622	7.5632	12.0698
7 GRV Light Industry		7.6861	10.5680	9.0870	8.0626	9.2622	7.5632	12.0698
8 GRV Commercial Use Urban Development		7.6861	10.5680	9.0870	8.0626	9.2622	7.5632	12.0698
9 GRV Special Use		7.6861	10.5680	9.0870	8.0626	9.2622	7.5632	12.0698
12 GRV Special Rural		6.3452	8.8250	9.0870	8.0626	9.2622	7.5632	9.7613
Annual Rates								
1 GRV Residential		\$ 1,526.93	\$ 1,835.60	\$ 1,890.10	\$ 1,677.02	\$ 1,926.54	\$ 1,573.15	\$ 2,119.52
3 GRV Urban Development		\$ 1,526.93	\$ 1,835.60	\$ 1,890.10	\$ 1,677.02	\$ 1,926.54	\$ 1,573.15	\$ 2,119.52
5 GRV Town Centre		\$ 1,598.71	\$ 2,198.14	\$ 1,890.10	\$ 1,677.02	\$ 1,926.54	\$ 1,573.15	\$ 2,510.52
6 GRV Town Centre/Special Use/Light Industry Vacant		\$ 1,598.71	\$ 2,419.85	\$ 1,890.10	\$ 1,677.02	\$ 1,926.54	\$ 1,573.15	\$ 2,510.52
7 GRV Light Industry		\$ 1,598.71	\$ 2,198.14	\$ 1,890.10	\$ 1,677.02	\$ 1,926.54	\$ 1,573.15	\$ 2,510.52
8 GRV Commercial Use Urban Development		\$ 1,598.71	\$ 2,198.14	\$ 1,890.10	\$ 1,677.02	\$ 1,926.54	\$ 1,573.15	\$ 2,510.52
9 GRV Special Use		\$ 1,598.71	\$ 2,198.14	\$ 1,890.10	\$ 1,677.02	\$ 1,926.54	\$ 1,573.15	\$ 2,510.52
12 GRV Special Rural		\$ 1,319.80	\$ 1,835.60	\$ 1,890.10	\$ 1,677.02	\$ 1,926.54	\$ 1,573.15	\$ 2,030.35

By way of comparison, the table shows that the Shire of Capel has the lowest GRV residential rates (Zones 1, 3 & 12) of all its neighbouring governments.

Single rate in the dollar

As shown above, many of the Shire’s neighbouring local governments have moved away from differential rates to a single rate in the dollar. They apply one rate in the dollar to all properties valued on an Unimproved Value (UV) basis and one rate in the dollar to all properties valued on a Gross Rental Value (GRV) basis.

Single rate in the dollar is applied for a number of reasons:

- It satisfies the principle of transparency and administrative efficiency laid out in Departmental guidelines in the following ways:
 - The administrative burden attached to differential rates is significant. A single rate in the dollar would free up officer time to undertake other administrative tasks. This is particularly important for a smaller local government where resources are more scarce;
 - The administrative process would take significantly less time as there would be no requirement to give public notice by advertising or apply to the Minister; and
 - It is clear that all ratepayers are charged the same rate for Shire services.
- It satisfies the principle of Fairness, Equity and Consistency as it is evident that all ratepayers are paying the same 'rate in the dollar' for Shire services and contributing equally. Rates are raised to fund activities at a whole of Shire level.
- It satisfies the principle of Objectivity and it removes any risk of subjectivity from the rating process.

Council will note that many local governments have moved to levying a single rate in the dollar for UV and a single rate for GRV considering it to be a more equitable way to distribute the rates burden across the local government area.

Zone 12 Special Rural

Within the Shire of Capel, there are three primary residential zones:

- Zone 1 - Residential (excludes Dalyellup);
- Zone 3 - Urban Development (Dalyellup only); and
- Zone 12 – Special Rural.

Adopted differential rates for the 2017-18 financial year applied a 'rate in the dollar' of 7.3410 cents in the dollar to zones 1 and 3, with zone 12 attracting a lower 'rate in the dollar' of 6.3452 cents in the dollar.

Zone 12 is made up of predominantly larger blocks which up until the 2004-05 financial year were valued as Unimproved (UV).

In 2005-06, the 'rate in the dollar' for zone 12 was increased to bring it into line with other residential properties in zone 1 and 3. This remained the case until 2010-11. In the 2010-11 financial year, properties within the Shire were subject to revaluation from the Office of the Valuer General. Rates in the dollar were adjusted as a result of the valuation as follows.

	Budget year ending	Zones 1 & 3 Residential Rate in the \$ GRV	Zone 12 Rate in the \$ GRV
2009/10	30-Jun-10	6.5931	6.5931
2010/11	30-Jun-11	5.5550	4.8758
2011/12	30-Jun-12	5.8883	5.1683
2012/13	30-Jun-13	6.3005	5.5301
2013/14	30-Jun-14	5.7071	4.9330
2014/15	30-Jun-15	6.1637	5.3276
2015/16	30-Jun-16	6.5335	5.6472
2016/17	30-Jun-17	6.9255	5.9900
2017/18	30-Jun-18	7.3410	6.3452

Zone 12 retains a significant discount, in the region of 14%, in comparison to the other Residential zones. As ratepayers within this zone have the same access to Shire facilities as other residential properties, it is recommended to Council that Zone 12 be realigned with zones 1 and 3 as was previously the case.

Modelling for the 2018-19 financial year

In order to determine the 'rate in the dollar' for the 2018-19 financial year, Shire officers have modelled a number of scenarios, which have been compared to the revenue forecast in the Long Term Financial Plan. Options considered included (but were not limited to):

1. No increase in the minimum rate with 6% increase in the rate in the dollar;
2. No increase in the minimum rate with 4% increase in the rate in the dollar;
3. No increase in the minimum rate with 3% increase in the rate in the dollar;
4. No increase in the minimum rate with 2% increase in the rate in the dollar;
5. No increase in the minimum rate, realign two Unimproved Value (UV) rate groups to a single rate in the dollar and realign all ten Gross Rental Value (GRV) rate groups to a single rate in the dollar – 6% increase in yield from non-minimum rates;
6. No increase in the minimum rate, realign two Unimproved Value (UV) rate groups to a single rate in the dollar and realign all ten Gross Rental Value (GRV) rate groups to a single rate in the dollar – 4% increase in yield from non-minimum rates;
7. Current strategy – 6% increase in minimum rate and 6% increase in rate in the dollar – no change to current differential rating groupings;
8. 4% increase in the minimum rate with 4% increase in the rate in the dollar - no change to current differential rating groupings;
9. 3% increase in the minimum rate with 4% increase in the rate in the dollar - no change to current differential rating groupings;
10. 2% increase in the minimum rate with 4% increase in the rate in the dollar - no change to current differential rating groupings;
11. 6% increase in the minimum rate, realign two Unimproved Value (UV) rate groups to a single rate in the dollar and realign all ten Gross Rental Value (GRV) rate groups to a single rate in the dollar – 6% increase in yield from non-minimum rates – same revenue outcome as current strategy (Model 7);
12. 4% increase in the minimum rate, realign two Unimproved Value (UV) rate groups to a single rate in the dollar and realign ten Gross Rental Value (GRV) rate groups to a single rate in the dollar – 4% increase in yield from non-minimum rates;
13. 6% increase in the minimum rate – 6% increase in the rate in the dollar using current differential rating groupings plus increasing rating group 12 to be on par with other residential properties;
14. 4% increase in the minimum rate – 4% increase in the rate in the dollar using current differential rating groupings plus increasing rating group 12 to be on par with other residential properties;

15. 6% increase in the minimum rate - 20% increase in the rate in the dollar using current differential rating groupings plus increasing rating group 12 to be on par with other residential properties;
16. 6% increase in the minimum rate – 10% increase in the rate in the dollar using current differential rating groupings plus increasing rating group 12 to be on par with other residential properties;
17. 6% increase in the minimum rate – 10% increase in the rate in the dollar with no realignment of rating group 12 with other residential properties; and
18. 6% increase in the minimum rate, realign two Unimproved Value (UV) rate groups to a single rate in the dollar and realign all ten Gross Rental Value(GRV) rate groups to a single rate in the dollar – 9.9% increase in yield.

The current adopted Long Term Financial Plan 2018-33 requires a rates income of \$12,295,904 excluding growth. With this in mind, Council is presented with five options for consideration for the 2018-19 financial year and draft budget. Income of \$12,295,904 is the minimum required to maintain current service levels.

Option 1

Current strategy – 6% increase in minimum rate to \$1,345 and 6% increase in rate in the dollar – no change to current differential rating groupings.

Zone	Rate Category	Basis	2017-18 Budgeted rate in the dollar	2018-19 Proposed rate in the dollar	Variance (cents)	% increase/(decrease) YOY in the rate in the dollar	Proposed rates to be levied including minimum rates
1	Residential	GRV	7.3410	7.7815	0.4405	6.00%	\$3,350,217
2	Residential Vacant	GRV	12.6403	13.3987	0.7584	6.00%	\$490,592
3	Urban development	GRV	7.3410	7.7815	0.4405	6.00%	\$4,955,519
4	Urban development Vacant	GRV	12.6403	13.3987	0.7584	6.00%	\$365,518
5	Town Centre	GRV	7.6861	8.1473	0.4612	6.00%	\$93,168
6	Town Centre/Special Use/Light Industry Vacant	GRV	7.6861	8.1473	0.4612	6.00%	\$35,182
7	Light Industry	GRV	7.6861	8.1473	0.4612	6.00%	\$106,832
8	Commercial Use Urban development	GRV	7.6861	8.1473	0.4612	6.00%	\$271,240
9	Special use	GRV	7.6861	8.1473	0.4612	6.00%	\$72,116
10	Rural Commercial use	UV	0.4600	0.4876	0.0276	6.00%	\$32,360
11	Rural	UV	0.4600	0.4876	0.0276	6.00%	\$1,821,862
12	Special Rural	GRV	6.3452	6.7259	0.3807	6.00%	\$682,649
							\$12,277,254

Compared to the LTFP revenue requirements of \$12,295,904 this model delivers a slight reduction of \$18,649.

Option 2

6% increase in the minimum rate, realign two Unimproved Value (UV) rate groups to a single rate in the dollar and realign all ten Gross Rental Value (GRV) rate groups to a single rate in the dollar – 6% increase in yield from non-minimum rates – same revenue outcome as current strategy (Model 7).

Zone	Rate Category	Basis	2017-18 Budgeted rate in the dollar	2018-19 Proposed rate in the dollar	Variance (cents)	% increase/(decrease) YOY in the rate in the dollar	Proposed rates to be levied including minimum rates
1	Residential	GRV	7.3410	7.7600	0.4190	5.71%	\$3,345,722
2	Residential Vacant	GRV	12.6403	7.7600	(4.8803)	(38.6%)	\$438,951
3	Urban development	GRV	7.3410	7.7600	0.4190	5.71%	\$4,943,269
4	Urban development Vacant	GRV	12.6403	7.7600	(4.8803)	(38.6%)	\$359,115
5	Town Centre	GRV	7.6861	7.7600	0.0739	0.96%	\$89,315
6	Town Centre/Special Use/Light Industry Vacant	GRV	7.6861	7.7600	0.0739	0.96%	\$34,085
7	Light Industry	GRV	7.6861	7.7600	0.0739	0.96%	\$102,265
8	Commercial Use Urban development	GRV	7.6861	7.7600	0.0739	0.96%	\$258,361
9	Special use	GRV	7.6861	7.7600	0.0739	0.96%	\$68,816
10	Rural Commercial use	UV	0.4600	0.4876	0.0276	6.00%	\$32,360
11	Rural	UV	0.4600	0.4876	0.0276	6.00%	\$1,821,862
12	Special Rural	GRV	6.3452	7.7600	1.4148	22.30%	\$783,091
							\$12,277,211

Compared to the LTFP revenue requirements of \$12,295,904 this model delivers a slight reduction of \$18,692.

Option 3

6% increase in the minimum rate – 10% increase in the rate in the dollar using current differential rating groupings plus increasing rating group 12 to be on par with other residential properties.

Zone	Rate Category	Basis	2017-18 Budgeted rate in the dollar	2018-19 Proposed rate in the dollar	Variance (cents)	% increase/(decrease) YOY in the rate in the dollar	Proposed rates to be levied including minimum rates
1	Residential	GRV	7.3410	8.0751	0.7341	10.00%	\$3,416,117
2	Residential Vacant	GRV	12.6403	13.9043	1.2640	10.00%	\$496,621
3	Urban development	GRV	7.3410	8.0751	0.7341	10.00%	\$5,127,001
4	Urban development Vacant	GRV	12.6403	13.9043	1.2640	10.00%	\$366,827
5	Town Centre	GRV	7.6861	8.4547	0.7686	10.00%	\$96,227
6	Town Centre/Special Use/Light Industry Vacant	GRV	7.6861	8.4547	0.7686	10.00%	\$36,053
7	Light Industry	GRV	7.6861	8.4547	0.7686	10.00%	\$110,497
8	Commercial Use Urban development	GRV	7.6861	8.4547	0.7686	10.00%	\$281,476
9	Special use	GRV	7.6861	8.4547	0.7686	10.00%	\$74,736
10	Rural Commercial use	UV	0.4600	0.5060	0.0460	10.00%	\$33,429
11	Rural	UV	0.4600	0.5060	0.0460	10.00%	\$1,872,156
12	Special Rural	GRV	6.3452	8.0751	1.7299	27.26%	\$814,745
							\$12,725,882

Compared to the LTFP revenue requirements of \$12,295,904 this model delivers an increase of \$429,979.

Option 4

6% increase in the minimum rate – 10% increase in the rate in the dollar with no realignment of rating group 12 with other residential properties.

Zone	Rate Category	Basis	2017-18 Budgeted rate in the dollar	2018-19 Proposed rate in the dollar	Variance (cents)	% increase/(decrease) YOY in the rate in the dollar	Proposed rates to be levied including minimum rates
1	Residential	GRV	7.3410	8.0751	0.7341	10.00%	\$3,416,117
2	Residential Vacant	GRV	12.6403	13.9043	1.2640	10.00%	\$496,621
3	Urban development	GRV	7.3410	8.0751	0.7341	10.00%	\$5,127,001
4	Urban development Vacant	GRV	12.6403	13.9043	1.2640	10.00%	\$366,827
5	Town Centre	GRV	7.6861	8.4547	0.7686	10.00%	\$96,227
6	Town Centre/Special Use/Light Industry Vacant	GRV	7.6861	8.4547	0.7686	10.00%	\$36,053
7	Light Industry	GRV	7.6861	8.4547	0.7686	10.00%	\$110,497
8	Commercial Use Urban development	GRV	7.6861	8.4547	0.7686	10.00%	\$281,476
9	Special use	GRV	7.6861	8.4547	0.7686	10.00%	\$74,736
10	Rural Commercial use	UV	0.4600	0.5060	0.0460	10.00%	\$33,429
11	Rural	UV	0.4600	0.5060	0.0460	10.00%	\$1,872,156
12	Special Rural	GRV	6.3452	6.9797	0.6345	10.00%	\$706,019
							\$12,617,156

Compared to the LTFP revenue requirements of \$12,295,904 this model delivers an increase of \$321,253.

Option 5

6% increase in the minimum rate, realign two Unimproved Value (UV) rate groups to a single rate in the dollar and realign all ten Gross Rental Value (GRV) rate groups to a single rate in the dollar. – 9.9% increase in yield

Zone	Rate Category	Basis	2017-18 Budgeted rate in the dollar	2018-19 Proposed rate in the dollar	Variance (cents)	% increase/(decrease) YOY in the rate in the dollar	Proposed rates to be levied including minimum rates
1	Residential	GRV	7.3410	8.1620	0.8210	11.18%	\$3,437,251
2	Residential Vacant	GRV	12.6403	8.1620	(4.4783)	-35.43%	\$441,267
3	Urban development	GRV	7.3410	8.1620	0.8210	11.18%	\$5,179,743
4	Urban development Vacant	GRV	12.6403	8.1620	(4.4783)	-35.43%	\$359,115
5	Town Centre	GRV	7.6861	8.1620	0.4759	6.19%	\$93,314
6	Town Centre/Special Use/Light Industry Vacant	GRV	7.6861	8.1620	0.4759	6.19%	\$35,224
7	Light Industry	GRV	7.6861	8.1620	0.4759	6.19%	\$107,005
8	Commercial Use Urban development	GRV	7.6861	8.1620	0.4759	6.19%	\$271,731
9	Special use	GRV	7.6861	8.1620	0.4759	6.19%	\$72,242
10	Rural Commercial use	UV	0.4600	0.5060	0.0460	10.00%	\$33,429
11	Rural Commercial use	UV	0.4600	0.5060	0.0460	10.00%	\$1,872,156
12	Special Rural	GRV	6.3452	8.1620	1.8168	28.63%	\$823,484
							\$12,725,960

Compared to the LTFP revenue requirements of \$12,295,904 this model delivers an increase of \$430,056.

Financial Comparison of Models

Comparison of 2018-19 rates revenue options by category versus budget 2017-18 rates revenue

Zone	Rate Category	Basis	2017-18 Budgeted Rates Revenue	Option 1	Option 2	Option 3	Option 4	Option 5
1	Residential	GRV	\$3,148,423	\$3,350,217	\$3,345,722	\$3,416,117	\$3,416,117	\$3,437,251
2	Residential Vacant	GRV	\$492,692	\$490,592	\$438,951	\$496,621	\$496,621	\$441,267
3	Urban development	GRV	\$4,652,231	\$4,955,519	\$4,943,269	\$5,127,001	\$5,127,001	\$5,179,743
4	Urban development Vacant	GRV	\$360,774	\$365,518	\$359,115	\$366,827	\$366,827	\$359,115
5	Town Centre	GRV	\$86,496	\$93,168	\$89,315	\$96,227	\$96,227	\$93,314
6	Town Centre/Special Use/Light Industry Vacant	GRV	\$27,159	\$35,182	\$34,085	\$36,053	\$36,053	\$35,224
7	Light Industry	GRV	\$100,786	\$106,832	\$102,265	\$110,497	\$110,497	\$107,005
8	Commercial Use Urban development	GRV	\$232,013	\$271,240	\$258,361	\$281,476	\$281,476	\$271,731
9	Special use	GRV	\$106,004	\$72,116	\$68,816	\$74,736	\$74,736	\$72,242
10	Rural Commercial use	UV	\$30,528	\$32,360	\$32,360	\$33,429	\$33,429	\$33,429
11	Rural	UV	\$1,717,436	\$1,821,862	\$1,821,862	\$1,872,156	\$1,872,156	\$1,872,156
12	Special Rural	GRV	\$645,368	\$682,649	\$783,091	\$814,745	\$706,019	\$823,484
			\$11,599,910	\$12,277,254	\$12,277,211	\$12,725,882	\$12,617,156	\$12,725,960
	Increase in overall yield			5.84%	5.84%	9.71%	8.77%	9.71%

Comparison of 2018-19 rates revenue options by category versus forecast 2017-18 rates revenue

Zone	Rate Category	Basis	2017-18 Forecast Rates Revenue	Option 1	Option 2	Option 3	Option 4	Option 5
1	Residential	GRV	\$3,158,690	\$3,350,217	\$3,345,722	\$3,416,117	\$3,416,117	\$3,437,251
2	Residential Vacant	GRV	\$460,863	\$490,592	\$438,951	\$496,621	\$496,621	\$441,267
3	Urban development	GRV	\$4,690,291	\$4,955,519	\$4,943,269	\$5,127,001	\$5,127,001	\$5,179,743
4	Urban development Vacant	GRV	\$316,591	\$365,518	\$359,115	\$366,827	\$366,827	\$359,115
5	Town Centre	GRV	\$87,895	\$93,168	\$89,315	\$96,227	\$96,227	\$93,314
6	Town Centre/Special Use/Light Industry Vacant	GRV	\$35,797	\$35,182	\$34,085	\$36,053	\$36,053	\$35,224
7	Light Industry	GRV	\$100,786	\$106,832	\$102,265	\$110,497	\$110,497	\$107,005
8	Commercial Use Urban development	GRV	\$263,335	\$271,240	\$258,361	\$281,476	\$281,476	\$271,731
9	Special use	GRV	\$68,034	\$72,116	\$68,816	\$74,736	\$74,736	\$72,242
10	Rural Commercial use	UV	\$30,528	\$32,360	\$32,360	\$33,429	\$33,429	\$33,429
11	Rural	UV	\$1,719,509	\$1,821,862	\$1,821,862	\$1,872,156	\$1,872,156	\$1,872,156
12	Special Rural	GRV	\$645,802	\$682,649	\$783,091	\$814,745	\$706,019	\$823,484
			\$11,578,121	\$12,277,254	\$12,277,211	\$12,725,882	\$12,617,156	\$12,725,960
	Increase in overall yield			6.04%	6.04%	9.91%	8.97%	9.91%

2018-19 'rate in the dollar' options

2018-19 Proposed rate the dollar options								
Zone	Rate Category	Basis	2017-18 Budget	Option 1	Option 2	Option 3	Option 4	Option 5
1	Residential	GRV	7.3410	7.7815	7.7600	8.0751	8.0751	8.1620
2	Residential Vacant	GRV	12.6403	13.3987	7.7600	13.9043	13.9043	8.1620
3	Urban development	GRV	7.3410	7.7815	7.7600	8.0751	8.0751	8.1620
4	Urban development Vacant	GRV	12.6403	13.3987	7.7600	13.9043	13.9043	8.1620
5	Town Centre	GRV	7.6861	8.1473	7.7600	8.4547	8.4547	8.1620
6	Town Centre/Special Use/Light Industry Vacant	GRV	7.6861	8.1473	7.7600	8.4547	8.4547	8.1620
7	Light Industry	GRV	7.6861	8.1473	7.7600	8.4547	8.4547	8.1620
8	Commercial Use Urban development	GRV	7.6861	8.1473	7.7600	8.4547	8.4547	8.1620
9	Special use	GRV	7.6861	8.1473	7.7600	8.4547	8.4547	8.1620
10	Rural Commercial use	UV	0.4600	0.4876	0.4876	0.5060	0.5060	0.5060
11	Rural	UV	0.4600	0.4876	0.4876	0.5060	0.5060	0.5060
12	Special Rural	GRV	6.3452	6.7259	7.7600	8.0751	6.9797	8.1620

2018-19 'rate in the dollar' increase options

2018-19 Proposed % increase in the rate the dollar increase by option							
Zone	Rate Category	Basis	Option 1	Option 2	Option 3	Option 4	Option 5
1	Residential	GRV	6.00%	5.71%	10.00%	10.00%	11.18%
2	Residential Vacant	GRV	6.00%	(38.6%)	10.00%	10.00%	(35.4%)
3	Urban development	GRV	6.00%	5.71%	10.00%	10.00%	11.18%
4	Urban development Vacant	GRV	6.00%	(38.6%)	10.00%	10.00%	(35.4%)
5	Town Centre	GRV	6.00%	0.96%	10.00%	10.00%	6.19%
6	Town Centre/Special Use/Light Industry Vacant	GRV	6.00%	0.96%	10.00%	10.00%	6.19%
7	Light Industry	GRV	6.00%	0.96%	10.00%	10.00%	6.19%
8	Commercial Use Urban development	GRV	6.00%	0.96%	10.00%	10.00%	6.19%
9	Special use	GRV	6.00%	0.96%	10.00%	10.00%	6.19%
10	Rural Commercial use	UV	6.00%	6.00%	10.00%	10.00%	10.00%
11	Rural	UV	6.00%	6.00%	10.00%	10.00%	10.00%
12	Special Rural	GRV	6.00%	22.30%	27.26%	10.00%	28.63%

Proposal

That Council determines the rates in the dollar and minimum rate for the 2018-19 financial year as detailed in Option 5.

STATUTORY ENVIRONMENT

Local Government Act 1995, Section 6.2

6.2 Local Government to prepare Annual Budget

- (1) During the period from 1 June in a financial year to 31 August in the next financial year, or such extended time as the Minister allows, each local government is to prepare and adopt*, in the form and manner prescribed, a budget for its municipal fund for the financial year ending on the 30 June next following that 31 August.

* *Absolute Majority required*

- (2) In the preparation of the annual budget the local government is to have regard to the contents of the plan for the future of the district made in accordance with section 5.56 and to prepare a detailed estimate for the current year of –

- (a) The expenditure by the local government; and
- (b) The revenue and income, independent of general rates, of the local government; and
- (c) The amount required to make up the deficiency, if any, shown by comparing the estimated expenditure with the estimated revenue and income.

Local Government (Financial Management) Regulations 1996, regulation 26

26. Discount, incentive, concession, waiver and write-off information

- (1) The annual budget is to include for each discount or other incentive to be granted for early payment of any money and in respect of each waiver or concession proposed in relation to any money –
 - a) in respect of a discount -
 - (i) the amount of the discount, or the percentage discount, to be allowed; and
 - (ii) the circumstances in which the discount will be granted;and
 - c) in relation to a waiver or concession -
 - (i) a brief description of the waiver or concession;
 - (ii) a statement of the circumstances in which it will be granted;
 - (iii) details of the persons or class of persons to whom it is available; and
 - (iv) the objects of, and reasons for, the waiver or concession.

Local Government Act 1995, Section 6.12

6.12 Power to defer, grant discounts, waive or write off debts

- (1) Subject to subsection (2) and any other written law, a local government may –
 - a) when adopting the annual budget, grant* a discount or other incentive for the early payment of any amount of money; or
 - b) waive or grant concessions in relation to any amount of money; or
 - c) write off any amount of money, which is owed to the local government.

** Absolute majority required*
- (2) Subsection 1(a) and (b) do not apply to an amount of money owing in respect of rates and services charges.
- (3) The grant of a concession under subsection (1)(b) may be subject to any conditions determined by the local government.

Local Government Act 1995, Section 6.28

6.28 Basis of Rates

- (2) In determining the method of valuation of land to be used by a local government the Minister is to have regard to the general principle that the basis for a rate on any land is to be –
 - a) where the land is used predominantly for rural purposes, the unimproved value of the land; and
 - b) where the land is used predominantly for non-rural purposes, the gross rental value of the land.
- (4) Subject to subsection (5), for the purposes of this section the valuation to be used by a local government is to be the valuation in force under the *Valuation of Land Act 1978* as at 1 July in each financial year.

Local Government Act 1995, Section 6.32

6.32 Rates and Service Charges

- (1) When adopting the annual budget, a local government –
 - (a) in order to make up the budget deficiency, is to impose* a general rate on rateable land within its district, which rate may be imposed either –
 - i. uniformly; or
 - ii. differentially;and

- (b) may impose* on rateable land within its district –
 - i. a specified area rate; or
 - ii. a minimum payment;and

- (c) may impose* a service charge on land within its district.

* *Absolute Majority required*

Local Government Act 1995, Section 6.33

6.33 Differential General Rates

- (1) A local government may impose differential general rates according to any, or a combination, of the following characteristics –
 - (a) the purpose for which the land is zoned, whether or not under a local planning scheme or improvement scheme in force under the *Planning and Development Act 2005*; or
 - (b) a purpose for which the land is held or used as determined by the local government; or
 - (c) whether or not the land is vacant land; or
 - (d) any other characteristic or combination of characteristics prescribed.
- (2) ...
- (3) In imposing a differential general rate a local government is not to, without the approval of the Minister, impose a differential general rate which is more than twice the lowest differential general rate imposed by it.

Local Government (Financial Management) Regulations 1996, regulation 52A

52A. Characteristics prescribed for differential general rates

- (1) In this regulation
 - commencement day** means the day on which the *Local Government (Financial Management) Amendment Regulations (No.2) 2012* regulation 5 comes into operation;
 - relevant district** means a district that –
 - (a) is declared to be a district by an order made under section 2.1(1)(a) on or after commencement day; or
 - (b) has its boundaries changed by an order made under section 2.1(1)(b) on or after commencement day.
- (2) For the purposes of section 6.33(1)(d), the following characteristics are prescribed in relation to land in a relevant district, where not more than 5 years has elapsed since the district last became a relevant district –
 - (a) whether or not the land is situated in a townsite as defined in the *Land Administration Act 1997* section 3(1);
 - (b) whether or not the land is situated in a particular part of the district of the local government.

Local Government Act 1995, Section 6.34

6.34 Limit on Revenue or Income from General Rates

Unless the Minister otherwise approves, the amount shown in the annual budget as being the amount it is estimated will be yielded by the general rate is not to –

- (a) be more than 110% of the amount of the budget deficiency; or
- (b) be less than 90% of the amount of the budget deficiency.

Local Government Act 1995, Section 6.35

6.35 Minimum Payment

- (1) Subject to this section, a local government may impose on any rateable land in its district a minimum payment which is greater than the general rate which would otherwise be payable on that land.
- (2) A minimum payment is to be a general minimum but, subject to subsection (3), a lesser minimum may be imposed in respect of any portion of the district.

- (3) In applying subsection (2) the local government is to ensure the general minimum is imposed on not less than –
 - (a) 50% of the total number of separately rated properties in the district; or
 - (b) 50% of the number of properties in each category referred to in subsection (6), on which a minimum payment is imposed.
- (4) A minimum payment is not to be imposed on more than the prescribed percentage (50%) of –
 - (a) the number of separately rated properties in the district; or
 - (b) the number of properties in each category referred to in subsection (6), unless a general minimum does not exceed the prescribed amount (\$200).
- (5) If a local government imposes a differential general rate on any land on the basis that the land is vacant land it may, with the approval of the Minister, impose a minimum payment in a manner that does not comply with subsection (2), (3) and (4) for that land.
- (6) For the purposes of this section a minimum payment is to be applied separately, in accordance with the principles set forth in subsection (2), (3) and (4) in respect of each of the following categories –
 - (a) to land rated on gross rental value; and
 - (b) to land rated on unimproved value; and
 - (c) to each differential rating category where a differential general rate is imposed.

Local Government Act 1995, Section 6.36

6.36 Local Government to give Notice of Certain Rates

- (1) Before imposing any differential general rates or a minimum payment applying to a differential rate category under section 6.35(6)(c) a local government is to give local public notice of its intention to do so. *(21 days – may be 2 months before financial year).*

Local Government Act 1995, Section 6.47

6.47 Concessions

Subject to the *Rates and Charges (Rebates and Deferments) Act 1992*, a local government may at the time of imposing a rate or service charge or at a later date resolve to waive* a rate or service charge or resolve to grant other concessions in relation to a rate or service charge.

** Absolute majority required*

POLICY IMPLICATIONS

The budget is based on the principles contained in the Strategic Community Plan and Corporate Business Plan. Policy 2.7 – Preparation of Integrated Financial Plan and Annual budget applies.

RISK IMPLICATIONS

When considering this item, Council must consider the financial risk to the community of raising insufficient revenue to meet their expectations in terms of service delivery and infrastructure. Council must consider the impact to the community as a whole of reduced service levels, lower than required asset renewal and the consequences of not delivering desired infrastructure and community facilities.

Should Council decide not to endorse the officer recommendation and endorse an alternative encompassing Differential Rating, then Council would be required to follow the process applicable in previous years.

This would involve:

- Resolving to hold a Special meeting for the week after its Ordinary Council Meeting of the 23 May 2018 to consider the determined differential rating option and endorse the 2018-19 'Objects and Reasons';
- Giving public notice of proposed rates for 2018-19;

- Writing to ratepayers who are part of any rating group with less than 30 ratepayers;
- Holding a Special Meeting to consider any submissions received; and
- Applying to the Minister for differential rates, minimum rates and '2018-19 Objects and Reasons approval'; and
- Waiting approximately 3 to 4 weeks for a response.

In addition, Ministerial guidelines require that a local government provide a copy of:

- Minutes that reflect that Council reviewed and considered budget efficiency measures;
- Minutes where Council adopted the current year's 'Objects and Reasons';
- Letters to ratepayers where there are less than 30 in a category;
- Submissions received and responses to those submissions;
- Council minutes that reflect the reason for deviation from the rating strategy in the CBP and LTFP;
- Public Notice;
- Council agenda and minutes where submissions were considered; and
- Minutes where Council resolved to make an application to the Minister.

Council should be aware of the additional timeframe and administrative impacts of the decision to continue with differential rates. This may impact the timing of budget adoption and may result in the Shire applying to the Minister for a time extension in order to adopt the budget for the 2018-19 financial year. This could jeopardise the timing of large projects and may have impacts on grant funding for those projects.

FINANCIAL IMPLICATIONS

Budget

After taking into consideration all other sources of income, Council is required to raise sufficient rates to meet its total expenditure. While Council is permitted to adopt a budget that has a surplus or deficit that does not exceed 10% of its rate revenue, it is not a sustainable long-term strategy.

The previously adopted Long Term Financial Plan 2016-26 assumed annual growth for the 2018-19 year in excess of 4%. This was reduced to 2.4% in the revised plan in line with current conditions. This will have an impact on additional revenue in rateable assessment derived from growth. Growth rates will continue to be reviewed as part of on-going planning.

A number of Rating Strategy Reports have also been considered by Council in recent years, all supporting and reinforcing the need to maintain the current Rating Strategy of at least 6% increase in rates each year.

At the Ratings Workshop on 28 February 2018, Councillors were presented with a number of rating options for the 2018-19 year. Councillors were reminded that previously, a minimum of 6% overall yield was required to facilitate the delivery of the current Long Term Financial Plan and base on-going service delivery.

Option 5 incorporates a 6% increase in the minimum rate, a realignment of all 10 GRV rating zones to a single rate in the dollar delivering a 9.87% increase in rates yield on current 2017-18 forecast rates income.

Together with other sources of revenue and funding (including the Dalyellup Specified Area Rate), the expected increase in rate revenue for 2018-19 will need to be sufficient to fund expected increases in employee costs, debt servicing costs, various Service Strategies and Plans, and the capital works program.

For the 2018-19 draft Budget (assuming revenue from Option 5) it is proposed a total of \$12,725,960 be raised from general and minimum property rates, which includes 0% as the payment on time discount rate adjustments and interim rates. \$526,199 is proposed to be raised from specified area rates. Excluding \$110,000 budgeted for interims in 2018-19, there is an increase in property rates of \$1,257,839 compared to the 2017-18 forecast rates revenue of \$11,578,121.

Long Term

The rating strategy deployed by Council in the 2018-19 financial year will form part of the base year for the subsequent Long Term Financial Plan proposed to be reviewed in the latter part of 2018. The long-term cumulative impact of a given rating decision can have significant impacts on Council's ability to maintain sustainable operations. If Council is not able to adequately fund operations in the 2018-19 financial year, then the financial position of Council will potentially deteriorate in future years as assets age further and the demand for services increase with projected population growth.

Through the development of the Integrated Planning Framework, Council now has the ability to evaluate the long term financial implications of all of its strategies, plans and works programs. This provides sound guidance to Council on the amount of rates required to fund all of these services and facilities, and/or in turn adjust expenditure and service levels to match the rate income projected for the future.

Long term financial sustainability is a key focus for the Shire. Resources have to be made available to ensure that assets are adequately funded and renewed to a level consistent with community expectations. Asset renewal is a key area to which funding needs to be allocated.

Current long-term rates revenue for the 2018-19 financial year is \$12,295,904. Option 5 would deliver \$12,725,960. This is additional revenue of \$430,056 for the year.

The long-term financial plan for financial years 2019-20 onwards is modelled on a 4% increase each year. Should Council endorse Option 5, then rates increases in subsequent years will not exceed 4%.

SUSTAINABILITY IMPLICATIONS

The levying of property rates has an environmental impact in that around 7,517 rate notices will be distributed in a paper based medium.

Increased property rates have the potential to have a social impact in terms of their affordability by reducing the amount of disposal income available to households. Limiting the extent of the increase should minimise this impact.

Bearing in mind the anticipated increases in utility charges imposed by the State Government, prevailing economic conditions and that property rates also create a financial burden on customers, every effort has been made to minimise the size of the rate increase.

Property rates are the Shire's main area of "own source" revenue and it is therefore essential that rates revenue be raised in a timely manner and to such an extent it allows the continued financial operation of the Shire in a sustainable manner.

STRATEGIC IMPLICATIONS

Shire of Capel Strategic Community Plan 2018 – 2028

The Leadership Experience, *'Open, transparent, and effective good governance.'*

Strategic Objectives:

1.3 Creating a more connected community.

1.6 Council is effective and efficient in the financial management stewardship of community assets.

The Community Experience, *'Facilities and services that accommodate the diverse needs of the community and providing a safe place to live, work and visit.'*

Strategic Objectives:

2.1 Council works in partnership with the community in providing appropriate services and facilities.

The Infrastructure Experience, *'To ensure safe, sustainable and efficient infrastructure and transport networks.'*

Strategic Objectives:

5.3 Working together to meet the needs of changing infrastructure requirements.

CONSULTATION

Should Council endorse the officer's recommendation to return to a Single Rate in the Dollar then there is no requirement to advertise or apply for Ministerial approval. Advertising is only applicable to Differential Rating. Shire officers have been in consultation with the DLGSCI and the Department is satisfied that a single rate in the dollar better meets the principles laid out in its guidelines.

Should Council decide to endorse an alternative, which encompasses Differential Rating, then the process followed in prior years would re-commence. Council would need to:

- Resolve to hold a Special meeting for the week after its Ordinary Council Meeting of 23 May 2018 to consider the determined differential rating option and endorse the 2018-19 'Objects and Reasons';
- Give public notice of proposed rates for 2018-19;
- Write to ratepayers who are part of any rating group with less than 30 ratepayers;
- Hold a Special Meeting to consider any submissions received;
- Apply to the Minister for differential rates, minimum rates and '2018-19 Objects and Reasons'; and
- Apply to the Minister for approval.

In addition to the requirements prescribed the Act, Ministerial guidelines require that a local government provide a copy of:

- Minutes that reflect that Council reviewed and considered budget efficiency measures;
- Objects and reasons;

- Minutes where Council adopted these objects and reasons;
- Letters to ratepayers where there are less than 30 in a category;
- Submissions received;
- Response to submissions;
- Council minutes that reflect the reason for deviation from the rating strategy in the CBP and LTFP;
- Public Notice;
- Council agenda and minutes where submissions were considered; and
- Minutes where Council resolved to make an application to the Minister.

Council should be aware of the additional timeframe and administrative impacts of the decision to continue with differential rates.

COMMENT

Rates are an intrinsic part of the Shire's ability to raise enough revenue to fund Shire expenditure and deliver services and infrastructure to the community as a whole. As previously indicated, when considering the amount of rates to be raised, Council needs to make the decision in the context of:

- Community service level expectations;
- The range of services provided by the Shire;
- Current and future asset renewal requirements;
- Capital additions and non-cash capital contributions requiring Shire funding;
- Funding of current and future community projects;
- Other funding levels and sources available to the local government;
- Long term revenue impacts;
- Property growth rates;
- Levels of funds available from developer contributions; and
- Operational efficiencies available.

The Shire of Capel has a 'rate in the dollar', which has been consistently below the majority of its neighbours. This is limiting the Shire's ability to fund projects, adequately renew and maintain assets, and improve services to the community.

The current differential rating is administratively inefficient and is carrying historical anomalies in the 'rates in the dollar' applied to property zones.

Gross Rental Values

Properties rated on the basis of their Gross Rental Value (GRV) had their valuations updated during 2015/16 by Landgate, applying from the 1st July 2016. GRV valuations are completed every 3 years. These revised valuations were reflected in the GRV calculations for 2016/17.

For the 2017-18 budget, GRV and UV 'rates in the dollar' were increased by 6% on the prior year.

Growth in Properties

At the time rates were billed for 2017-18, there was a total of 7,653 properties including 226 non-rateable properties. There are now 7,752 properties of which 233 are non-rateable. The growth in the number of ratable properties for the year was marginal.

The preferred model, Option 5, has applied a 6% increase in the minimum rate and generates an overall increase in rates yield of 9.91% on 2017-18 forecast. Minimum rates across all categories increasing by \$76. The minimum, across all rate groups for 2018-19, is now at \$1,345.00 (last year \$1,269.00).

Zone	Rate Category	Basis	2017-18 Actual Rate	2018-19 Proposed Rate	Variance (cents)	% increase/(decrease) YOY in the rate in the dollar	2017-18 Forecast Rates Revenue	Proposed rates to be levied for 2018-19 including minimum rates
1	Residential	GRV	7.3410	8.1620	0.8210	11.18%	\$3,158,690	\$3,437,251
2	Residential Vacant	GRV	12.6403	8.1620	(4.4783)	(35.43%)	\$460,863	\$441,267
3	Urban development	GRV	7.3410	8.1620	0.8210	11.18%	\$4,690,291	\$5,179,743
4	Urban development Vacant	GRV	12.6403	8.1620	(4.4783)	(35.43%)	\$316,591	\$359,115
5	Town Centre	GRV	7.6861	8.1620	0.4759	6.19%	\$87,895	\$93,314
6	Town Centre/Special Use/Light Industry Vacant	GRV	7.6861	8.1620	0.4759	6.19%	\$35,797	\$35,224
7	Light Industry	GRV	7.6861	8.1620	0.4759	6.19%	\$100,786	\$107,005
8	Commercial Use Urban development	GRV	7.6861	8.1620	0.4759	6.19%	\$263,335	\$271,731
9	Special use	GRV	7.6861	8.1620	0.4759	6.19%	\$68,034	\$72,242
10	Rural Commercial use	UV	0.4600	0.5060	0.0460	10.00%	\$30,528	\$33,429
11	Rural	UV	0.4600	0.5060	0.0460	10.00%	\$1,719,509	\$1,872,156
12	Special Rural	GRV	6.3452	8.1620	1.8168	28.63%	\$645,802	\$823,484
							\$11,578,121	\$12,725,960

These rates were applied against the GRV's and the resultant rate model calculated a rate yield for GRV properties of \$12,725,960 from 7,517 properties.

Unimproved Valuations

Updated valuations for properties rated on the basis of their unimproved value (UV) are provided annually and therefore take effect from 1 July 2016. The updated valuations effective for the 2018-19 financial year have not yet been included in the models but only a marginal change is expected year on year effecting an immaterial change in revenue.

A 10% increase in the 'rate in the dollar' has been added to the 2017-18 adopted rate which is yielding \$1,905,584 from 833 rural UV. This yield is based on a proposed rate of 0.5060 cents in the dollar. The proposed 2018-19 revenue of \$1,905,584 is \$157,620 more than the 2017-18 budgeted amount of \$1,747,964.

Minimum Rates

When calculating rates, legislation allows a minimum rate amount to be applied if the result of calculating the property value and the rate in the dollar is too low. This minimum rate amount represents the minimum charge for ratepayers provided local government services.

There have been consistent increases in the minimum rate and for residential ratepayers this minimum rate has increased from \$465.00 in 2004-05 to \$1,269.00 in 2017-18. A minimum rate of \$1,345.00 is proposed for 2018-19.

Rate models were calculated using a range of minimum rate levels. These ranged from a zero increase to a 6% increase. The recommended model allows for a 6% increase in the minimum from \$1,269.00 in 2017-18 to \$1,345.00 in 2018-19. This will mean that all properties, regardless of their rating valuation method (GRV or UV) or development status will be charged a minimum rate of \$1,345.00. This minimum rate is considered to represent a fair minimum burden upon ratepayers for the local government services they are provided.

Total Rates

The total rate yield included in the draft budget is shown in the following table. \$12,725,960 is proposed to be raised from 7,517 rate assessments. Once expected interim rates, and specified area rates are included, the total amount to be raised increases to \$13,362,159.

Table 1: 2018-19 Anticipated Rate Yield (excluding interim rates and Specified Area Rate)

Calculate Rate						
Zone	Rate Category	Basis	2018-19 Proposed rate in the dollar	Rate Yield	Number of Properties	Average Rate
1	Residential	GRV	8.162	\$1,992,721	1200	\$1,660.60
2	Residential Vacant	GRV	8.162	\$51,217	23	\$2,226.81
3	Urban development	GRV	8.162	\$4,965,888	3090	\$1,607.08
4	Urban development Vacant	GRV	8.162	\$0	0	\$0.00
5	Town Centre	GRV	8.162	\$81,209	24	\$3,383.72
6	Town Centre/Special Use/Light Industry Vacant	GRV	8.162	\$23,119	5	\$4,623.77
7	Light Industry	GRV	8.162	\$96,245	32	\$3,007.67
8	Commercial Use Urban development	GRV	8.162	\$271,731	23	\$11,814.39
9	Special use	GRV	8.162	\$69,552	6	\$11,591.94
10	Rural Commercial use	UV	0.506	\$29,394	11	\$2,672.14
11	Rural	UV	0.506	\$1,398,716	467	\$2,995.11
12	Special Rural	GRV	8.162	\$820,794	461	\$1,780.46
				\$9,800,585	5342	
Minimum Rates						
Zone	Rate Category	Basis	2018-19 Proposed Minimum Rate	Rate Yield	Number of Properties	Average Rate
1	Residential	GRV	\$1,345	\$1,444,530	1074	\$1,345.00
2	Residential Vacant	GRV	\$1,345	\$390,050	290	\$1,345.00
3	Urban development	GRV	\$1,345	\$213,855	159	\$1,345.00
4	Urban development Vacant	GRV	\$1,345	\$359,115	267	\$1,345.00
5	Town Centre	GRV	\$1,345	\$12,105	9	\$1,345.00
6	Town Centre/Special Use/Light Industry Vacant	GRV	\$1,345	\$12,105	9	\$1,345.00
7	Light Industry	GRV	\$1,345	\$10,760	8	\$1,345.00
8	Commercial Use Urban development	GRV	\$1,345	\$0	0	\$0.00
9	Special use	GRV	\$1,345	\$2,690	2	\$1,345.00
10	Rural Commercial use	UV	\$1,345	\$4,035	3	\$1,345.00
11	Rural	UV	\$1,345	\$473,440	352	\$1,345.00
12	Special Rural	GRV	\$1,345	\$2,690	2	\$1,345.00
				\$2,925,375	2175	
	Total			\$12,725,960	7517	

Comparison of Property numbers 2018-19 Draft Budget to 2017-18 Adopted Budget

Zone	Rate Category	Basis	2018-19 Draft Budget	2017-18 Adopted Budget	Variance YOY
1	Residential	GRV	2274	2249	25
2	Residential Vacant	GRV	313	325	(12)
3	Urban development	GRV	3249	3205	44
4	Urban development Vacant	GRV	267	246	21
5	Town Centre	GRV	33	32	1
6	Town Centre/Special Use/Light Industry Vacant	GRV	14	14	0
7	Light Industry	GRV	40	40	0
8	Commercial Use Urban development	GRV	23	14	9
9	Special use	GRV	8	9	(1)
10	Rural Commercial use	UV	14	14	0
11	Rural	UV	819	818	1
12	Special Rural	GRV	463	457	6
			7517	7423	94

- o The largest increase in the number of rate assessments has occurred for the urban developed rating category with assessments increasing from 3,205 to 3,249 a growth rate of 1.4%.
- o The second largest increase in the number of rate assessments has occurred for the residential rating category with assessments increasing from 2,249 to 2,274 a growth rate of 1.1%.

Average Rates – 8 Year Comparison

	2011-12	2012-13	2013-24	2014-15	2015-16	2016-17	2017-18	2018-19
Differential rates								
- Residential	\$962.04	\$1,011.15	\$1,081.47	\$1,144.52	\$1,237.51	\$1,440.08	\$1,546.65	\$1,660.60
- Residential Undeveloped	N/A	\$1,537.61	\$1,643.51	\$1,915.78	\$2,169.40	\$2,096.40	\$2,303.47	\$2,226.81
- Urban Developed	N/A	N/A	N/A	\$1,180.03	\$1,255.84	\$1,375.36	\$1,461.55	\$1,607.08
- Urban Undeveloped	N/A	N/A	N/A	\$1,191.78	\$1,513.04	\$1,561.32	\$1,724.58	\$0.00
- Town Centre	N/A	N/A	N/A	\$2,884.74	\$2,729.34	\$2,827.95	\$3,264.15	\$3,383.72
- Town Centre/Special Use/Light Industry Vacant	N/A	N/A	N/A	\$2,216.71	\$2,678.61	\$2,989.50	\$3,617.27	\$4,623.77
- Light Industry	N/A	N/A	N/A	\$2,254.57	\$2,288.46	\$2,475.27	\$2,843.09	\$3,007.67
- Commercial Use Urban Development	\$2,956.20	\$3,118.63	\$3,122.97	\$1,507.60	\$14,834.01	\$14,729.67	\$16,740.33	\$11,814.39
- Special Use Developed	N/A	N/A	N/A	\$11,695.53	\$15,688.48	\$16,077.25	\$14,780.81	\$11,591.94
- Rural	\$1,865.62	\$1,949.92	\$2,040.25	\$2,195.65	\$2,289.42	\$2,464.55	\$2,402.22	\$2,672.14
- Rural Land Use	\$4,505.67	\$4,756.16	\$5,087.75	\$5,152.02	\$5,244.51	\$5,390.69	\$2,641.27	\$2,995.11
- Special Rural	\$891.85	\$959.39	\$996.84	\$1,078.16	\$1,158.04	\$1,345.25	\$1,429.20	\$1,780.46
Minimum Rates								
- Residential	\$795.00	\$850.00	\$900.00	\$972.00	\$1,069.00	\$1,175.00	\$1,269.00	\$1,345.00
- Residential Undeveloped	N/A	\$850.00	\$900.00	\$972.00	\$1,069.00	\$1,175.00	\$1,269.00	\$1,345.00
- Urban Developed	N/A	N/A	N/A	\$972.00	\$1,069.00	\$1,175.00	\$1,269.00	\$1,345.00
- Urban Undeveloped	N/A	N/A	N/A	\$972.00	\$1,069.00	\$1,175.00	\$1,269.00	\$1,345.00
- Town Centre	N/A	N/A	N/A	\$972.00	\$1,069.00	\$1,175.00	\$1,269.00	\$1,345.00
- Town Centre/Special Use/Light Industry Vacant	N/A	N/A	N/A	\$972.00	\$1,069.00	\$1,175.00	\$1,269.00	\$1,345.00
- Light Industry	N/A	N/A	N/A	\$972.00	\$1,069.00	\$1,175.00	\$1,269.00	\$1,345.00
- Commercial Use Urban Development	N/A	N/A	N/A	\$972.00	\$1,069.00	\$1,175.00	\$1,269.00	\$1,345.00
- Special Use Developed	N/A	N/A	N/A	\$972.00	\$1,069.00	\$1,175.00	\$1,269.00	\$1,345.00
- Rural	795	850	900	\$972.00	\$1,069.00	\$1,175.00	\$1,269.00	\$1,345.00
- Rural Land Use	795	850	900	\$972.00	\$1,069.00	\$1,175.00	\$1,269.00	\$1,345.00
- Special Rural	795	850	\$900.00	\$972.00	\$1,069.00	\$1,175.00	\$1,269.00	\$1,345.00

There are a number of charges shown on the notice a ratepayer receives.

Dalyellup residents (GRV) are charged:

- A specified area rate for Dalyellup Parks and Reserves Maintenance
- Refuse collection charges
- An annual refuse site charge; and
- An emergency services levy (state government determined).

Other residential areas (GRV) are charged:

- Refuse collection charges
- An annual refuse site charge; and
- An emergency services levy (state government determined).

Specified Area Rates

Council has the one specified area rate for Dalyellup Parks and Reserves Maintenance. This rate has the objective of recovering 50% of the cost of maintaining these facilities in the Dalyellup subdivision as per Council resolution OC0727, 24 July 2002 when the 2002-03 Budget was adopted.

A large number of parks and reserve areas have been handed over to the Shire to maintain, increasing substantially the ongoing maintenance costs. The aim has been to gradually increase the Specified Area Rate, rather than applying a sharp increase in any one year, while also preserving the extra funds generated in a dedicated reserve fund which will be used in future years. Funds collected from this Specified Area Rate are held in the Specified Area Rate – Dalyellup Reserve.

The cost of maintaining parks, gardens and reserves in Dalyellup is provisionally budgeted to be \$1,504,677 for the 2018-19 financial year. Half of this cost, is funded by the specified area rate raised during the year, and equates to \$752,338. The 2018-19 expenditure of \$1,504,677 has increased from 2017-18 budgeted expenditure of \$1,096,805. This increase of \$407,872 year on year is attributed to the additional costs created by Dalyellup parks and gardens transferred to the Shire from developers. This increase is an annual operating expenditure increase and while half of the increment is funded from financial reserves, \$203,936 must be funded from municipal income.

As part of on-going annual review, Shire officers have reviewed the Specified Area rate – Dalyellup Reserve to assess whether the specified area rate could be reduced for the 2018-19 financial year.

Shire officers have assessed that the specified area rate could be reduced and contained with reserve funds for the 2018-19 financial year. It is therefore proposed that, should Council adopt the officer recommendation, the Specified Area Rate would be reduced to \$150.00 from the current level of \$186.88, a year on year reduction of \$46.88. The rate in the dollar would therefore reduce from the 2017-18 level of 4.8160 cents in the dollar to 3.8656 with the maximum rate charged has been reduced from \$186.88 to \$150.00. Rate modelling has identified that with these parameters 3,516 properties would yield rate income of \$535,799. This is a reduction in income of \$109,304 compared to a budgeted amount of \$645,103 for the 2017-18 financial year.

Council should note that when the Budget is adopted, a concession to Dalyellup specified area ratepayers will be requested so that the maximum specified area rate charged will be \$150.00.

Refuse Collection charges

For the 2018-19 financial year, it is proposed to retain the annual refuse collection charges at 2017-18 levels.

Annual Refuse Site Charge

Currently, properties with a two or three bin refuse collection charge are also charged an \$80.00 annual refuse site charge. In the adopted long-term financial plan, the \$80.00 was due to be reduced to \$40.00 in the 2019-20 financial year. It is proposed that this reduction be brought forward to the 2018-19 financial year and that the \$40.00 be amended in the Fees and Charges for 2018-19.

Comparison of 2018-19 Rates proposal - average rate including other fee reductions

The tables below show the comparative year on year movement for the three residential zone categories. This compares the Shire charges included on rates notices issued.

	2017-18 Budget	2018-19 Proposed	Year on Year Increase	Year on year % change
DALYELLUP				
Non Minimum Rate				
Dalyellup Specified Area Rate	\$186.88	\$150.00	(\$36.88)	(19.7%)
Annual Refuse Site Charge	\$80.00	\$40.00	(\$40.00)	(50.0%)
Average Rate - Non Minimum	\$1,461.55	\$1,607.08	\$145.53	10.0%
	\$1,728.43	\$1,797.08	\$68.65	3.97%
Minimum Rate - Non Vacant				
Dalyellup Specified Area Rate	\$186.88	\$150.00	(\$36.88)	(19.7%)
Annual Refuse Site Charge	\$80.00	\$40.00	(\$40.00)	(50.0%)
Minimum Rate	\$1,269.00	\$1,345.00	\$76.00	5.99%
	\$1,535.88	\$1,535.00	(\$0.88)	(0.06%)
Minimum Rate - Vacant				
Dalyellup Specified Area Rate	\$186.88	\$150.00	(\$36.88)	(19.7%)
Minimum Rate	\$1,269.00	\$1,345.00	\$76.00	5.99%
	\$1,455.88	\$1,495.00	\$39.12	2.69%

As mentioned, Dalyellup ratepayers are charged a Specified Area Rate for the maintenance of Dalyellup parks and gardens. The combination of the general rates increase, the 50% reduction in the Annual Refuse Site Charge and the reduction on the Specified Area Rate from \$186.88 to \$150.00 amounts to an overall percentage increase for Non-minimum rate payers of 3.97%. The increase for those ratepayers paying a minimum rate receive a reduction of 0.06% and ratepayers owning a vacant block will receive an increase of 2.69%.

	2017-18 Budget	2018-19 Proposed	Year on Year Increase	Year on year % change
OTHER RESIDENTIAL (Zone 1)				
Non Minimum Rate				
Annual Refuse Site Charge	\$80.00	\$40.00	(\$40.00)	(50.00%)
Average Rate - Non Minimum	\$1,546.65	\$1,660.60	\$113.95	7.37%
	\$1,626.65	\$1,700.60	\$73.95	4.55%
Minimum Rate - Non Vacant				
Annual Refuse Site Charge	\$80.00	\$40.00	(\$40.00)	(50.00%)
Minimum Rate	\$1,269.00	\$1,345.00	\$76.00	5.99%
	\$1,349.00	\$1,385.00	\$36.00	2.67%
Minimum Rate - Vacant				
Minimum Rate	\$1,269.00	\$1,345.00	\$76.00	5.99%
	\$1,269.00	\$1,345.00	\$76.00	5.99%

Other residential (zone 1) ratepayers are not charged the Specified Area Rate for the maintenance of Dalyellup parks and gardens. The combination of the general rates increase and the 50% reduction in the Annual Refuse Site Charge amounts to an overall percentage increase for Non-minimum rate payers of 4.55%. The increase for those ratepayers paying a minimum rate receive an increase of 2.67% and ratepayers owning a vacant block will receive an increase of 5.99%.

	2017-18 Budget	2018-19 Proposed	Year on Year Increase	Year on year % change
SPECIAL RURAL (Zone 12)				
Non Minimum Rate				
Annual Refuse Site Charge	\$80.00	\$40.00	(\$40.00)	(50.0%)
Average Rate - Non Minimum	\$1,429.20	\$1,780.46	\$351.26	24.58%
	\$1,509.20	\$1,820.46	\$311.26	20.62%
Minimum Rate - Non Vacant				
Annual Refuse Site Charge	\$80.00	\$40.00	(\$40.00)	(50.0%)
Minimum Rate	\$1,269.00	\$1,345.00	\$76.00	5.99%
	\$1,349.00	\$1,385.00	\$36.00	2.67%
Minimum Rate - Vacant				
Minimum Rate	\$1,269.00	\$1,345.00	\$76.00	5.99%
	\$1,269.00	\$1,345.00	\$76.00	5.99%

Special Rural (zone 12) ratepayers are not charged the Specified Area Rate for the maintenance of Dalyellup parks and gardens. Historically, this zone has benefited from a lower 'rate in the dollar' in the region of 14%. With the proposed move to a single rate in the dollar, zone 12 would be realigned with other residential categories. The combination of the general rates increase and the 50% reduction in the Annual Refuse Site Charge amounts to an overall percentage increase for Non-minimum ratepayers of 20.62%. The increase for those ratepayers paying a minimum rate receive an increase of 2.67% and ratepayers owning a vacant block will receive an increase of 5.99%.

Annual Percentage Rate Increases

Factors such as the growth of the Shire, need for additional resources to meet growth demands, the cost of labour and materials, previous rate increases approved and a perception of the affordability of a reasonable rate increase are some of the issues taken into account when considering the percentage by which rates in the dollar and minimum rates have to be increased.

It has also been widely recognised in the local government sector that increasing rates by a factor equivalent to the increase in the Consumer Price Index (CPI) is not the most prudent financial management approach. While the CPI provides a good estimate of a household's expectation of the price changes (increases) to the goods and services they consume, it does not provide a good estimate of the cost or growth pressures faced by local government.

In the past indices such as the Local Government Cost Index (LGCI) have also been used as a guide for rate increases as the use of this index has been advocated by the Western Australian Local Government Association (WALGA).

Whilst attempts can be made to justify the quantum of rate increases in terms of the increase being comparable to various indices, the reality is that the quantum to be agreed is that required to provide sufficient funds to meet expenditure demands of the budget and also funding requirements within the Long Term Financial Plan. Council has opportunity to consider and review the timing, need and scope of projects in this context.

In its last report received by the Shire, the WA Local Government Grants Commission have also assessed that the Shire is under-raising rates revenue by \$1,794,887 in comparison to the State average. Any increased rates revenue is of direct benefit to the Shire and would not reduce the level of grants received from this body.

While alternative rate options and increases have been evaluated and considered, for 2018-19 it is proposed Council consider agreeing to increase overall rate yield by 9.91% on 2017-18 forecast.

This will be combined with a 50% reduction in the Annual Refuse Site Charge and a 19.7% reduction in the Specified Area Rate charged to Dalyellup residents for the 2018-19 financial year.

Long-term financial sustainability is a key focus for the Shire. Resources have to be made available to ensure that assets are adequately funded and renewed to a level consistent with community expectations. Asset renewal is a key area to which funding must be allocated.

Concluding Comments

The proposed rate increase for 2018-19 will result in residential ratepayers on the minimum rate being charged \$76.00 more than last year while increases for other ratepayers will vary depending upon their property valuation. The average yield will be 10% higher than last year.

VOTING REQUIREMENTS

Simple majority

OFFICER'S RECOMMENDATION – 5.1

That Council resolves to endorse:

- 1. A single rate in the dollar of 8.1620 cents for all GRV assessments/properties;**
- 2. A single rate in the dollar of 0.5060 cents for all UV assessments/properties;**
- 3. A Minimum rate of \$1,345.00 for assessments/properties;**
- 4. A Specified Area Rate of 3.8656 cents, to a maximum of \$150.00 per assessment/property in Dalyellup, for the purpose of "maintenance of Parks and Reserves in Dalyellup"; and**
- 5. Set the Annual Refuse Site Charge at \$40.00 for 2018/19;**

and these be included in the draft 2018/19 budget.

6 MEETING CLOSURE