



NOTICE OF SPECIAL MEETING

A Special Meeting of Council will be held in the Council Chambers, Forrest Road, Capel on Monday 11 June 2018, commencing at 7.00pm.

P F Sheedy.

**P F SHEEDY
CHIEF EXECUTIVE OFFICER**

8 June 2018

PURPOSE OF MEETING

- Adoption of rates in the dollar, minimum rates for differential area rating categories for 2018/19 financial year; and
- Adoption of the 2018/19 Rates – Objects and Reasons.

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 _____

SHIRE OF CAPEL

SPECIAL COUNCIL MEETING – 11 JUNE 2018

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1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

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

Apologies: Cr P McCleery and Cr D Radisich

3 PUBLIC QUESTION TIME

4 BUDGET – DIFFERENTIAL RATES 2018-19

4.1 Budget – Differential Rates for 2018-19

Location:	Whole of Shire
Applicant:	Shire of Capel
File Reference:	Nil
Disclosure of Interest:	Nil
Date:	07.06.18
Author:	Executive Manager Corporate Services, S Stevenson
Senior Officer:	Chief Executive Officer, P Sheedy
Attachments:	2018/19 Rates – Objects and Reasons

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 endorses:

1. In accordance with Section 6.36 of the Local Government Act 1995, that based on a 6% increase in the 2017-18 differential rates in the dollar and a 6% increase in minimum rates, its intention to adopt for advertising purposes the following rates in the dollar and minimum rates for differential and specified area rating categories for the 2018-19 financial year.

Zone	Rate Category	Basis	2018-19 Proposed rate in the dollar	Minimum Rate
1	Residential	GRV	7.7815	\$1,345
2	Residential Vacant	GRV	13.3987	\$1,345
3	Urban development	GRV	7.7815	\$1,345
4	Urban development Vacant	GRV	13.3987	\$1,345
5	Town Centre	GRV	8.1473	\$1,345
6	Town Centre/Special Use/Light Industry Vacant	GRV	8.1473	\$1,345
7	Light Industry	GRV	8.1473	\$1,345
8	Commercial Use Urban development	GRV	8.1473	\$1,345
9	Special use	GRV	8.1473	\$1,345
10	Rural Commercial use	UV	0.4876	\$1,345
11	Rural	UV	0.4876	\$1,345
12	Special Rural	GRV	6.7259	\$1,345
	Dalyellup Parks, Reserves, Maintenance Purpose: Maintenance of Parks and Reserves in Dalyellup	GRV	4.8160 cents (to a maximum of \$186.88)	Nil

2. To set the Annual Refuse Site Charge at \$80.00 for 2018/19; and
3. The 2018-19 Rates - "Objects and Reasons" as attached.

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.

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

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.

Council has previously considered its rating options for the 2018-19 financial year at its Ordinary Council meeting on 23 May 2018 (OC0516) and a Special Council Meeting held on 5 June 2018 (SC0601).

Council resolved to retain the current differential rating categories and apply a 6% increase to the adopted 2017-18 rates in the dollar. Council will hold a subsequent Special Meeting on 11 June 2018 to formally endorse this option, endorse the 2018-19 Rates “Objects and Reasons” and adopt for advertising purposes.

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 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 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. The current adopted Long Term Financial Plan 2018-33 required a rates income of \$12,295,904 for the 2018/19 financial year, excluding growth.

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.

At its Ordinary Council Meeting on 23 May 2018 (OC0516) and its Special Council Meeting on 5 June 2018 Council (SC0601) was presented with five options for consideration. At the Special Council Meeting on 5 June 2018 Council endorsed the following option:

Current strategy. A 6% increase in minimum rate to \$1,345 and 6% increase in rate in the dollar retaining current differential rating groupings. Compared to the LTFP revenue requirements of \$12,295,904 this model delivers a slight reduction of \$18,649.

Comparison of 2018-19 proposed rate in the dollar to 2017-18 adopted rates

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
1	Residential	GRV	7.3410	7.7815	0.4405	6.00%
2	Residential Vacant	GRV	12.6403	13.3987	0.7584	6.00%
3	Urban development	GRV	7.3410	7.7815	0.4405	6.00%
4	Urban development Vacant	GRV	12.6403	13.3987	0.7584	6.00%
5	Town Centre	GRV	7.6861	8.1473	0.4612	6.00%
6	Town Centre/Special Use/Light Industry Vacant	GRV	7.6861	8.1473	0.4612	6.00%
7	Light Industry	GRV	7.6861	8.1473	0.4612	6.00%
8	Commercial Use Urban development	GRV	7.6861	8.1473	0.4612	6.00%
9	Special use	GRV	7.6861	8.1473	0.4612	6.00%
10	Rural Commercial use	UV	0.4600	0.4876	0.0276	6.00%
11	Rural	UV	0.4600	0.4876	0.0276	6.00%
12	Special Rural	GRV	6.3452	6.7259	0.3807	6.00%

Proposal

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

STATUTORY ENVIRONMENT

Local Government Act 1995, Section 6.28

6.28 Basis of Rates

- (1) 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 6.33

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 6.35

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).*

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.

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.

The recommended option incorporates a 6% increase in the minimum rate, and a 6% increase in the rate in the dollar across all 12 rating zones delivering a 6% increase in rates yield on current 2017-18 forecast rates income.

Current long-term plan rates revenue for the 2018-19 financial year is \$12,295,904. The recommended option would deliver \$12,277,254. This is a reduction in revenue on LTFP of \$18,649 for the year.

For the 2018-19 draft Budget, it is proposed a total of \$12,277,254 be raised from general and minimum property rates. \$667,535 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 \$699,133 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.

The long-term financial plan for financial years 2019-20 onwards is modelled on a 4% increase each year.

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 for a 6% increase on the adopted 2017-18 differential rates Council must:

- Give public notice of proposed differential rates for 2018-19;
- Hold a Special Meeting to consider any submissions received and responses given; and
- Apply to the Minister for approval of differential rates, minimum rates and '2018-19 Objects and Reasons'.

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.

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.

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 1 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 has applied a 6% increase in the minimum rate and generates an overall increase in rates yield of 6%. Minimum rates across all categories increase 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	2018-19			% 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
			2017-18 Actual Rate	Proposed Rate	Variance (cents)			
1	Residential	GRV	7.3410	7.7815	0.4405	6.00%	\$3,158,690	\$3,350,217
2	Residential Vacant	GRV	12.6403	13.3987	0.7584	6.00%	\$460,863	\$490,592
3	Urban development	GRV	7.3410	7.7815	0.4405	6.00%	\$4,690,291	\$4,955,519
4	Urban development Vacant	GRV	12.6403	13.3987	0.7584	6.00%	\$316,591	\$365,518
5	Town Centre	GRV	7.6861	8.1473	0.4612	6.00%	\$87,895	\$93,168
6	Town Centre/Special Use/Light Industry Vacant	GRV	7.6861	8.1473	0.4612	6.00%	\$35,797	\$35,182
7	Light Industry	GRV	7.6861	8.1473	0.4612	6.00%	\$100,786	\$106,832
8	Commercial Use Urban development	GRV	7.6861	8.1473	0.4612	6.00%	\$263,335	\$271,240
9	Special use	GRV	7.6861	8.1473	0.4612	6.00%	\$68,034	\$72,116
10	Rural Commercial use	UV	0.4600	0.4876	0.0276	6.00%	\$30,528	\$32,360
11	Rural	UV	0.4600	0.4876	0.0276	6.00%	\$1,719,509	\$1,821,862
12	Special Rural	GRV	6.3452	6.7259	0.3807	6.00%	\$645,802	\$682,649
							\$11,578,121	\$12,277,254

Rate revenue of \$12,277,254 is forecast to be generated from the option above.

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 6% increase in the 'rate in the dollar' has been added to the 2017-18 adopted rate, which is yielding \$1,854,222 from 833 rural UV. This yield is based on a proposed rate of 0.4876 cents in the dollar. The proposed 2018-19 revenue of \$1,854,222 is \$104,185 more than the 2017-18 forecast amount of \$1,750,037.

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.

It is forecast that 2,620 properties will be rated as minimum for the 2018-19 financial year.

Total Rates

The total rate yield included in the draft budget is shown in the following table. \$12,277,254 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 \$13,054,789.

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

Calculated rate						
Zone	Rate Category	Basis	2018-19		Number of Properties	Average Rate
			Proposed rate in the dollar	Rate Yield		
1	Residential	GRV	7.7815	\$1,629,962	995	\$1,638.15
2	Residential Vacant	GRV	13.3987	\$158,377	66	\$2,399.65
3	Urban development	GRV	7.7815	\$4,441,729	2867	\$1,549.26
4	Urban development Vacant	GRV	13.3987	\$33,303	20	\$1,665.13
5	Town Centre	GRV	8.1473	\$81,063	24	\$3,377.61
6	Town Centre/Special Use/Light Industry Vacant	GRV	8.1473	\$23,077	5	\$4,615.43
7	Light Industry	GRV	8.1473	\$96,072	32	\$3,002.24
8	Commercial Use Urban development	GRV	8.1473	\$271,240	23	\$11,793.06
9	Special use	GRV	8.1473	\$69,426	6	\$11,571.02
10	Rural Commercial use	UV	0.4876	\$28,325	11	\$2,574.97
11	Rural	UV	0.4876	\$1,320,177	446	\$2,960.04
12	Special Rural	GRV	6.7259	\$600,604	402	\$1,494.04
				\$8,753,354	4897	

Minimum Rates						
Zone	Rate Category	Basis	2018-19 Proposed		Number of Properties	Average Rate
			Minimum Rate	Rate Yield		
1	Residential	GRV	\$1,345	\$1,720,255	1279	\$1,345.00
2	Residential Vacant	GRV	\$1,345	\$332,215	247	\$1,345.00
3	Urban development	GRV	\$1,345	\$513,790	382	\$1,345.00
4	Urban development Vacant	GRV	\$1,345	\$332,215	247	\$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	\$501,685	373	\$1,345.00
12	Special Rural	GRV	\$1,345	\$82,045	61	\$1,345.00
				\$3,523,900	2620	
	Total			\$12,277,254	7517	

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 \$1,759,752 for the 2018-19 financial year. Half of this cost, is funded by the specified area rate raised during the year, and equates to \$879,876. The 2018-19 expenditure of \$1,759,752 has increased from 2017-18 budgeted expenditure of \$1,096,805. This increase of \$662,947 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, \$331,474 must be funded from municipal income.

For the 2017-18 financial year, the rate in the dollar for the Dalyellup Specified Area Rate was set at a level of 4.8160 cents in the dollar with the maximum rate charged capped at \$186.88. It is proposed that, for 2018-19, this be retained at the 2017-18 levels with no increase applied.

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 \$186.88.

Refuse Collection charges

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

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 6% on 2018-19 forecast.

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 6% higher than last year.

VOTING REQUIREMENTS

Simple majority

OFFICER'S RECOMMENDATION – 4.1

That Council endorses:

- In accordance with Section 6.36 of the Local Government Act 1995, based on a 6% increase in the 2017-18 differential rates in the dollar and a 6% increase in minimum rates, its intention to adopt for advertising purposes the following rates in the dollar and minimum rates for differential and specified area rating categories for the 2018-19 financial year.

Zone	Rate Category	Basis	2018-19 Proposed rate in the dollar	Minimum Rate
1	Residential	GRV	7.7815	\$1,345
2	Residential Vacant	GRV	13.3987	\$1,345
3	Urban development	GRV	7.7815	\$1,345
4	Urban development Vacant	GRV	13.3987	\$1,345
5	Town Centre	GRV	8.1473	\$1,345
6	Town Centre/Special Use/Light Industry Vacant	GRV	8.1473	\$1,345
7	Light Industry	GRV	8.1473	\$1,345
8	Commercial Use Urban development	GRV	8.1473	\$1,345
9	Special use	GRV	8.1473	\$1,345
10	Rural Commercial use	UV	0.4876	\$1,345
11	Rural	UV	0.4876	\$1,345
12	Special Rural	GRV	6.7259	\$1,345
	Dalyellup Parks, Reserves, Maintenance Purpose: Maintenance of Parks and Reserves in Dalyellup	GRV	4.8160 cents (to a maximum of \$186.88)	Nil

- To set the Annual Refuse Site Charge at \$80.00 for 2018/19; and
- The 2018-19 Rates - "Objects and Reasons" as attached.

5 MEETING CLOSURE



2018-19 RATES – “OBJECTS AND REASONS”

The objective for all of Council’s rates is to meet the shortfall between planned expenditures and expected revenues in order to achieve a balanced budget.

Rate Increase for 2018-19

For 2018-19, Council has agreed to increase its overall rate yield by at least 6% on top of growth. For any residential, commercial, special rural or rural property charged a minimum rate an increase of \$76.00 to the minimum rate will occur and the new minimum rate will be \$1,345.00 for all properties throughout the Shire. For properties charged a calculated rate the average annual increase will vary in accordance with the valuation of the property. However, it is anticipated that the increase in the average residential rate will be about \$88.74 and the increase in the average rural rate will be about \$170.51.

Basis of Rates

The basis for calculating property rates are the gross rental values (GRV) and unimproved values (UV) provided for individual properties by Landgate’s Property and Valuations area. A property’s GRV represents the amount of the gross annual rental the land might obtain if let to a tenant for a year. A property’s UV means the amount the land may reasonably be expected to obtain if it was sold and assuming no improvements to the land had been made.

Updated Valuations

Updated unimproved values for rural properties are provided every year and updated gross rental values for residential, commercial and special rural properties are provided every three years. Updated unimproved valuations took effect from 1 July 2017. It is anticipated that a marginal increase of 1% will be applied to the total of Unimproved Valuations effective 1 July 2018.

Values for developed residential properties and commercial properties and vacant land that are based upon their gross rental value have undergone a revaluation. This will be effective from 1 July 2016 with the next revaluation scheduled for 1 July 2019.

Differential Rates

The following table of Rates in the dollar and Minimum payments are to be applied for the 2018-19 financial year.

Rate Group	Rate in \$ (cents)	Minimum Rate \$
Residential & Urban Development GRV (Zones 1 & 3)	7.7815	1,345.00
Residential & Urban Development Vacant GRV (Zones 2 & 4)	13.3987	1,345.00
Commercial Town Centre, Light Industry and Special Use GRV (Zones 5, 7, 8 & 9)	8.1473	1,345.00
Commercial Town Centre, Light Industry and Special Use Vacant GRV (Zone 6)	8.1473	1,345.00
Special Rural GRV (Zone 12)	6.7259	1,345.00
Rural & Land Use UV (Zones 10 & 11)	0.4876	1,345.00

Gross Rental Value (GRV)

Residential & Urban Development

This category includes all properties that are developed and where the land uses consist of Residential and Ancillary Residential uses (dwellings, home occupations and home offices). The object of the rate for this category is to provide the base rate for the other GRV rate categories. The reason for this rate is to ensure that all ratepayers make a reasonable contribution towards the ongoing maintain and provision of works, services and facilities in the Shire.

Residential & Urban Development Vacant

This category covers all vacant land where the use is for residential purposes. The object of having the same minimum payment but a higher rate in the dollar than Residential and Urban Development is to encourage landowners to develop residential land.

Commercial, Town Centre, Light Industry & Special Use

This category includes:

- All properties zoned Town Centre, Commercial and Special Use and where land uses may include shopping centres, newsagents, cafés, shops, fast food outlets, service stations, taverns, child care facilities, etc. Properties are primarily located within the Town Centre business districts of designated town sites, however this category applies to various Commercial properties located across the Shire, and
- All properties zoned Light Industry and where land uses may include dairies, saleyards, metal fabrication, workshops, etc. Properties are located within specific zoned areas in the Shire.

The object of a higher rate in the dollar for this category is to raise additional revenue to offset the increased costs associated with the provision of services to these properties. Ratepayers in this category accommodate large numbers of visitors and customers and this increases the need for the Shire to provide additional car parks, amenities, landscaping and street cleaning.

Commercial, Town Centre, Light Industry & Special Use Vacant

This category includes:

- All vacant land zoned Town Centre, Commercial and Special Use and where land uses may include shopping centres, newsagents, cafés, shops, fast food outlets, service stations, taverns, child care facilities, etc. Properties are primarily located within the Town Centre business districts of designated town sites, however this category applies to various Commercial properties located across the Shire, and
- All vacant land zoned Light Industry and where land uses may include dairies, saleyards, metal fabrication, workshops, etc. Properties are located within specific zoned areas in the Shire.

The object of a higher rate in the dollar for this category is to raise additional revenue to offset the increased costs associated with the provision of services to these properties. Ratepayers in this category accommodate large numbers of visitors and customers and this increases the need for the Shire to provide additional car parks, amenities, landscaping and street cleaning.

Special Rural

This category includes all properties zoned Special Rural. The land use of these properties consists of Residential and Ancillary Residential use, however this group does not receive certain local government services such as footpaths, kerbing and street lights due to these services

being uneconomic to provide as a result of large block sizes or local geography. The object of the lower rate for this category is to recognise the reduced services these properties are provided with.

Unimproved Valuation (UV)

General

This category includes all properties valued as UV, which includes those zoned Rural, Special Use, Railway, Public Purpose and Mining. The land use of these properties consists of primary production, agriculture, mining, wineries with cellar door sales, caravan parks and quarries. The object of this rate is to set the base for properties rated on UV.

Minimum Rating

Local Government Act 1995, Section 6.35

Council has established minimum rate amounts for each Rate Group. These amounts represent the minimum rate that should be charged and may exceed the result of calculating the properties rating basis valuation (GRV or UV) with the rate in the dollar for the rate group. Minimum rates have been prepared to comply with the Local Government Act 1995 that requires that no more than 50% of properties are levied a minimum rate, unless Ministerial approval is obtained. 85% of residential and urban development vacant properties are subject to a minimum rate, and Ministerial approval is being sought for this variation, which has been provided in previous years. The minimum rate is applied to more than 50% of vacant residential and urban development properties. This minimum reflects the level of basis services and infrastructure supplied to ratepayers in this category such as road infrastructure and street lighting.

Specified Area Rating

Local Government Act 1995, Section 6.37

Council has one specified area rate levied for a specific purpose on designated Dalyellup properties within the Shire.

Dalyellup Parks and Gardens Maintenance

This specified area rate is levied on all properties within the Dalyellup Beach Estate. The purpose of the rate is to recover 50% of the cost of maintaining parks and gardens in the Dalyellup estate. The rationale is the quality and quantity of parks and gardens in the estate is at least double that of the remainder of the Shire and therefore half the cost will be met from general rates and the remainder from the main beneficiaries of these facilities being the property owners in the estate.

For 2018-19 Council has not increased this specified area rate and has retained it at 2017-18 levels.

The rate in the dollar applied against the gross rental value (GRV) for each applicable property is 4.8160 cents. As GRVs vary roughly in accordance with property values, the rate charged will also vary. To ensure some equity between property owners, the maximum rate payable is \$186.88.

ATTACHMENT TO ITEM 4.1

Summary

The following table shows the rating information for the 2018-19 financial year excluding interim rates.

	Rate in \$ or Minimum Rate	Rate Yield	Number of Properties	Average Rate
Calculated Rate				
Residential & Urban Development GRV	7.7815 cents	\$6,071,691	3,862	\$1,572.16
Residential & Urban Development Vacant GRV	13.3987 cents	\$191,679	86	\$2,228.83
Commercial Town Centre, Light Industry and Special Use GRV	8.1473 cents	\$517,801	85	\$6,091.78
Commercial Town Centre, Light Industry and Special Use Vacant GRV	8.1473 cents	\$23,077	5	\$4,615.43
Special Rural GRV	6.7259 cents	\$600,604	402	\$1,494.04
Rural & Land Use UV	0.4876 cents	\$1,348,502	457	\$2,950.77
Total		\$8,753,354	4,897	
Minimum Rates				
Residential & Urban Development GRV	\$1,345.00	\$2,234,045	1,661	\$1,345.00
Residential & Urban Development Vacant GRV	\$1,345.00	\$664,430	494	\$1,345.00
Commercial Town Centre, Light Industry and Special Use GRV	\$1,345.00	\$25,555	19	\$1,345.00
Commercial Town Centre, Light Industry and Special Use Vacant GRV	\$1,345.00	12,105	9	\$1,345.00
Special Rural GRV	\$1,345.00	\$82,045	61	\$1,345.00
Rural & Land Use UV	\$1,345.00	\$505,720	376	\$1,345.00
Total		\$3,523,900	2,620	
Grand Total		\$12,277,254	7,517	