



# Shire *of* Capel

## MINUTES

SPECIAL COUNCIL MEETING  
Monday, 11 June 2018



**SHIRE OF CAPEL**

**SPECIAL COUNCIL MEETING – 11.06.18**

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## SHIRE OF CAPEL

MINUTES OF THE SPECIAL MEETING OF COUNCIL HELD IN THE COUNCIL CHAMBERS, SHIRE ADMINISTRATION BUILDING, FORREST ROAD, CAPEL ON MONDAY 11 JUNE 2018, COMMENCING AT 7.03PM.

PRESENT:	President Councillor	MT Scott BW Bell BW Hearne DJ Kitchen SV Schiano JA Scott MT Southwell PF Sheedy S Stevenson J McNabb A Evans
	Chief Executive Officer Executive Manager Corporate Services Community Ranger Minute Secretary	
APOLOGY:	Councillor	PK McCleery DL Radisich
MEMBERS OF PUBLIC:		9

### **PUBLIC QUESTION TIME**

Mr David Clews had a written statement and three questions to ask during Public Question Time, however at the Meeting he chose to have the first two questions taken on notice and asked only the third question. The two questions taken on notice are listed below and will be included in "Response to Previous Public Questions Taken on Notice" in the Agenda of the Ordinary Council Meeting to be held on Wednesday 27 June 2018. The answers will be provided in that Agenda. His third question did not relate to the purpose of the Special Council Meeting and will be answered by the CEO Mr Sheedy in writing to Mr Clews.

**Mr David Clews, 7 Wattle Bird Court, Capel:** Question 1 - With all these other shires showing that now is a time to be responsible and protect their ratepayers from cost increases, why is Capel Shire doing the opposite and continuing an inequitable and unsustainable year on year increases especially when you already put rates up last year far beyond inflation?

**Mr Clews:** Question 2: Are we changing away from the GRV system, and if so, what is the motive behind the change and what will it mean to my rates?

**BUDGET – DIFFERENTIAL RATES 2018-19****SC0603 (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%
	Town Centre/Special Use/Light					
6	Industry Vacant	GRV	7.6861	8.1473	0.4612	6.00%
7	Light Industry	GRV	7.6861	8.1473	0.4612	6.00%
	Commercial Use Urban					
8	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
							<b>\$11,578,121</b>	<b>\$12,277,254</b>

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
				<b>\$8,753,354</b>	<b>4897</b>	

<b>Minimum Rates</b>						
<b>Zone</b>	<b>Rate Category</b>	<b>Basis</b>	<b>2018-19 Proposed</b>		<b>Number of Properties</b>	<b>Average Rate</b>
			<b>Minimum Rate</b>	<b>Rate Yield</b>		
<b>1 Residential</b>		<b>GRV</b>	\$1,345	\$1,720,255	1279	\$1,345.00
<b>2 Residential Vacant</b>		<b>GRV</b>	\$1,345	\$332,215	247	\$1,345.00
<b>3 Urban development</b>		<b>GRV</b>	\$1,345	\$513,790	382	\$1,345.00
<b>4 Urban development Vacant</b>		<b>GRV</b>	\$1,345	\$332,215	247	\$1,345.00
<b>5 Town Centre</b>		<b>GRV</b>	\$1,345	\$12,105	9	\$1,345.00
<b>6 Town Centre/Special Use/Light Industry Vacant</b>		<b>GRV</b>	\$1,345	\$12,105	9	\$1,345.00
<b>7 Light Industry</b>		<b>GRV</b>	\$1,345	\$10,760	8	\$1,345.00
<b>8 Commercial Use Urban development</b>		<b>GRV</b>	\$1,345	\$0	0	\$0.00
<b>9 Special use</b>		<b>GRV</b>	\$1,345	\$2,690	2	\$1,345.00
<b>10 Rural Commercial use</b>		<b>UV</b>	\$1,345	\$4,035	3	\$1,345.00
<b>11 Rural</b>		<b>UV</b>	\$1,345	\$501,685	373	\$1,345.00
<b>12 Special Rural</b>		<b>GRV</b>	\$1,345	\$82,045	61	\$1,345.00
				<b>\$3,523,900</b>	<b>2620</b>	
<b>Total</b>				<b>\$12,277,254</b>	<b>7517</b>	

### **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

**SC0603 OFFICER’S RECOMMENDATION – 4.1/COUNCIL MOTION**

Moved Cr J Scott, Seconded Cr Bell

That Council endorses:

1. 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

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.

Mr McNabb left the Chambers at 7.33pm and did not return.

<b>SC0604 AMENDMENT</b>
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**Moved Cr Southwell, Seconded Cr Kitchen**

**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.**

<b>Zone</b>	<b>Rate Category</b>	<b>Basis</b>	<b>2018-19 Proposed rate in the dollar</b>	<b>Minimum Rate</b>
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 \$40.00 for 2018/19; and***
- The 2018-19 Rates - "Objects and Reasons" as attached.**

The Amendment was Lost 3/4  
The Original Motion was then put and Carried 6/1

Cr Southwell requested that his vote against the Motion be recorded.

**MEETING CLOSURE**

The meeting closed at 7.38pm.

These minutes were confirmed at an Ordinary Council meeting on 27 June 2018.

Signed

Presiding Person at the meeting at which time the minutes were confirmed.

Date