



CITY OF VINCENT

AGENDA

Special Council Meeting

8 May 2018

Time: 6:00pm
Location: Administration and Civic Centre
244 Vincent Street, Leederville

Michael Quirk
A/Chief Executive Officer

Order Of Business

1	Declaration of Opening / Acknowledgement of Country.....	5
2	Apologies / Members on Leave of Absence	5
3	Public Question Time and Receiving of Public Statements	5
4	Corporate Services.....	6
4.1	Differential Rating Strategy 2018/19	6
6	Closure	13

1 DECLARATION OF OPENING / ACKNOWLEDGEMENT OF COUNTRY

“The City of Vincent would like to acknowledge the Traditional Owners of the land, the Whadjuk people of the Noongar nation and pay our respects to Elders past, present and emerging”

2 APOLOGIES / MEMBERS ON LEAVE OF ABSENCE

Nil

3 PUBLIC QUESTION TIME AND RECEIVING OF PUBLIC STATEMENTS

4 CORPORATE SERVICES

4.1 DIFFERENTIAL RATING STRATEGY 2018/19

TRIM Ref: D18/63575
 Authors: Tim Evans, Manager Governance and Risk
 Vanisha Govender, Manager Financial Services
 Authoriser: Kerryn Batten, Director Corporate Services
 Attachments: 1. Rate Setting Statement [↓](#) 

RECOMMENDATION:

That Council:

1. **ADVERTISES** by local public notice, in accordance with Section 6.36(1) of the *Local Government Act 1995* for a period of 21 days its intention to levy the following differential rates and minimum rates in 2018/19 and invites submissions on the proposal from electors and ratepayers:

Rating Category	2018/19	
	Rate in the dollar	Minimum rate
Residential	0.06490	\$1,180
Commercial Vacant	0.12628	\$1,494
Other	0.06619	\$1,180

2. **NOTES** any public submissions received in response to 1 above will be presented to Council for consideration.

PURPOSE OF REPORT:

To obtain Council's approval to advertise the differential rates and minimum rates proposed for inclusion in the 2018/19 Annual Budget.

BACKGROUND:

Between 1 June and 31 August each year, local governments are required to prepare and adopt a budget for the upcoming financial year. A key part of the budget development is identifying the 'budget deficiency' to be made up from the levying of council rates. Once an estimate of that budget deficiency is known, local governments are required to give local public notice of any intention to levy differential rates and minimum rates.

The budget deficiency is determined only after all other financial elements are taken into account including:

- The estimated opening balance arising from the previous year;
- operating income and operating expenditure;
- non-operating income (grants, sale of assets etc);
- debt servicing requirements;
- capital expenditure; and
- transfers to and from Reserves.

In preparing the draft budget, Administration has compiled relevant information and held a number of budget workshops with Council Members and invited community submissions aligned to Council's priorities for 2018-19. Whilst work is ongoing to refine the draft budget, it has progressed to a point where an estimate can be determined of the amount required to be raised from rates.

DETAILS:

In developing an equitable rating model, it is useful to undertake a comparison with other metropolitan local governments. The following table details how the rate in the dollar and waste collection charges (where they are applied separately) levied in 2017/18 impact on the rate levied on an individual residential property at a nominated Gross Rental Value (GRV) of \$28,000.

2017/18 Residential Rating Comparison table								
Council	Rate in \$	Minimum Rates	Waste Charge	Security	Total		Ranking Based on:	
					Minimum Payable	on GRV of \$28,000	Minimum	\$28,000
Perth	5.694770	\$ 705	\$ 299.00		\$ 1,004.00	\$ 1,594.54	1	5
East Fremantle	6.664000	\$ 1,055	\$ -		\$ 1,055.00	\$ 1,865.92	2	17
Cottesloe	6.139000	\$ 1,090	\$ -		\$ 1,090.00	\$ 1,718.92	3	9
2017/18 Vincent	6.289000	\$ 1,100	\$ -		\$ 1,100.00	\$ 1,760.92	4	11
Belmont	5.164800	\$ 815	\$ 298.40		\$ 1,113.40	\$ 1,446.14	5	3
Bayswater	6.000000	\$ 850	\$ 341.05		\$ 1,191.05	\$ 1,680.00	6	8
Victoria Park	8.160000	\$ 1,197	\$ -		\$ 1,197.00	\$ 2,284.80	7	27
Canning	4.412000	\$ 777	\$ 366.00	\$ 54.90	\$ 1,197.90	\$ 1,235.36	8	1
Stirling	4.900000	\$ 833	\$ 335.00	\$ 30.00	\$ 1,198.00	\$ 1,372.00	9	2
Mosman Park	6.576000	\$ 877	\$ 322.50		\$ 1,199.50	\$ 1,841.28	10	16
Joondalup	5.309000	\$ 863	\$ 346.00		\$ 1,209.00	\$ 1,486.52	11	4
South Perth	6.556300	\$ 968	\$ 280.00		\$ 1,248.20	\$ 1,835.76	12	15
Gosnells	6.306000	\$ 949	\$ 306.00		\$ 1,255.00	\$ 1,765.68	13	12
Kwinana	7.351000	\$ 971	\$ 287.00		\$ 1,258.00	\$ 2,058.28	14	23
Claremont	6.235000	\$ 1,278	\$ -		\$ 1,278.00	\$ 1,745.80	15	10
Fremantle	7.012500	\$ 1,283	\$ -		\$ 1,283.00	\$ 1,963.50	16	19
Mundaring	8.010000	\$ 816	\$ 477.00		\$ 1,293.00	\$ 2,242.80	17	26
Melville	6.379582	\$ 1,258	\$ -	\$ 53.75	\$ 1,311.90	\$ 1,786.28	18	13
Wanneroo	8.164500	\$ 1,337	\$ -		\$ 1,337.00	\$ 2,286.06	19	28
Peppermint Grove	7.650000	\$ 1,360	\$ -		\$ 1,360.00	\$ 2,142.00	20	25
Cockburn	7.319000	\$ 1,303	\$ -	\$ 70.00	\$ 1,373.00	\$ 2,049.32	21	22
Swan	7.316400	\$ 845	\$ 393.00	\$ 150.00	\$ 1,388.00	\$ 2,048.59	22	21
Kalamunda	5.831000	\$ 865	\$ 531.00		\$ 1,396.00	\$ 1,632.68	23	6
Bassendean	7.165000	\$ 1,085	\$ 360.00		\$ 1,445.00	\$ 2,006.20	24	20
Cambridge	5.909200	\$ 962	\$ 500.00		\$ 1,462.00	\$ 1,654.58	25	7
Subiaco	6.399000	\$ 988	\$ 495.00		\$ 1,483.00	\$ 1,791.72	26	14
Armadale	8.335000	\$ 1,140	\$ 377.50		\$ 1,517.50	\$ 2,333.80	27	29
Rockingham	6.766000	\$ 1,118	\$ 366.00	\$ 34.25	\$ 1,518.25	\$ 1,894.48	28	18
Nedlands	5.410000	\$ 1,401	\$ 660.00		\$ 2,061.00	\$ 2,061.00	29	24

Note:

City of Vincent Residential category median GRV (excluding group housing) is \$20,020
City of Vincent Residential category mean average GRV is \$22,245

In a residential rating context, the above table demonstrates that when the waste collection charge is factored in, the City of Vincent in 2017/18 had:

1. the fourth lowest minimum rate in the metropolitan area; and
2. the eleventh lowest combined rates/waste charge of the 29 local governments listed for a residential property with a GRV of \$28,000.

Minimum Rate

The balance between the rate in the dollar and level of minimum rate is important in establishing equity and ensuring an optimum level of revenue from a nominated rating level. The Residential minimum rate has been progressively increased over the last three financial years, but still remained proportionately low in 2017-18, with the metropolitan average being \$1,304.

Growth

Vincent has been experiencing a moderate level of growth in the number of rateable properties, which therefore increases the rate base and level of income able to be generated from rates, with the following table demonstrating a 2.57% increase during 2017/18.

Year (30 June)	RATEABLE		Increase	
	PROPERTIES		Number	%
2018	18686		469	2.57%
2017	18217		350	1.96%
2016	17867		313	1.78%
2015	17554		260	1.50%
2014	17294		560	3.35%
2013	16734		136	0.82%
2012	16598		26	0.16%
2011	16572		246	1.51%
2010	16326		256	1.59%

Budget Deficiency before general rates

The estimated budget deficiency presented on the Rate Setting Statement (**Attachment 1**) is \$34,427,487 after:

- inclusion of an estimated opening balance of \$1,268,109; and
- anticipated growth in rateable properties resulting in issuing of interim rates of approximately \$480,000.

This deficit will need to be derived from the levying of the annual rates.

To achieve this, an increase to 2017-18 rates of approximately 3.2% is required across *Residential* and *Commercial Vacant* categories and 2% across the *Other (Commercials/Industrial)* category, with the minimum rates for both *Residential* and *Other* rating categories increased to \$1,180.

The lower increase in Commercial rates is in recognition of the increasing strain on businesses within the City.

Rating Category	2016/17		2017/18		Draft 2018/19	
	Rate-in-\$	Minimum	Rate-in-\$	Minimum	Rate-in-\$	Minimum
Commercial Vacant	0.11914	\$ 1,414.00	0.12236	\$ 1,414.00	0.12628	\$ 1,494.00
Residential	0.06124	\$ 1,007.00	0.06289	\$ 1,100.00	0.06490	\$ 1,180.00
Other	0.06463	\$ 1,007.00	0.06489	\$ 1,100.00	0.06619	\$ 1,180.00
INCREASE						
Commercial Vacant	2.9%	0.0%	2.7%	0.0%	3.2%	5.7%
Residential	2.9%	11.0%	2.7%	9.2%	3.2%	7.3%
Other	2.9%	11.0%	0.4%	9.2%	2.0%	7.3%

CONSULTATION/ADVERTISING:

In accordance with section 6.36 of the *Local Government Act 1995* (the Act), public comments will be invited through publication of a local public notice, with the consultation period being open for a minimum of 21 days. All submissions received will be submitted to Council for consideration.

LEGAL/POLICY:

The following clauses from the *Local Government Act 1995* are relevant to the levying of differential rates, minimum rates and the requirement to publish a local notice.

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.*

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.*

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.*
- (2) *A local government is required to ensure that a notice referred to in subsection (1) is published in sufficient time to allow compliance with the requirements specified in this section and section 6.2(1).*
- (3) *A notice referred to in subsection (1) –*
 - (a) *may be published within the period of 2 months preceding the commencement of the financial year to which the proposed rates are to apply on the basis of the local government's estimate of the budget deficiency; and*
 - (b) *is to contain –*
 - (i) *details of each rate or minimum payment the local government intends to impose; and*
 - (ii) *an invitation for submissions to be made by an elector or a ratepayer in respect of the proposed rate or minimum payment and any related matters within 21 days (or such longer period as is specified in the notice) of the notice; and*
 - (iii) *any further information in relation to the matters specified in subparagraphs (i) and (ii) which may be prescribed; and*
 - (c) *is to advise electors and ratepayers of the time and place where a document describing the objects of, and reasons for, each proposed rate and minimum payment may be inspected.*
- (4) *The local government is required to consider any submissions received before imposing the proposed rate or minimum payment with or without modification.*
- (5) *Where a local government –*
 - (a) *in an emergency, proposes to impose a supplementary general rate or specified area rate under section 6.32(3)(a); or*
 - (b) *proposes to modify the proposed rates or minimum payments after considering any submissions under subsection (4),*

it is not required to give local public notice of that proposed supplementary general rate, specified area rate, modified rate or minimum payment.

RISK MANAGEMENT IMPLICATIONS:

Low The calculation of the 2018/19 Rates is based on the estimates included in the draft 2018/19 budget, which includes a range of assumptions in respect to growth, use of services and cost increases. As with any forecasting process, there is a risk that these assumptions may not all prove to be accurate.

STRATEGIC IMPLICATIONS:

Council's budget process is in accordance with Council's Strategic Community Plan 2013-2023, Objective "4. Leadership, Governance and Management":

"4.1.2 *Manage the organisation in a responsible, efficient and accountable manner*"

"4.1.4 *Plan effectively for the future*":

SUSTAINABILITY IMPLICATIONS:

While the City receives the benefit of capital proceeds from its share in the Tamala Park Regional Council, true sustainability is achieved through balanced operations. This requires a long term focus and consistent results.

Achieving an effective rating strategy is an important part of the City's overall financial management governance, which will progressively enable the City to meet all its operational obligations, including asset renewal to ensure the current standard of service can be maintained for future generations.

FINANCIAL/BUDGET IMPLICATIONS:

The advertising of the proposed differential and minimum rates is critical in the development of the annual budget. The level of rates generation is linked to the delivery of service and level of funding for capital works, debt servicing and consolidation of reserve funds.

COMMENTS:

Council has previously introduced three differential rating categories and it is not proposed that there will be any changes to the existing structure of the rating categories in 2018/19.

The Department of Local Government, Sports and Cultural Industries' Rating Policy includes a section on 'Fairness and Equity', which provides a requirement for local governments to review its expenditure and consider efficiency measures as part of its budget deliberations. In this regard, Council Members have participated in budget workshops that have provided the opportunity to identify and validate areas for efficiencies at an operational and capital expenditure level.

The proposed increase in rates to the value of 2% for *Commercial/Industrial* properties (*Other* category) and 3.2% for the *Residential* and *Commercial Vacant* categories is considered reasonable in light of known budgeting inputs and outcomes.

The following reflects the objects and reasons for each of the differential rating categories:

Residential:

The *Residential* rate imposes a differential rate on land primarily used for residential purposes.

The object of this differential rate is to ensure that all ratepayers make a reasonable contribution towards the services and facilities provided and maintained by the City. The proposed rate is 6.490 cents in the dollar and a minimum payment of \$1,180.

Other (Commercial/Industrial):

The *Other* rate is imposed on non-residential properties that are primarily used for commercial or industrial purposes. Examples of properties that fall within this category are retail shops, warehouses, offices, garages, and properties generally used for business purposes.

The object of this differential rate is to recognise the impact of significant differences in valuations between the categories, which can result in substantial shifts in the rate burden. This includes the provision and maintenance of infrastructure used by commercial or industrial businesses. The proposed rate in this category is 6.619 cents in the dollar and a minimum rate of \$1,180.

Vacant Commercial:

The *Vacant Commercial* rate is imposed on vacant or undeveloped non-residential properties that are zoned either commercial or industrial.

The object of the higher *Vacant Commercial* land rate is to encourage the development of vacant land. The main reason for this differential rate is that, vacant land is often unsightly and unkempt and it can be used for the illegal dumping of rubbish and other illegal purposes which can be a burden to the residents in the City. The City considers the development of *Vacant Commercial* properties to be in the best interests of the community as it will increase the street appeal of suburbs and the vibrancy of town centres. The proposed rate in this category is 12.628 cents in the dollar and a minimum payment of \$1,494.

Minimum Rates:

Rates are calculated by multiplying a property's assessed GRV by the adopted rate in the dollar. However, councils can apply a minimum rate, which recognizes that all ratepayers have an equal opportunity to enjoy the facilities and services provided by Council, regardless of the value of their property. It is generally accepted that a property's value bears little relation to the landowner's use of Council facilities and services, therefore the application of a minimum rate is considered to be a fairer outcome.

The balance between the rate in the dollar and level of the minimum rate is important in establishing equity and ensuring an optimal level of revenue from a nominated rating level.

Local Notice:

Local governments are required to give notice of an intention to levy differential rates by publishing a notice in a newspaper circulating in the district. The notice is to include an invitation for submissions to be made by electors or ratepayers in respect to the proposed rates or minimums.

Council is to consider any submission before imposing the proposed differential rates and minimums. It should be noted however, that Council is not restricted to impose what was advertised, but can modify the rates as required.

				Attachment 1
	PrevYr Actuals	Annual Original Budget	Jun YTD Current Budget	Next Year Budget
Income				
Rates	-	-	-	480,000
Grants and Subsidies	1,783,286	589,815	560,221	1,183,696
Contributions	207,706	225,770	225,083	122,405
Reimbursements	1,165,477	1,228,805	1,307,505	1,208,217
Fees and Charges	18,382,601	18,888,300	18,836,398	19,197,941
Interest Earnings	959,203	958,080	921,700	905,200
Other Revenues	181,963	94,350	86,720	68,020
Internal Allocations	2,395,174	2,468,550	2,527,521	-
Internal Recovery	(2,395,174)	(2,468,550)	(2,527,521)	-
	22,680,236	21,985,120	21,937,627	23,165,479
Expenditure				
Employee Costs	(24,060,574)	(25,408,470)	(25,434,853)	(23,516,412)
Other Employee Costs	(705,403)	(531,460)	(675,210)	(610,504)
Materials and Contracts	(15,829,592)	(17,749,340)	(17,921,093)	(17,281,949)
Utilities	(1,808,666)	(1,955,570)	(1,955,570)	(1,852,150)
Insurance Expenses	(874,147)	(889,760)	(989,760)	(906,665)
Interest Expenses	(1,045,540)	(995,630)	(995,630)	(955,174)
Other Expenditure	356,863	173,780	134,056	(2,889,006)
Depreciation	(9,094,953)	(9,663,980)	(10,246,060)	(10,166,713)
Internal Allocations	(17,391,942)	(18,946,205)	(20,498,126)	-
Internal Recovery	21,073,106	22,836,255	24,388,176	962,650
	(53,062,012)	(57,020,430)	(58,084,120)	(58,178,573)
New operating excluding rates	(30,381,776)	(35,035,310)	(36,146,493)	(35,013,094)
Movement in joint venture operations	(23,213)	-	-	-
Movement in employee benefit provisions (non current)	32,109	-	-	-
Movement in deferred pensioner rates (non current)	45,401	-	-	-
Depreciation	9,094,953	9,663,980	10,246,060	10,166,713
Restricted unspent grants	(600,000)	-	-	(200,000)
Amount Attributable to Operating Activities	(21,832,526)	(25,371,330)	(25,900,433)	(25,046,381)
INVESTING ACTIVITIES				
Non operating Grants, Subsidies and Contributions	2,594,651	2,692,344	2,733,778	1,613,222
Proceeds from Disposal of Assets	351,910	204,500	202,321	475,000
Proceeds from Land held for sale	916,666	333,333	333,333	333,333
Purchase of Property, Plant and Equipment	(4,981,769)	(5,052,819)	(4,541,951)	(6,149,000)
Purchase and Construction of Infrastructure	(4,554,169)	(8,358,501)	(8,153,653)	(5,506,189)
Amounts attributable to investing activities	(5,672,711)	(10,181,143)	(9,426,172)	(9,233,634)
FINANCING ACTIVITIES				
Repayments of Debentures	(818,840)	(881,398)	(881,398)	(988,487)
Proceeds from Debentures	-	-	-	428,000
Transfers to Reserves (restricted assets)	(3,614,461)	(1,850,534)	(2,401,835)	(860,094)
Transfer from Reserves (restricted assets)	927,757	1,309,605	1,153,098	1,169,000
Amounts attributable to financing activities	(3,505,544)	(1,422,327)	(2,130,135)	(251,581)
Less: Operating Initiatives				(1,017,000)
Less: Community Budget Submission				(147,000)
Surplus (deficit) before general rates	(31,010,781)	(36,974,800)	(37,456,740)	(35,695,596)
Total amount raised from general rates	31,234,580	32,939,532	32,976,983	-
Opening Surplus as at 1 June	4,251,223	4,035,268	4,475,025	1,268,109
Closing Surplus(Deficit) as at 30 June	4,475,022	-	(4,732)	(34,427,487)

5 CLOSURE