



CITY OF VINCENT

2018/19

BUDGET DEVELOPMENT

COMMENTARY

TABLE OF CONTENTS

EXECUTIVE SUMMARY	2
1 BUDGET PREPARATION.....	3
1.1 Budget Process and Timetable	3
2. BUDGET DEVELOPMENT FRAMEWORK	4
2.1 Legislative Requirements	4
3 STATUTORY BUDGET TABLES.....	5
4 2017/18 FORECAST FINANCIAL OUTCOMES.....	6
5 OPERATING BUDGET 2018/19	7
5.1 Income statement – revenue and expenditure.....	7
5.2 Financing Activities	8
5.3 Non-Operating Budget	8
6 CAPITAL BUDGET 2018/19.....	9
6.1 General Observation	9
6.2 2018/19 Capital Works Programme	9
7 RATING STRATEGY	10
7.1 Legislation.....	10
7.2 Background.....	10
7.3 Minimum Rates	11
7.4 Differential Rates.....	11
7.5 Rating Benchmark	12
7.7 2018/19 Rates	13
7.8 Pensioner Concession.....	13

EXECUTIVE SUMMARY

The 2018/19 draft budget is being developed in an environment of identified immediate and longer term responses to maintenance and upgrade of the City of Vincent's infrastructure, and a need to drive costs down based on improved efficiencies of practices and use of resources. The 2018/19 draft budget is a prudent budget, which will provide for the City to continue to deliver to the standard our ratepayers and residents expect while concurrently demonstrating sensible use of funds available from various sources including rates revenue.

The following is contained within this Budget Commentary document, to assist in understanding the process and outcomes of the 2018/19 budget development:

- A summary timeline of the workshops and meetings held with Council to finalise the detail of the budget
- A summary of the legislative requirements for local government budget development frameworks
- An overview of the financial statements contained within the statutory budget document
- Information on the 2017/18 forecast financial outcomes
- Summaries of the operating and capital budgets 2018/19
- An overview of the 2018/19 rating strategy.

The 2018/19 draft budget is one element of a framework that facilitates robust financial management while acknowledging the importance of the outcomes of the City of Vincent. Other elements of this framework include:

- Corporate Business Plan process and outcomes (refer item 9.3 of the 26 June 2018 Council Agenda)
- Community Budget Submissions process and outcomes (refer item 9.4 of the 26 June 2018 Council Agenda)
- Strategic Corporate Plan (currently being finalised for endorsement by Council in July)
- Long Term Financial Plan (currently being finalised for endorsement by Council in July)

1 BUDGET PREPARATION

1.1 Budget Process and Timetable

20 March 2018 - Budget Workshop 1

- Draft Capital Works Submission Register

17 April 2018 – Budget Workshop 2

- Rate Setting Strategy
- Capital Budget
- Proposed Fees and Charges
- New Operating Initiatives
- Council Member Budget Submissions
- Community Budget Submissions
- Festival and Events Sponsorship Submissions

2 May 2018 – Budget Workshop 3

- Rate Setting Statement – including Waste Charge/Waste Strategy
- Community Budget Submissions
- New Operating Initiatives
- Councillor Budget Submissions
- Review of Capital Budget

8 May 2018 – Council Meeting

- Differential and Minimum Rates (S6.36 of the Act). Approval for advertising (21 day public submission period).

15 May 2018 – Budget Workshop 4

- Draft Corporate Business Plan
- Review Councillor Budget Submissions
- Review Capital Budget
- Review Community Budget Submissions
- Review New Initiatives
- Review Festival and Events Sponsorship

12 June 2018 – Budget Workshop 5

- Final Draft Corporate Business Plan
- Final Draft Fees and Charges
- Statement of Income – by Nature and type and Program
- Rate Setting Statement
- Draft Capital Budget
- Outline of Long Term Financial Plan

19 June 2018 – Council Briefing

- Draft Budget provided to Council Briefing

26 June 2018 – Council Meeting

- Proposed adoption of the CBP and Budget, including Differential/Minimum Rates and Fees and Charges.

2. BUDGET DEVELOPMENT FRAMEWORK

2.1 Legislative Requirements

Section 6.2 of the *Local Government Act 1995* (the Act), prescribes that local governments are required to prepare and adopt “*in the form and manner prescribed*” the financial year budget.

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

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

The requirements for the Plan for the Future are prescribed in Division 3 Part 5 of the *Local Government (Administration) Regulations 1996*, which prescribes the requirement for:

- the preparation, adoption and periodic review of a Strategic Community Plan for each financial year after 30 June 2013; and
- the preparation, adoption and periodic review of a Corporate Business Plan for each financial year after 30 June 2013.

(see following section on Integrated Planning and Reporting Framework).

The annual budget is to incorporate (S6.2(4)) –

- (a) particulars of the estimated expenditure proposed to be incurred by the local government; and
- (b) detailed information relating to the rates and service charges which will apply to land within the district including -
 - (i) the amount it is estimated will be yielded by the general rate; and
 - (ii) the rate of interest (if any) to be charged by the local government on unpaid rates and service charges; and
- (c) the fees and charges proposed to be imposed by the local government; and
- (d) the particulars of borrowings and other financial accommodation proposed to be entered into by the local government; and
- (e) details of the amounts to be set aside in, or used from, reserve accounts and of the purpose for which they are to be set aside or used; and
- (f) particulars of proposed land transactions and trading undertakings (as those terms are defined in and for the purpose of section 3.59) of the local government; and
- (g) such other matters as are prescribed.

3 STATUTORY BUDGET TABLES

The following is a brief description of the key financial tables included in the Draft Budget, contained at **Attachment 2** to the Council Budget Report

Rate Setting Statement:

The Rate Setting Statement (RSS) provides a comprehensive overview of the local government's annual financial activity and is pivotal in determining the amount required to be made up from rates and whether a balanced, surplus or deficit budget is being considered for adoption. The RSS includes operating revenue and expenditure (presented at 'program' or function level) inclusive of profit/loss on asset disposal and non-operating grant income, non-cash adjustments, capital income and expenditure, reserve transfers and the anticipated opening and closing balances. The result of all other transactions is the budget deficiency to be made up from rates.

The closing balance for one year corresponds with the opening balance for the subsequent year and is taken into account when calculating the amount needed to be derived from rates.

The RSS by both Nature or Type and by Program (refer below) is presented in **Attachment 2** to the draft budget report to Council.

Statement of Comprehensive Income by Nature or Type:

This statement focuses purely on operating revenue and expenditure and is disclosed according to nature or type rather than program or function. Expenses are disclosed according to their nature such as depreciation, transports costs, rent expense, wages and salaries etc. There is no reallocation of these expenses to different functions of the entity (i.e. administrative costs and other expenses).

This is a simple report useful for comparisons over progressive reporting periods.

This statement is presented at **Attachment 2** to the draft budget report to Council.

Statement of Comprehensive Income By Program:

The purpose of the Statement of Comprehensive Income by Program is to enable users to identify the cost of goods and services provided, and the extent to which that cost was recovered from revenues, during the reporting period. The nature of local government is that its major revenue item of general rates is tied, by legislation, to a balance of cash requirements for the municipality for the year. Accordingly, a local government's Statement of Comprehensive Income does not attempt to show a profit or loss on operations.

This statement is presented at **Attachment 2** to the draft budget report to Council.

Statement of Cash Flows:

Cash flow information provides users of the statement with a basis to assess the ability of an entity to generate cash and cash equivalents and the needs of the City to use those cash flows. The Statement of Cash Flows attempts to predict or profile the local government's cash inflows and outflows, by period, for the coming year.

All cash inflows and outflows should be incorporated into the cash flow forecast including draw downs on loan facilities/loan redemption and capital purchases/asset sales.

This statement is presented at **Attachment 2** to the draft budget report to Council.

4 2017/18 FORECAST FINANCIAL OUTCOMES

An important element of budgeting is reviewing the current budget (2017/18) and forecasting the anticipated end of year position.

Local Government Operational Guideline Number 08, published by the Department of Local Government and Communities is entitled *Net Current Assets (Opening and Closing Funds) Used in the Annual Budget and the Annual Financial Report*.

The guideline includes the following introduction:

Elected members and senior staff are well aware of the need for sound financial management of their local government's resources. It is essential that local governments have meaningful and accurate financial information on which to base decisions. A key element of sound financial management is the preparation of the annual budget and this guideline addresses an integral element of the budget process – net current assets (opening funds) carried forward from the previous financial year and closing funds.

The calculations of opening funds brought forward at 1 July from the previous financial year, and closing funds carried forward at 30 June into the next financial year in the rate setting statement of the budget, have a direct impact in the determination of the amount of rates to be raised, and whether it is a balanced, surplus or deficit budget.

The table below demonstrates budgeted against actual opening balances for the previous four years, and the budgeted surplus to be carried forward into 2018/19.

	Actual				
	2014/15	2015/16	2016/17	2017/18	2018/19
Budget 1 July Opening Balance - Surplus / (Deficit)	\$3,199,779	\$576,865	\$4,259,422	\$4,035,268	\$4,829,483
Actual 1 July Opening Balance - Surplus / (Deficit)	-\$4,758,710	\$1,007,891	\$4,251,223	\$4,475,025	
Rating Surplus / (Shortfall)	-\$7,958,489	\$431,026	-\$8,199	\$439,757	
Budget 30 June Closing Balance - Surplus/(Deficit)	\$0	\$0	\$0	\$0	
Actual 30 June Surplus/(Deficit)	\$1,007,891	\$4,251,223	\$4,475,025	\$4,829,483	
Value of Municipal funded carry forwards	\$2,065,879	\$1,974,498	\$2,663,776	\$2,083,624	
Underlying 30 June Surplus/(Deficit)	-\$1,057,988	\$2,276,725	\$1,811,249	\$2,745,859	

5 OPERATING BUDGET 2018/19

5.1 Income statement – revenue and expenditure

INCOME STATEMENT BY NATURE OR TYPE								
	2014/15	2015/16	2016/17	2017/18		2018/19	Variance to:	
	Audited Actual	Audited Actual	Audited Actual	Revised Budget	Estimated Actual	Draft Budget	Revised Budget	Forecast Actual
REVENUE								
Rates	27,478,028	29,601,379	31,234,580	32,976,983	33,018,172	34,717,855	5.3%	5.1%
Operating Grants, Subsidies & Contributions	2,138,565	966,658	1,990,993	785,304	1,238,945	779,453	-0.7%	-37.1%
Fees and Charges	19,654,668	19,285,579	18,382,601	18,836,398	18,562,543	19,251,366	2.2%	3.7%
Interest Earnings	907,919	1,106,722	959,203	921,700	1,007,237	941,260	2.1%	-6.6%
Other Revenue	1,418,990	1,503,562	1,324,228	1,394,225	1,323,702	1,546,630	10.9%	16.8%
	51,598,170	52,463,900	53,891,605	54,914,610	55,150,599	57,236,564	4.2%	3.8%
EXPENDITURE								
Employee Costs	(23,287,895)	(24,116,626)	(24,409,112)	(26,110,063)	(23,587,155)	(24,316,824)	-6.9%	3.1%
Materials and Contracts	(14,237,564)	(14,999,747)	(15,829,592)	(17,921,093)	(17,225,363)	(18,617,433)	3.9%	8.1%
Utility Charges	(1,913,034)	(1,927,414)	(1,808,666)	(1,955,570)	(1,826,865)	(1,852,150)	-5.3%	1.4%
Depreciation on Non-Current Assets	(11,214,551)	(9,530,829)	(9,094,953)	(10,246,060)	(10,264,320)	(10,289,210)	0.4%	0.2%
Interest Expenses	(1,163,983)	(1,093,320)	(1,045,540)	(995,630)	(995,630)	(954,449)	-4.1%	-4.1%
Insurance Expenses	(1,137,988)	(923,484)	(874,147)	(989,760)	(796,314)	(675,216)	-31.8%	-15.2%
Other Expenditure	(173,107)	0	0	134,056	(2,430,743)	(2,960,894)	-2308.7%	21.8%
	(53,128,122)	(52,591,420)	(53,062,010)	(58,084,120)	(57,126,390)	(59,666,176)	2.7%	4.4%
OPERATING RESULT	(1,529,952)	(127,520)	829,595	(3,169,510)	(1,975,791)	(2,429,612)	-23.3%	23.0%
Non-Operating Grants & Contributions	1,000,136	1,384,622	2,594,651	2,733,778	1,875,465	1,829,854		
Profit/Loss on Asset Disposal	6,694,802	3,487,327	397,062	415,015	473,488	687,908		
Revaluation	(814,891)	0						
NET RESULT	5,350,095	4,744,429	3,821,308	(20,717)	373,162	88,150		

The above table shows the movements in the Operating Budget since 2014/15, with the percentage variation from 2017/18 calculated. Key factors contributing to the variations are detailed below:

REVENUE

- Rates:** The budget has increased by 5.3%, attributed to a 2.95% increase in the rate base on residential, 2% on other and 3.2% on vacant-commercial properties (the number of rateable properties increased by 513).
- Grants/Subsidies/Contributions:** 50% of the 2018/19 Financial Assistance Grant was received in advance and recorded as revenue for 2017/18, therefore requiring a corresponding reduction in the 2018/19 Budget.
- Fees and Charges** The budget is reflecting a 2% (\$363,066) increase over the 2017/18 Budget, from \$18,888,300 to \$19,251,366.
- Interest Earnings** Overall interest revenue is forecast to decrease by \$16,820 which is 1.8% on the previous budget, primarily attributable to decrease in interest rates on investments.
- Other Revenue:** This income area can vary each year depending on circumstances contributing to sundry income. Attributable to reimbursements and sundry income.

EXPENDITURE

- Employee Costs:** A 3.3% increase on budget which includes an additional 3.6 (FTE) positions to assist in delivering City services and annual salary increments. This financial year the on-costs on field staff salary of \$2,492,049 has been offset against salary instead of other expenditure. In previous year this was offset against other expenditure which resulted in an understatement of other expenses.
- Materials and Contracts:** A 3.9% increase is proposed, with increases spread across a variety of operational areas. The largest relates to an increase of \$445,000 in the state waste management levy. This budget also commits significant extra funding (\$884,000) towards remedial work on various sporting club buildings and includes an additional commitment of \$330,000 towards community events. There has been a reduction in the level of funding for consultancy in the IT and Records service areas.
- In addition, a substantial component relates to delivering on a range of projects listed in the Corporate Business Plan.
- Other Expenditure:** On costs relating to field staff salaries of \$2,492,049 has been offset against salary this year instead of other expenditure, which was the treatment used previous years. This treatment reduced other expenditure incorrectly resulting in an understatement of other expenses and an overstatement of salary expenses.

5.2 Financing Activities

The Rate Setting Statement lists the loan principal repayments scheduled for 2018/19, being \$1,017,424, together with transfers to reserves of \$1,542,713 and from Reserves of \$1,546,190. A new loan of \$428,000 has been included in 2018/19 budget for the installation solar panels in the Administration, Library, Depot and Beatty Park buildings.

5.3 Non-Operating Budget

As detailed in the Statement of Comprehensive Income by Program, Capital Income for 2018/19 includes:

- Capital Grants directly associated with the Capital Works Program (including carry forwards) totalling \$1,829,854;
- Profit on Disposal of Assets at a total of \$880,063, and Loss on Disposal of Assets of \$192,155. The amounts take into account anticipated sales proceeds against book or carrying values; and
- \$583,333 for the distribution from Tamala Park Regional Council for land sale activities. This is an increase from \$333,333 in 2017/18, reflecting a forecast of an increase in the land sales.

6 CAPITAL BUDGET 2018/19

6.1 General Observation

The City of Vincent has historically prepared a 12 month capital works program for incorporation into the annual budget. Best practice would indicate that a minimum 10 year capital works program should be developed, to align with the City's 10 Year Long Term Financial Plan (LTFP). The City is aware that work remains to be done on this, along with its Asset Maintenance Plan, and is continuing to develop processes to improve the robustness of the capital works program.

6.2 2018/19 Capital Works Programme

The 2018/19 Draft Capital Works Program (**Attachment 3**) lists total projects to the value of \$11,619,652 as summarised below:

Draft Capital Works Budget 2018/19					Funding Source						
Category	Total	Renewal	Upgrade	New	Total	Municipal	Reserve	Grant	Restricted Grant	Contribution	Loan Borrowing
Land & Buildings	2,358,000	1,225,000	455,000	678,000	2,358,000	975,000	940,000	15,000	0	0	428,000
Infrastructure Assets	5,754,652	2,565,062	1,033,590	2,156,000	5,754,653	4,418,467	3,590	926,596	336,000	70,000	0
Plant and Equipment	2,597,000	1,996,500	435,510	164,990	2,622,000	1,877,076	29,000	290,924	0	425,000	0
Furniture and Equipment	910,000	255,000	310,000	345,000	885,000	685,000	200,000	0	0	0	0
	11,619,652	6,041,562	2,234,100	3,343,990	11,619,653	7,955,543	1,172,590	1,232,520	336,000	495,000	428,000

Following a review of the progress of works in 2017/18 and addition of the Carry Forward projects to the value of \$ 3,169,772, the following table then summarises the full budget for capital expenditure in 2018/19.

Draft Capital Works Budget 2018/19 Including carry forward					Funding Source						
Category	Total	Renewal	Upgrade	New	Total	Municipal	Reserve	Grant	Restricted Grant	Contribution	Loan Borrowing
Land & Buildings	2,729,200	1,430,000	621,200	678,000	2,729,200	1,346,200	940,000	15,000	0	0	428,000
Infrastructure Assets	7,779,502	2,695,062	2,512,126	2,572,314	7,779,502	5,549,668	87,390	1,443,930	628,514	70,000	0
Plant and Equipment	3,060,811	2,408,901	435,510	216,400	3,085,811	2,148,387	206,500	290,924	0	440,000	0
Furniture and Equipment	1,219,911	384,911	490,000	345,000	1,194,911	994,911	200,000	0	0	0	0
	14,789,424	6,918,874	4,058,836	3,811,714	14,789,424	10,039,166	1,433,890	1,749,854	628,514	510,000	428,000

Administration notes that a better understanding of the amount and type of capital works required over the longer term is being developed as part of developing improvements in asset management planning. Further details on longer term asset management financial implications will be provided in the Long Term Financial Plan, which is currently being revised for consideration by Council in July.

For information, the following table provides a comparison of the level of carry forward projects included in the previous budget:

	2017/18 Adopted Budget	2018/19 Draft Budget
Total Capital Budget	\$13,411,320	\$14,789,424
Carry Forward	\$3,206,465	\$3,169,772
Carry Forward %	23.91%	21.43%

Carry forward projects come forward with their relevant funding, hence there is no impact on the demand for rates in 2018/19. In the case of the Municipal funded projects, the equivalent funding is factored into the Opening Balance, whereas the receipt of a Grant and Reserve transfers is transferred to be recognised in 2018/19.

7 RATING STRATEGY

7.1 Legislation

The *Local Government Act 1995* (Part 6, Division 6) and the *Local Government (Financial Management) Regulations 1996* (Part 5) provide the legislative power and framework for the levying of local government rates. Key aspects of the legislation impacting on a rating strategy include:

- Section 6.26 Except as provided for in Section 6.26, all land within a district is rateable land;
- Section 6.32 In order to make up the 'budget deficiency', a local government is to impose a general rate which may be imposed either uniformly or differentially. A local government may also impose a specified area rate, a minimum rate and a service charge;
- Section 6.33 A local government may impose a differential general rate (DGR) according to land zoning, land use, whether the land is vacant or not, or a combination of each characteristic;
- Section 6.33 No DGR in each category (UV or GRV) is to be more than twice the lowest DGR, unless approved by the Minister;
- Section 6.34 The amount shown in the Annual Budget as being the amount estimated to be yielded by the general rate is not to vary by +/-10% of the budget deficiency;
- Section 6.35 The local government can impose differential minimum rates, however it is not to be applied to more than 50% of the properties within the district or within each category;
- Section 6.35 A minimum is to be applied separately for each differential rating category where a differential rate is imposed.
- Section 6.35 If a separate DGR is imposed on the basis of vacant land status, a separate minimum rate can be imposed with the approval of the Minister not in accordance with the 50% requirement; and
- Section 6.35 A lesser minimum charge can be applied to any portion of the district, providing the total is less than 50% of the properties on minimum rates (within the district or within the particular category).
- Section 6.36 Before imposing any differential general rates or minimum rates a local government is required to give local public notice of its intention to do so and invite public submissions for a minimum period of 21 days.

7.2 Background

All rateable properties are assigned a value by the Valuer General's Office (VGO) on the basis of either an Unimproved Value or Gross Rental Value (GRV). In Vincent, all rateable properties are assessed by the GRV method. Every three years the VGO undertakes a review of all GRVs and issues the values to local government to apply in the following financial year. The VGO undertook this exercise for Vincent in 2017/18.

The Rate Setting Statement (RSS) is used to determine the amount of rates required to be raised in any year. This factors in the following financial information:

1. all operating revenue to be received from other sources, including increases in fees and charges and grants etc;
2. forecast operating and capital expenditure;
3. transfers to and from Reserves;
4. other funding sources such as loan funding;
5. forecast Opening position (surplus or deficit).



2018/19 DRAFT BUDGET - COMMENTARY

The balance is the Budget Deficiency, which is required to be generated from Rates. Once the amount to be raised from Rates is identified, an equitable rating strategy can then be considered. This involves:

1. determining whether the rate base has changed (increased);
2. considering the effect of a triennial GRV review (if applicable);
3. calculating the preliminary percentage increase from the previous year;
4. considering any changes to the rate distribution model and minimum rates.

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. The following table demonstrates a 2.81% increase in rateable properties during 2017/18:

Year (30 June)	RATEABLE PROPERTIES	Increase	
		Number	%
2018	18730	513	2.81%
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%

7.3 Minimum Rates

Minimum rates are imposed to establish the minimum amount any property must pay to contribute to the cost of services provided by a local government, regardless of the value (GRV) of their property. Whilst the Act establishes limits on the percentage of properties to be Minimum Rated, an optimised Minimum Rate has the potential of delivering a higher yield by category from a lower rate-in-the-dollar. The following table demonstrates the level of minimum rates imposed by the City over the past six years.

	2014/15 Actual	2015/16 Budget	2016/17 Budget	2017/18 Budget	2018/19 Budget
Total Rateable Properties	16,904	17,554	17,867	18,217	18,731
Total Rate Revenue (\$)	\$26,909,021	\$29,596,786	\$30,725,530	\$32,534,531	\$34,717,855
Minimum Rate (\$)	\$707.00	\$907.00	\$1,007.00	\$1,100.00	\$1,180.00
Number on Minimum Rates	907	2,125	3,230	4,400	5,818
Minimum Rates Paid (\$)	\$642,663	\$1,928,896	\$3,252,610	\$4,841,256	\$6,866,496
Percentage increase - Minimum	4%	28%	11%	9%	7.3%
\$ Increase	\$26.00	\$200.00	\$100.00	\$93.00	\$80.00

7.4 Differential Rates

The rating system is used to determine the share of revenue contributed by each property. Importantly, it must be remembered that a reduction provided to any group of ratepayers through the use of differential rates must be borne by increases to other ratepayers. Similarly, a pricing policy that provides high levels of concession for users (low user-pays pricing), will require a corresponding increase from the rating system.



2018/19 DRAFT BUDGET - COMMENTARY

Whilst a simple rating system is preferable, in that it is easily communicated, simpler to administer and more readily understood by the community that does not mean a Uniform General Rate is appropriate in all instances. Prior to 2014/15, the City levied a single General Rate and Minimum Rate, however a Differential Rate was adopted as part of the 2014/15 annual budget.

The stated object of the higher Vacant Commercial rate was to encourage the development of vacant land, to increase the street appeal of suburbs and the vibrancy of town centres.

Although it is not possible to overcome variations within a use or zoning type such as 'residential', other than separating vacant residential, it is possible to compensate for the variations in values between use or zoning types through the differential rating system. The Act provides that a local government may impose a differential general rate (DGR) according to land zoning, land use, whether the land is vacant or not, or a combination of each characteristic

7.5 Rating Benchmark

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 \$22,245.

Council	Rate in \$	Minimum Rates	Waste Charge	Security	Total		Ranking Based on:	
					Minimum Payable	on GRV of \$22,245	Minimum	\$22,245
Cottesloe	6.139000	\$ 1,090	\$ -		\$ 1,090.00	\$ 1,365.62	3	7
Perth	5.694770	\$ 705	\$ 299.00		\$ 1,004.00	\$ 1,266.80	1	5
Claremont	6.235000	\$ 1,278	\$ -		\$ 1,278.00	\$ 1,386.98	15	8
Belmont	5.164800	\$ 815	\$ 298.40		\$ 1,113.40	\$ 1,148.91	5	1
Vincent	6.289000	\$ 1,100	\$ -		\$ 1,100.00	\$ 1,398.99	4	10
Canning	4.412000	\$ 777	\$ 366.00	\$ 54.90	\$ 1,197.90	\$ 1,197.90	8	2
Stirling	4.900000	\$ 833	\$ 335.00	\$ 30.00	\$ 1,198.00	\$ 1,198.00	9	3
East Fremantle	6.664000	\$ 1,055	\$ -		\$ 1,055.00	\$ 1,482.41	2	16
Melville	6.379582	\$ 1,258	\$ -	\$ 53.75	\$ 1,311.90	\$ 1,419.14	18	12
Fremantle	7.012500	\$ 1,283	\$ -		\$ 1,283.00	\$ 1,559.93	16	19
Bayswater	6.000000	\$ 850	\$ 341.05		\$ 1,191.05	\$ 1,334.70	6	6
Peppermint Grove	7.650000	\$ 1,360	\$ -		\$ 1,360.00	\$ 1,701.74	20	24
Joondalup	5.309000	\$ 863	\$ 346.00		\$ 1,209.00	\$ 1,209.00	11	4
Mosman Park	6.576000	\$ 877	\$ 322.50		\$ 1,199.50	\$ 1,462.83	10	15
Gosnells	6.306000	\$ 949	\$ 306.00		\$ 1,255.00	\$ 1,402.77	13	11
Cockburn	7.319000	\$ 1,303	\$ -	\$ 70.00	\$ 1,373.00	\$ 1,628.11	21	22
Victoria Park	8.160000	\$ 1,197	\$ -		\$ 1,197.00	\$ 1,815.19	7	26
Wanneroo	8.164500	\$ 1,337	\$ -		\$ 1,337.00	\$ 1,816.19	19	27
South Perth	6.556300	\$ 968	\$ 280.00		\$ 1,248.20	\$ 1,458.45	12	13
Nedlands	5.410000	\$ 1,401	\$ 660.00		\$ 2,061.00	\$ 2,061.00	29	29
Subiaco	6.399000	\$ 988	\$ 495.00		\$ 1,483.00	\$ 1,483.00	26	17
Rockingham	6.766000	\$ 1,118	\$ 366.00	\$ 34.25	\$ 1,518.25	\$ 1,518.25	28	18
Kalamunda	5.831000	\$ 865	\$ 531.00		\$ 1,396.00	\$ 1,396.00	23	9
Bassendean	7.165000	\$ 1,085	\$ 360.00		\$ 1,445.00	\$ 1,593.85	24	20
Cambridge	5.909200	\$ 962	\$ 500.00		\$ 1,462.00	\$ 1,462.00	25	14
Kwinana	7.351000	\$ 971	\$ 287.00		\$ 1,258.00	\$ 1,635.23	14	23
Swan	7.316400	\$ 845	\$ 393.00	\$ 150.00	\$ 1,388.00	\$ 1,627.53	22	21
Armadale	8.335000	\$ 1,140	\$ 377.50		\$ 1,517.50	\$ 1,854.12	27	28
Mundaring	8.010000	\$ 816	\$ 477.00		\$ 1,293.00	\$ 1,781.82	17	25
Mundaring	8.090000	\$ 1,060			\$ 1,060.00			

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

City of Vincent Residential Category mean average GRV is \$22,245

2018/19 DRAFT BUDGET - COMMENTARY

In a Residential rating context, the above table demonstrates, that when the Waste Collection charge is factored in, in 2017/18 the City of Vincent:

1. had the fourth lowest Minimum Rate in the metropolitan area; and
2. had the tenth lowest combined Rates/Waste Charge of the 30 local governments listed for a residential property with a GRV of \$22,245 (Vincent's mean GRV).

7.7 2018/19 Rates

The Budget deficit presented on the Rate Setting Statement (**Attachment 2**) is \$34,715,974. This represents an increase of approximately 5.3% on the City's rate revenue of \$32,939,532 in 2017/18. As properties are developed throughout the year, the City is provided updated valuation data, which is then utilised to issue interim rates. In 2018/19, it is anticipated this growth will provide approximately \$450,000 therefore the balance of the Budget Deficiency, being \$34,489,532 will need to be derived from the levying of the Annual Rates.

Approximately 1.3% of this increase will be generated from the annual growth in the rate base. In addition it is proposed that:

- a 2.95% increase be applied to the 2017/18 rate in the dollar for Residential properties;
- as the City does not currently differentially rate vacant residential properties (there are approximately 308), no adjustment is proposed;
- an increase be applied to the Other category of 2%;
- increase the minimum rate for Residential and Other be increased to \$1,180 and Commercial Vacant to \$1,494; and
- an increase of 3.2% is applied to Commercial Vacant properties.

Based on the above, the following table demonstrates the Differential and Minimum Rates proposed for 2018/19, with a comparison over the last three years:

Rating Category	2016/17		2017/18		Draft 2018/19	
	Rate-in-\$	Minimum	Rate-in-\$	Minimum	Rate-in-\$	Minimum
General						
Commercial Vacant	0.11914	\$1,414	0.12236	\$1,414	0.12628	\$1,494
Residential	0.06124	\$1,007	0.06289	\$1,100	0.06475	\$1,180
Other	0.06463	\$1,007	0.06489	\$1,100	0.06619	\$1,180
INCREASE						
Commercial Vacant	2.9%	0.0%	2.7%	0.0%	3.20%	5.7%
Residential	2.9%	11.0%	2.7%	9.2%	2.95%	7.3%
Other	2.9%	11.0%	0.4%	9.2%	2.00%	7.3%

7.8 Pensioner Concession

The Pensioners and Seniors Rebate Scheme is established under *the Rates and Charges (Rebates and Deferments) Act 1992*. The purpose of this scheme is to provide concessions to pensioners and seniors on their local government rates, water service charge and Emergency Service Levy. The concessions available are either a rebate on, or the deferment of, these charges.