



CITY OF VINCENT

AGENDA

Special Council Meeting

21 May 2019

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

David MacLennan
Chief Executive Officer

Order Of Business

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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 DECLARATION OF INTEREST

5 CHIEF EXECUTIVE OFFICER

5.1 DIFFERENTIAL RATING STRATEGY 2019/20

TRIM Ref: D19/70126

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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 2019/20 and invites submissions on the proposal from electors and ratepayers:

Rating Category	2019/20	
	Rate in the dollar	Minimum rate
Residential	0.06663	\$1,214.30
Commercial Vacant	0.12817	\$1,537.40
Other	0.06718	\$1,214.30

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 2019/20 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 the budget deficiency is known, local governments are required to give local public notice of any intention to levy differential 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 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 the priorities adopted in the Strategic Community Plan 2018-2028. 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 2018/19 impact on the rate levied on an individual residential property at each of the local governments, based on a nominated Gross Rental Value (GRV) of \$22,245, being the City of Vincent Residential category mean average.

Council	Rate in \$	Minimum Rates	Waste Charge	Security	Total		Ranking based on:	
					Total Minimum Payable	Rates based on a GRV of \$22,245	Minimum	\$22,245
Perth	5.740300	\$ 705.00	\$ 313.65		\$ 1,018.65	\$ 1,590.58	1	11
East Fremantle	6.831000	\$ 1,080.00	\$ -		\$ 1,080.00	\$ 1,519.56	2	8
Cottesloe	6.182000	\$ 1,122.00	\$ -		\$ 1,122.00	\$ 1,375.19	3	1
Belmont	5.242300	\$ 825.00	\$ 313.32		\$ 1,138.32	\$ 1,479.47	4	7
Vincent	6.475000	\$ 1,180.00	\$ -		\$ 1,180.00	\$ 1,440.36	5	5
Mosman Park	6.635200	\$ 885.00	\$ 322.50		\$ 1,207.50	\$ 1,798.50	6	18
Stirling	4.967000	\$ 845.00	\$ 345.00	\$ 30.00	\$ 1,220.00	\$ 1,449.91	7	6
Bayswater	6.210000	\$ 880.00	\$ 347.85		\$ 1,227.85	\$ 1,729.26	8	15
Canning	4.537000	\$ 800.00	\$ 374.00	\$ 55.50	\$ 1,229.50	\$ 1,383.26	9	2
Victoria Park	8.400000	\$ 1,233.00	\$ -		\$ 1,233.00	\$ 1,868.58	10	22
Joondalup	5.465600	\$ 889.00	\$ 346.00		\$ 1,235.00	\$ 1,561.82	11	10
South Perth	6.661200	\$ 984.00	\$ 305.00		\$ 1,289.00	\$ 1,786.78	12	17
Swan	7.412400	\$ 880.00	\$ 418.00		\$ 1,298.00	\$ 2,066.89	13	27
Claremont	6.354700	\$ 1,302.00	\$ -		\$ 1,302.00	\$ 1,413.60	14	3
Gosnells	6.391000	\$ 962.00	\$ 341.00		\$ 1,303.00	\$ 1,762.68	15	16
Fremantle	7.203000	\$ 1,320.00	\$ -		\$ 1,320.00	\$ 1,602.31	16	12
Kwinana	7.999000	\$ 1,036.00	\$ 286.00		\$ 1,322.00	\$ 2,065.38	17	26
Melville	6.436998	\$ 1,269.47	\$ -	\$ 56.40	\$ 1,325.87	\$ 1,431.91	18	4
Mundaring	8.194800	\$ 841.00	\$ 495.00		\$ 1,336.00	\$ 2,317.93	19	29
Wanneroo	6.496300	\$ 971.00	\$ 410.00		\$ 1,381.00	\$ 1,855.10	20	20
Peppermint Grove	7.769000	\$ 1,385.00	\$ -		\$ 1,385.00	\$ 1,728.21	21	14
Cockburn	7.458000	\$ 1,328.00	\$ -	\$ 80.00	\$ 1,408.00	\$ 1,659.03	22	13
Kalamunda	5.931000	\$ 884.00	\$ 539.00		\$ 1,423.00	\$ 1,858.35	23	21
Cambridge	5.841440	\$ 953.00	\$ 500.00		\$ 1,453.00	\$ 1,799.43	24	19
Bassendean	7.230000	\$ 1,095.00	\$ 365.00		\$ 1,460.00	\$ 1,973.31	25	25
Armadale	8.485000	\$ 1,161.00	\$ 377.50		\$ 1,538.50	\$ 2,264.99	26	28
Rockingham	7.009580	\$ 1,158.00	\$ 370.00	\$ 35.50	\$ 1,563.50	\$ 1,929.28	27	23
Subiaco	6.559000	\$ 1,165.00	\$ 505.00		\$ 1,670.00	\$ 1,964.05	28	24
Nedlands	5.626400	\$ 1,401.00	\$ 298.00		\$ 1,699.00	\$ 1,549.59	29	9

In a residential rating context, the above table demonstrates that in 2018/19, when the waste collection charge is factored in the City had:

1. the fifth lowest minimum rate in the metropolitan area; and
2. the fifth lowest combined rates/waste charge of the 29 local governments listed for a residential property with a GRV of \$22,245 (*Note: this was incorrectly reported last year as eleventh*).

Minimum Rate

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. With a minimum rate set at \$1180, any property with a GRV of less than \$18,223 (\$350/week) will be levied the 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 four financial years, but still remained proportionately low in 2018/19, with the metropolitan average being \$1,323.

The City has approximately 5,500 minimum rated residential properties that delivered rate revenue in 2018/19 of \$6,480,000. At the metropolitan average, minimum rate revenue would have increased by \$796,500.

Growth

The City has been experiencing a moderate level of growth in the number of rateable properties over recent years, averaging nearly 2.3% annually since 2014. This growth increases the rate base and therefore the level of income able to be generated from rates. The Long Term Financial Plan (LTFP) factors in an anticipated 1.8% annual growth in the rate base, however the following table demonstrates that the growth in the number of rateable properties in 2018/19 has been moderate and is actually 0.55%. The corresponding total GRV has increased from \$508,710,696 to \$511,374,234 which translates to a growth of 0.52%, which is directly aligned to the potential growth in rates income.

Year (30 June)	Rateable		Increase
	Properties	Number	%
2019	18834	103	0.55%
2018	18731	514	2.82%
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 \$35,466,820 after:

- inclusion of an estimated opening balance of \$1,404,397;
- anticipated growth in rateable properties resulting in issuing of interim rates during the year of approximately \$220,000; and
- an allowance for waiver of rates to particular community and sporting groups.

This deficit will need to be derived from the levying of the annual rates. To achieve this, an increase to 2019/20 rates revenue is required, which can be achieved through the following increases:

Rating Category	2016/17		2017/18		2018/19		Draft 2019/20	
	Rate-in-\$	Minimum	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	0.12817	\$1,537.40
Residential	0.06124	\$1,007.00	0.06289	\$1,100.00	0.06475	\$1,180.00	0.06663	\$1,214.30
Other	0.06463	\$1,007.00	0.06489	\$1,100.00	0.06619	\$1,180.00	0.06718	\$1,214.30
INCREASE								
Commercial Vacant	2.9%	0.00%	2.7%	0.0%	3.2%	5.7%	1.5%	2.9%
Residential	2.9%	11.0%	2.7%	9.2%	3.0%	7.3%	2.9%	2.9%
Other	2.9%	11.0%	0.4%	9.2%	2.0%	7.3%	1.5%	2.9%

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:**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 2019/20 rates is based on the estimates included in the draft 2019/20 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:

This is in keeping with the City's *Strategic Community Plan 2018-2028*:

Innovative and Accountable

We are open and accountable to an engaged community.

SUSTAINABILITY IMPLICATIONS:

While the City has been receiving 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, 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 2019/20.

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 1.5% for *Commercial/Industrial* properties (*Other* category and *Vacant Commercial*) and 2.9% for the *Residential* with a 2.9% increase to all *Minimum* 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 6.663 cents in the dollar and a minimum payment of \$1,214.30.

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 6.718 cents in the dollar and a minimum rate of \$1,214.30.

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 12.817 cents in the dollar and a minimum payment of \$1,537.40.

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 recognises 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.



CITY OF VINCENT
Draft Budget 2019/2020
RATE SETTING STATEMENT
BY NATURE OR TYPE

	Note	Adopted Budget	Current Budget	YTD Actual	Draft Budget
		2018/19	2018/19	11-Apr-19	2019/20
		\$	\$	\$	\$
Revenue					
Operating grants, subsidies and contributions		779,453	659,633	670,062	964,024
Fees and charges		19,261,366	19,411,921	16,287,785	19,680,226
Interest earnings		941,260	961,260	761,512	950,060
Other revenue		1,536,630	1,462,365	1,378,246	1,201,243
		<u>22,518,709</u>	<u>22,495,179</u>	<u>19,097,605</u>	<u>22,795,553</u>
Expenses					
Employee costs		(24,316,824)	(24,675,882)	(20,955,949)	(25,181,802)
Materials and contracts		(18,617,433)	(18,686,189)	(13,013,558)	(17,316,800)
Utility charges		(1,852,150)	(1,912,150)	(1,414,601)	(1,718,630)
Depreciation on non-current assets		(10,289,210)	(11,157,341)	(8,393,843)	(11,191,787)
Interest expenses		(954,449)	(954,449)	(620,084)	(746,197)
Insurance expenses		(675,216)	(675,216)	(506,369)	(689,642)
Other expenditure		(2,960,894)	(3,360,475)	(2,176,680)	(2,735,685)
		<u>(59,666,176)</u>	<u>(61,421,702)</u>	<u>(47,081,084)</u>	<u>(59,580,543)</u>
Gross result		<u>(37,147,467)</u>	<u>(38,926,523)</u>	<u>(27,983,479)</u>	<u>(36,784,990)</u>
Non-operating grants, subsidies and contributions		1,829,854	1,872,868	1,089,780	0
Profit on asset disposals		296,730	296,730	180,474	10,000
(Loss) on asset disposals		(192,155)	(192,155)	(6,281)	0
Profit on Assets Held for Sale (TPRC Joint Venture)		583,333	333,333	166,667	0
Net result		<u>(34,629,705)</u>	<u>(36,615,747)</u>	<u>(26,552,839)</u>	<u>(36,774,990)</u>
Operating Activities Excluded from budget					
Profit on asset disposals		(880,063)	(630,063)	(347,141)	(10,000)
Loss on disposal of assets		192,155	192,155	6,281	0
Non Operating Grants		(1,829,854)	(1,872,868)	(1,089,780)	0
Depreciation on assets		10,289,210	11,157,341	8,393,843	11,191,787
		<u>7,771,448</u>	<u>8,846,565</u>	<u>6,963,203</u>	<u>11,181,787</u>
Amount attributable to operating activities		<u>(26,858,257)</u>	<u>(27,769,182)</u>	<u>(19,589,636)</u>	<u>(25,593,203)</u>
Councillor Budget Submission					(180,000)
Community Budget Submission					(170,000)
Operating Initiative					(1,634,715)
Total					<u>(27,577,918)</u>
INVESTING ACTIVITIES					
Non-operating grants, subsidies and contributions		1,829,854	1,872,868	1,089,780	1,513,550
Proceeds from disposal of assets		475,000	479,963	282,189	406,000
Proceeds from Joint Ventures		583,333	333,333	166,667	0
Purchase of property, plant and equipment		(7,009,922)	(6,393,304)	(2,065,901)	0
Purchase and construction of infrastructure		(7,779,502)	(7,559,671)	(3,856,638)	(9,811,550)
Amount attributable to investing activities		<u>(11,901,237)</u>	<u>(11,266,811)</u>	<u>(4,383,903)</u>	<u>(7,892,000)</u>
FINANCING ACTIVITIES					
Repayment of long term borrowings		(1,017,424)	(1,017,424)	(704,116)	(6,132,377)
Proceeds from new borrowings		428,000	0	0	1,000,000
Transfers to reserves (restricted assets)		(1,542,713)	(1,892,713)	(1,246,437)	(1,011,359)
Transfers from reserves (restricted assets)		1,546,190	1,996,478	356,625	4,667,436
Amount attributable to financing activities		<u>(585,947)</u>	<u>(913,659)</u>	<u>(1,593,928)</u>	<u>(1,476,300)</u>
Budget Deficiency before rates		<u>(39,345,441)</u>	<u>(39,949,652)</u>	<u>(25,567,467)</u>	<u>(36,946,217)</u>
Estimated amount to be raised from general rates		34,717,855	34,561,485	34,460,743	75,000
Budget (Deficit) Surplus		<u>(4,627,586)</u>	<u>(5,388,167)</u>	<u>8,893,276</u>	<u>(36,871,217)</u>
Opening Surplus		4,829,483	5,524,402	5,524,402	1,404,397
Closing Surplus (Deficit) at end of the year		<u>201,897</u>	<u>136,235</u>	<u>14,417,678</u>	<u>(35,466,820)</u>

6 CLOSURE