



Rating Proposal 2022-23

For public inspection (Section 6.36 of the Local Government Act 1995)



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Rating Proposal & Objects and Reasons 2022-23

Introduction

The Shire of Augusta Margaret River (Shire) provides services and facilities to the community and visitors to the region. Rate revenue are a primary source of revenue for the Shire, and are imposed on properties within its district to enable the Shire to provide facilities, community buildings, recreational areas including parks and foreshores, and to ensure that efficient administrative services are provided to our entire community and its many visitors.

The amount of rates payable by a ratepayer is determined by four factors:

1. The method of valuation applicable to their property, being either Gross Rental Value (GRV) or Unimproved Value (UV);
2. The amount of the valuation;
3. The differential rating category of the property; and
4. The rate in the dollar or minimum payment of that differential rating category.

Valuations are provided by the Valuer General in accordance with the *Valuation of Land Act 1978*. Council sets the rate in the dollar in its annual budget, which is applied to a valuation to determine the rates applicable to the property.

The Shire applies differential rating under its Rating Policy in conjunction with the Shire's Local Planning Scheme No 1 (LPS1) and includes the following differential rating categories:

Gross Rental Valuation Properties	Unimproved Valuation Properties
Residential	UV rural
Residential vacant	UV 1 (1 non-rural use = UV rural x 125%)
Rural residential	UV 2 (2 non-rural uses = UV rural x 150%)
Rural residential vacant	UV 3 (3 non rural uses = UV rural x 175%)
Commercial, industrial, tourism	Strata titled vineyard
	UV conservation

When determining the annual differential rates in the dollar and minimum payments, the following factors are considered:

- Growth of rateable properties
- Landgate Unimproved Value (UV) and Gross Rental Value (GRV) revaluations;
- Long Term Financial Plan (LTFP) which identifies the forecast deficiency between revenue and expenditure to be funded from rates;
- 2022-23 Draft Budget
- Current economic conditions which impact on the forecast deficiency between revenue and expenditure to be funded from rates;
- Community perception of affordability and the services provided to the community;
- Shire's Rating Policy; and
- Compliance with the provisions of the *Local Government Act 1995*.

Each differential rating category has a minimum payment that is applied to ensure those properties not subject to a rate in dollar calculation make a fair and equitable contribution to the Shire's rate revenue.

A minimum payment is levied in instances where the applicable rate in dollar multiplied by the property's valuation is equal to or less than the minimum payment amount.

It is intended that for the 2022-23 financial year there will be an average 4.0% increase to each differential rate category. For some properties this increase will be higher due to a change in valuation.

It is intended that for the 2022-23 financial year there will be an average increase of 4.0% to the minimum payment value for each differential rate category.

Proposed Rate in Dollar and Minimum Payment

It is proposed for the 2022-23 financial year that the following rate in the dollar and minimum payment for each differential rating category will apply:

Differential Rating Category	Proposed Rate in \$ 2022-23 ¹	Actual Rate in \$ 2021-22	Proposed Minimum Payment 2022-23 ¹	Actual Minimum Payment 2021-22
Gross Rental Valuation properties				
Residential	\$0.093238	\$0.109733	\$1,416	\$1,362
Residential vacant	\$0.190199	\$0.210211	\$1,558	\$1,498
Rural residential	\$0.100028	\$0.105116	\$1,724	\$1,658
Rural residential vacant	\$0.180877	\$0.204612	\$1,897	\$1,824
Commercial, industrial, tourism	\$0.123820	\$0.129976	\$1,522	\$1,463
Unimproved Valuation Properties				
UV rural	\$0.004592	\$0.047990	\$1,589	\$1,528
UV 1	\$0.005740	\$0.059980	\$1,986	\$1,910
UV 2	\$0.006888	\$0.071980	\$2,384	\$2,292
UV 3	\$0.008035	\$0.083980	\$2,781	\$2,674
Strata titled vineyard	\$0.004941	\$0.047990	\$933	\$897
UV conservation	\$0.004414	\$0.046900	\$1,529	\$1,470

¹ When adopting the 2022-23 Annual Budget, Council may vary the proposed rate in dollar and minimum payment amounts

Rating Yield Objectives and Factors

In setting the rate in the dollar and minimum payment for each differential rating category, Council has taken into consideration the following factors:

Growth of rateable properties

The number of rateable properties has increased during 2021-22 year as a result of land developments released and subdivisions of land by individual landowners across the Shire. 141

new lots have been released for the financial year to 29 April 2022. A comparison of the increase in the property base for the current and past 7 years is tabled below.

Year	No. of properties	Property increase	% increase
2021-22	10,217	141	1.4%
2020-21	10,071	160	1.6%
2019-20	9,911	130	1.3%
2018-19	9,781	101	1.0%
2017-18	9,680	168	1.8%
2016-17	9,512	180	1.9%
2015-16	9,332	277	3.1%

Landgate UV and GRV Revaluations

The *Valuation of Land Act 1978* (VLA) empowers the Valuer General (VG) to conduct general valuations on a GRV basis within Western Australia at such times and frequency as is considered necessary (currently every 3 years) and for UV properties annually. Values are determined relative to sales and rentals at 1 August of the preceding year (1 August 2021).

Landgate were due to undertake a review of GRV valuations as at 1 August 2020 but deferred this due to concerns over the impact of Covid-19. As such, Landgate have undertaken a revaluation of all GRV and UV properties as at 1 August 2021, with new values being effective from 1 July 2022.

UV Revaluation

The 2021 revaluation of properties valued on a UV basis resulted in an overall average increase of 9.15%. This compares with the previous year when values increased by just 0.08%.

Landgate have advised that the market for broadacre rural properties has improved on the back of low interest rates, reasonable seasonal conditions, and strong commodity prices. The impact of the Covid-19 pandemic has seen increased interest in rural smallholdings, which has taken up excess supply in the market and seen prices increase significantly after-market decreases pre-2020. They advise that demand within the rural residential market has continued to be strong, translating to a rise in valued within established subdivisions, however establishing rural residential localities have been less growth with strong demand met by recent and proposed subdivisions.

To achieve an overall 4% increase in the rate yield despite the greater increase in property values, the rural rate in the dollar has been decreased by 4.3%. The UV tiered rating scale differentials of 25%, 50% and 75%, have been applied against the rural rate to obtain the proposed rates for 2022-23.

Only two rural properties have seen their valuation decrease, with a wide range of variations in valuation changes amongst the remaining properties. Approximately a third of properties have seen their property values increase by between 1% and 5%. A quarter of properties have increased in value by between 6 and 10%, with a further quarter between 11% and 20%. Some properties have increased in value by more than 20%. As a result of the broad range in variances, some property owners will receive property rates with a greater increase than the 4% target. Unfortunately, this cannot be avoided as the calculation of property rates is dependent upon the valuation of the property.

GRV Revaluation

The 2021 revaluation of properties valued on a GRV basis resulted in an overall average increase of 16.05%. A breakdown of changes in GRV valuation between the previous valuation on 1 August 2018 and the most recent valuation on 1 August 2021 are shown in the following table:

Differential Rating Category	GRV previous valuation	GRV current valuation	Change	% Change
Residential	92,265,029	112,098,659	19,833,630	21.50%
Residential vacant	5,832,500	6,619,240	786,740	13.49%
Rural residential	16,500,630	18,105,270	1,604,640	9.72%
Rural residential vacant	1,768,620	2,089,100	320,480	18.12%
Industrial	5,040,145	5,400,622	360,477	7.15%
Commercial	21,561,900	23,382,639	1,820,739	8.44%
Tourism	18,312,556	19,475,106	1,162,550	6.35%
	161,281,380	187,170,636	25,889,256	16.05%

To achieve an overall 4% increase in the rate yield despite the greater increase in property values, the various GRV rates in the dollar have been decreased to result in the proposed rates for 2022-23. The percentage by which the rate in the dollar has been decreased for each GRV category is different, reflecting the difference in % change in valuations for each of these.

Long Term Financial Plan

The 2021-22 to 2030-31 plan was adopted by Council on 24 March 2021 and assumed the increase to the rate yield for 2022-23 would be similar to the forecast price and cost escalation rate in addition to forecast property growth. For 2022-23 the forecast rate increase included in the plan was 2%. This plan is a base level plan that provides for continued commitment to sound financial management. Economic conditions have changed significantly since adoption of the most recent Long Term Financial Plan, with price and cost escalation rates sitting considerably higher than forecast. As such, to ensure continued commitment to sound financial management, the 2% rate increase included in the Long Term Financial Plan is no longer deemed relevant, nor sufficient.

2022-23 Draft Budget

The preparation of the 2022-23 draft Budget is based on the rate yield increasing 4% plus property growth. This places pressure upon the requirement to balance the deficiency between expenditure demands and funding sources.

Economic Conditions

Inflation in many advanced economies increased during 2021-22, with Australia being no exception. Western Australia felt the impact of this, with the highest March 2022 year on year Consumer Price Index rate of all Australian capital cities, sitting at 7.6% compared to the national average of 5.1%. Construction materials and contract labour are significant costs for the Shire, with the requirement to maintain a wide range of infrastructure including roads, bridges and community buildings and fund a broad range of services including waste collection and processing, street sweeping and reserve maintenance. These materials and contracts are all impacted by inflation, putting increased pressure on the Shire's finances.

Affordability and Services

Council are extremely conscious of the impact rate increases can have upon the community, particularly in light of the upwards pressure on inflation, particularly inflation in fuel and food prices, exceeding the rate of wage growth, eroding households' disposable income. For this reason, the rate yield increase has been kept below the forecast Perth Consumer Price Index for 2022-23.

Shire Rating Policy

The Shire's Rating Policy ensures that the Shire applies a differential rating system based on the zoning/land use of a property.

Local Government Act Compliance

In setting the differential rate in the dollar and minimum payment, the Shire must adhere to the requirements of the Local Government Act and in particular sections 6.33 and 6.35.

Section 6.33 states that the Shire can't apply a rate in the dollar that is more than twice the lowest rate in the dollar for any differential rating category.

Section 6.35 states that the Shire can't apply a minimum payment to more than 50% of the total number of properties for an individual differential rating category.

The Residential Vacant GRV category is not compliant with Section 6.35 of the Act, as the total number of properties on the minimum payment exceeds 50%. Of the 861 in this category, 647 properties are on the minimum payment. As such, Ministerial approval must be obtained before rates can be implemented for 2022-23.

Objects and Reasons for Differential Rates

The overall object of the Shire's differential rates is to raise rates revenue in a manner that is simple, efficient and equitable to all ratepayers within the district. The reasons for each differential rating category are outlined below:

Gross Rental Valuation

Residential	
Characteristics	Properties zoned Residential and Future Development, developed and primarily located within the Shire's Townsite boundaries of Augusta, Cowaramup, East Augusta, Gnarabup, Gracetown, Kudardup, Karridale, Margaret River, Molloy Island, Prevelly and Witchcliffe where the land uses consist of Residential and Ancillary Residential Uses (dwellings, home occupations and home offices). This category also applies to properties outside Townsite boundaries where the Shire has determined that the predominant use of the land is non-rural and includes properties with a land area of less than 5 hectares
Objects	To apply a differential rate and minimum payment to developed properties zoned or used for residential purposes, and to provide the base for the other GRV differential rating categories
Reasons	To ensure that all ratepayers make a reasonable contribution towards the ongoing maintenance and provision of works, services and facilities throughout the Shire
Residential vacant	

Characteristics	Vacant properties zoned Residential and Future Development, developed and primarily located within the Shire's Townsite boundaries of Augusta, Cowaramup, East Augusta, Gnarabup, Gracetown, Kudardup, Karridale, Margaret River, Molloy Island, Prevelly and Witchcliffe where the land uses consist of Residential and Ancillary Residential Uses (dwellings, home occupations and home offices). This category also applies to properties outside Townsite boundaries where the Shire has determined that the predominant use of the land is non-rural and includes properties with a land area of less than 5 hectares.
Objects	To apply a differential rate and minimum payment to vacant properties held for residential purposes, and to encourage landowners to develop residential land
Reasons	Excessive vacant land impact upon the aesthetics of the area and does not contribute towards the economic wellbeing of the Shire
Rural residential	
Characteristics	Properties zoned Rural Residential that are developed and located outside of Townsite boundaries, are generally "life-style" properties.
Objects	To apply a differential rate and minimum payment to developed properties zoned rural residential, and to raise revenue required to provide services to these larger lots
Reasons	Larger lots are considered to generate additional infrastructure, social and administrative demands upon the Shire
Rural residential vacant	
Characteristics	Properties zoned Rural Residential with a vacant land use and located outside of Townsite boundaries, are generally "life-style" properties.
Objects	To apply a differential rate and minimum payment to properties with vacant use zoned rural residential, and to encourage landowners to develop their property
Reasons	Excessive vacant rural residential land impacts upon the aesthetics of the area and does not contribute to the economic wellbeing of the Shire
Commercial, industrial, tourism	
Characteristics	<p>Industrial properties zoned Industry and Composite Industry and where land uses may include light industry, fuel depots, motor vehicle repairs, showrooms, storage facilities, warehouses or workshops. Properties are located within specific zoned areas in the Shire.</p> <p>Properties zoned Service Commercial, Town Centre and Village Centre or where land uses may include café, licensed restaurants, plant nursery, shop, showroom. Properties are primarily located within the town centre business districts of designated townsites, however this category applies to various commercial properties located across the Shire.</p>

	<p>Properties zoned Chalet and Camping, Caravan Park and Tourism or where land uses may include camping grounds, caravan parks, chalets and holiday units. Properties with planning approval to operate as short-term holiday rental are also included in this category.</p> <p>It is noted that rate levies paid by industrial, commercial and tourism properties are generally tax deductible.</p>
Objects	To apply a differential rate and minimum payment to commercial, industrial and tourism zoned properties in order to raise additional revenue to fund the level of service to these properties and the costs that result from visitors to these properties
Reasons	Higher costs such as carparking, landscaping, street cleaning and provision of amenities are incurred, Additional costs associated with supporting tourism and economic development also benefit property owners

Unimproved Valuation Properties

The Shire applies a tiered rating approach resulting in properties with non-rural uses paying a higher rate in the dollar depending on the number of approved non-rural uses. The reason being is that non-rural uses have an impact on the need for essential services, facilities and infrastructure for the entire community and visitors. The scale of non-rural uses provides some equity between properties with Commercial, Industrial and Tourism activities in the rural zones of Priority Agriculture, General Agriculture and Cluster Farm.

UV rural	
Characteristics	Properties zoned Priority Agriculture, General Agriculture and Cluster Farm as listed under LPS1 Zoning Table
Objects	To apply a differential rate and minimum payment to properties with rural zoning, and to provide the base for the other UV differential rating categories
Reasons	The other UV categories are considered to have higher demand on Shire services and resources
UV 1	
Characteristics	Properties where the predominant use of the land is prima-facie rural and the property has one non-rural use excluding Residential and Ancillary Residential uses as listed under LPS1 Zoning Table
Objects	To apply a differential rate and minimum payment set at 125% of the base UV rural rate to recognise the additional non-rural use
Reasons	The provision of non-rural uses in rural areas results in additional costs
UV 2	

Characteristics	Properties where the predominant use of the land is prima-facie rural and the property has two non-rural use excluding Residential and Ancillary Residential uses as listed under LPS1 Zoning Table
Objects	To apply a differential rate and minimum payment set at 150% of the base UV rural rate to recognise the two additional non-rural uses
Reasons	The provision of non-rural uses in rural areas results in additional costs

UV 3

Characteristics	Properties where the predominant use of the land is prima-facie rural and the property has three or more non-rural use excluding Residential and Ancillary Residential uses as listed under LPS1 Zoning Table
Objects	To apply a differential rate and minimum payment set at 175% of the base UV rural rate to recognise the three or more additional non-rural uses
Reasons	The provision of non-rural uses in rural areas results in additional costs

Strata title vineyard

Characteristics	A strata property that exists in the Priority Agriculture Zone, which is not captured under the Shire's Rating Policy due to its land use. The land use is restricted to predominantly agricultural purposes.
Objects	To apply a differential rate and minimum payment to a property which is not captured within the Shire's Rating Policy
Reasons	The lower minimum payment recognises the smaller property size and restricted land use compared to IV Rural

UV conservation

Characteristics	Properties zoned Bushland Protection, Leeuwin-Naturaliste Ridge Landscape Amenity, Leeuwin-Naturaliste Ridge Conservation and Southern Ocean Foreshore Protection
Objects	To apply a differential rate and minimum payment to properties with the above zoning
Reasons	A lower differential rate and minimum payment recognises that limited development is allowable on such land in order to maintain significant conservation and/or landscape values



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