

# Objectives and Reasons 2020-21 Differential Rates



May 2020

## Introduction

The Shire of Augusta Margaret River provides services and facilities to the community and visitors to the region. Rate revenue collected enables the Shire to provide facilities, community buildings, recreational areas including parks and foreshores and ensure that efficient administrative services are provided to our entire community and its many visitors. The Shire applies differential rating under Policy CCSP2 Shire Rating in conjunction with the Shire's Local Planning Scheme No 1 (LPS1) and includes the differential rating categories of residential, rural residential, commercial, industrial, tourism, strata title vineyard, rural and conservation.

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

- Long Term Financial Plan (LTFP) and draft Budget which identify the forecast deficiency between revenue and expenditure to be funded from rates;
- Community perception of affordability and the services provided to the community;
- Growth of rateable properties;
- Landgate Unimproved Value (UV) and Gross Rental Value (GRV) revaluations;
- Policy CCSP2 Shire Rating; and
- Compliance with the provisions of the *Local Government Act 1995*.

Council's response to the Covid-19 pandemic meant the above considerations were superseded by the decision to impose the same rates in the dollar and minimum payments imposed in 2019-20. The effective "freezing" of property rates means the Shire's rate yield will only increase from growth in the number of rateable properties and developed properties.

The Shire has the following differential rating categories:

Gross Rental Valuation	Unimproved Valuation
Residential	UV Rural
Residential Vacant	UV1 (1 non rural use = UV Rural x 125%)
Rural Residential	UV2 (2 non rural uses = UV Rural x 150%)
Rural Residential Vacant	UV3 (3 or more non rural uses = UV Rural x 175%)
Commercial, Industrial, Tourism	Strata Title Vineyard
	UV Conservation

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## 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:

### Long Term Financial Plan

The 2018-19 to 2027-28 Plan was adopted by Council on 11 April 2018 and assumes the increase to the rate yield for 2020-21 would be equivalent to the forecast price and cost escalation rate of 2% in addition to forecast property growth. This Plan is a base level plan that provides for continued commitment to sound financial management. Preparation of an updated plan was deferred as the assumptions were no longer relevant due to the Covid-19 pandemic.

### 2020-21 Draft Budget

The preparation of the 2020-21 draft Budget is based on the rate yield only increasing by property growth. This places pressure upon the requirement to balance the deficiency between expenditure demands and funding sources.

### Affordability and Services

Council are very conscious of the impact rate increases have upon the community, particularly as a result of the negative financial consequences of the Covid-19 pandemic. For this reason a rate freeze has been enacted for 2020-21.

### Growth of rateable properties

The number of rateable properties has increased during 2019-20 year as a result of land developments released and subdivisions of land by individual landowners across the Shire. However, the rate of increase has slowed down in recent years with 97 new lots released for the financial year to 28 April 2020. The subdued growth in lots has a direct impact upon growth in rate revenue. A comparison of the increase in the property base for the current and past 6 years is tabled below.

**Table 1. Growth in rateable properties**

Year	No. of Properties	Property Increase	% Increase
2014	8,936	41	0.5%
2015	9,055	119	1.3%
2016	9,332	277	3.1%
2017	9,512	180	1.9%
2018	9,680	168	1.8%
2019	9,781	101	1.0%
2020	9,878	97	1.0%

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## **Landgate UV and GRV Revaluations**

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

In 2018 all GRV properties were re-valued and the new values were effective from 1 July 2018. The next revaluation is scheduled for 2021.

## **UV Revaluation**

The 2020 revaluation of properties valued on an Unimproved Value (UV) basis results in an overall average decrease of only 0.01%. This compares to last year when values decreased by 0.32%.

Only 65 properties recorded a change in their valuation with 17 properties recording a decreased valuation and 48 properties recording an increased valuation. Almost half (32) of the properties were in the Nillup and Scott River area. Landgate advised variations to individual assessments have occurred as a result of the valuation process and/or inclusion of updated information such as soil types.

As Council's intent is to freeze rates at 2020-21 levels, a rates concession is proposed for the properties whose rates are expected to increase as a result of the changed valuation. Rate modelling identified this will need to occur for 33 properties and the total amount of rate revenue to be foregone is \$2,498. 15 properties will benefit from a reduced rate due to lower valuations.

## **Policy CCSP2 Shire Rating**

Policy CCSP2 Shire Rating ensures the Shire applies a differential rating system based on the zoning/and or 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 1995* 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.

## **Differential Rates**

The following rates in the dollar and minimum payments are proposed for the 2020-21 financial year. A table explaining the objects and reasons for each of the Shire's differential rates is included at the end of this document.

## **Gross Rental Value (GRV)**

### **Residential**

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

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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.

- Rate in the dollar 10.7581 cents (last year 10.7581 cents)
- Minimum payment \$1,335 (last year \$1,335)

### **Residential Vacant**

Properties zoned Residential and Future Development that are vacant 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. This category also applies to properties outside Townsite boundaries with a land area of less than 5 hectares.

The minimum rate is the same as the Residential developed category, however the rate in the dollar is higher partly to encourage landowners to develop their property.

- Rate in the dollar 20.6089 cents (last year 20.6089 cents)
- Minimum payment \$1,335 (last year \$1,335)

### **Rural Residential**

Properties zoned Rural Residential that are developed and located outside of Townsite boundaries, are generally "life-style" properties. As a result of the higher GRV valuations for these properties the rate in the dollar is lower than the Residential rate.

- Rate in the dollar 10.3055 cents (last year 10.3055 cents)
- Minimum payment \$1,625 (last year \$1,625)

### **Rural Residential Vacant**

Properties zoned Rural Residential with a vacant land use. The minimum rate is the same as the Rural Residential developed category, however the rate in the dollar is higher partly to encourage landowners to develop their property.

- Rate in the dollar 20.0600 cents (last year 20.0600 cents)
- Minimum payment \$1,625 (last year \$1,625)

### **Commercial, Industrial, Tourism**

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.

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 Town sites, however this category applies to various Commercial properties located across the Shire.

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.

It is noted that rate levies paid by industrial, commercial and tourism property owners are generally tax deductible and can accommodate a large number of visitors and customers. This category may apply 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.

- Rate in the dollar 12.7427 cents (last year 12.7427 cents)
- Minimum payment \$1,434 (last year \$1,434)

### **Unimproved Value (UV)**

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**

Sets the base rate for which the UV Tiered differential rating categories of UV1, UV2 and UV3 are applied. UV Rural applies to properties zoned Priority Agriculture, General Agriculture and Cluster Farm as listed under LPS1 Zoning Table. This category applies to properties where the predominant use of the land is prima-facie rural.

- Rate in the dollar 0.4705 cents (last year 0.4705 cents)
- Minimum payment \$1,498 (last year \$1,498)

### **UV1 (one non-rural use)**

UV1 applies to 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. The rate in the dollar equates to UV Rural base rate times 1.25 and the minimum payment set at the UV Rural amount.

- Rate in the dollar 0.5880 cents (last year 0.5880 cents)
- Minimum payment of \$1,498 (last year \$1,498)

### **UV 2 (two non-rural uses)**

UV2 applies to properties where the predominant use of the land is prima-facie rural and the property has two non-rural uses excluding Residential and Ancillary Residential uses as listed under LPS1 Zoning Table. The rate in the dollar equates to UV Rural base rate times 1.5 and the minimum payment set at the UV Rural amount.

- Rate in the dollar 0.7057 cents (last year 0.7057 cents)
- Minimum payment of \$1,498 (last year \$1,498)

### **UV 3 (three or more non-rural uses)**

UV3 applies to properties where the predominant use of the land is prima-facie rural and the property has more than two non-rural uses excluding Residential and Ancillary Residential Uses as listed under LPS1 Zoning Table. The rate in the dollar equates to UV Rural base rate times 1.75 and the minimum payment set at the UV Rural amount.

- Rate in the dollar 0.8233 cents (last year 0.8233 cents)
- Minimum payment of \$1,498 (last year \$1,498)

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### Strata Title Vineyard

The Strata Title Vineyard rate addresses a strata title property that exists in the Priority Agriculture Zone as the properties are not captured under the Shire Rating Policy due to their land use. The land use is restricted to predominantly agricultural purposes. The minimum payment is lower than that of the other UV categories due to the property size. The rate in the dollar is the same as the UV Rural base rate.

- Rate in the dollar 0.4705 cents (last year 0.4705 cents)
- Minimum payment \$879 (last year \$879)

### UV Conservation

A lower rate in the dollar and minimum payment has been applied to properties zoned Bushland Protection, Leeuwin-Naturaliste Ridge Landscape Amenity, Leeuwin-Naturaliste Ridge Conservation and Southern Ocean Foreshore Protection. Limited development is allowable on land to maintain significant conservation and/or landscape values.

- Rate in the dollar 0.4598 cents (last year 0.4598 cents)
- Minimum payment \$1,441 (last year \$1,441)

### Rate Yield Breakdown for 2020-21

The following shows the rate yield breakdown by rate category for 2020-21.

RATE TYPE		Rate in \$ (cents)	Number of Properties	Rateable Value \$	2020-21 Budgeted Rate Revenue \$
<b>Differential General Rate/General Rate</b>					
	Residential GRV	0.107581	5,034	84,352,080	9,074,683
	Residential GRV Vacant	0.206089	227	2,940,260	605,955
	Rural Residential GRV	0.103055	664	13,690,872	1,410,913
	Rural Residential GRV Vacant	0.200600	170	1,969,290	395,040
	Industrial, Commercial & Tourism	0.127427	1,237	42,265,116	5,385,717
	Rural Strata Title Vineyard UV	0.004705	0	0	0
	UV Rural	0.004705	772	512,446,000	2,411,058
	UV1 (one non rural use)	0.005880	116	74,329,000	437,055
	UV 2 (two non rural uses)	0.007057	24	13,880,000	97,951
	UV3 (over two non rural uses)	0.008233	14	12,304,000	101,299
	UV Conservation	0.004598	72	57,270,000	263,327
<b>Sub-Totals</b>			8,330	815,446,618	20,182,998
		<b>Minimum</b>			
<b>Minimum Payment</b>		<b>\$</b>			
	Residential GRV	1,335	386	4,068,499	515,310
	Residential GRV Vacant	1,335	556	2,298,770	742,260
	Rural Residential GRV	1,625	144	2,018,008	234,000
	Rural Residential GRV Vacant	1,625	16	109,860	26,000
	Industrial, Commercial & Tourism	1,434	193	1,532,303	276,762
	Rural Strata Title Vineyard UV	879	37	2,700,000	32,523
	UV Rural	1,498	194	42,073,028	290,612
	UV1 (one non rural use)	1,498	5	1,007,000	7,490
	UV 2 (two non rural uses)	1,498	0	0	0
	UV3 (over two non rural uses)	1,498	0	0	0
	UV Conservation	1,441	17	4,316,000	24,497
<b>Sub-Totals</b>			1,548	60,123,468	2,149,454
<b>Total Amount Raised from General Rate</b>					<b>22,332,452</b>

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Differential General Rate				
Description	Characteristics	Objects	Reasons	Rate in \$
Residential	Developed properties zoned residential and future development that are primarily located within the townsites of Augusta, Cowaramup, Gnarabup, Gracetown, Kudardup, Karridale, Margaret River, Prevelly and Witchcliffe where the land uses consist of Residential and Ancillary Residential Uses.	The object of the rate for this category is to provide the base for the other GRV rate categories.	The other GRV categories are considered to have different demand and requirement characteristics to the residential category.	0.107581
Residential Vacant	Vacant properties zoned residential and future development that are primarily located within the townsites of Augusta, Cowaramup, Gnarabup, Gracetown, Kudardup, Karridale, Margaret River, Prevelly and Witchcliffe where the land uses consist of Residential and Ancillary Residential Uses.	The object of having the same minimum payment but a higher rate in the dollar than the Residential category is to encourage land owners to develop residential land.	Excessive vacant residential land impacts upon the aesthetics of the area and does not contribute to the economic wellbeing of the Shire.	0.206089
Rural Residential	Properties zoned rural residential that are developed and located outside of townsite boundaries.	The object of the rate is to raise the revenue required to provide services to these larger lots.	These larger lots are considered to generate additional infrastructure, social and administrative demands on the Shire.	0.103055
Rural Residential Vacant	Properties zoned rural residential with a vacant land use. The minimum payment is the same as Rural Residential, however the rate in the dollar is higher.	The object is to encourage landowners to develop their property.	Excessive vacant rural residential land impacts upon the aesthetics of the area and does not contribute to the economic wellbeing of the Shire.	0.200600
Commercial, Industrial and Tourism	Includes properties zoned industry and composite industry such as light industry and workshops; properties zoned service commercial, town centre and village centre; properties zoned chalet and camping, caravan park and tourism and properties with Planning approval to operate as short term holiday rental.	The object of the rate for these categories is to raise additional revenue to fund the level of service provided to these properties and the costs that result from the visitors to these properties.	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.	0.127427
UV Rural	Properties zoned priority agriculture, general agriculture and cluster farm where the predominant use is rural.	Sets the base rate for the UV categories.	The other UV categories are considered to have a higher demand on Shire services and resources.	0.004705
Strata Title Vineyard	A strata title property in the Priority Agriculture zone.	To apply a lower minimum payment than the rural category.	Property size restricts use.	0.004705
UV1 (one non-rural use)	Properties where the predominant use is rural but they have one non-rural use.	Rate in the dollar is 1.25 times the base rate to recognise the additional non-rural use.	The provision of non rural uses in rural areas results in additional costs.	0.005880
UV2 (two non-rural use)	Properties where the predominant use is rural but they have two non-rural uses.	Rate in the dollar is 1.5 times the base rate to recognise the additional two non-rural uses.	The provision of non rural uses in rural areas results in additional costs.	0.007057
UV3 (three non-rural use)	Properties where the predominant use is rural and more than two non-rural uses.	Rate in the dollar is 1.75 times the base rate to recognise the three or more non-rural uses..	The provision of non rural uses in rural areas results in additional costs.	0.008233
UV Conservation	Properties zoned bushland protection, Leeuwin Naturaliste Ridge and Southern Ocean Foreshore protection.	To apply a lower rate in the dollar and minimum payment than the rural category.	Limited development is allowed in order to maintain significant conservation and/or landscape values.	0.004598

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Differential Minimum Payment				
Description	Characteristics	Objects	Reasons	\$
Residential	Developed properties zoned residential and future development that are primarily located within the townships of Augusta, Cowaramup, Gnarabup, Gracetown, Kudardup, Karridale, Margaret River, Prevelly and Witchcliffe where the land uses consist of Residential and Ancillary Residential Uses.	The object is to obtain the minimum contribution for basic services and infrastructure from owners of residential properties.	This is considered to be the base minimum for GRV rated residential properties.	1,335
Residential Vacant	Vacant properties zoned residential and future development that are primarily located within the townships of Augusta, Cowaramup, Gnarabup, Gracetown, Kudardup, Karridale, Margaret River, Prevelly and Witchcliffe where the land uses consist of Residential and Ancillary Residential Uses.	The object is to obtain the minimum contribution for the provision of basic services and infrastructure from owners of vacant residential properties.	The minimum payment for this category is designed to encourage land owners to develop their land.	1,335
Rural Residential	Properties zoned rural residential that are developed and located outside of township boundaries.	The object is to obtain the minimum contribution for basic services and infrastructure for rural residential properties which are generally larger than residential properties.	This is considered to be the base minimum for GRV rated rural residential properties.	1,625
Rural Residential Vacant	Properties zoned rural residential with a vacant land use. The minimum payment is the same as Rural Residential, however the rate in the dollar is higher.	The object is to obtain the minimum contribution for basic services and infrastructure from rural residential vacant land owners.	The minimum payment for this category is designed to encourage land owners to develop their land.	1,625
Commercial, Industrial and Tourism	Includes properties zoned industry and composite industry such as light industry and workshops; properties zoned service commercial, town centre and village centre; properties zoned chalet and camping, caravan park and tourism and properties with Planning approval to operate as short term holiday rental.	The object is to obtain the minimum contribution for basic services and infrastructure provided for commercial, industrial and tourism zoned properties.	This is considered to be the base minimum for GRV commercial, industrial and tourism properties.	1,434
UV Rural	Properties zoned priority agriculture, general agriculture and cluster farm where the predominant use is rural.	The object is to obtain the minimum contribution for basic services and infrastructure provided for rural properties.	This is considered to the base minimum for UV rated properties.	1,498
Strata Title Vineyard	A strata title property in the Priority Agriculture zone.	To apply a lower minimum payment than the rural category.	The lesser minimum payment recognises that land size and restricted land use for this rural property are different to normal rural properties.	879
UV1 (one non-rural use)	Properties where the predominant use is rural but they have one non-rural use.	The object is to obtain the minimum contribution for basic services and infrastructure provided for rural properties.	This is considered to the base minimum for UV rated properties.	1,498
UV2 (two non-rural use)	Properties where the predominant use is rural but they have two non-rural uses.	The object is to obtain the minimum contribution for basic services and infrastructure provided for rural properties.	This is considered to the base minimum for UV rated properties.	1,498
UV3 (three non-rural use)	Properties where the predominant use is rural and more than two non-rural uses.	The object is to obtain the minimum contribution for basic services and infrastructure provided for rural properties.	This is considered to the base minimum for UV rated properties.	1,498
UV Conservation	Properties zoned bushland protection, Leeuwin Naturaliste Ridge and Southern Ocean Foreshore protection.	To apply a lower minimum payment than the rural category.	This lower minimum payment recognises the land conservation restrictions on these properties.	1,441

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