

Objectives and Reasons 2018–19 Differential Rates

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 for quality 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.

In determining the 2018-19 differential rates in the dollar and minimum payments, the Shire has been required to consider the following factors:

- Long Term Financial Plan (LTFP) which identifies the forecast deficiency between revenue and expenditure for 2018-19 to be funded from rates;
- 2018-19 draft Budget and the rate yield included to fund the expected deficiency between revenue and expenditure;
- Growth of rateable properties;
- Landgate Unimproved Value (UV) and Gross Rental Value (GRV) revaluations;
- Shire Rating Policy CCSP2; and
- Compliance with the provisions of the *Local Government Act 1995*.

The Shire has the following differential rating categories:

Gross Rental Valuation

Residential
Residential Vacant
Rural Residential
Rural Residential Vacant
Commercial, Industrial, Tourism

Unimproved Valuation

UV Rural
UV1 (1 non rural use = UV Rural x 125%)
UV2 (2 non rural uses = UV Rural x 150%)
UV3 (3 or more non rural uses = UV Rural x 175%)
Strata Title Vineyard
UV Conservation

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 2018-19 would be 3% over and above property growth. This Plan was a base level plan that provides for continued commitment to sound financial management.

Growth of rateable properties

The number of rateable properties has increased during 2017-18 year as a result of land developments released and subdivisions of land by individual landowners across the Shire. A comparison of the increase in the property base for the current and past 5 years is tabled below.

Table 1. Growth in rateable properties

Year	No. of Properties	Property Increase	% Increase
2013	8,895	73	0.8%
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	9,683	171	1.8%

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 (1 August 2017).

In 2018 all UV and GRV properties have been re-valued and the new values will be effective from 1 July 2018.

UV Revaluation

The 2018 revaluation of properties valued on an Unimproved Value (UV) basis results in an overall average increase of only 0.08%. This compares to last year when values increased by 4.1%.

As the change to valuations was minimal there was no need to alter the rates in the dollar for rural properties that have been increased by 3% compared to those applied in 2017-18. The UV tiered rating scale differentials of 25%, 50% and 75%, have been applied against the rural rate to obtain the proposed rates for 2018-19.

Variations in rural property values ranged from a decrease of 48.29% to an increase of 12.81%. However, only 16 properties recorded any change in valuation and of these 12 had a change in valuation ranging from -5% to 5%. No change in valuation occurred for the majority of properties. The small number of property owners whose valuations did change will receive a property rate change that will vary to the 3% intended. Unfortunately, this cannot be avoided as the calculation of property rates is dependent upon the valuation of the property.

GRV Revaluation

The 2018 revaluation of properties valued on a Gross Rental Value (GRV) basis results in an overall average increase of 0.93%. The results of the updated and previous GRV valuations are shown in the following table.

Rating Category	GRV Pre-Valuation	GRV Post Valuation	Change	%
Residential GRV	85,008,064	85,121,565	113,501	0.13%
Residential GRV Vacant	6,759,715	6,599,910	(159,805)	-2.36%
Rural Residential GRV	15,145,524	15,231,402	85,878	0.57%
Rural Resid GRV Vacant	1,982,680	1,917,660	(65,020)	-3.28%
Industrial	4,314,071	4,717,291	403,220	9.35%
Commercial	20,422,418	21,227,170	804,752	3.94%
Tourism	14,234,830	14,429,976	195,146	1.37%

More detailed analysis by rate category concluded there was no need to alter the proposed rates in the dollar for GRV properties that have been increased by 3% compared to 2017-18.

Policy CCSP2 Shire Rating

Policy CCSP2 Shire Rating ensures that 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 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 proposed rates in the dollar and minimum payments are being considered for the 2018-19 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 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 10.4957 cents (last year 10.1900 cents)
- Minimum payment \$1,302 (last year \$1,264)

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 20.1062 cents (last year 19.5206 cents)
- Minimum payment \$1,302 (last year \$1,264)

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 10.0541 cents (last year 9.7613 cents)
- Minimum payment \$1,585 (last year \$1,539)

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 19.5707 cents (last year 19.0007 cents)
- Minimum payment \$1,585 (last year \$1,539)

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 12.4319 cents (last year 12.0689 cents)
- Minimum payment \$1,399 (last year \$1,358)

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 0.4590 cents (last year 0.4456 cents)
- Minimum payment \$1,461 (last year \$1,418)

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 0.5737 cents (last year 0.5570 cents)
- Minimum payment of \$1,461 (last year \$1,418)

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 0.6885 cents (last year 0.6684 cents)
- Minimum payment of \$1,461 (last year \$1,418)

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 0.8032 cents (last year 0.7798 cents)
- Minimum payment of \$1,461 (last year \$1,418)

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 0.4590 cents (last year 0.4456 cents)
- Minimum payment \$858 (last year \$833)

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 0.4486 cents (last year 0.4355 cents)
- Minimum payment \$1,406 (last year \$1,365)

Rate Yield Breakdown for 2018-19

The following shows the rate yield breakdown by rate category for 2018-19.

RATE TYPE		Rate in \$ (cents)	Number of Properties	Rateable Value \$	2018/19 Budgeted Rate Revenue \$
Differential General Rate/General Rate					
	Residential GRV	0.104957	4,858	80,954,790	8,496,774
	Residential GRV Vacant	0.201062	281	3,583,110	720,427
	Rural Residential GRV	0.100541	644	13,207,092	1,327,854
	Rural Residential GRV Vacant	0.195707	151	1,740,300	340,589
	Industrial, Commercial & Tourism	0.124319	1,077	38,843,517	4,828,987
	Rural Strata Title Vineyard UV	0.004590	0	0	0
	UV Rural	0.004590	781	517,604,000	2,375,802
	UV1 (one non rural use)	0.005737	113	72,958,000	418,560
	UV 2 (two non rural uses)	0.006885	21	13,280,000	91,433
	UV3 (over two non rural uses)	0.008032	16	13,431,000	107,878
	UV Conservation	0.004486	70	59,654,000	267,608
Sub-Totals			8,012	815,255,809	18,975,912
		Minimum			
Minimum Payment		\$			
	Residential GRV	1,302	395	4,166,775	514,290
	Residential GRV Vacant	1,302	686	3,016,800	893,172
	Rural Residential GRV	1,585	144	2,024,310	228,240
	Rural Residential GRV Vacant	1,585	26	177,360	41,210
	Industrial, Commercial & Tourism	1,399	204	1,530,920	285,396
	Rural Strata Title Vineyard UV	858	37	2,700,000	31,746
	UV Rural	1,461	158	35,279,794	230,838
	UV1 (one non rural use)	1,461	6	1,261,000	8,766
	UV 2 (two non rural uses)	1,461	0	0	0
	UV3 (over two non rural uses)	1,461	0	0	0
	UV Conservation	1,406	15	3,764,000	21,090
Sub-Totals			1,671	53,920,959	2,254,748
Total Amount Raised from General Rate					21,230,660

OBJECTIVES AND REASONS FOR DIFFERENTIAL RATING

To provide equity in the rating of properties across the Shire the following rate categories have been determined for the implementation of Differential Rating.

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.	0.104957
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.	0.201062
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.	0.100541
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.	0.195707
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.	0.124319
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.	0.004590
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.	0.004590
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.	0.005737
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.	0.006885
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.	0.008032
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.	0.004486

Differential Minimum Payment				
Description	Characteristics	Objects	Reasons	\$
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 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.	1,302
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 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.	1,302
Rural Residential	Properties zoned rural residential that are developed and located outside of townsite 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.	1,585
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.	1,585
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.	1,399
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.	1,461
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.	858
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.	1,461
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.	1,461
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.	1,461
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.	1,406