

Rating Proposal

2023/2024



Including **Statement of Objects and Reasons**



Introduction

Every Local Government district is diverse, filled with community members from all walks of life, at every stage of life. Though we all have passions and priorities unique to ourselves and our families, we are also members of the community here within the Shire of Denmark.

As community members and ratepayers, we share common ground because we all contribute fairly and equally to our community life for the benefit of all, no matter where we live, based on the differential rating system.

Our rating system is one of the key sources of revenue for the Shire of Denmark as we build our annual budget for the coming financial year.

Annual ratepayer contributions to the Shire of Denmark operating budget fund the delivery of key services and outcomes for our community.

Rates revenue contributes to our maintenance and capital works program for the Shire's 600km road network, for other facilities and assets, and to the operation of our waste services. It also allows for the preservation of other public assets such as our popular reserves, parks, playgrounds, Recreation Centre and Public Library.

The team at the Shire of Denmark works hard to add to the pot of ratepayer contributions by securing grant funding and additional support. Every year, more than 50% of Shire of Denmark operations are paid for by outside sources.

In 2023/2024, the Shire has a net funding shortfall of \$8.15M in its operational and capital budget, required to be made up by rates.

In this Rating Proposal document, we're proposing an average rate increase of 5.5% in 2023/2024, which will represent an average increase to each ratepayer of \$100.

The Shire of Denmark acknowledges the on-going cost-of living pressures facing households and businesses, and in doing so is proposing an average rate increase which is below annual CPI (5.8%) and below the increased cost to operations for the Shire of Denmark.

Budget and Rate Setting Process

In their role as representatives of our community, Councillors carefully consider relevant financial data throughout the budget-building process and work closely (on behalf of our community and ratepayers) with our finance team to formulate the proposed rates and budget for the coming financial year.

Key Dates

- 9 May, Budget Workshop #1
- 23 May, Budget Workshop #2
- 20 Jun, Budget Workshop #3
- 20 Jun, Ordinary Council Meeting (vote to advertise Rating Proposal)
- 21 Jun - 12 Jul, Public Comment Period
- 11 Jul, Budget Workshop #4
- 18 Jul, Draft Annual Budget published with agenda for July Special Council Meeting
- 25 Jul, Special Council Meeting (vote to adopt Rates and Annual Budget)

Have Your Say

Information about the Public Comment for this Rating Proposal is available online at www.yourdenmark.wa.gov.au/your-rates-2023-2024

Written submissions received during the Public Comment Period will be collated and presented to Council to assist in the Rates and Annual Budget adoption meeting in July.

Differential Rates for 2023/2024

We have a *differential rating system* in the Shire of Denmark.

This means the Shire distinguishes between land in both the Gross Rental Value (GRV) and Unimproved Value (UV) rating categories on the basis of characteristics including zoning, location and use.

A differential rate is generally imposed to ensure that every landowner makes a fair and reasonable contribution to maintaining and upgrading services and facilities within the district.

There are six differential rating categories in the Shire:

- Non-rural improved (GRV)
- Holiday purposes (GRV)
- Vacant (GRV)
- Rural (UV)
- Rural Additional Use - Holiday (UV)
- Rural Additional Use - Commercial (UV)

How are my rates calculated?

The amount of rates payable per property is determined by four factors:

- valuation type (GRV or UV)
- amount of the valuation
- differential rating category
- corresponding rate in the dollar or minimum payment

A GRV or UV valuation type is applied to land predominantly used for non-rural purposes and rural purposes respectively.

Valuations are provided by the Valuer General in accordance with the *Valuation of Land Act 1978* and are revalued regularly (usually every four years for GRV and annually for UV). Such revaluations will apply effective from 1 July 2023.

General Rate

Council sets a rate in the dollar as part of its annual budget process which is then multiplied by a property's valuation to determine the amount of that property's annual rating assessment.

Minimum Payment

Each differential rating category has a minimum payment that is applied to ensure that properties that are not subject to a rate in dollar calculation still make a fair and equitable contribution to the Shire's rate revenue. A minimum payment is levied when the calculated rate is equal to or less than the minimum payment amount for the relevant rating category.

To calculate your annual rates, multiply either your GRV or UV, depending on your property by the rate in the dollar of the respective rate category.

For example: if your property is valued at \$10,000 and the 'rate in the dollar' for the relevant rating category is 10c, we will multiply the value (\$10,000) by the rate in the dollar (10c) and the result will be the rate amount (\$10,000 x 10c = \$1000 rates).

Frequently Asked Rates Questions

How does the rating system in the Shire of Denmark work? Basically, the value of your property (depending on where it is and what it's used for) corresponds directly to the amount of the rates you're required to pay. This is called a *differential rating system*.

Why do we pay rates? Across Australia, Local Governments deliver critical community services such as building and maintaining road infrastructure, collecting and processing waste and other community-focused activities and projects. While the delivery (size, amount and frequency) of these services and activities can change, they must be annually funded by Local Government.

Each year, the Shire of Denmark raises funds to cover the cost of those services and activities through the following means: Grants and contributions, fees and charges, rates and other. Last financial year, funds raised from ratepayers were equal to \$41 of each \$100 needed to cover our operating budget.

For many Local Governments, ratepayers pay for more than 50% of the annual operating budget, but in the Shire of Denmark, we work hard to generate other revenue streams to keep rates as low as possible.

Why do rates increase each year? It's important to remember that no one at the Shire of Denmark enjoys considering the idea of a rate rise - our staff and Councillors are ratepayers too!

Each year, the revenue streams which feed into the annual budget are carefully reviewed, with the interests of the community at the forefront of any decisions.

Rates revenue makes up a critical portion of the Shire's annual operating budget and without these funds, essential services could not be delivered.

As the costs of service delivery are exposed to challenging economic conditions, Council has to factor those pressures, like inflation, into decision making.

Has a rates cut been considered? In the Shire of Denmark, we rely heavily on grants, contributions, fees and charges to fund more than 50% of our operating budget. This reliance carries a risk because funds generated through grants and contributions are not guaranteed. If rates were to reduce, our community's reliance on other funding streams would increase beyond a sustainable level, as would the associated risks. Our community would need to accept a reduced level of service delivery to mitigate this risk.

Council and staff have already made strategic cuts to the proposed projects for the coming financial year to allow for the proposal of a 5.5% total rates revenue increase to be considered. Further cuts will be required to bring that percentage increase down, meaning some of the key community projects in the draft budget may no longer be possible for delivery.

More **Frequently Asked Rates Questions** are available at www.yourdenmark.wa.gov.au/your-rates-2023-2024



Proposed Rate in the Dollar and Minimum Payment

The table below shows the proposed rate in the dollar and minimum payment for each rating category in 2023/2024 to achieve a 5.5% increase in total rate revenue, with a direct comparison to the previous year.

Rating Category		Rate in the Dollar	
General Rate		22/23	23/24
Gross Rental Value	Non-Rural Improved	\$0.106223	\$0.112065
	Holiday Purposes	\$0.138090	\$0.145685
	Vacant	\$0.211772	\$0.223419
Unimproved Value	Rural	\$0.004511	\$0.004016*
	Rural - Additional Use Holiday	\$0.005864	\$0.005220*
	Rural - Additional Use Commercial	\$0.007668	\$0.006827*
Minimum Payments		Amount	
Gross Rental Value	Non-Rural Improved	\$1298	\$1369
	Holiday Purposes	\$1558	\$1643
	Vacant	\$1298	\$1340
Unimproved Value	Rural	\$1491	\$1573
	Rural - Additional Use Holiday	\$1938	\$2045
	Rural - Additional Use Commercial	\$2832	\$2989

*The rate in the dollar for UV General Rate categories is discounted to take into account increases in annual property valuations. Whilst the average rate increase is set at 5.5%, some property owners may receive UV property rate increases greater than 5.5%.

Comparison of Average Rates by Category

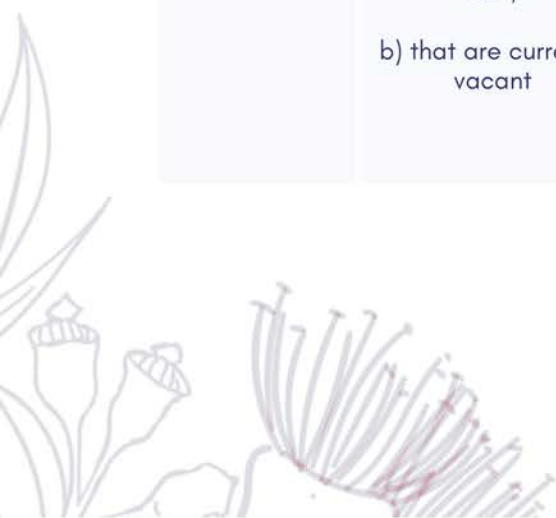
The table below compares the **average rate payable** from the 2022/2023 to the 2023/2024 financial year, per rating category.

Rating Category		Average Rate Payable	
		22/23	23/24
Gross Rental Value	Non-Rural Improved	\$1735	\$1831
	Holiday Purposes	\$2195	\$2301
	Vacant	\$1666	\$1725
Unimproved Value	Rural	\$2350	\$2487
	Rural - Additional Use Holiday	\$2759	\$2823
	Rural - Additional Use Commercial	\$4410	\$4472

Statement of Objects and Reasons

The overall goal or object of the Shire's differential rating system is to raise rates revenue in a fair and equitable manner.

Description	Characteristics	Objects	Reasons
Non- Rural Improved	<p>All properties:</p> <p>a) held or used for Non- Rural Purposes and not for Holiday Purposes and;</p> <p>b) that are not currently vacant</p>	<p>The object of this rate is to apply a base rate to improved land that is held or used for Non-Rural Purposes, excluding Holiday Purposes.</p>	<p>To ensure that all ratepayers within the differential rate category make a reasonable contribution towards the ongoing maintenance and provision of works, services and facilities in the Shire.</p> <p>To achieve the required amount of revenue from the differential rate category.</p>
Holiday Purposes	<p>All properties held or used:</p> <p>a) for Non-Rural purposes and;</p> <p>b) for Holiday Purposes</p>	<p>The object of a higher rate in the dollar (30% premium on the Non-Rural Improved rate in the dollar) for this category is to raise additional revenue to fund the level of service provided to these properties and the costs that result from visitors to these properties.</p> <p>The rate recognises the impact of such properties on infrastructure, the environment, housing availability and affordability within the Shire.</p>	<p>To assist in meeting the additional costs associated with providing tourism related infrastructure and services.</p>
Vacant	<p>All properties:</p> <p>a) held or used for Non-Rural purposes and;</p> <p>b) that are currently vacant</p>	<p>The object of this rate in the dollar is to encourage absent owners of vacant land to develop and infill to improve the local economy and improve local visual amenity of the town.</p>	<p>To ensure that ratepayers within the differential rate category make a reasonable contribution towards the ongoing maintenance and provision of works, services and facilities in the Shire.</p> <p>The Shire considers the development of all vacant rateable land to be in the best interests of the community as it will improve the vibrancy of the Shire.</p>



Rural	All properties held or used for Rural purposes	The object of the rate in the dollar for this category is to set an appropriate rate for properties held or used for Rural purposes.	To ensure that ratepayers within the differential rate category make a reasonable contribution towards the ongoing maintenance and provision of works, services and facilities in the Shire. To achieve the required amount of revenue from the differential rate category.
Rural - Additional Use Holiday	All properties held or used: a) for Rural purposes and; b) have additional Non-Rural Holiday use(s)	The object of the rate in the dollar (30% premium on the base Rural rate) for this category is to recognise the additional non rural holiday use(s). The rate recognises the impact of such properties on infrastructure, the environment, housing availability and affordability within the Shire.	To ensure that all ratepayers within the differential rate category make a reasonable contribution towards the ongoing maintenance and provision of works, services and facilities in the Shire. To assist in meeting the additional costs associated with providing tourism related infrastructure and services.
Rural - Additional Use Commercial	All properties held or used: a) for Rural purposes and; b) have additional Non-Rural Commercial use(s)	The object of the rate in the dollar (70% premium on the base Rural rate) for this category is to recognise the additional non rural commercial use(s). The rate recognises the impact of such properties on infrastructure and the environment, within the Shire.	To ensure that ratepayers within the differential rate category make a reasonable contribution towards the ongoing maintenance and provision of works, services and facilities in the Shire. To assist in meeting the additional costs associated with providing commercial related infrastructure and services.

Pursuant to section 6.36 (3A) of the *Local Government Act (1995)*, the basis on which the Shire determines that a property is held or used:

Non-Rural Purposes - a property is determined to be held or used for Non-Rural purposes where the method of valuation used for the property of rating is the Gross Rental Value (GRV) of the property.

Holiday Purposes - a property is determined to be held or used for Holiday Purposes where the property has been granted planning approval by the Shire to operate as a holiday home (standard or large) or holiday accommodation, as defined in Town Planning Scheme 3, and where the method of valuation used for the property for rating is the Gross Rental Value (GRV).



Rural - a property is determined to be held or used for Rural Purposes where the method of valuation used for the property for the purposes of rating is the Unimproved Value (UV) of the property.

Rural - Additional Use Holiday - a property is determined to be held or used for Rural Additional Use Holiday Purposes where the method of valuation used for the property for the purposes of rating is the Unimproved Value (UV) of the property and where it has been granted planning approval by the Shire to operate a holiday home (standard or large) or holiday accommodation as defined in Town Planning Scheme 3. Where there are approved holiday homes or chalets up to a quantity of four, then this Rural Additional Use category will apply.

Rural - Additional Use Commercial - a property is determined to be held or used for Rural Additional Use Commercial Purposes where the method of valuation used for the property for the purposes of rating is the Unimproved Value (UV) of the property and where the property is operating approved non rural commercial activities. Where there is approved commercial activities or holiday accommodation over a quantity of four then this Rural Additional Use category will apply.

Have Your Say

Community submissions on this proposal are welcomed during the Public Comment Period, prior to the adoption of the rates and Annual Budget for 2023/2024.

More information available at www.yourdenmark.wa.gov.au/your-rates-2023-2024