



**Shire of Busselton**  
*Geographe Bay*

## **Special Council Agenda**

*27 July 2009*

ALL INFORMATION AVAILABLE IN VARIOUS FORMATS ON REQUEST

**SHIRE OF BUSSELTON**

**AGENDA FOR THE SPECIAL COUNCIL MEETING TO BE HELD ON 27 JULY 2009**

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**SHIRE OF BUSSELTON**

**MEETING NOTICE AND AGENDA – 27 JULY 2009**

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**TO: THE SHIRE PRESIDENT AND COUNCILLORS**

**NOTICE** is given that a Special Council Meeting will be held in Council Chambers, Administration Building, Southern Drive, Busselton on Monday, 27 July 2009, commencing at 5:00 pm.

Your attendance is respectfully requested.

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**NIGEL BANCROFT**  
**ACTING CHIEF EXECUTIVE OFFICER**

24 July 2009

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**A G E N D A**

1. **ATTENDANCE, APOLOGIES & LEAVE OF ABSENCE**

2. **PURPOSE OF THE MEETING**

To consider the endorsement in principle of differential rates for the purposes of advertising.

3. **PUBLIC QUESTION TIME**

4. **DECLARATION OF DUE CONSIDERATION**

The Presiding Member will request Councillors to acknowledge, in accordance with Clause 8.1 of the Standing Orders, that they have given due consideration to the matters contained within the Agenda.

5. **DECLARATIONS OF INTERESTS**

6. **PRESENTATIONS BY PARTIES WITH AN INTEREST**

**7. BUSINESS OF THE MEETING****7.1 NOTICE OF IMPOSING DIFFERENTIAL RATES - 2009/10 FINANCIAL YEAR**

<b>SUBJECT INDEX:</b>	Financial Operations
<b>STRATEGIC INITIATIVE:</b>	51.3 Ensure regulatory requirements are met
<b>BUSINESS UNIT:</b>	Finance
<b>SERVICE:</b>	Finance planning and reporting
<b>DATE OF COMPLETION:</b>	20 August 2009
<b>VOTING REQUIREMENT:</b>	Simple majority
<b>ATTACHMENT(S):</b>	Nil

**PRÉCIS**

Pursuant to Section 6.36 of the Local Government Act (the Act), where a local government intends to impose differential rates, or a minimum payment applying to a differential rate category, it is required to give local public notice of its intention to do so. The public notice is to invite submissions to the proposal for a period of not less than twenty one (21) days, with the Council required to consider any submissions received prior to it formally imposing the proposed differential rates and associated minimum payments, with or without modification.

As the Shire intends to impose differential rates as part of its 2009/10 annual budget, this report seeks the Council's endorsement to advertise the proposed differential rates and associated minimum payments as are recommended within this report.

**BACKGROUND**

The Shire of Busselton currently levies three (3) differential rates. Each of these is summarised as follows:

**Gross Rental Valuation (GRV)**

- \* *Residential/ Industrial/ Commercial Vacant Land - Differential Rate*  
This differential rate was introduced as part of the 2006/07 annual budget to address the high increase in vacant land valuations pursuant to the general GRV revaluation conducted in 2005/06. Since inception, this rate has been set at approximately 75% of the GRV general rate (applying to improved GRV properties).

**Unimproved Valuation (UV)**

- \* *UV Rural - Differential Rate*  
This differential rate typically relates to non-income earning properties used or held for residential purposes. This rate has generally aligned with the (UV) general rate over recent years, primarily due to the 'comparatively' higher land valuations for this group as provided by Landgate Valuation Services on an annual basis.

\* *UV Commercial - Differential Rate*

This differential rate typically relates to properties of a non-agricultural commercial nature, but within an agricultural setting. In recent years, this rate has been set at approximately twice the Council's general rate (primarily consequent to restrictions imposed under Section 6.33(3) of the Act).

It is intended that the Shire will continue to levy the abovementioned differential rates in 2009/10. As such, and in order to comply with the requirements of the Act, the Shire is required to advertise its proposed differential rates and associated minimum payments for a period of not less than twenty one (21) days.

As the Council must consider any submissions received as a result of the advertising, the annual budget is not able to be adopted until such time as the public notice period expires. Consequently, it is important that this matter is addressed without further delay, such that the necessary local public notice can be progressed at the earliest opportunity.

It is important to note at this juncture that the Council is not bound to formally impose the advertised rates or associated minimum payments as part of its adopted budget if, consequent to its budget deliberations, it chooses to vary any or all of the proposed rates or minimum payments.

## **CONSULTATION**

Rating matters, including the proposed value of rates (in dollar terms) to be levied in 2009/10 have been discussed with Councillors during numerous budget related workshops conducted over recent months. Additionally, Councillors have also been made aware of the current technical issues in relation to the formulation of rates models based on complete and reconciled valuation data.

Consequent to 'in principal' endorsement by the Council, the public notice period will invite public submissions in respect of the advertised differential rates and minimum payments. Any submissions received will be presented to the Council for consideration as part of its budget deliberations.

## **STATUTORY ENVIRONMENT**

Sections 6.25 to 6.82 of the Act refer to Rates and Service charges. However, this report more specifically refers to the following sections of the Act;

- \* Section 6.33 - Differential General Rates
- \* Section 6.35 - Minimum Payment
- \* Section 6.36 - Local Government to give notice of certain rates

## **POLICY IMPLICATIONS**

Council's Rating Policy (Policy Number 236) applies where relevant.

## FINANCIAL IMPLICATIONS

The 2009/10 draft annual budget as presented to Elected Members during May 2009 was essentially predicated on revenue from rates that equated to an increase of approximately eight percent (8%) above the dollar value of rates budgeted to be levied in 2008/09 (albeit updated to reflect actual rates levied as at April 2009).

This proposed increase of 8% is also consistent with the rate increase for 2009/10 as is reflected in the Councils currently adopted Five Year Financial Plan.

It should also be noted that, at the time of calculating the dollar value of rates to be levied in 2009/10 (for budgeting purposes), the base figure used (that is, the 2008/09 annual budget - updated as at April 2009) did not reflect the full extent of growth that would have occurred during the 2008/09 financial year. As such, it is doubtful whether the achievement of the dollar value of rates to be levied in 2009/10 (as is included in the draft budget) will result in a 'real' increase in rates of 8% to the average ratepayer.

Should the Council determine as, part of formal draft budget deliberations, to amend the dollar value of rates to be levied in 2009/10, then the impact of this decision will need to be considered in relation to the draft budget document as previously provided, in addition to other matters yet to be formally considered such as Community Bids and re-listed items.

## STRATEGIC IMPLICATIONS

This matter aligns with all strategic objectives as included in the Council's Strategic Plan 2006-2011, as all objectives generally require some level of funding to enable implementation. However, for the purposes of this report, the following strategic objective is considered of most relevance:

\* *Organisational Well Being*

To manage the business of the Shire in a responsible and accountable manner utilising organisational sustainability principles

## OFFICER COMMENT

In summary of matters so far discussed in this report:

- \* It is intended that the Shire will continue to levy differential rates in 2009/10
- \* As such, as is required by the Act, local public notice must be given (with submissions to be invited for a period of not less than 21 days) of the 'in principal' differential rates and associated minimum payments endorsed by the Council for advertising purposes
- \* The Council is required to consider any submissions received as a result of the local public notice period, before imposing those differential rates and associated minimum payments, with or without amendment

- \* As a consequence of the above, the Council is not positioned to adopt its annual budget prior to the expiry of the 21 day submission period
- \* For the purposes of calculating the differential rates and associated minimum payments as recommended in this report, the dollar value of rates to be levied in 2009/10 is based on an increase of approximately 8% above that budgeted to be levied in 2008/09 (adjusted as at April 2009)
- \* This increase is consistent with the rate increase of 8% for the 2009/10 financial year as is reflected in the Council's currently adopted Five Year Financial Plan

As Councillors are also aware, in addition to the annual revaluation of properties within the Unimproved Value (UV) categories, during 2008/09 a Gross Rental Valuation (GRV) general valuation was undertaken by Landgate Valuation Services (as occurs once in every four years).

As a consequence of the above, and due in part to the significant increase in valuations within the GRV area (approximately 45% since the last valuation), the ability to predict differential rates based on the new valuation data has been made more difficult this year (without these values yet being fully reviewed nor reconciled).

Cognisant of the above, the estimation process has involved replicating the relative rating burdens as per the Councils' 2008/09 adopted budget to the value of rates to be levied as per the 2009/10 draft annual budget. This has then enabled a dollar value, and subsequently a 'rate in the dollar' required to achieve that dollar value, to be calculated for each category. It must however be noted at this juncture that:

1. The valuation figures utilised for this purpose are yet to be fully reconciled.
2. The relative rating burdens as adopted in 2008/09 may no longer be applicable and as such, may require further review.
3. A review of the minimum payment ratios (as prescribed in the Act) is yet to be undertaken (as this can only be completed consequent to the required reconciliation process). This may necessitate minor adjustments in either minimum payments or rates in the dollar to ensure compliance with the Act.

As a result of the preliminary rates modelling exercise, the estimated differential rates and minimum payments recommended for advertising purposes are detailed below. A comparative against those adopted as part of the Councils 2008/09 annual budget is also provided for information purposes.

Description	2008/09 (Adopted)	2009/10 (Draft)	%age Variance
<b><i>Differential Rates</i></b>			
Residential/ Industrial/ Commercial Vacant Land	8.4252c	6.6870c	-21%
UV Rural	0.2440c	0.2078c	-15%

Description	2008/09 (Adopted)	2009/10 (Draft)	%age Variance
UV Commercial	0.4880c	0.4156c	-15%
<b>Minimum Payments</b>			
Residential/ Industrial/ Commercial Vacant Land	\$716	\$773	+ 8%
UV Rural	\$761	\$822	+ 8%
UV Commercial	\$761	\$822	+ 8%

As detailed above, the differential rates recommended for endorsement by the Council for advertising purposes are considerably less than those adopted in 2008/09. This is primarily due to the significant increase in property valuations as reflected in the general valuation data provided by Landgate Valuation Services, and the downward adjustment in rates in the dollar proposed to be levied to achieve the rates revenue as is included in the 2009/10 draft budget. With respect to the minimum payments, the Shire has historically increased these in line with the 'general' rate increase (in percentage terms), and this methodology has again been utilised this year.

### SUMMARY

It is recognised that the differential rates and associated minimum payments as recommended in this report may require further amendment and this matter will be deliberated when the Council formally considers its 2009/10 draft budget, and formally sets its rates in the dollar and minimum payments to apply in 2009/10. However, it has also been acknowledged that the budget development needs to progress toward adoption at earliest opportunity. In addition to the fact that budgeted projects need to commence (subject to adoption by the Council), the Shires available cash resources are projected to be fully exhausted by the end of August. Extended delays in the adoption of the Council's budget will only exacerbate the cash-flow position, which will necessitate a higher level of overdraft assistance being required pending the receipt of rates revenue.

As has previously been mentioned in this report, the Council is not required to adopt the 'in principal' differential rates and associated minimum payments advertised for submission purposes. Additionally, it is considered that any submission received in respect of the advertised rates will more than likely be more generalised in nature, as in many instances ratepayers will not be aware of how the impacts of the proposed differential rates will affect their individual circumstances.

Cognisant of the above, it is considered prudent that the Council endorses the 'in principal' differential rates and associated minimum payments as recommended in this report; such that the budget development process can continue toward adoption prior to the end of August 2009.

### TIMELINE/S FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Consequent to the Council's endorsement of the 'in principal' differential rates and associated minimum payments to apply (for advertising purposes) for the 2009/10 financial year, public notice will be given immediately thereafter. Any submissions

received as a result of the public notice will be referred back to the Council for consideration as part of its budget deliberations.

**OFFICER RECOMMENDATION**

That the following differential rates in the dollar and associated minimum payments be endorsed 'in principal' for advertising purposes in respect of the 2009/10 financial year:

<b>Differential Rates</b>	<b>Rate in the \$</b>	<b>Minimum Payment</b>
Residential/ Industrial/ Commercial Vacant Land	6.6870c	\$773
UV Rural	0.2078c	\$822
UV Commercial	0.4156c	\$822

**8. CLOSURE**

