

Rating Strategy

Responsible Directorate	Corporate Services
Responsible Business Unit/s	Financial Services
Responsible Officer	Manager Finance
Affected Business Units	Finance Rates

Objective

To determine the most appropriate and affordable rating strategy for the consistent, efficient and equitable collection of Shire revenue to ensure sufficient funds to meet its service delivery and ongoing infrastructure and asset management obligations.

The purpose of this strategy is to consider how the rate burden can be most equitably distributed, and to capitalise on rates growth without placing an undue burden on any one valuation class.

Thus, providing a robust and considered framework for Rates categories, Minimum Rates, Differential Rates, and rates growth that incorporates the principles of:

- Objectivity
- Fairness and Equity
- Consistency
- Transparency
- Administrative efficiency.

Scope

This strategy does not determine the percentage increase in rates each year, however this should be considered by Council during the annual budget development setting process.

Summary

This strategy establishes a framework by which a fair and equitable share of rates are paid by property owners, for the services and infrastructure within the Shire of Serpentine Jarrahdale.

This strategy does not determine the percentage increase or decrease in rates each year, as this is a decision to be made by Council as part of the Annual Budget Process.

What are rates?

Rates are a type of property tax that local governments charge property owners each year. Rates are one of the main ways councils raise money to pay for local services and facilities.

Each year, local governments prepare a budget to determine the funds required to deliver essential services and infrastructure for the community. This includes the maintenance of roads,

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footpaths, parks, waste management, community facilities, libraries, and support for emergency services.

After accounting for revenue from grants, fees, charges, and other income sources, the remaining balance — known as the net funding requirement — must be raised through property rates. Rates ensure that all property owners contribute to the ongoing delivery of services and the development of their local community.

General Rates

General rates are the main form of property tax collected by local governments to fund the day-to-day delivery of services and the maintenance of infrastructure within the community.

They are applied to all rateable properties within the Shire and are calculated based on the property's assessed value, using either the **Gross Rental Value (GRV)** or the **Unimproved Value (UV)**, depending on the property type and land use.

Valuations

In Western Australia land is valued by Landgate Valuation Services (of the WA Valuer General's Officer) and those values are forwarded to each Local Government for rating purposes.

Two types of values are calculated - **Gross Rental Value (GRV)** which generally applies for urban areas; and **Unimproved Value (UV)** which generally applies for rural land. GRV general valuations are currently carried out every 3 years and UV's are determined annually.

GRV means the gross annual rental that the land might reasonably be expected to realise if let on a tenancy from year to year upon condition that the landlord was liable for all rates, taxes and other charges thereon and the insurance and other outgoings necessary to maintain the value of the land. The GRV normally represents the annual equivalent of a fair weekly rental. For instance, a GRV of \$52,000 represents a weekly rental of \$1,000.

Under the *Valuation of Land Act 1978 (WA)* any person liable to pay a rate or a tax has the right to object to the values. Property owners having concerns over a valuation, may lodge a formal objection to the valuation with Landgate. The Shire has no control over the valuation of a property.

Minimum Rates

As per section 6.35 of the *Local Government Act 1995* Council is able to set a minimum amount payable for properties in its district, which is greater than the general rate which would otherwise be payable on that land.

The Shire imposes a differential minimum rate that applies to all ratable properties within the Shire. The minimum rate has been established to ensure all rateable properties, regardless of their value, are contributing to services and infrastructure provided by the Shire.

Differential Rates

Differential rating is a tool available to Western Australian local governments under the *Local Government Act 1995* that allows councils to apply different rates in the dollar to different categories of properties, rather than applying a single uniform rate across all properties.

This enables councils to distribute the rate burden more equitably and strategically based on land use, zoning, or other characteristics.

The Shire imposes the following Differential Rating Categories:

Description	Characteristics	Objects	Reasons
GRV Residential	Properties used for residential purpose	This category covers all improved non-rural properties used for residential purpose and all improved non-rural properties	The Shire's rating strategy is to achieve rate revenue that meets the shortfall from other revenue sources and allows for the delivery of services and the creation of infrastructure. The Shire desires to levy rates that are more equitable across different types of properties and thus has implemented differential rates.
GRV Commercial / Industrial	Non rural properties used for other purpose	This category covers all improved non-rural properties that are used for a purpose other than residential.	The Shire's rating strategy is to achieve rate revenue that meets the shortfall from other revenue sources and allows for the delivery of services and the creation of infrastructure. The Shire desires to levy rates that are more equitable across different types of properties and thus has implemented differential rates.
UV General	All rural properties not covered by another rating category	This category covers all rural properties not covered by another rating category	The Shire's rating strategy is to achieve rate revenue that meets the shortfall from other revenue sources and allows for the delivery of services and the creation of infrastructure. The Shire desires to levy rates that are more equitable across different types of properties and thus has implemented differential rates.
UV Rural Residential	All rural properties up to 50,000sqm whose predominant use is Residential.	This category covers all rural properties up to 50,000sqm whose predominant use is Residential.	The Shire's rating strategy is to achieve rate revenue that meets the shortfall from other revenue sources and allows for the delivery of services and the creation of

Description	Characteristics	Objects	Reasons
			infrastructure. The Shire desires to levy rates that are more equitable across different types of properties and thus has implemented differential rates reflective of the costs associated with service delivery across the different rating categories.
UV Commercial/Industrial	All rural properties used predominantly for commercial/industrial purpose, excluding those used for intensive agriculture.	This category covers all rural properties used predominantly for commercial/industrial purpose, excluding those used for intensive agriculture.	The Shire's rating strategy is to achieve rate revenue that meets the shortfall from other revenue sources and allows for the delivery of services and the creation of infrastructure. The Shire desires to levy rates that are more equitable across different types of properties and thus has implemented differential rates.
UV Intensive Farming	All rural properties used for intensive agriculture (e.g. poultry farms and feed lots)	This category covers all rural properties used for intensive agriculture (e.g. poultry farms and feed lots)	The Shire's rating strategy is to achieve rate revenue that meets the shortfall from other revenue sources and allows for the delivery of services and the creation of infrastructure. The Shire desires to levy rates that are more equitable across different types of properties and thus has implemented differential rates.

Specified Area Rates

The Shire is able to set a Specified Area Rate to meet the cost of undertaking a specific work, providing a service or facility if the local government considers that the ratepayers or residents in that area will:

- have benefited or will benefit from.
- have access to or will have access to.
- have contributed or will contribute to the need for, the work service or facility.

The Shire currently does not impose any Specified Area Rates.

Concessions

Under section 6.47 of the *Local Government Act 1995*, a local government may resolve to waive a rate or service charge or confer a concession in relation to it.

The purpose of granting rate concessions is to provide targeted support or incentives that align with the strategic objectives of the Shire. Concessions may be used to recognise and encourage land use or activities that deliver broader community, environmental, or economic benefits.

The Shire currently offers the following concessions:

Concession Type	Discount %	Circumstances in which the concession is granted	Object and reasons for the concession
Farmland Concession	31.0%	Where properties meet the council farmland concession policy criteria.	Council provides a rate concession to properties maintaining genuine farming interests. It ensures that Council is protecting and developing appropriate agricultural and horticultural industries and pursuits within the Shire.
Conservation Concession	50.0%	Where properties meet the conservation eligibility criteria.	Conservation zoning allows landowners with areas of high conservation value to receive reductions in council rates. The initiative has been established by Council to reward landowners who have retained and maintained bushland and wetland.

These concessions are reviewed periodically to ensure they remain relevant, equitable, and aligned with community priorities.

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Fair Rating Strategy

The Shire's Fair Rating Strategy is focused on three key areas:

Equity

The Department of Local Government's Guidelines on Changing Rating Methodology states that rating principles should be applied fairly and equitably.

Each property should make a fair contribution to rates based on a method of valuation that appropriately reflects predominant use.

The Shire is committed to looking after both today's community and future generations by balancing care for the environment, supporting social wellbeing, and encouraging a strong local economy. To help achieve this, rates will be set in a fair and reasonable way across the whole Shire.

Financial sustainability

The principle aim of long-term financial planning is to ensure that the Shire remains financially sustainable into the future. The Shire currently uses a Financial Health Indicator (FHI) as a measure of sustainability, with the industry benchmark being 70.

Financial Year Ended 30 June	2024	2023	2022	2021	2020
Financial Health Indicator	72	74	73	69	72

The Shire has maintained a stable financial position; however, it must remain mindful of several key risks that could impact long-term financial sustainability, including:

- Ongoing inflationary pressures driving cost increases across both operating and capital projects.
- A growing asset base requiring increased investment in maintenance.
- Aging infrastructure in need of renewal and upgrades.
- The need to ensure sufficient funds are available to meet co-contribution requirements for grant-funded programs, such as State Black Spot and Main Roads grants, in order to maximise external funding opportunities.

The Shire is committed to maintaining a balanced approach between managing operational cost pressures and investing in the renewal of community assets. This is done through sound financial management and continued advocacy efforts for external grant funding for asset renewal.

When setting rates, the Shire must ensure sufficient revenue is raised to support the renewal, maintenance, and upgrade of aging infrastructure; provide matching contributions for grant funding opportunities; and meet the rising costs of delivering essential services to the community.

Encouraging community aspirations

When considering rating the Shire will consider the outcomes and the three pillars contained within the Council Plan 2023-2033 being:

- Thriving - A well-planned Shire which support our community to flourish through sustainable growth, partnership and leadership.

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- Liveable - A protected, enhanced and safe natural and build rural environment with access to services and facilities.
- Connected - Connected and vibrant neighbourhoods, celebrating our history and diversity.

Each year Council adopts an annual budget which allocates funds and resources to deliver against the community's priorities. This will involve an ongoing review of Shire services to reflect the needs and priorities of our community, and these priorities will be taken into consideration when determining rates yields.

The Shire aims to ensure Fair Rating through the following strategic approaches:

Strategy One - Ensure correct valuation method is applied

The Shire of Serpentine Jarrahdale has two valuation options for the levying of rates, being either the Unimproved Value (UV) or the Gross Rental Valuation (GRV).

It is not the Shire that determines the valuation methodology used to raise rates.

Specifically, the *Local Government Act 1995* states:

6.28. Basis of rates

- (2) *In determining the method of valuation of land to be used by a local government the Minister is to have regard to the general principle that the basis for a rate on any land is to be —*
- (a) *where the land is used predominantly for rural purposes, the unimproved value of the land; and*
 - (b) *where the land is used predominantly for non-rural purposes, the gross rental value of the land.*

Therefore, the Shire should continue to work closely with the Ministers Office to ensure that all properties are rated using the correct valuation methodology.

Strategy Two - Maintain Differential Rating

The Shire currently utilises differential rating to meet its equity and financial sustainability obligations.

As the process of changing the valuation methodology is onerous and time consuming, sometimes properties can exist for a long time with an incorrect valuation method.

These shortcomings of the current system make it very difficult to accurately ensure that rates are levied on a method of valuation that appropriately reflects predominant use.

Strategy Three - Rural Valuation Review

In an effort to ameliorate any inequity caused by maintaining a differential rating system, the Shire will conduct a "Rural Valuation Review" of UV Rural Residential and UV Commercial / Industrial rated properties each year.

The effect of the Rural Valuation Review is to identify any property found to be liable for a lesser rate amount if they were rated on a GRV rating methodology, that would benefit from a change

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of valuation methodology that are determined by Officers to be likely not to have another near to medium term review event forecast.

An example of properties expected to experience a near to medium term review event are likely to be in close proximity to the development fronts occurring in Byford, Cardup and Mundijong and will be required to have their valuation method reviewed upon subdivision occurring.

Officers are to conduct a change of valuation methodology process in keeping with the Ministers Rating policy - Valuation of Land, for all properties identified in the Rural Valuation Review.

This strategy is on hold for two years because as the Shire is unable to obtain the valuation data from Landgate to undertake this review.

Strategy Four - Concession Evaluation

The Shires current concessions are design to support and sustain the horticultural and agricultural industries in the Shire as well as encourage land stewardship and the protection of the natural environment.

These concessions will be reviewed periodically to ensure they remain relevant, equitable, and aligned with community priorities. This can include the adjustment of the current concession or through new concessions to encourage activities which assists in creating a Thriving, Liveable and Connected community.

Strategy Five – 2% Annual Increase in addition to CPI for Road Infrastructure fund.

A comprehensive surface condition assessment of the Shire's sealed roads more than 10 years of age commenced in 2022 and was completed in 2023. The condition assessment was measured using the Western Australia Local Government Association (WALGA) Road Visual Condition Assessment Manual 1 – 5 road grading system. Condition grading per the manual is ratings of 1 to 2 being Very Good to Good, 3 being Fair and 4 to 5 being Poor to Very Poor respectively.

The table below provides a summary of road condition assessment survey data. Majority of the road assets have reached the intervention level of condition 3, 4, and 5. Whilst the 31% of road assets may offer a level of service in that is in good condition and remain trafficable, they may still be subject to load restrictions, lower or reduced speed limits or compromised user safety.

The 40% of road assets with a condition rating of Poor and Very Poor (condition 4 & 5):

Number of Inspected Sites	Condition 1 Very Good	Condition 2 Good	Condition 3 Fair	Condition 4 Poor	Condition 5 Very Poor
2805	224	645	813	617	505
%	8%	23%	29%	22%	18%

In order to rectify the Shire's condition 5 roads, the Shire will need approximately \$114 million to be able to complete the works.

This strategy considers a 2% annual increase to rates in addition to CPI, with funds being placed in the Road and Bridge reserve for the purpose of renewal of the Shire's aging infrastructure. This will yield approximately \$2m towards road projects over the next 3 years.

If these funds are leveraged against funding opportunities that require a one third Shire contribution this would enable the Shire to potentially undertake \$6m worth of road works. Alternatively, these funds can be used to fund works on roads which may not normally be eligible for grant funding.

Relevant Policies / Council Documents

- Council Plan 2023-2033.

Legislation / Local Law Requirements

- *Local Government Act 1995*
- *Local Government (Financial Management) Regulations 1996.*