

# Rates

## Answers to Frequently Asked Questions about Council Rates.

### What are Rates and why do I pay them?

Rates are a property tax that contribute to the orderly running of your community and the delivery of services and facilities to the local district.

Rates work on the same principles as income tax – the higher the Gross Rental Value (GRV) of your property, the higher your rates. The same principle applies to State Government property charges, such as water rates.

### Who determines the cost of my rates?

Your property’s GRV is determined by the State Governments Landgate. The GRV determines how much rental income a property may earn. The GRV is driven by market value and is what ultimately determines your rates. For example in the Armadale suburb the average GRV is \$14,397 meaning the owner could rent the property for \$277 per week whereas in Harrisdale the average GRV is \$22,176, meaning the owner could rent the property for \$426 per week, 54% higher. Hence, rates in Harrisdale are higher than in Armadale.

### How are my rates calculated?

Council provides a range of services and facilities which have a net cost that requires funding. In the commercial world it’s the price, with Council it is rates.

Each year, the costs and revenues of every Council service and facility are determined and the net cost



equals the amount required from rates. The amount required from rates to balance the budget is then divided by the total valuations to give a rate in the dollar. The rate in the dollar is then multiplied by the valuation of each property which gives the rates payable.

Example	
Total Council Costs =	\$100 million
Total Council Revenues =	\$50 million (not including rates)
Therefore Rates Required =	\$50 million
Total Valuations of all properties =	\$500 million
Rate in Dollar =	\$0.10
Rate in \$ multiplied by a valuation of \$20,000 for a property =	Rates of \$2000

### What are rates spent on? What do we get for our rates?

When you purchase or build a house in Armadale it has been provided in a carefully designed, well drained, well-lit suburban street. Your house will be built according to the Building Code of Australia under a building permit issued by the City. The work we do in overseeing the built environment protects your property investment, but comes at a cost.

From the moment you leave your property you are enjoying use of the services Council provides – roads, pathways, parks, street lighting, bins, public health services, playing fields, community facilities and much more. These are all areas the Council either funds directly or facilitates in some capacity to ensure our community has what they need.

Rates are required to fund services across the entire district. Every area benefits from capital investment and maintenance programs over the years and rates are the City’s primary funding source.

*Rates make up just under half of the total City expenditure on projects and services for the community each year. The City supplements rates income by seeking alternate funding sources to ensure we are delivering the best value for money we can.*

## Rates FAQs (continued)

### Why are rates increasing?

The City is a business like any other and it has to meet its costs to be financially sustainable. The City does not make a profit (i.e. surplus), we service our community and there is an associated cost. These costs are passed onto ratepayers through their rates or fees and charges (waste collection, hall hire etc.) When these costs increase, rates need to increase.

The City knows ratepayers would not accept continual rate increases at double the rate of inflation, so we are continually improving the service delivery to mitigate the effects of these increasing costs.

If the City did not have to deliver on large scale projects or provide facilities and infrastructure for our community, costs for ratepayers would be kept to a minimum. However, our community is telling us they wish to be part of a vibrant community with access to modern facilities. These measures come at a cost.

Armadale is a growth area, new communities expect access to services, and new residents expect the amenity of their street and surrounds to be maintained so their property value does not decrease. Long term residents expect their neighbourhood to improve and property values to increase, protecting their investment. Delivering quality services and facilities and maintaining community and municipal infrastructure ensures that the district and suburbs continue to be desirable places to live.

### Why are rates in one Council different to rates charged in another Council?

Some Councils have a significant proportion of rates provided by the business sector in large commercial/ industrial zones. For example nearly 60% of rates in the City of Belmont are provided by commercial/industrial properties. This provides a considerable subsidy for residential ratepayers. Armadale is a primarily residential area with only 13% of rates provided by the commercial/ industrial sector so the bulk is paid for by residential ratepayers.

Business Rates (% of total rateable income):
Belmont 60%
Canning 48%
Cockburn 36%
Melville 23%
Mandurah 27%
Armadale 13%

The City has dedicated priority in its Budget to projects that will encourage economic investment and generate more commercial and industrial property development. As fast as we are attracting commercial investment to the City, more people are flocking to our residential areas so the percentage split remains as shown.



## Rates FAQs (continued)

Unlike some Councils Armadale seeks to budget consistently over a long-term plan avoiding significant annual variations. Also, many of the local governments we are compared to are not growing in population, they are not building new facilities and have much larger income sources. If we are compared to areas facing similar issues (population growth, small industrial/commercial base, new housing areas etc.) you will find that our rates are the same, if not a little lower.

### Won't more properties mean less cost per lot?

No. More properties mean more services are needed immediately (parks, pathways, waste collection, library access, playgrounds and recreational space). The demand for infrastructure is exceeding the income generated by new homes so rates from new properties will never be enough, in the short term.

Our long term financial plan has mapped and committed the rateable income of every new property into our financial decisions. We must also work to ensure the financial decisions we make now don't pass on high levels of debt to future generations.

### Will costs continue to increase?

The City is anticipating a less than 3% rate increase for the next few years.

This year's rate rise is part of our long term financial plan. It enables us to deliver major projects and facilities as soon as possible whilst spreading the cost out to ratepayers over a longer term. For example an indoor aquatic centre is planned for 2018/19, at a cost of \$26 million. At this point in time we have not received any State and Federal support and will have to fund this entirely ourselves. We have spread the redevelopment costs over a 15 year period, thereby passing it on to ratepayers at a relatively low rate, to be paid over the period when the benefits can most be enjoyed. We were not able to deliver the project as quickly as our community would have liked, however with a lack of external funding Council has done what is financially responsible whilst still planning to deliver the project.

The WA Treasury review completed by the State as part of the abandoned Local Government Reform process found the City to be the most sustainably financially managed in the metropolitan area. This confirms that the model the City follows, for long term budgeting and planning for delivery and maintenance of community



facilities and services, is delivering excellent value for our community.

If State and Federal Governments continue to raise their tax base or shift costs to local government as they have over recent years then, our only alternative is to pass these costs on to our ratepayers. The street lighting tariff, another State Government charge is forecast to increase by 2.2% this year. We are also required to collect the the Emergency Services Levy, a State Government charge that has to be included on the Rates Notice which has increased by 4.2% this year. State Government increases has added \$115,000 to Council's 2016/17 Budget.

### Why is the increase higher than CPI?

If we restricted every Budget to the Local Government Cost Index (LGCI) we would provide nothing new. By having an investment 'factor' for strategic initiatives aimed at economic development and growth, the City can provide the ongoing services our community wants as well as deliver long term, multi-million dollar projects such as an indoor aquatic centre, playing fields and upgraded facilities.

The City has been rated as the most financially viable local government in WA. Although our rates may seem high, residents can be assured their local Council is financially responsible and is doing all that we can to mitigate unnecessary costs for our ratepayers.

## Rates FAQs (continued)

### What is the impact of State and Federal Government changes on Council rates?

Examples of State and Federal Government decisions impacting on rates include:

- The State Government imposed an increase last year of 0.6% in the guarantee fees on loans borrowed through the WA Treasury Corporation. The cost to ratepayers will be an additional \$200,000 per year. The increase applies to current loans that the City is still repaying. These fees are not an interest rate hike but a fee that all local governments pay to the State Government to ensure these loans are repaid. This fee increase will also affect all future loans taken out by local governments which are used to fund the provision of community facilities such as aquatic and recreation activities. It is a clear example of the State Government requiring local governments to meet the cost of its own financial shortfall.
- The Federal Government's announcement last year to freeze indexation of Financial Assistance Grants to local governments Australia wide for three years, has reduced the City's revenues by \$250,000 per year.

### What is a Specified Area Rate (SAR)?

The purpose of the Residential Amenity Services SAR is to maintain, enhance and renew the public-open-space provided in the newer residential estates, at a standard higher than that which occurs with public-open-space throughout the remainder of the City. The SAR commences only at the time the City takes over maintenance responsibility from the developer.

It would be unfair for ratepayers in other suburbs to subsidise a higher level of amenity in new suburbs. Care is also taken in the formula to ensure properties of higher valuation are not 'double dipped' in the calculation. Every cent collected by a SAR is spent in that specified area.

