11.5 DIFFERENTIAL RATING STRATEGY 2023/24

Attachments:
1. **Rate Setting Statement 2023-24**
2. **Statement of Objects and Reasons for the Proposed Differential Rates and Minimum Payments for 2023-24**
3. **Community Consultation**

RECOMMENDATION:

That Council:

1. **ADVERTISES by local public notice for a period of 21 days, in accordance with Section 6.36(1) of the *Local Government Act 1995,* its intention to levy the following differential rates and minimum rates in 2023/2024 as set out in the Statement of Objects and Reasons for the Proposed Differential Rates and Minimum Payments for 2023/2024, at Attachment 2;**

2. **AUTHORISES the Chief Executive Officer to invite submissions from electors and ratepayers on the proposed differential rates and minimum payments for 2023/2024:**

	2023/2024	
Rating Category	**Rate in the Dollar**	**Minimum Rate**
Residential	0.0752480	$1,395.41
Vacant-Residential	0.0782155	$1,233.10
Vacant-Commercial	0.1366890	$1,705.07
Other	0.0708997	$1,346.72

3. **NOTES any public submissions received in response to 1 and 2 above will be presented to Council for consideration.**

PURPOSE OF REPORT:

To obtain Council's approval to advertise the proposed differential and minimum rates for the 2023/2024 financial year and invite community feedback.

BACKGROUND:

The City of Vincent imposes differential rates based on the purpose for which land is zoned or for which the land is held or used.

In accordance with section 6.36 of the *Local Government Act 1995*, the City is required to give local public notice of its intention to impose differential general rates prior to adopting its 2023/2024 budget.

DETAILS:

Rates setting for 2023/2024 has been challenging due to the impacts of a high inflationary cost environment faced by the City and increasing cost of living pressures experienced by the local community.

Budget Themes for 2023/2024

The City of Vincent proposes a balanced budget for 2023/2024, as set out in the DRAFT Rate Setting Statement at **Attachment 1**. The budget is in DRAFT and is subject to change.

The 2023/2024 draft budget continues Vincent's progress toward long term financial sustainability, and a maturing approach to financial and asset management.

The City continues to experience significant inflationary cost pressures with rising construction costs, supply chain issues and higher costs across several other categories. Annual Perth CPI for the March 2023 quarter is at 5.8 percent and in many instances actual cost increases have been much higher than current inflation levels.

The City is proposing a 4.5% rate increase in 2023/24, well below current inflation levels and in line with the City's current adopted Long Term Financial Plan 2022/23 – 2031/32.

The City of Vincent remains one of Perth's lowest rating Councils, currently ranked eighth lowest in 2022/23 based on a median GRV of $17,420.

The proposed rates increase equates to $1.30 per week, or $67 per year for the median residential household.

Rates and annual charges comprise 61.9% of the revenue mix for the City of Vincent with 32.2% from Fees & Charges to help minimise the burden on ratepayers. Interest rate revenue continues to be strong in 2023/24 with forecasts suggesting rates could start to reduce in the second half of the financial year.

Employee costs are expected to rise by $2.0m due to 3.5% in enterprise bargaining payments, and superannuation payments increasing from 10.5% to 11.0%. Materials and contracts expenditure is forecasted to rise by $0.8m mainly due to significant inflationary cost pressures.

The City has no new borrowings planned for 2023/24 and the number of outstanding loans has reduced during 2022/23.

Comparative view of Residential Rates – 2022/2023

In developing an equitable rating model, it is useful to undertake a comparison with other metropolitan local governments.

The following table details how the rate in the dollar and waste collection charges (where they are applied separately) levied in 2022/2023 impact on the rate levied on an individual residential property at each of the local governments, based on a nominated Gross Rental Value (GRV) of $17,420, being the City of Vincent Residential category median value.

In a residential rating context, this table demonstrates that in 2022/2023, when the waste collection charge is factored in the City had:

1. the eleventh lowest minimum rate in the metropolitan area; and
2. the eighth lowest combined rates/waste charge of the 29 local governments listed for a residential property with a GRV of $17,420.

2022/23 Residential Rating Comparison table

					Total		Ranking Based on:	
Council	*Rate in $*	*Minimum Rates*	*Waste Charge*	*Security*	*Total Minimum Payable*	*Residential Rates Levy based on a GRV of $17,420*	*Minimum*	*$17,420*
Armadale	0.108799	1,242.00	$ 385.50	$ -	$ 1,627.50	$ 2,280.78	27	29
Bassendean	0.087771	1,106.00	$ 411.00	$ -	$ 1,517.00	$ 1,939.97	25	25
Bayswater	0.078350	1,049.50	$ 384.60	$ -	$ 1,434.10	$ 1,749.46	18	19
Belmont	0.069069	855.00	$ 303.00	$ -	$ 1,158.00	$ 1,506.18	3	9
Cambridge	0.062973	967.00	$ 123.00	$ -	$ 1,090.00	$ 1,219.99	2	1
Canning	0.060330	952.00	$ 411.86	$ 61.94	$ 1,425.80	$ 1,524.75	16	10
Claremont	0.068652	1,360.00	$ -	$ -	$ 1,360.00	$ 1,360.00	13	3
Cockburn	0.088970	1,414.00	$ -	$ 72.57	$ 1,486.57	$ 1,622.43	23	14
Cottesloe	0.074551	1,262.00	$ -	$ -	$ 1,262.00	$ 1,298.68	6	2
East Fremantle	0.079432	1,184.00	$ -	$ -	$ 1,184.00	$ 1,383.71	4	4
Fremantle	0.090000	1,481.00	$ -	$ -	$ 1,481.00	$ 1,567.80	22	13
Gosnells	0.080000	1,009.00	$ 340.00	$ -	$ 1,349.00	$ 1,733.60	12	18
Joondalup	0.067410	933.00	$ 360.00	$ -	$ 1,293.00	$ 1,534.28	8	11
Kalamunda	0.074314	925.00	$ 609.20	$ -	$ 1,534.20	$ 1,903.75	26	23
Kwinana	0.102470	1,126.00	$ 312.00	$ -	$ 1,438.00	$ 2,097.03	19	28
Melville	0.076048	1,328.35	$ -	$ 57.00	$ 1,385.35	$ 1,385.35	15	5
Mosman Park	0.078966	960.51	$ 358.00	$ -	$ 1,318.51	$ 1,733.59	9	17
Mundaring	0.094500	919.00	$ 450.00	$ -	$ 1,369.00	$ 2,096.19	14	27
Nedlands	0.065579	1,484.00	$ 298.00	$ -	$ 1,782.00	$ 1,782.00	29	21
Peppermint Grove	0.089200	1,452.00	$ -	$ -	$ 1,452.00	$ 1,553.86	21	12
Perth	0.065145	765.00	$ 321.20	$ -	$ 1,086.20	$ 1,456.03	1	7
Rockingham	0.089640	1,266.00	$ 384.00	$ -	$ 1,650.00	$ 1,945.53	28	26
South Perth	0.081339	1,080.00	$ 350.00	$ -	$ 1,430.00	$ 1,766.92	17	20
Stirling	0.059659	893.00	$ 355.00	$ 35.00	$ 1,283.00	$ 1,429.26	7	6
Subiaco	0.077488	1,190.00	$ 315.00	$ -	$ 1,505.00	$ 1,664.84	24	15
Swan	0.085499	890.00	$ 436.00	$ -	$ 1,326.00	$ 1,925.39	10	24
Victoria Park	0.095630	1,186.00	$ -	$ -	$ 1,186.00	$ 1,665.87	5	16
Vincent	0.085790	1,335.32	$ -	$ -	$ 1,335.32	$ 1,494.46	11	8
Wanneroo	0.080638	1,035.00	$ 410.00	$ -	$ 1,445.00	$ 1,814.71	20	22

Gross Rental Values - Triennial Revaluation

The State Government is responsible for determining the methodology for valuing properties in Western Australia. The values provided by the Valuer General are reviewed every three years to complete what is known as a General Valuation.

The revaluation is based on property valuations and sales data as of 1 August 2021 and is effective from 1 July 2023. Rating valuations are therefore assessed at a ‘snapshot in time’ reflecting the property market for the metropolitan area on precisely the same date, ensuring consistency and fairness in the allocation of rates.

Developed properties are valued on their potential rental income whereas undeveloped properties are valued between 3 – 5% on the capital value. Both these methods of valuation are known as Gross Rental Value (GRV).

Unfortunately, the GRV revaluation adds volatility to the City’s rates setting process. The GRV may vary for either the individual property (eg where property improvements or development has occurred), or may vary for a category of properties depending on sales data and valuations for the area.

Rate Setting Arising from the Triennial Revaluation

The Valuer General’s Office has recently provided the revaluation data, with the following table demonstrating the total variance of the GRV for each rateable category:

Differential	2022/23	2023/24	Increase (%)
Residential	328,725,646	395,016,058	20.17%
Other - Commercial	114,078,749	121,724,038	6.70%
Other - Industrial	17,797,982	19,077,955	7.19%
Vacant-Commercial	2,424,800	2,556,550	5.43%
Vacant- Residential	6,607,980	7,291,770	10.35%
	469,635,157	**545,666,371**	**16.19%**

Whilst individual properties may have fluctuated in value, at an overall category level, it can be seen that:

- Residential developed properties have on average increased in value by 20.17% and Vacant residential land by 10.35%; and
- Commercial/Industrial properties have on average increased between 5.43% and 7.19% in value

Rate Modelling Assumptions

In preparing the Differential Rates and Minimum Rates for 2023/2024, the City has used the following methodology:

1. Increase rates yield by 4.5% per category excluding rates growth; and
2. Minimum rates increase by 4.5% from the previous financial year;

Minimum rates are imposed to establish the minimum amount any property must pay to contribute to the cost of services provided by a local government, regardless of the value (GRV) of their property.

Rates Growth and Waivers

Rates revenue in the draft Rate Setting Statement (**Attachment 1)** has also provided for the following assumptions:

- An increase of approximately $400,000 due to organic growth in rates revenue arising from property development or improvement (ie interim rates); and
- A decrease of approximately $150,000 as a waiver of rates for particular community and sporting groups.

The City has been experiencing a moderate level of growth in the number of rateable properties over recent years, averaging nearly 1.19% between 2017 and 2023.

Year (30 June)	RATEABLE PROPERTIES	Increase	
		Number	%
2023	19355	58	0.30%
2022	19297	59	0.31%
2021	19238	197	1.03%
2020	19041	163	0.86%
2019	18878	126	0.67%
2018	18752	404	2.20%
2017	18348	530	2.97%

Rate Payments

The City will provide 3 payment options namely:

- pay in full;
- pay by instalments (four instalments); and
- pay by rates smoothing.

A provision of $50,000 for financial hardship has been included in the draft budget for 2023/24.

Community Consultation

The City of Vincent has conducted Community Consultation on the SCP Priorities, Underground Power, Capital Works and Cash Backed Reserves with the report included in **Attachment 3**.

PROPOSED DIFFERENTIAL RATES RELATIVITIES AND MINIMUM RATES FOR 2023/2024

Having regard to the differential rates relativities and proposed minimum rates, the City of Vincent proposes the following differential rates for 2023/2024:

	2023/2024	
Rating Category	**Rate in the Dollar**	**Minimum Rate**
Residential	0.0752480	$1,395.41
Vacant-Residential	0.0782155	$1,233.10
Vacant-Commercial	0.1366890	$1,705.07
Other – Commercial/Industrial	0.0708997	$1,346.72

The overall objective of the proposed rates in the 2023/2024 Budget is to provide for the net funding requirements of the City of Vincent's various programs, services and facilities.

The *Local Government Act 1995* (*Section 6.36*). provides that a local government may impose a differential general rate (**DGR**) according to land zoning, land use, whether the land is vacant or not, or a combination of each characteristic.

The City of Vincent applies a differential general rate as Council has determined that different property categories should pay a fair and equitable contribution, considering the benefits those properties derive from the services and amenities of the City. Providing a lower DGR to any group of ratepayers, means the rates burden must be borne by increases to other ratepayers.

The General Rate reflects the proportional allocation of the City’s budget deficiency (excluding organic rates growth) across the total Gross Rental Values (GRV) for all Vincent properties:

$$General\ Rate = \frac{Budget\ Deficiency\ (excluding\ growth)}{Total\ GRV\ for\ Vincent\ Properties}$$

$$General\ Rate = \frac{\$42{,}052{,}807}{\$545{,}666{,}371}$$

$$General\ Rate = 0.07707$$

The differential rates are considered in relation to the general rate, and with due consideration for the impact of minimum rates.

The Statement of Objects and Reasons for the Proposed Differential Rates and Minimum Payments is at **Attachment 2.**

CONSULTATION/ADVERTISING:

In accordance with section 6.36 of the *Local Government Act 1995* (the Act), public comments will be invited through publication of a local public notice, with the consultation period being open for a minimum of 21 days. All submissions received will be submitted to Council for consideration.

Once approved by Council, advertising of the City's intention to levy and the Objects and Reasons for the 2023/2024 Differential Rates will be on the following forums which will satisfy the regulation requirements:

1. State paper advert
2. City of Vincent Website
3. Social media post (news subscribers, Facebook, etc)
4. Noticeboard in Library, Beatty Park and Administration offices
5. Vincent Reporter and Perth Voice advert

Advertising the City's intention to levy and the objects and reasons for the 2023/2024 differential rates on 17 May 2023 will be open for submissions for 21 days and will close **5pm Thursday 8 June 2023.**

LEGAL/POLICY:

'6.33. Differential general rates

(1) A local government may impose differential general rates according to any, or a combination, of the following characteristics –

(a) the purpose for which the land is zoned, whether or not under a local planning scheme or improvement scheme in force under the Planning and Development Act 2005; or

(b) a purpose for which the land is held or used as determined by the local government; or

(c) whether or not the land is vacant land; or

(d) any other characteristic or combination of characteristics prescribed.

6.35. Minimum payment

(1) Subject to this section, a local government may impose on any rateable land in its district a minimum payment which is greater than the general rate which would otherwise be payable on that land.

(2) A minimum payment is to be a general minimum but, subject to subsection (3), a lesser minimum may be imposed in respect of any portion of the district.

(3) In applying subsection (2) the local government is to ensure the general minimum is imposed on not less than –

(a) 50% of the total number of separately rated properties in the district; or

(b) 50% of the number of properties in each category referred to in subsection (6),

on which a minimum payment is imposed.

6.36. Local government to give notice of certain rates

(1) Before imposing any differential general rates or a minimum payment applying to a differential rate category under section 6.35(6)(c) a local government is to give local public notice of its intention to do so.

(2) A local government is required to ensure that a notice referred to in subsection (1) is published in sufficient time to allow compliance with the requirements specified in this section and section 6.2(1).

(3) A notice referred to in subsection (1) –

(a) may be published within the period of 2 months preceding the commencement of the financial year to which the proposed rates are to apply on the basis of the local government's estimate of the budget deficiency; and

(b) is to contain –

(i) details of each rate or minimum payment the local government intends to impose; and

(ii) an invitation for submissions to be made by an elector or a ratepayer in respect of the proposed rate or minimum payment and any related matters within 21 days (or such longer period as is specified in the notice) of the notice; and

(iii) any further information in relation to the matters specified in subparagraphs (i) and (ii) which may be prescribed; and

(c) is to advise electors and ratepayers of the time and place where a document describing the objects of, and reasons for, each proposed rate and minimum payment may be inspected.

(4) The local government is required to consider any submissions received before imposing the proposed rate or minimum payment with or without modification.

(5) Where a local government –

(a) in an emergency, proposes to impose a supplementary general rate or specified area rate under section 6.32(3)(a); or

(b) proposes to modify the proposed rates or minimum payments after considering any submissions under subsection (4),

it is not required to give local public notice of that proposed supplementary general rate, specified area rate, modified rate or minimum payment.'

RISK MANAGEMENT IMPLICATIONS:

Low: Reputational risk if the City does not advertise its intention to levy differential rates and minimums.

STRATEGIC IMPLICATIONS:

This is in keeping with the City's *Strategic Community Plan 2018-2028*:

Innovative and Accountable

We are open and accountable to an engaged community.

SUSTAINABILITY IMPLICATIONS:

Achieving an effective rating strategy is an important part of the City's overall financial management, which will progressively enable the City to meet all its operational obligations, including asset renewal to ensure the current standard of service can be maintained for future generations.

PUBLIC HEALTH IMPLICATIONS:

Expenditure in this report facilitates the achievement of the Plan.

FINANCIAL/BUDGET IMPLICATIONS:

The advertising of the proposed differential and minimum rates is critical in the development of the annual budget. The budget deficit is linked to the delivery of services and level of funding for capital works, debt servicing and consolidation of reserve funds.

CITY OF VINCENT **Attachment - 1**
NEXT YEAR BUDGET 2023/24

DRAFT RATE SETTING STATEMENT
BY NATURE OR TYPE

	Mid Year Revised Budget	Next Year Budget
	2022/23	2023/24
	$	$
OPERATING ACTIVITIES		
Net current assets at start of financial year - surplus/(deficit)	6,676,946	1,000,000
Revenue		
Operating grants, subsidies and contributions	1,247,567	1,498,420
Fees and charges	21,679,846	22,003,704
Interest earnings	1,283,000	1,103,000
Other revenue	1,273,712	1,385,434
Profit on asset disposals	457,938	612,705
Profit on Assets Held for Sale (TPRC Joint Venture)	1,848,288	1,848,288
	27,790,351	28,451,551
Expenses		
Employee costs	(29,103,384)	(31,078,610)
Materials and contracts	(22,252,093)	(23,064,882)
Utility charges	(1,860,263)	(1,800,315)
Depreciation on non-current assets	(12,151,458)	(12,607,088)
Interest expenses	(540,835)	(495,449)
Insurance expenses	(647,958)	(804,195)
Other expenditure	(1,266,116)	(752,098)
Loss on disposal of assets	(779,978)	(4,335)
	(68,602,085)	(70,606,972)
Net Operating excluding Rates	(40,811,734)	(42,155,421)
(Profit) on disposal of assets	(457,938)	(612,705)
Loss on disposal of assets	779,978	4,335
Depreciation and amortisation on assets	12,151,458	12,607,088
Profit/loss on Assets Held for Sale - TPRC Joint Venture	(1,848,288)	(1,848,288)
Non-cash amounts excluded from operating activities	10,625,210	10,150,430
Amount attributable to operating activities	(30,186,524)	(32,004,991)
INVESTING ACTIVITIES		
Non-operating grants, subsidies and contributions	2,454,098	3,221,473
Proceeds from disposal of assets	1,458,000	1,639,000
Proceeds from Joint Ventures	1,666,666	1,666,666
Purchase of property, plant and equipment	(8,729,604)	(7,364,751)
Purchase and construction of infrastructure	(8,261,437)	(7,086,581)
Amount attributable to investing activities	(11,412,277)	(7,924,193)
FINANCING ACTIVITIES		
Principal elements of finance lease payments	(70,602)	0
Repayment of long term borrowings	(1,501,877)	(1,585,417)
Proceeds from new borrowings	827,879	0
Transfers to reserves (restricted assets)	(8,518,926)	(5,795,225)
Transfers from reserves (restricted assets)	4,363,230	4,113,500
Amount attributable to financing activities	(4,900,296)	(3,267,142)
Net current assets at June 30 c/fwd - surplus/(deficit)	**(39,822,151)**	**(42,196,326)**
Total amount raised from general rates	**39,980,329**	**42,299,855**
Net current assets at June 30 c/fwd - surplus/(deficit)	**158,178**	**103,529**

City of Vincent

Proposed Differential Rates for Council Rates 2023/24

CITY OF VINCENT

2023/24

Statement of Objects and Reasons for the Proposed Differential Rates & Minimum Payments

Proposed Differential Rates and Minimum Payments for 2023/24:

The City of Vincent advises Council's intention to levy differential and minimal rates for the 2023/24 Financial Year, in accordance with section 6.36 of the *Local Government Act 1995.* Vincent electors and ratepayers are invited to make submissions on the proposed rates, minimum rates and any related matters.

Council Considerations

Rates levied in the 2023/24 DRAFT budget provides for the shortfall in income required to enable the City of Vincent to provide the necessary works and services in the 2023/24 Financial Year, after taking into account all non-rate sources of income.

The Gross Rental Value (GRV) for the rateable property is determined by Landgate on behalf of the State Government. The General Rate reflects the proportionate allocation of the City's budget deficiency, excluding rates growth, across the total GRV for Vincent Properties.

$$General\ Rate = \frac{Budget\ Deficiency\ (excluding\ rates\ growth)}{Total\ GRV\ for\ Vincent\ Properties}$$

$$General\ Rate = \frac{\$42{,}052{,}807}{\$545{,}666{,}371}$$

$$General\ Rate = 0.07707$$

Rationale for differential rating categories

According to section 6.33 of the *Local Government Act 1995* differential general rates are imposed on the following characteristics:

- The purpose for which the land is zoned; and
- A purpose for which the land is held or used; and
- If the land is vacant.

City of Vincent

Proposed Differential Rates for Council Rates 2023/24

The table below details the proposed differential rates for the 2023/24 financial year:

Rating Category	Rate in dollar	Minimum rates
Residential	0.0752480	$1,395.41
Vacant-Residential	0.0782155	$1,233.10
Vacant-Commercial	0.1366890	$1,705.07
Other – Commercial/Industrial	0.0708997	$1,346.72

The GRV is multiplied by the rate in dollar to determine the rates levy for each property.

The following reflects the proposed Objects and Reasons for each differential rating category:

Residential Category:

The *Residential* rate imposes a differential rate on land primarily used for residential purposes.

The rate in the dollar has been set at or about the general rate, on the basis that residential properties represent 72% of the total gross rental value of all Vincent properties and therefore they will make a reasonable contribution to the cost of local government services and facilities.

Vacant - Residential Category:

The *Vacant-Residential* rate is imposed on vacant, uninhabitable or undeveloped residential properties that are zoned Residential.

The higher rate in the dollar encourages the development of vacant properties, improving the City's streetscape and stimulates growth and development in the community.

Vacant - Commercial:

The *Vacant-Commercial* rate is imposed on vacant or undeveloped non-residential properties that are zoned Mixed Use, Local Centre, District/Regional Centre, Special Use and Commercial.

The rate in the dollar has been set at or about 177% of the general rate. A higher vacant commercial rate encourages the development of vacant properties, improving the City's streetscape and builds business infrastructure that contributes to the local economy.

City of Vincent

Proposed Differential Rates for Council Rates 2023/24

Other – Commercial/Industrial:

The *Other – Commercial/Industrial* rate is imposed on non-residential properties that are used for commercial or industrial purposes.

Examples of properties that fall within this category are retail shops, storerooms, car bays, advertisements, wholesalers, warehouses, offices, service stations, hotels, taverns and properties generally used for business purposes.

The rate in the dollar has been set at or about 92% of the general rate. A lower rate has been designed to support and attract businesses to the City thereby stimulating growth and development in the community.

The objective for minimum rating:

A minimum rate is applied to all differential rate categories within the City of Vincent.

The setting of the minimum rate recognises that every property within the City receives a minimum level of benefit from works and services provided throughout the City. By adopting a minimum rate, Council takes this benefit into consideration.

For further information:

Enquires can be made to the City of Vincent Rates Department on (08) 9273 6000 or email mail@vincent.wa.gov.au.

WORKSHOP REPORT

Aha! Consulting

When will you have your next Aha! moment?

PROJECT | Annual Budget Review

CLIENT | City of Vincent

DATE | 24/04/2023

VERSION | 1.0

Contents

1 Introduction

As part of its annual budgeting cycle, the City of Vincent wanted to engage its community panel to provide feedback on the proposed budget for the 23/24 financial year.

The upcoming annual budget sits in the context of ongoing inflationary pressures on staff and delivery costs, a growing asset maintenance requirement, and the need to manage the rollout of underground power across Vincent. Adding to the short and long-term budget pressure has been the response to COVID-19, during this time the Vincent provided a range of additional supports to residents, ratepayers, and businesses.

The objective of the panel is to get a representative cross section of the community, as a surrogate for broader community feedback. Vincent has an established panel and has used this approach in the past, to positive effect.

A total of 25 people attended a 2.5-hour workshop on the 24th of April 2023. The workshop focused on the proposed medium rating approach to four areas of the budget:

- Underground Power
- Capital Works
- Strategic Community Plan (SCP) Non-Mandatory Priorities
- Cash Backed Reserves

The CEO presented the proposed approach to each of these areas and participants were asked to assess and review what was being proposed using the following criteria:

- **Desirable**: It sets out a direction that is in line with community aspirations
- **Fair:** It achieves a balance between short-term impacts and long-term goals
- **Considered:** The approach shows consideration of the impacts on different sections of the community

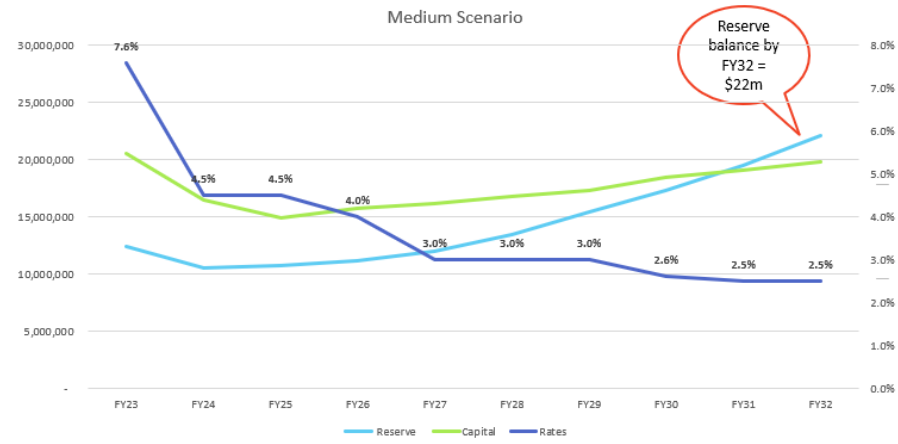
Participants were given the opportunity to clarify their understanding of the presented approach and then worked in groups to discuss the implications of Vincent taking a medium rating approach. Individuals were then asked to score each of the four focus areas against the above criteria (Desirable, Fair, Considered).

The workshop was designed and facilitated by Joel Levin from Aha! Consulting and this report comprises the outputs from that workshop. These outputs are to be presented to the elected members at a budget workshop in May to inform their decision making. The session plan can be found in appendix one of this report.

2 The Three Rating Scenarios

The rating scenarios used in the development of Vincent Long Term Financial Plan (LTPF) and proposed annual budget were presented to the participants, along with the implications for each rating scenario on the four areas (Underground Power, Capital Works, SCP Non-Mandatory Priorities, Cash Backed Reserves).

The medium scenario is being proposed in the Annual Budget as a such was presented first;

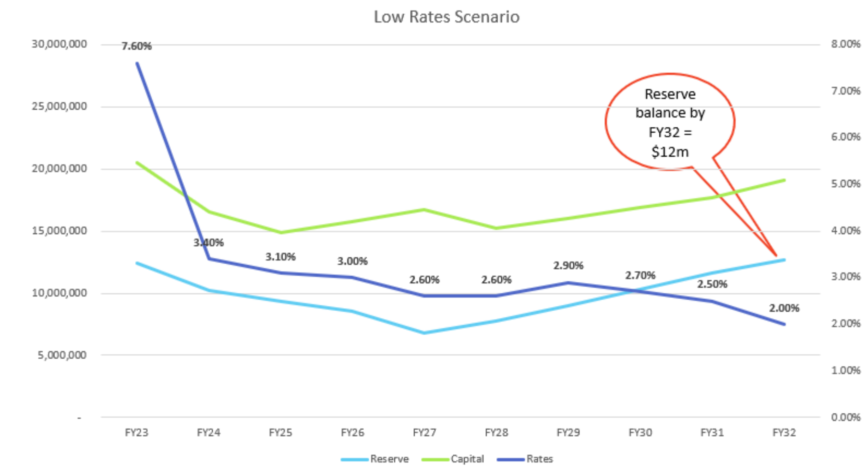


Capex
- 4-year capital works is fully funded which includes Robertson Park and Banks Reserve projects
- Excludes Beatty Park 2062 and Leederville Oval ($35m)
- Steady increase of 3-6% in capital expenditure from FY27

Rates
- Mid range increase from FY24 to FY26 (4%-4.5%) and reducing to 2.5%-3% from FY27

Reserves
- $10m increase over 10 years
- $2m reduction in reserves for FY24 and steady increase from FY25
- Closing balance of reserves at $22m by FY32

*Note that the capex is based on current knowledge of asset conditions and identified projects. However, this is subject to change depending on future condition reports

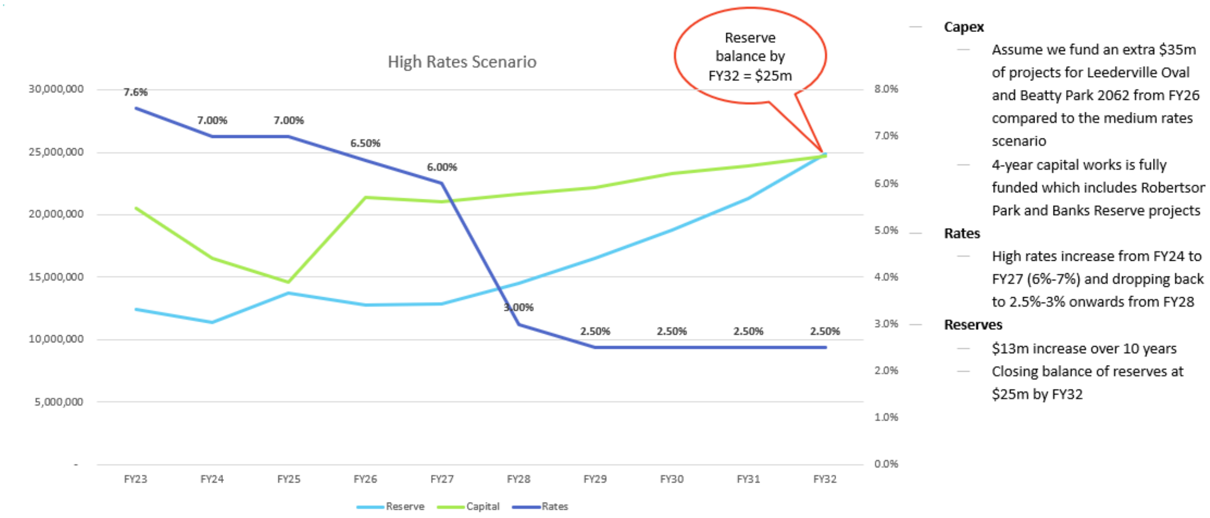


Capex
- 4-year capital works is fully funded which includes Robertson Park and Banks Reserve projects
- Reduce capex spending by $6m over 10 years compared to the medium scenario
- Excludes Beatty Park 2062 and Leederville Oval ($35m)

Rates
- 2%-3.4% steady rates increase per year from FY24

Reserves
- Heavily relying on the funding from reserves from FY24 to FY27 and steadily increasing from FY28
- Closing balance of reserves at $12m by FY32

*Note that the capex is based on current knowledge of asset conditions and identified projects. However, this is subject to change depending on future condition reports

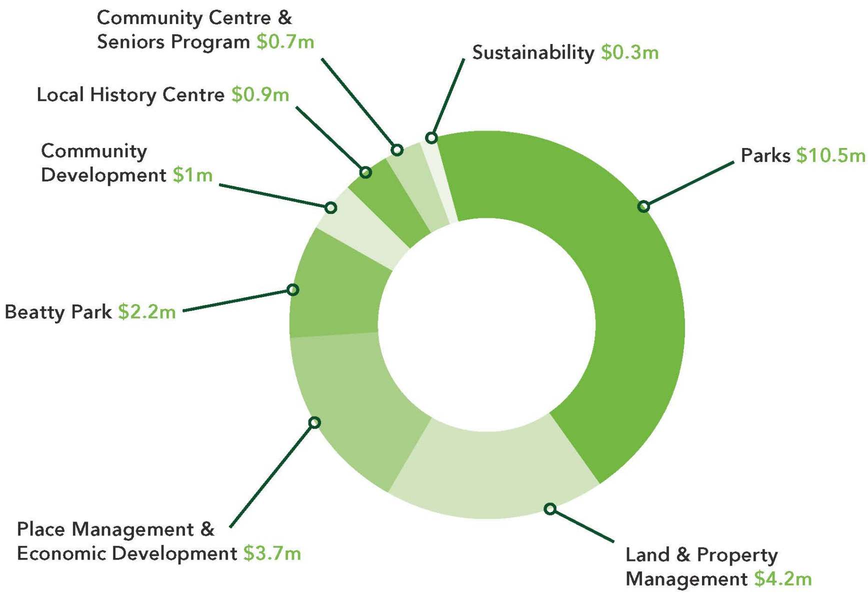


Note that the capex is based on current knowledge of asset conditions and identified projects. However, this is subject to change depending on future condition reports

2.1 Scenario implications on the focus areas

	LOW RATING	**MEDIUM** RATING (RECOMMENDED)	**HIGH** RATING
UNDERGROUND POWER	Restricted capacity to offer longer payback periods to ratepayers due to borrowing limitations	Capacity to offer payback periods up to ~4 years for a large portion of ratepayers	Capacity to offer payback periods up to ~4 years for a large portion of ratepayers
CAPITAL WORKS (ASSETS)	Meets critical requirements for our aging assets but capital spend is reduced	Meets critical requirements for our aging assets	Meets critical requirements for our aging assets & additional ~$35m for Beatty Park and Leederville Oval
CASH RESERVE	Increases capital reserves over the longer term. Implements additional major projects.	Reserves increase to ~$22m within target range	Reserves increase to ~25m within target range
	Lack of reserves for unforeseen events	Better equipped to respond to unforeseen events	Better equipped to respond to unforeseen events
	Increased rating volatility	Reduces rating volatility	Reduces rating volatility
	No improvement to long term financial sustainability	Improved long term financial sustainability	Improved long term financial sustainability

Because expenditure on the Non-Mandatory SCP priorities follows community sentiment, no high, medium, or low scenarios were presented, instead the group was asked to review how funding was allocated across the Non-Mandatory areas.



3 Approach Analysis

3.1 Overall

Overall, the proposed approaches were all considered desirable, and the majority of discussion focused on how fair and considered each approach was.

Generally, there was support for the medium rating scenario, with a range of some wanting a high rating scenario for the benefits it would bring the community, and those who were concerned about the impact rate changes have on those unable to afford it.

Regardless of the commentary and views of the rating scenario, one of the overarching messages was a desire for Vincent to provide simple, concise, information about its budget decisions. There was a sense that the broader community would be less concerned about Council Budgets and rating if the following information was available:

- Clear statements of risks, benefits, and rationale for the desired approach
- Demonstration of the trade-offs considered and that the most cost-effective approaches have been used
- More detail for those who want it

3.2 Underground Power

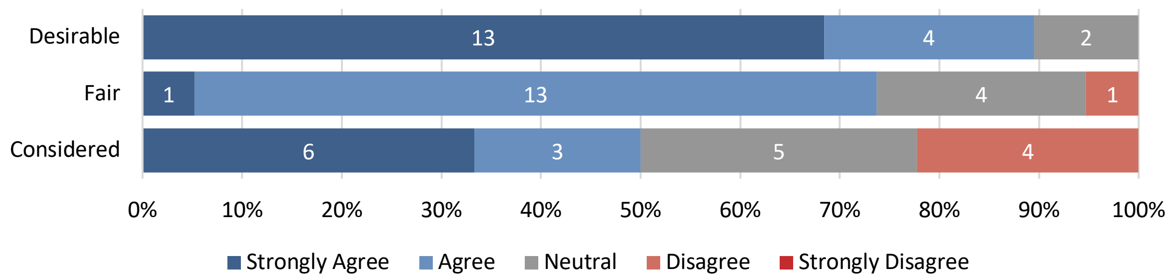
Over the next 10 years Vincent is proposing to move all suburbs to underground power in 8 staged projects.

	North Perth/ Mount Lawley	North Perth/ Mount Hawthorn	Perth/ Highgate - including heritage sites	Leederville/ North Perth	Mount Hawthorn	*12-month gap*	West Perth/Perth/ Leederville/ East Perth	Mount Hawthorn/ Joondanna/ Osborne Park	North Perth
Service Charges Raised Date	July 2024	July 2024	July 2025	July 2026	July 2027		July 2030	July 2030	July 2030
Construction period	Apr 24 to July 25	Oct 2023 to March 25	Jul 25 to Sep 26	Jul 26 to Nov 28	Jan 27 to Feb 29		Feb 30 to Apr 31	Jun 30 to Jun 31	Jun 30 to May 31
Deferred Start WP Payment Date	Oct-24	Oct-24	Sep-25	Sep-26	Aug-27		Aug-30	Aug-30	Aug-30

This work would in part be funded by Western Power and in part by the homeowner. The detailed design is currently being undertaken, and Vincent has been looking for a way to support ratepayers with the project cost of installation by taking out a loan and providing between 50-70% of ratepayers with up to 4-year repayment terms. Pensioners will be entitled to an uncapped 50% rebate from the State Government for their Underground Power costs.

The medium rating scenario allows for Vincent to provide this payback.

Group Assessment



As can be seen, the proposed approach is well supported by the majority of participants. People also wanted to see more information about the risks and benefits of proceeding and the impacts of NOT proceeding with undergrounding.

There was a desire for more information about how the costing per household is calculated and how those with lower incomes would be supported. Some suggested a longer that 4-year term or alternative option be made available for those in genuine financial hardship.

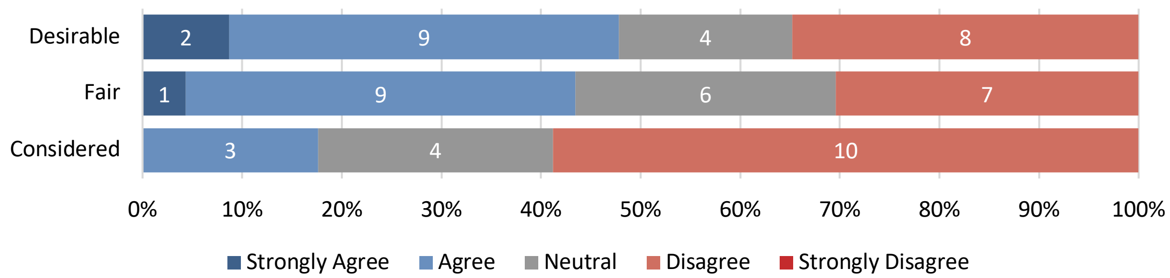
There was some concern from those who have already paid for underground power about last year's rate increase which allocated 2.1% of the rate increase to the City's underground power reserve to support the funding model (notwithstanding that Vincent provided similar support for delayed repayment terms for those previous underground power projects. There was a desire for Western Power to pay 100% of the cost to underground the high voltage transmission lines (not included in this project to date).

3.3 Cash Backed Reserves

Vincent is targeting a reserve balance of 1.0-2.0x of annual capital spend over the long term. The adopted LTFP sits within a range of 0.6-1.1x for the Reserves/Capex multiple.

Under the medium rating scenario, this target would be achieved.

Group Assessment



While the above responses show a balance of those who agree and disagree, those who disagreed included a blend of people who wanted to see the low rating scenario and those who wanted the high rating scenario. There was insufficient time to quantify the percentages of those who disagreed who would have preferred the low and high rating scenarios.

Those concerned with taking a medium and/or higher rating approach expressed:

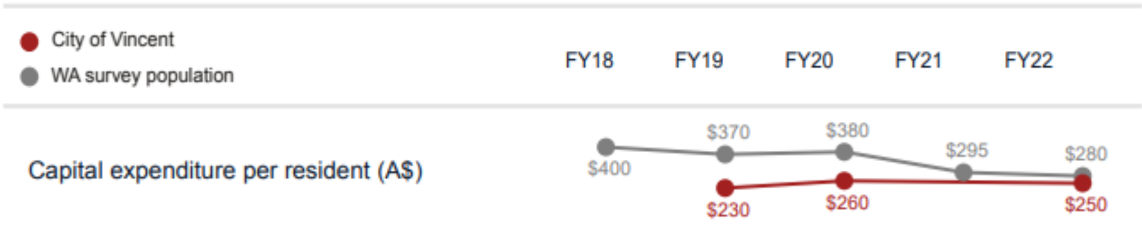
- A lack of confidence in how Vincent would spend extra money
- A feeling that Vincent has managed to this point with its current reserve levels
- A concern of the affordability for some sectors of the community

Those concerned with taking a low rating approach expressed:

- A desire to ensure ongoing viability and desirability of Vincent
- Concern for the affordability for some sectors of the community
- That even though they were lower income, they agreed with the need to increase the rates

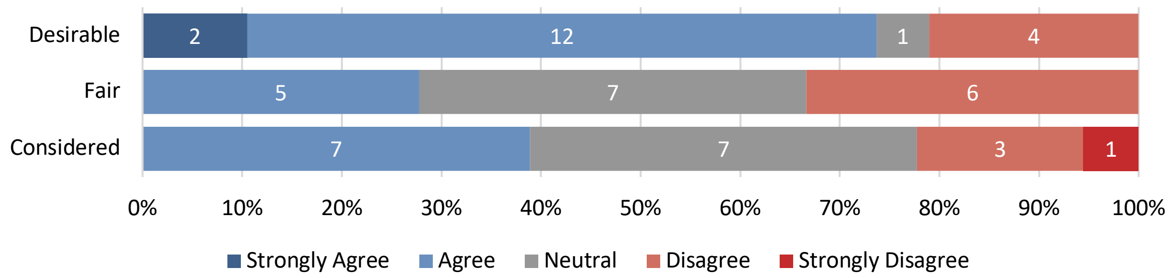
3.4 Capital Works

Comparatively and historically Vincent has spent less on capital assets (buildings, etc.) than other places in Western Australia.



The medium rating scenario would enable Vincent to meet its critical requirements for aging assets but would not deliver the funds for major projects such as Beatty Park or the upgrade of Leederville Oval.

Group Assessment



The majority of the group either supported or were neutral on the medium rating approach to assets management, with people citing a need for more information and context (e.g., Strategic Asset Framework, sporting and facility plans, etc.).

Some could not see the value of the expenditure being validated (e.g., long-term benefit of doing the work or not doing the work). People wanted a better understanding of the trade-offs and how waste and inefficiency was being tackled (e.g., kept food van at Hyde Park instead of spending thousands on maintaining a permanent shop)

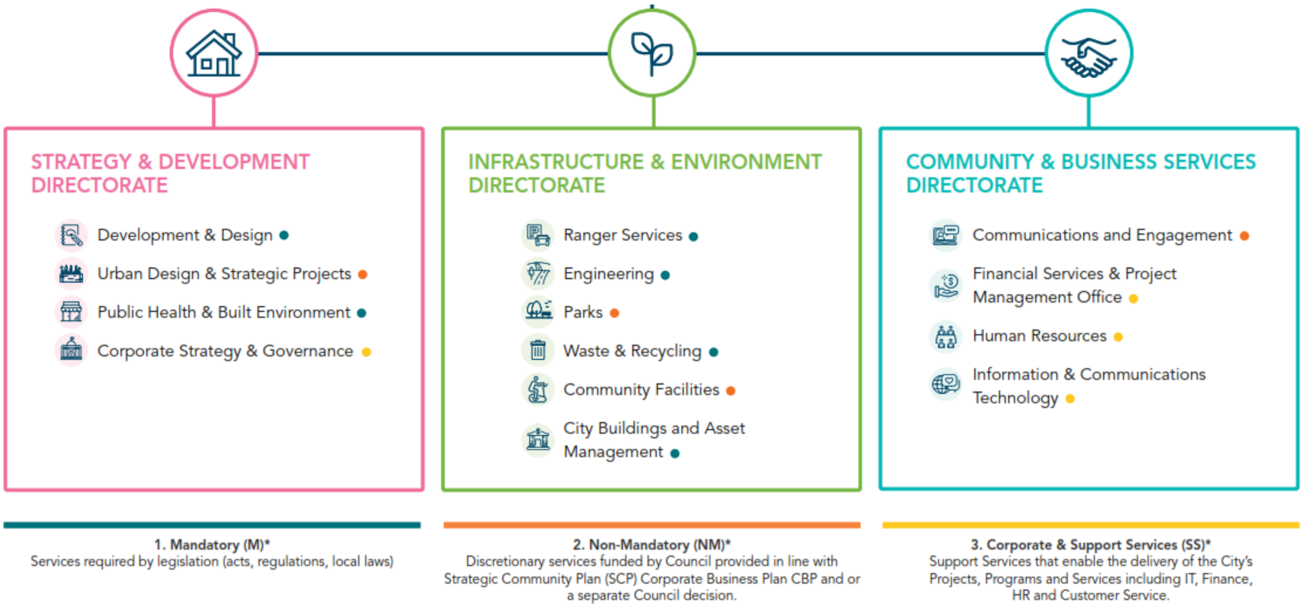
Some want to see Vincent advocate for the State Government to support with Beatty Park, given it's a regional class asset.

There was a suggestion to cut back on some projects (e.g., Leake St road treatments), especially during the underground power roll outs. There was also a suggestion to spend more.

Additionally, there was a suggestion that because Vincent is an established area, the focus should be on maintaining what it has and not starting new capital works.

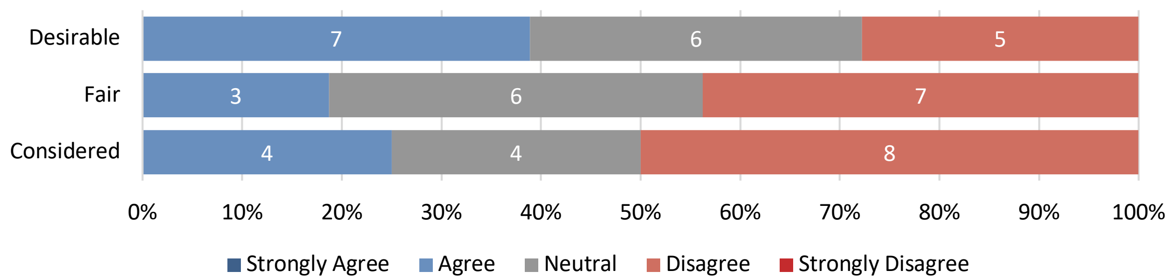
3.5 SCP Priorities

The priorities derived from the SCP are classified into three groups (Mandatory, Non-Mandatory, and Corporate and Support Services).



The conversation focused on how the funds available for the Non-Mandatory expenditure should be apportioned.

Group Assessment



As can be seen, this is the area with the least alignment with what is planned. While some suggestions are made on how the current funding might be organised and reallocated (see below and appendix two for more detail). Some of the disagreement also comes from people wanting a higher rating scenario because of the benefit provided to the community. As such, disagreement should not be interpreted as the plan being out of step with community sentiment. There was not time in the session to further explore and/or quantify the source of disagreement.

Others suggested that an increase to inner development would also increase the rate base and give more capacity to cool things.

Expenditure on Parks (44.9% of total spend) was seen as too high by many and suggested this might be brought down to 40% through:

- Outsourcing elements of the work
- Involving the community to assist with time and maintenance of park – start small, give everyone something to participate in
- Reduce some tasks, e.g., cut park grass every 3 weeks not weekly or fortnightly

Others wanted simpler explanations of what the various 'buckets' did.

Some other comments included:

- Place management and economic development (16% of total spend) seemed high considering there is a CoV planning department to do the job
- Increasing maintenance on land property increases longevity of the asset
- Increase land and property
- Plan for future purchases of open space, call on big developers to pay for local community parks and spaces
- More emphasis on community and community groups e.g., the elderly

Appendix Two – SCP Priorities

The following tables comprise a summary of 11 set of notes taken by either individuals and/or small groups as they discussed how the funds available for the Non-Mandatory expenditure should be apportioned.

NOTE ON DATA TREATMENT:

- An aggregate percentage across all areas has not been developed as some sheets did not add to 100%.
- When the sheet added to over 100%, the excess percentage was removed evenly from all areas.
- When no score was provided in one area of expenditure, any remaining percentage of 100% was evenly distributed.
- When just a comment was provided to “increase”, the current percentage expenditure was used and any remaining % was evenly distributed.

Area	Current % Spend	Desired % Spend (Mean)[1]	Desired % Spend (SD) [2]	Comments
Parks	44.9%	40.87%	5.76	• Explore more cost efficiencies • Work smarter (contract playground – native, gravel – cheaper than inhouse) • Call in seniors and retirees to participate • Combine with Beatty Park funding area
Land and Property Management	17.8%	18.85%	5.40	• Increased R and M could defer some asset renewals • Grow it via rent increases – smarter property management strategies • Increasing spending can defer asset improvement costs
Place Management and Economic Development	16%	12.32%	4.55	• Imbed community development in place management for better outcomes • Town planners • There are plans but not implemented • Increase % spend

[1] This is the mean (average score) from 11 different inputs. These input could have been individuals and/or the collation of a small group of 4.

[2] When using averages, a score of 0 and a score of 100 would produce an average or 50, and two scores of 50 would produce the same result. As such, a standard deviation (SD) score is used to indicate the level of alignment between different responses. The closer to zero the standard deviation score, the stronger the alignment between different responses. All standard deviation scores were derived from 11 responses.

Area	Current % Spend	Desired % Spend (Mean)[1]	Desired % Spend (SD) [2]	Comments

Beatty Park	9.2%	8.67%	1.34	• BAU, asset renewal is a separate exercise that is not funded by gym revenue
				• Maintain
				  o New lens needed
				  o Remove grandstand and make it a park
				• Reduce our expenditure (state run asset)
				• Combine with Place Management and Economic Development and Community Development funding areas
				• Combine with Parks and Land and Property Management funding areas

Community Development	4.2%	8.01%	10.83	• Call on creative community advocates to bring the message to all • Community arts increases? • Pandemic/shock responses • Increase % spend • Combine with Place Management and Economic Development funding areas
Local History Centre	3.9%	3.26%	0.79	• Reallocate difference to Community Development funding area
Community Centre and Seniors Program	2.8%	3.86%	2.13	• Most care for community and seniors initiatives • Increase % spend
Sustainability	1.2%	1.82%	1.24	• Important future consideration • Go hard on sustainability • Maintain • Possible increase in seniors services • What more could be done? • Increase % spend

General Comments

- We need a bigger pie
- Bigger pie increases rates, underground power, and SCP
- Can we look at new/innovative ways to raise more revenue to increase spending on these services rather than shifting or decreasing? These are the services that make CoV a pleasure to live in, what makes this city desirable
- There appears to be overlaps of expenditure on assets in numerous services
- Bigger pie and more spent on community
- My priority is in the council investing in making sure decisions are founded on value and management of risks
- Transparency – I appreciate you have published a lot on what the council does, but some key issues could benefit from more detailed exploration and validation of why and why not, who benefits, and how decisions are based on fairness and equity
- Capital works
- How council allocates its budget should not be substantially driven by group think
- Should go for high not medium rates increase the money for services. Don't want to see services cut unless can be done better another way, but other areas (e.g., community) need more spending
- Invest in the tools of data capture to make sure you have the right information – really need these asset and facility plans to make comment

Appendix One – Session Plan

Time	Focus
6:00 20min	**Getting Started** Welcome Group agreements Session purpose Testing current thinking about the 3 rating scenarios against the 4 areas of impact Proposed assessment metrics: **Desirable**: It sets out a direction that is in line with community aspirations **Fair:** It achieves a balance between short-term impacts and long-term goals **Considered:** The approach shows consideration of the impacts on different sections of the community
6:20 20min	**Setting the Scene** Vincent presents the long-term financial goals Current challenges Overview of the 3 scenarios [combination presentation and interactive Q&A]
6:40 60min	**Pulse Check** Small group discission of the 4 areas of impact Underground Power | Capital Works | SCP priorities | Cash Reserves Pulse survey to test the 4 areas of impact against the 3 metrics
7:40	BREAK
7:55 40min	**Exploration of Results** What are pulse test results showing us? Assume focus is on the Actions in the CBP that are linked to the SCP
8:35 5min	**Closing** What happens with the information gathered today? Acknowledgement and thank you for people's time
8:40	END

– END –

EMAIL | admin@ahaconsulting.net.au

WEB | ahaconsulting.net.au

PHONE | +61 8 9443 9474