



STABILISING OUR FINANCIAL POSITION

Shire of Carnarvon Revenue Strategy 2022

DISCLAIMER

This strategy is provided for information and guidance. It is subject to change as required by Council depending on annual and forecast budget pressures and other financial, community, and organisational requirements.

While care has been taken to ensure the content in the report is accurate, we cannot guarantee it is without flaws of any kind. There may be errors and omissions, or it may not be wholly appropriate for your particular purposes.

In addition, the publication is a snapshot in time based on historic and forecast information which is liable to change. The Shire of Carnarvon accepts no responsibility and disclaims all liability for any error, loss or other consequence which may arise from you relying on any information contained in this report.

VERSION

No.	Date	Status	Purpose
1.	08 May 2022	V.1 Preliminary draft	For Council review on 10 May 2022 Corporate Information Session
2.	12 May 2022	V.2 draft	For formal consideration by Council at the Ordinary Meeting of Council on 24 May 2022 for the purpose of public consultation
3.	18 July 2022	V.3 Updated draft	Updated to include responses to public submission for final adoption by Council for 2022/2023.
4.	27 July 2022	V.3 Final	Adopted by Council at 26 July 2022 Ordinary Council Meeting

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MESSAGE FROM THE SHIRE PRESIDENT

Council recognises that financial stability and sustainability is one of the highest and most pressing priorities and challenges facing the Shire of Carnarvon. Part of my mantra during the election was to stabilise our finances.

We acknowledge that our small ratepayer base cannot continue to sustain assets and that additional revenue streams are urgently needed to support programs that are needed, and often demanded by our community.

This revenue strategy aims to:

- Improve transparency by providing the community with clear and detailed information about the Shire's revenue sources and how they are calculated.
- Provide a guide for Council decision making when considering the Long-Term Financial Plan and annual budget.
- Project rates for the coming years to provide a level of certainty for ratepayers.
- Identify revenue sources other than rates to grow our revenue streams.

This is a living document and as it needs to be flexible to be able to respond to a changing external environment and to changes in community demand and expectations.

We welcome community feedback on this document.

I look forward to implementing the actions and strategies outlined in this document to enable Carnarvon to achieve its potential as a major regional centre and capital of the Gascoyne Region.

SUMMARY OF RECOMMENDATIONS

Recommendation One:

THAT COUNCIL PROVIDES FOR A RATE INCREASE OF 3.5% BASED ON THE FIVE-YEAR AVERAGE OF LGCI PLUS 2.5% FOR ASSET RENEWAL AS PART OF THE LONG-TERM FINANCIAL PLAN, NOTING THAT THE RATE WILL BE SUBJECT TO ANNUAL DELIBERATION.

Recommendation Two:

WHERE THERE IS AN END OF YEAR SURPLUS, COUNCIL WILL CONSIDER PLACING THAT SURPLUS INTO AN ASSET RENEWAL RESERVE.

Recommendation Three:

THAT COUNCIL CONSIDERS IMPLEMENTING A HIGHER DIFFERENTIAL RATE FOR MINING, SPECIAL-USE RURAL, COMMERCIAL, INTENSIVE HORTICULTURAL, AND INDUSTRIAL PROPERTIES WHICH IS



REVIEWED ANNUALLY INCLUDING COMPARISON WITH COMPARABLE LOCAL GOVERNMENTS AND TO ENSURE EQUITY IN THE MARKET ENVIRONMENT.

Recommendation Four:

THAT COUNCIL WILL CONSIDER IMPLEMENTING SPECIAL AREA RATES AND/OR SPOT RATING FOR THE FOLLOWING:

- 1. Northwater:** To ensure that Northwater residents can enjoy the greater level of amenity such as access to the Fascine Waterway via watercraft; public open space and gardens, as planned by this development. The SAR would enable the Shire to better maintain that higher level of amenity. Full and detailed modelling of expenditure and possible revenue and further public consultation will be carried out prior to a SAR being recommended to Council.
- 2. Tourism nodes on the Quobba Gnaraloo Road:** The higher volume of traffic accessing the campgrounds and tourism nodes results in a significantly higher level of road maintenance on that specific road and hence cost.
- 3. Non-pastoral related uses on pastoral leases:** This includes tourism activities, intensive horticulture and non-station workers accommodation.
- 4. River and flood plain clean up:** To implement a clean-up of the river and flood plain area and to fund the specific management requirements of this unique area.

Recommendation Five:

COUNCIL WILL CHARGE FULL COST RECOVERY ON FEES AND CHARGES WHERE IT IS CONSIDERED FAIR AND EQUITABLE. COUNCIL WILL CONSIDER OFFERING CONCESSIONS ONLY WHERE THERE ARE SOUND AND CONSISTENT REASONS TO DO SO.

Recommendation Six:

COUNCIL WILL CONSIDER CORPORATE PLANNING, ASSET MANAGEMENT AND LONG-TERM FINANCIAL FORECASTING WHEN CONSIDERING THE USE OF BORROWINGS TO OVERCOME TIMING ISSUES AND / OR WHERE A BUSINESS CASE CAN DEMONSTRATE A CLEAR POSITIVE RETURN TO THE SHIRE.

Recommendation Seven:

COUNCIL WILL PROVIDE A CONCIERGE SERVICE TO SUPPORT EXISTING AND POTENTIAL BUSINESSES, INVESTORS, AND THE COMMUNITY TO UNDERSTAND AND NAVIGATE THE NUANCES OF LOCAL GOVERNMENT REGULATIONS BY PROVIDING A DEDICATED BUSINESS DEVELOPMENT OFFICER TO FACILITATE AND STREAMLINE THE DEVELOPMENT, PLANNING AND HEALTH APPROVALS PROCESSES. EXPAND THE ROLE OF MANAGER ECONOMIC DEVELOPMENT AND TOURISM TO INCLUDE THIS FUNCTION. MONITOR AND REVIEW IN TWELVE MONTHS.

Recommendation Eight:



COUNCIL WILL COMPLETE THE 'IMPACT OF INVESTMENT ON CARNARVON' MODELLING STUDY AND WORK WITH PROPONENTS AND RELEVANT AGENCIES TO UNDERSTAND AND REDUCE THE BARRIERS TO INVESTMENT.

Recommendation Nine:

COUNCIL WILL AUDIT THE CARRYING CAPACITY OF EXISTING UTILITIES, INCLUDING WASTE DISPOSAL, ELECTRICITY, WATER AND IDENTIFY WHAT INVESTMENT IS REQUIRED TO SUPPORT FUTURE DEVELOPMENT AND POPULATION GROWTH AND FACILITATE THOSE ITEMS.

Recommendation Ten:

COUNCIL WILL CONDUCT AN AUDIT OF RESIDENTIAL AND COMMERCIAL LAND OWNERSHIP/AVAILABILITY AND DEVELOP AN UNDERSTANDING OF DEVELOPMENT OPPORTUNITIES AND BASED ON THIS AUDIT WILL IDENTIFY ATTRACTIVE LAND PACKAGES FOR RESIDENTIAL AND COMMERCIAL DEVELOPMENTS AND GIVE CONSIDERATION TO REDUCING BARRIERS TO THIS DEVELOPMENT

Recommendation Eleven:

COUNCIL WILL CONSIDER THE ALLOCATION OF RESOURCES TO DEVELOP A 5-YEAR ECONOMIC DEVELOPMENT STRATEGY FOR THE SHIRE OF CARNARVON BASED ON PRIORITIES IDENTIFIED IN THE COMMUNITY STRATEGIC PLAN, WHILE BALANCING THE TRIPLE BOTTOM LINE.

Recommendation Twelve:

COUNCIL WILL SEEK TO PROACTIVELY IDENTIFY AND INVESTIGATE OPPORTUNITIES FOR BUSINESS ACTIVITIES SUCH AS PROPERTY DEVELOPMENT, CAMPGROUNDS, AND COMMERCIAL LEASES, WHERE THOSE OPPORTUNITIES DO NOT UNFAIRLY COMPETE WITH EXISTING BUSINESSES OR DETER POTENTIAL BUSINESSES.

Recommendation Thirteen:

COUNCIL WILL DEVELOP A FULL RANGE OF PRIORITY 'SHOVEL READY' PROJECTS SUPPORTED BY BUSINESS CASES AND QS COSTINGS TO ENABLE STRATEGIC, RESPONSIVE AND QUALITY GRANT APPLICATIONS TO BE PREPARED THAT FURTHER THE COUNCIL'S OBJECTIVES.

Recommendation Fourteen:



COUNCIL WILL ACCEPT CONDITIONAL CAPITAL GRANTS IF THEY CONTRIBUTE TO ACHIEVING THE IDENTIFIED STRATEGIC OUTCOMES OF THE SHIRE. THE WHOLE OF LIFE COSTS WILL BE CLOSELY EXAMINED TO ENSURE LONG TERM SUSTAINABILITY OF THE SHIRE'S OPERATING RESULT.

Recommendation Fifteen:

COUNCIL WILL ENSURE THAT SERVICES THAT ARE FUNDED BY OPERATING GRANTS WILL BE DELIVERED IN LINE WITH THE LEVEL OF FUNDING PROVIDED. ANY DECREASE IN FUNDING WILL HAVE AN EQUAL DECREASE IN SERVICE DELIVERY UNLESS OTHERWISE SPECIFICALLY DETERMINED BY COUNCIL.

Recommendation Sixteen:

COUNCIL WILL INVEST ANY SURPLUS FUNDS AT THE HIGHEST AVAILABLE INTEREST RATE WHILE ENSURING COMPLIANCE WITH FINANCIAL MANAGEMENT REGULATIONS AND BALANCING RISK IN LINE WITH COUNCIL POLICY CP11.

PURPOSE

The purpose of this report is to articulate and publicly share Council's revenue strategy. Developing a revenue strategy requires Council to strike a balance between competing principles to determine a mixture of rates, grants, fees and charges and other income that provides the income needed for its annual budget and long-term financial plan while meeting the tests of equity, efficiency, and simplicity.

This revenue strategy will be used as an informing document for the Corporate Business Plan and the Long-Term Financial Plan. The key principle of the planning process is to provide for the future aspirations of the local government and a path to achieve them. Strategic outcomes are supported by the identification and planning of all financial, human resource, asset and infrastructure requirements and income opportunities over the longer term.

In relation to revenue raising, the following facilitating objectives are most applicable:

- Promote the social, economic, and environmental viability and sustainability of the Shire;
- Ensure the equitable imposition of rates and charges; and
- Ensure transparency and accountability in Council decision making.

This revenue strategy will assist the Shire of Carnarvon in developing longer term revenue streams and in ensuring rates and fees are being set in a consistent and clear manner. This strategy will also



consider the ongoing support from other levels of government through grant funds which provides significant revenue to support the Shire of Carnarvon financial performance and capacity.

PROVISION OF FUNDING TO LOCAL GOVERNMENTS – FINANCIAL ASSISTANCE GRANTS

The funding provided to local governments is allocated based on horizontal equalisation to ensure that each local government in the State is able to function at a standard not lower than the average standard of other local governments.

All local governments are entitled to receive at least the minimum grant. That minimum grant cannot be less than 30 per cent of what the local government would receive if all grants were allocated on a per capita basis.

Balanced Budget

The balanced budget approach has been used to calculate General Purpose Grants since 1994. The grants commission calculates the equalisation requirement of each local government by assessing the revenue raising capacity and expenditure need of each local government.

The equalisation requirement is the difference between the assessed expenditure need and the assessed revenue raising capacity of each local government. The grants commission has developed a range of cost adjustors (for example: location, population dispersion and socio-economic disadvantage) and these are included in calculating the standards to recognise the additional costs a local government faces due to its physical or demographic characteristics.

<https://www.dlgsc.wa.gov.au/local-government/local-governments/financial-assistance-grants#:~:text=The%20balanced%20budget%20approach%20has%20been%20used%20to,capacity%20and%20expenditure%20need%20of%20each%20local%20government>

Legislative Environment

Local Government Act 1995, s6.2. Local government to prepare annual Budget

Local Government Act 1995, s 1.7 Local public notice

Local Government Act 1995, s6.16. Imposition of fees and charges

Local Government Act 1995, s6.17. Setting level of fees and charges

Local Government Act 1995, s6.19. Local government to give notice of fees and charges

Local Government Act 1995, s 6.28 Basis of Rates

Local Government Act 1995, s 6.32 Rates and service charges

Local Government Act 1995 Section 6.3 Differential Rates

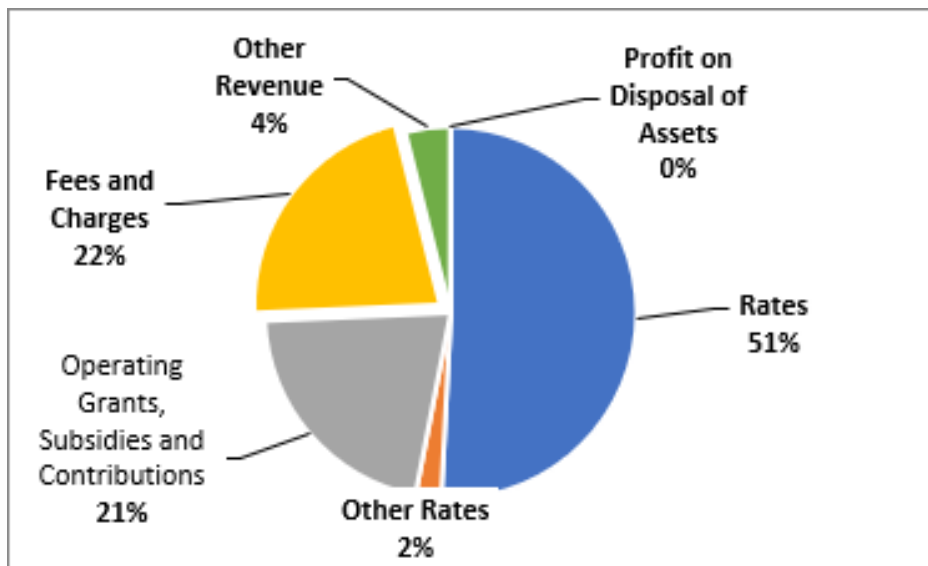
Local Government Act 1995, s 6.34 Limit on revenue or income from general rates

Local Government Act 1995, s 6.35. Minimum payment

Local Government Act 1995, s 6.36 Local government to give notice of certain rates

SOURCES OF REVENUE

The graph below shows the percentage breakdown via the type of revenue that was budgeted in the 2021/2022 budget year for the Shire.

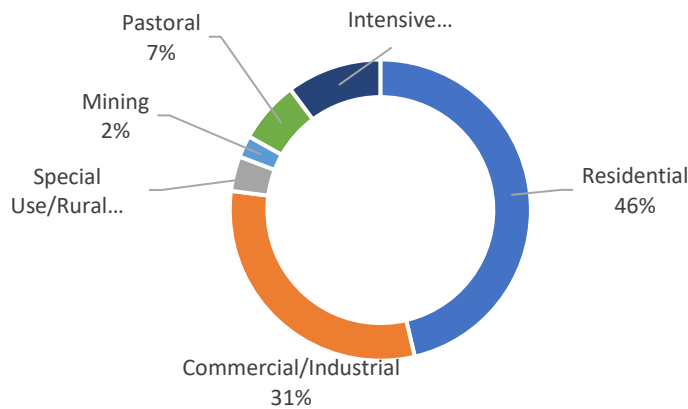


RATING

A rating strategy is the methodology by which Council systematically considers factors of importance that informs its decisions about the rating system. The rating system determines how Council will raise money from properties within the Shire. It does not influence the total amount of money to be raised, which occurs in the budget process, only the share of revenue contributed by each group/type of properties and not by individual properties.

The current rating structure at the Shire is as follows:

Rate revenue levied by type



- **Properties valued by their Gross Rental Value**
 - Residential 50%
 - Commercial/Industrial 29%
 - Special Use/Rural 4%
- **Properties valued by their Unimproved Value**
 - Mining 2%
 - Pastoral 6%
 - Intensive/Horticulture 9%

It is incumbent upon Council to evaluate on a regular basis whether its rating system best satisfies the legislative objectives to which it must have regard and those objectives which Council believe are relevant.

There are a number of generally accepted principles of rating in local government:

- **Simplicity and Efficiency:**
The basis for the setting of rates should be simple and easily explained to ratepayers. The calculations should be easy to comprehend so not to obscure its rationale and reduce understanding. The rates system also needs to be efficient to administer reduced costs.
- **Equity:**
In theory, this would result in each ratepayer being rated fairly in relation to all other ratepayers. The Act has determined that the level of rate contributions will be linked to the ratepayer's property value. The property value is a proxy for wealth and therefore the Act seeks to establish an equitable or fair distribution of the rate burden. The valuation of properties is seen as an equitable way to determine the rate distribution as higher value properties will equally contribute a higher distribution of rates.
- **Capacity to Pay:**
The value of property is not always the best indication of the capacity to pay. The value of a ratepayer's property is only a proxy for capacity to pay. Ownership can span over many cycles

and well into retirement. Accumulated property values over time can distort the relationship between income and property wealth. In recognition of this, the Act has provided the Council with the ability to grant deferrals e.g., Pensioner rebates and deferrals. Regardless of a ratepayer's property ownership level there is a limit on the capacity of most ratepayers to contribute to services through property rates. This limit should be considered when setting the level of rates to meet the community needs and expectations.

- **Compliance:**
The Council has an obligation to apply its discretionary rating powers within the framework of the Local Government Act 1995 to seek to maximise opportunities to derive rates for the benefit of the community.

RATING FRAMEWORK

The provisions contained within the Local Government Act govern Council in the raising of rates.

Rates are calculated by multiplying the valuation of a property by the adopted "rate in the dollar". The "rate in the dollar" is a number that is determined by the Council each year and used as a multiplier to calculate the rates payable for each property and the total rates yield.

Property valuations are set by the Valuer Generals Office and will be either the Unimproved Valuation (UV), for properties that are used predominantly for rural purposes, or Gross Rental Valuation (GRV) which applies to properties that are used predominantly for non-rural purposes.

Under section 6.32 of the *Local Government Act 1995*, when adopting the annual budget, a local government is required to impose a general rate on rateable land in the district in order to make up any budget deficiency.

The general rates are determined by Council on the basis of raising the revenue required to meet the deficiency between the total estimated expenditure that is required over the long term to meet the operating needs of the Shire. The operating needs of the Shire utilising full accrual accounting includes an estimate of the use of long-lived assets (depreciation).

A balanced operating position or small surplus operating position over the long term will ensure long term sustainability of the Council and the ability to replace its existing assets at the optimal intervention periods.

Financial sustainability of local governments has become a large focus for Western Australian Local Governments in recent time. More importance is being placed on asset management and long-term financial sustainability of those assets. The ability for a local government to have the financial capacity to replace or maintain assets at the optimum intervention period to ensure service levels can be maintained will become one of the primary performance indicators for local government. A Long-Term Financial Plan over a 10-year timeframe is required to be prepared by local governments. A revenue strategy will assist in ensuring that the local government is sustainable and meeting the objectives of its community.



Types of Valuation

Gross Rental Value (GRV)

The term gross rental value (GRV) is defined in the Valuation of Land Act 1978 and is simply the gross annual rental that the property might generate on condition that the landlord is liable for all rates, taxes, and other charges.

General valuations are revised and provided by the Valuer Generals Office every 3-5 years. Large valuation changes can occur during this period, so an adjustment in the “rate in the dollar” is normally required to ensure the dollar yield is in line with any increase in yield sought by the Council.

Unimproved Value (UV)

Unimproved Value is defined in the Valuation of Land Act 1978 and is summarised as “value of the land that could be expected to be realised upon its sale whilst not taking into account the value of any improvements (i.e., Buildings, structures, landfill, etc)”. Unimproved Valuations are revised and provided by the Valuer Generals Office annually. This may require an annual adjustment by the local government of the “rate in the dollar” in each budget to ensure that actual dollar yield is in line with the increase sought by the Council.

Uniform General Rates

The Shire currently sets a general rate in the dollar for the GRV and UV valuation categories. This is termed a uniform general rate in the dollar and would apply to all properties within the valuation type regardless of location or land use. A local government may impose a general minimum payment on each valuation method (and within each differential category). This results in all properties paying at least the minimum payment regardless of the property’s valuation. A lesser minimum may also be imposed on any portion of the district. The Shire currently has a lesser minimum for predominantly vacant land that receives a lesser service by the provision of roads or other basic services.

The Act restricts the maximum number of properties attracting a minimum payment to no more than 50% of the total rated properties. In addition, the number of properties with a minimum payment within each GRV and UV category cannot be greater than 50% of the number of rated properties within each category.

Rating Comparisons

The following comparisons were carried out in September 2021. Shires were selected for comparison based on their proximity (i.e., in the Gascoyne) and for the similarity in size or nature of service and community.

2021 / 2022

UNIMPROVED (PASTORAL/RURAL)		VALUE
	Shires	UV C/\$
1	Ashburton	0.1850
2	Shark Bay	0.146078

MINIMUM UV Pastoral/Rural		
	Shires	Min Rural Rate (20/21)
1	Ashburton	\$1,263

3	Carnarvon	0.1111
4	Exmouth	0.0836
5	Cue	0.078631
6	Meekatharra	0.074462
7	Derby	0.0728
8	Sandstone	0.06088
9	Upper Gascoyne	0.046865
10	Murchison	0.03874
11	Geraldton	0.007654

2	Carnarvon	\$1,158.58
3	Geraldton	\$1,027
4	Shark Bay	\$943
5	Exmouth	\$750
6	Derby	\$610
7	Murchison	\$600
8	Cue	\$463
9	Upper Gascoyne	\$412
10	Meekatharra	\$350

MINING UNIMPROVED VALUE (UV)

	Shires	UV C/\$
1	Ashburton	0.36957
2	Cue	0.290984
3	Shark Bay	0.290926
4	Sandstone	0.26891
5	Murchison	0.26543
6	Carnarvon	0.24512
7	Meekatharra	0.19610
8	Upper Gascoyne	0.18109
9	Exmouth	0.16760
10	Geraldton	0
11	Derby	0

MINIMUM Mining

	Shires	Min Mining Rate (2020 / 2021)
1	Ashburton	\$1,263
2	Shark Bay	\$943
3	Murchison	\$600
4	Cue	\$463
5	Upper Gascoyne	\$450
6	Carnarvon	\$400
7	Meekatharra	\$350
8	Sandstone	\$345
9	Exmouth	\$250
10	Geraldton	\$0

GROSS RENTAL VALUE

	Shires	UV C/\$
1	Geraldton	0.151128
2	Derby	0.129135
3	Carnarvon	0.11120
4	Cue	0.109067

MINIMUM GRV

	Shires	Min GRV Rate (2020 / 2021)
1	Derby	\$1,320
2	Carnarvon	\$1,158.58
3	Geraldton	\$1,027



5	Shark Bay	0.105926
6	Ashburton	0.10236
7	Upper Gascoyne	0.088935
8	Meekatharra	0.088869
9	Exmouth	0.07870
10	Sandstone	0.06576
11	Murchison	0

4	Ashburton	\$1,010
5	Exmouth	\$950
6	Shark Bay	\$898
7	Cue	\$463
8	Meekatharra	\$400
9	Upper Gascoyne	\$206
10	Sandstone	\$200

Shire of Carnarvon Trends

The Shire has traditionally referenced the current budget deficiency and the Consumer Price Index (CPI) when debating the merits of general rate increases. The CPI is a good indicator of the increase in the cost of household items however, Local Governments are an infrastructure intensive business with significant long-lived assets that require a more long-term view of the rate revenue that is required. The Local Government Cost Index (LGCI) developed for this purpose in 2006 has been widely and effectively used within the sector.

The WALGA Economic Briefing (March 2022, p.11) states the following:

“LGCI grew 1.7% for the quarter to reach 4.5% annualised growth, the highest since 2008. This annual increase of the LGCI is in-line with the Perth CPI (excluding volatile items) annual growth of 4.72%.”

The LGCI is developed from the weighted average of the following indices published by the Australian Bureau of Statistics (ABS).

LGCI	Weight
Employee costs	35.0%
Materials and contracts	28.5%
Furniture	0.4%
Non-residential building	4.7%
Machinery and Equipment	4.6%
Non-road infrastructure	9.3%
Road and bridge construction	10.2%
Utilities	3.2%
Insurance	1.2%
Other	2.9%
Local Government Costs	100.0%

Source – WALGA, March 2022

WALGA recommends caution using the LGCI given the volatility of the current economic environment however, it does provide another tool.

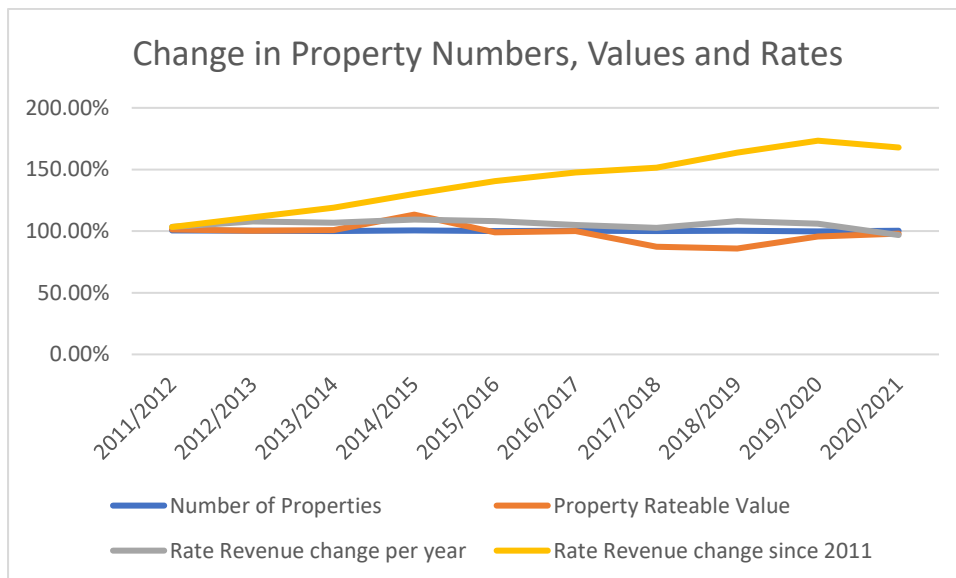


The LGCI addresses changes in the cost of providing existing services but does not address the financial consequences of changes in scope (cost-shifting) or any increases in community demand for new or improved services. Equally, it does not address underlying operating deficits as faced by the Shire. However, neither does it consider efficiency gains that may result from shared resources or new technology, for example, or the elimination of services.

To maintain all assets and replace assets at their optimum intervention period, rate increases may be required in the future. Service levels of assets will be reviewed in the future to ensure the correct assets are maintained at the correct level to service the needs of the community.

Attention has shifted to asset renewal as assets are wearing out. Traditionally the financial planning for the replacement of those assets has been inadequate resulting in unplanned expenditure or loss of service level.

Below is a graph showing rate increases since the 2010/11 financial year on a year-by-year basis.



Budget Considerations

Council is committed to enhancing the quality of life for current and future generations. Council is, however, faced with balancing its service levels, the needs, and expectations of the community with the setting of appropriate rates and charges to adequately resource its roles and responsibilities.

Each year Council establishes the maintenance needs of its assets and infrastructure and the community services and facilities that will be provided in the next financial year.

The rate revenue required to meet expenditure needs is calculated considering other sources of income. Rate revenue forms an increasingly important part of Council’s total revenue. Council currently receives approximately 51% of its total operating revenue from rates.

Benefit Principle

Whilst it is acknowledged that not all ratepayers will directly use all the services provided by Council, the programs and services are provided to deliver an improved quality of life for the whole community.



The application of the benefit principle is difficult in practice because of the complexity and, in some cases, impossibility of measuring the relative levels of access and consumption across the full range of Shire services. The analysis of benefit is often reduced to arguments of what services are consumed by town versus rural, commercial versus residential and ratepayers versus non-resident ratepayers.

For example, it might be argued that rural ratepayers derive less benefit from library services or street lighting than their town counterparts, but the reverse argument may be applied with respect to the cost of repairing and maintaining rural roads that are seldom travelled on by residential ratepayers. A non-resident ratepayer may also have no interest in the services that the Shire provides as they cannot access these services.

A simplistic determination of rates based upon where services are located ignores the following points:

- Some services are not location-specific
- Access is not synonymous with consumption
- Residents can travel or use technology to access some services
- Service levels provided in different locations within the Shire have different costs

Rates are wealth-based, calculated on the valuation of each property. There is a general correlation that all things being equal, property values reflect relative access to municipal services.

Rating Methods

Differential

As an alternative to setting a uniform general rate for each valuation method a local government may apply different rates in the dollar within each category. The Shire currently uses differential rates for UV properties (mining, pastoral leases, and intensive horticulture).

2021/2022 Budget

Differential general rate or general rate	Rate in \$	Minimum Rate
GRV Residential	11.1200	1158.58
GRV Commercial/Industrial	10.3000	1158.58
GRV Special Use/Rural	11.1200	1158.58
UV Mining	24.512	\$400
UV Pastoral	6.00	\$1158.58
UV Intensive Horticultural	1.5759	\$1158.58



Council, each year, could consider differential rates on other rating categories such as, special rural, commercial, and industrial as the land is zoned to allow for purposes whereby the use of the land is different to the predominant residential GRV.

Restrictions apply to ensure that the rate in the dollar, which is imposed, is not without the approval of the Minister, a rate that is more than twice the lowest differential. In addition, the local government is to ensure that no more than 50% of the total rated properties in each differential category are minimum payments.

Before imposing differential rates and differential minimum payments, a local government under Section 6.36 of the Act must give local public notice of its intention to do so. Section 6.36(3)(c) of the Act also requires a document describing the objects and reasons for each proposed differential rate to be made available for public inspection.

Specified Area and Spot Rating

The Act permits the raising of a specified area rate in addition to a general rate. This type of rate is used to fund specific work undertaken for a specific portion of the district. The funds derived from a specified area rate must be applied to the purpose for which the rate was imposed.

Specified area rates are used as a funding source for defined projects within a limited area. The Shire currently applies a Specified Area Rate for the Coral Bay Refuse Site Maintenance only. The SAR applied in 2021/2022 is 0.0683299 cents in the dollar to all rateable properties within Coral Bay for the maintenance of the Coral Bay Refuse Site. This is to achieve equity whereby Carnarvon residents pay for the waste services as a specific “service charge” which includes partial offset of the cost of the Browns Range Waste Facility, whereas Coral Bay residents do not pay for that service, therefore the SAR is charged to offset the cost of the Coral Bay Refuse site.

Residential developments constructed with a higher level of amenity than the surrounding suburbs may attract a specified area rate where specific services are provided by the local government to a defined part of the community that are not otherwise available to or benefit the wider community. Options include:

- 1. Northwater:** To ensure that Northwater residents can enjoy the greater level of amenity such as access to the Fascine Waterway via watercraft, public open space and gardens, as planned by this development. The SAR would enable the Shire to better maintain that higher level of amenity. Full and detailed modelling of expenditure and possible revenue and further public consultation will be carried out prior to a SAR being recommended to Council.
- 2. Tourism nodes on the Quobba Gnaraloo Road:** The higher volume of traffic accessing the campgrounds and tourism nodes results in a significantly higher level of road maintenance on that specific road and hence cost.
- 3. Non-pastoral related uses on pastoral leases:** This includes tourism activities, intensive horticulture and non-station workers accommodation.
- 4. River and flood plain clean up:** To implement a clean-up of the river and flood plain area and to fund the specific management requirements of this unique area.

Current estimates (April 2022) are that to continue ‘business as usual’ rates will need to increase in the vicinity of 3.5% per year (based on average the last five years’ Local Government Cost Index - see



p.12 for further explanation of the LGCI). Any increases above that could be used to address the anticipated underlying need and directed towards asset renewal. The recommendation is that Council sets rate increases at 2.5% percent above the 'business as usual' approach with the additional income to be spent on closing the asset management gap and possibly maintaining a small surplus net operating position.

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THAT COUNCIL CONSIDERS IMPLEMENTING A HIGHER DIFFERENTIAL RATE FOR MINING, SPECIAL-USE RURAL, COMMERCIAL, INTENSIVE HORTICULTURAL, AND INDUSTRIAL PROPERTIES WHICH IS REVIEWED ANNUALLY INCLUDING COMPARISON WITH COMPARABLE LOCAL GOVERNMENTS AND TO ENSURE EQUITY IN THE MARKET ENVIRONMENT.

Recommendation Four:

THAT COUNCIL WILL CONSIDER IMPLEMENTING SPECIAL AREA RATES AND/OR SPOT RATING FOR THE FOLLOWING:

- 1. Northwater:** To ensure that Northwater residents can enjoy the greater level of amenity such as access to the Fascine Waterway via watercraft, public open space and gardens, as planned by this development. The SAR would enable the Shire to better maintain that higher level of amenity. Full and detailed modelling of expenditure and possible revenue and further public consultation will be carried out prior to a SAR being recommended to Council.
- 2. Tourism nodes on the Quobba Gnaraloo Road:** The higher volume of traffic accessing the campgrounds and tourism nodes results in a significantly higher level of road maintenance on that specific road and hence cost.
- 3. Non-pastoral related uses on pastoral leases:** This includes tourism activities, intensive horticulture and non-station workers accommodation.
- 4. River and flood plain clean up:** To implement a clean-up of the river and flood plain area and to fund the specific management requirements of this unique area.

FEES AND CHARGES

Broadly speaking, where benefits of services do not flow across the whole community a user fee or charge may be more appropriate than an increase in rates. There are a number of items that will assist Council to determine fees and charges:

- Council should have clear policies in place for charges and concessions.
- Charges can be used to influence behaviour to help meet Council's objectives. They should not be seen solely as a means to generate income.
- Charges should be transparent in how they are set and be able to explain their charging decision to the public
- Charges should form part of overall financial management.

Many factors are used in setting charges including identifying the charging options, assessing their impact on services and the people that use them, and making comparisons with other providers or local governments.

As a general rule it is important to try to recover the full cost of the service from the recipients.

Examples of this for the Shire is the Airport and Waste Services where long-term operating costs need to be factored into the cost of the services.

Full cost recovery in some instances is not practical or appropriate, for example, at the Aquatic Centre. There should be sound and consistent reasons why fees do not recover costs. Reasons for providing concessions may include social benefits, capacity to pay or the perceived decline in patronage if the service was at full cost recovery.

The Shire is also responsible for charging fees for services that are prescribed in legislation. This will include fees such as building license fees, development applications and animal registration fees. As this is a prescribed fee, the amount as determined by legislation will apply.

Recommendation Five:

COUNCIL WILL CHARGE FULL COST RECOVERY ON FEES AND CHARGES WHERE IT IS CONSIDERED FAIR AND EQUITABLE. COUNCIL WILL CONSIDER OFFERING CONCESSIONS ONLY WHERE THERE ARE SOUND AND CONSISTENT REASONS TO DO SO.

BORROWINGS

Council should be aiming to achieve a small operating surplus on average over time. If this can be achieved, then there should only be the need for borrowings to overcome timing mismatches between income and expenditure for asset renewal. Unless the Shire is generating large operating surpluses it will need to raise additional borrowings to purchase new and additional assets.

(Comrie, 2013) states that providing the long-term financial plan can show that long-run revenue exceeds long-run costs then there is no reason why debt should not be used if needed to overcome timing imbalances between expenditure outlays and revenue inflows.

Borrowings should also be considered when the long-term return to Council is positive. Borrowings for business opportunities should be considered that will assist in cash flow. Business cases will be



required for any proposed trading undertaking and should fully consider the impacts if borrowings are proposed.

(Comrie 2013) makes the point that Council should aim not for low levels of debt per se but for responsible use of debt that helps deliver cost-effective and inter-generationally equitable service levels.

Recommendation Six:

COUNCIL WILL CONSIDER CORPORATE PLANNING, ASSET MANAGEMENT AND LONG-TERM FINANCIAL FORECASTING WHEN CONSIDERING THE USE OF BORROWINGS TO OVERCOME TIMING IMBALANCES AND/OR WHERE A BUSINESS CASE CAN DEMONSTRATE A CLEAR POSITIVE RETURN TO THE SHIRE

GROWING THE BASE – ECONOMIC DEVELOPMENT AND DIVERSIFICATION

The Shire has long recognised that our financial stability is intrinsically linked to economic growth and diversification. The size of the Shire’s asset holdings cannot be maintained by our current population of approximately five thousand people and our current business and industry base. Therefore, this strategy articulates and recommends an aggressive economic development and diversification focus on investment attraction, business retention and expansion, industry development, strategic infrastructure and place making and activation.

Specific activities recommended include:

- Promotion of Carnarvon as a ‘place of choice’ to invest and do business;
- Developing Investment Attraction materials and online tools for branding and promoting specific opportunities;
- Facilitating new commercial developments on appropriately zoned land;
- Identifying and pursuing specific opportunities to strengthen existing industry sectors and broaden the economic base;
- Facilitating and encouraging:
 - improved access to business development skills and knowledge in partnership with the Carnarvon Chamber of Commerce and Industries;
 - local purchasing through promotion of local businesses;
 - local enterprise networks;
 - collaboration between the Shire and relevant stakeholder organisations; and
 - business culture that supports weekend trading to assist with tourism growth and an ‘open for business’ aesthetic.
- Developing relationships with local industry groups to better understand issues and opportunities to support industry growth and advocacy efforts;

- Exploring potential for further strategic partnerships and formalisation of collaboration/networks, particularly in the tourism, renewable resources, aquaculture, agriculture, construction, and retail industries;
- Facilitating engagement with Federal and State government representatives to advocate key industry sector opportunities and challenges;
- Working with stakeholders to identify future strategic economic infrastructure needs of industry, business and the community;
- Advocating for public and private investment in infrastructure (including public/private partnerships) to seize opportunities for development of our key industry sectors;
- Capitalising on regional advantages by advocating funding for establishment of health, education and recreational infrastructure that encourages retention and attraction of residents;
- Reviewing land use and building controls and timing for land release and servicing strategies;
- Engaging with stakeholders to inspire activities and events which recognise the qualities and uniqueness of towns and specific places;
- Partnering with business owners and managers to focus positive activity onto streets and public spaces;
- Encouraging events and cultural activities that help activate/enliven local towns and tourist precincts;
- Encouraging property owners to improve and maintain their facades; and
- Preparing and implementing physical and cultural improvements to key tourist and business precincts.

Recommendation Seven:

COUNCIL WILL PROVIDE A CONCIERGE SERVICE TO SUPPORT EXISTING AND POTENTIAL BUSINESSES, INVESTORS, AND THE COMMUNITY TO UNDERSTAND AND NAVIGATE THE NUANCES OF LOCAL GOVERNMENT REGULATIONS BY PROVIDING A DEDICATED BUSINESS DEVELOPMENT OFFICER TO FACILITATE AND STREAMLINE THE DEVELOPMENT, PLANNING AND HEALTH APPROVALS PROCESSES. EXPAND THE ROLE OF MANAGER ECONOMIC DEVELOPMENT AND TOURISM TO INCLUDE THIS FUNCTION. MONITOR AND REVIEW IN TWELVE MONTHS.

Recommendation Eight:

COUNCIL WILL COMPLETE THE 'IMPACT OF INVESTMENT ON CARNARVON' MODELLING STUDY AND WORK WITH PROPONENTS AND RELEVANT AGENCIES TO UNDERSTAND AND REDUCE THE BARRIERS TO INVESTMENT.



Recommendation Nine:

COUNCIL WILL AUDIT THE CARRYING CAPACITY OF EXISTING UTILITIES, INCLUDING WASTE DISPOSAL, ELECTRICITY, WATER AND IDENTIFY WHAT INVESTMENT IS REQUIRED TO SUPPORT FUTURE DEVELOPMENT AND POPULATION GROWTH AND FACILITATE THOSE ITEMS.

Recommendation Ten:

CONDUCT AN AUDIT OF RESIDENTIAL AND COMMERCIAL LAND OWNERSHIP/AVAILABILITY, AND DEVELOPMENT AN UNDERSTANDING OF DEVELOPMENT OPPORTUNITIES AND BASED ON THIS AUDIT WILL IDENTIFY ATTRACTIVE LAND PACKAGES FOR RESIDENTIAL AND COMMERCIAL DEVELOPMENTS AND GIVE CONSIDERATION TO REDUCING BARRIERS TO THIS DEVELOPMENT.

Recommendation Eleven:

COUNCIL WILL CONSIDER THE ALLOCATION OF RESOURCES TO DEVELOP A 5-YEAR ECONOMIC DEVELOPMENT STRATEGY FOR THE SHIRE OF CARNARVON BASED ON PRIORITIES IDENTIFIED IN THE COMMUNITY STRATEGIC PLAN, WHILE BALANCING THE TRIPLE BOTTOM LINE.

BUSINESS ACTIVITIES

The Shire may derive revenue from business activities such as property development, campgrounds, and commercial leases. In general, the conduct of these activities is governed by the principles outlined in section 3.59 of the *Local Government Act 1995*. The Shire will seek to proactively identify those opportunities for investigation and consideration.

Commercial leases will be entered into by Council utilising an independent valuation to determine the consideration. Concessions or a discount may only be considered by Council if the lease will achieve longer term strategic outcomes for the Council.

Recommendation Twelve:

COUNCIL WILL SEEK TO PROACTIVELY IDENTIFY AND INVESTIGATE OPPORTUNITIES FOR BUSINESS ACTIVITIES SUCH AS PROPERTY DEVELOPMENT, CAMPGROUNDS, AND COMMERCIAL LEASES, WHERE THOSE OPPORTUNITIES DO NOT UNFAIRLY COMPETE WITH EXISTING BUSINESSES OR DETER POTENTIAL BUSINESSES.

GRANTS

The Shire's grants income is a vital and significant revenue stream for this Shire. Grants allow for upgrades to assets and for providing new assets. The current and forecast rates revenue of this Shire would not be able to fund the provision of major new infrastructure or upgrades to existing infrastructure. Grants also provide for targeted programs and activities to meet community need such as youth programs and community events.



Grants are usually announced with little prior notice and a short lead time for preparing a competitive application that is focused on strategic priorities and has robust costings and supporting documentation usually required, such as a business case, risk management plan, procurement plan, project plan etc. It is essential that the Shire has a 'library' of projects to enable a more responsive, strategic, and planned approach to applications for funding.

Grants are often provided to Local Governments with conditions attached to what, where and how the money may be spent. Grants provided for new infrastructure could, and often do have, a detrimental long-term impact on operating costs through increased depreciation and/or maintenance. The Shire needs to carefully consider accepting grants that may add to the long-term operating result of the Council.

Operating grants for funded programs may also have detrimental long-term effects if grants are provided for a community project. If the funding ceases to be provided in the future, there may be a community demand and expectation upon the Shire for the service to be retained. To ensure cost-shifting between levels of government, operational services provided by grant funds will be delivered in comparison to the level of funding provided.

Recommendation Thirteen:

COUNCIL WILL DEVELOP A FULL RANGE OF PRIORITY 'SHOVEL READY' PROJECTS SUPPORTED BY BUSINESS CASES AND QS COSTINGS TO ENABLE STRATEGIC, RESPONSIVE AND QUALITY GRANT APPLICATIONS TO BE PREPARED THAT FURTHER THE COUNCIL'S OBJECTIVES.

Recommendation Fourteen:

COUNCIL WILL ACCEPT CONDITIONAL CAPITAL GRANTS IF THEY CONTRIBUTE TO ACHIEVING THE IDENTIFIED STRATEGIC OUTCOMES OF THE SHIRE. THE WHOLE OF LIFE COSTS WILL BE CLOSELY EXAMINED TO ENSURE LONG TERM SUSTAINABILITY OF THE SHIRE'S OPERATING RESULT.

Recommendation Fifteen:

COUNCIL WILL ENSURE THAT SERVICES THAT ARE FUNDED BY OPERATING GRANTS WILL BE DELIVERED IN LINE WITH THE LEVEL OF FUNDING PROVIDED. ANY DECREASE IN FUNDING WILL HAVE AN EQUAL DECREASE IN SERVICE DELIVERY UNLESS OTHERWISE SPECIFICALLY DETERMINED BY COUNCIL.

INTEREST

The Shire will invest any surplus cash on hand in line with Council Policy CP11. The Shire will generally balance a conservative approach to investment to ensure the Shire's funds are protected while maximising return via interest.

Recommendation Sixteen:



COUNCIL WILL INVEST ANY SURPLUS FUNDS AT THE HIGHEST AVAILABLE INTEREST RATE WHILE ENSURING COMPLIANCE WITH FINANCIAL MANAGEMENT REGULATIONS AND BALANCING RISK IN LINE WITH COUNCIL POLICY CP11.

CONCLUSION

The sixteen recommendations in this report provide a framework for Council in strategic decision-making that progresses the financial sustainability and stabilisation of the Shire and in allocation of resources. This strategy will also guide the administration in relation to aligning operations to the strategic intent of Council in relation to achieving the objectives as set out in this document.

This document represents a point in time, and as the external and internal environment evolves and changes, it is important this document and its strategies and recommendations are reviewed and amended to ensure the Shire of Carnarvon continues to have a focus on financial sustainability.

REFERENCES AND ACKNOWLEDGEMENTS:

1. Comrie, John, *In Our Hands: Strengthening Local Government Revenue for the 21st Century* (Sydney: ACELG, 2013)
2. Department of Local Government, Sport and Cultural Industries – Financial Assistance Grants

<https://www.dlgsc.wa.gov.au/local-government/local-governments/financial-assistance-grants>

3. Shire of Esperance, Revenue Strategy, (2013)
The Shire of Esperance Revenue Strategy has been referenced and much of the information and structure of this document has been informed by the Shire of Esperance document. The Shire of Carnarvon acknowledges the Shire of Esperance for their generosity in sharing their work and IP.
4. WALGA, *Local Government Economic Briefing*, (Perth: March 2022)