



**REVENUE  
STRATEGY (Rates and  
Fees and Charges)  
2025/26 – 2034/35**

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## OBJECTIVES

The objective of this Revenue Strategy is to:

- Provide a robust and considered framework for Rates categories, Minimum Rates, and Differential Rates that incorporates the following principles outlined in the Department of Local Government's Rating Policy for Local Governments:
  - Objectivity;
  - Fairness and Equity;
  - Consistency;
  - Transparency; and
  - Administrative efficiency
- Ensure a stable rates revenue stream for the Town from year to year.
- Deliver a stable rating price pathway for our community.
- Consider a framework for the setting of fees and charges.

## WHAT ARE RATES?

Rates are levied on all rateable properties within the boundaries of the Town of East Fremantle Municipality in accordance with principles of taxation – equity, efficiency, simplicity, sustainability and policy consistency.

The overall objective of the rating strategy is to provide for the net funding requirements of the Town's services, activities, financing costs and the current and future capital requirements of the Town, after taking into account all other forms of revenue.

The formulation of a rating system is about achieving a means by which Council can raise sufficient revenue to pay for the services it provides. Throughout Australia, the basis of using property valuations has been found to be the most appropriate means of achieving rating equity.

In Western Australia land is valued by Landgate Valuation Services (Valuer-General's Office – a state government agency) and those values are forwarded to each Local Government.

Two types of values are calculated - Gross Rental Value (GRV) which generally applies for urban areas; and Unimproved Value (UV) which generally applies for rural land. Different types of rates may be imposed – Minimum Rates; a uniform General Rate and Differential Rates.

## WHAT DO RATES PAY FOR?

Rates revenue represents a significant percentage of the Town's operating income each year and is an income stream that the Town has a substantial degree of control over. This reliability and control is an

important consideration in terms of the Town’s financial flexibility. General rates revenue supports a broad range of Municipal infrastructure and services, including waste services (the cost of waste services is currently incorporated into general rates); building control; animal control; community services; active and passive open space; roads, footpaths; drainage; library services; community events; town planning; governance and corporate support; emergency management; public conveniences and economic development. Rates are also used to service debt.

The following is an illustration of where rate dollars are invested and represents the Town’s historical levels of service:



\*This illustration demonstrates the net funding requirements for rates excluding government funding and fees and charges



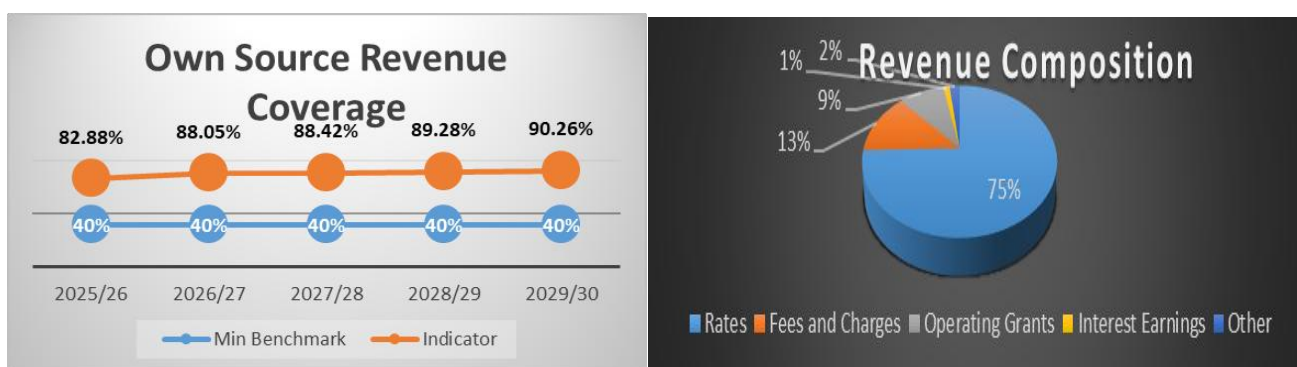
Rates do represent a high proportion of the Town’s annual income, and our annual planning processes will continue to assess the community’s capacity and willingness to pay rates. However, we will first always seek to maximise alternative revenue streams such as grant funding, and user pays fees and charges. The Town does however have limited property assets so there is a larger dependency on rate revenue.

As part of this Strategy, the Town’s objective is to achieve a stable rating price path for our community over the term of the Long-Term Financial Plan (LTFP). Where new major projects or initiatives are likely to place an increased burden on ratepayers beyond the price path of the LTFP, increased community consultation, and demonstrated community support for such increases must be achieved.

## OWN SOURCE REVENUE

The Town generates approximately 75% of its annual operating revenue from Rates. This equates to approximately 68% of operating expenditure (including depreciation). The greater this rates coverage ratio, the more financial flexibility the Town has, as its reliance on grants or discretionary user charges and fees is reduced.

The Town’s own source coverage ratio (inclusive of rates revenue and fees and charges) over a five-year horizon is as follows, with own source coverage of 83% in 2025/26.



The above ratio is above the target set by the Department indicating the Town is not reliant on grants and contributions.

## FEES & CHARGES

Many of the facilities and services provided by the Town are offered on a full or partial user pays basis. It is recommended that the below Pricing Principles framework be applied to the setting of fees and charges. Establishing guiding principles when determining an appropriate level for fees and charges assists in maintaining uniformity of methodology across services and over successive periods.

### *Public Benefit – Zero to Partial Cost Recovery*

The service provides a broad community benefit. Partial cost recovery may apply in some circumstances.

### *Private Benefit – Full Cost Recovery*

The service benefits particular users, for example by making a contribution to their individual income, welfare or profits generally without delivering broader benefits to the community.

### *Shared Benefit – Partial Cost Recovery*

The service provides a mix of community benefit and a private benefit.

#### *Regulatory*

The fee or charge governing a service or function of the Town is fixed by legislation.

The application of these principles to specific service areas is summarised as follows:

Service	Principle	Cost Recovery
Administration	Private	100%
Ranger Services	Private/Regulatory	100%
Fire and Emergency Services	Private/Regulatory	100%
Health Services	Private/Regulatory	100%
Planning Services	Private/Regulatory	100%
Waste Services	Private	100%
Library Services	Public	NIL
Sports Ovals and Facilities	Shared	Partial
Building Services	Private/Regulatory	100%

The *Local Government Act 1995* requires the setting of fees and charges to consider the cost of the service provided which includes the value of the assets utilised or consumed in providing the service. The costs of providing a service should include:

- The direct operational costs of providing the services;
- An appropriate proportion of indirect costs associated with the service;
- The costs of the assets consumed in providing the service;
- A defined and appropriate rate of return or subsidy for the service; and
- Consideration of non-financial advantages and disadvantages to the community of providing the service.

#### Legislative Framework – Right to Raise Charges

Western Australian local governments have the right to impose different types of charges in relation to services beyond the raising of a general rate or specified area rate, namely;

- A fee or charge under the *Local Government Act 1995*; and/or
- A waste collection rate under the Waste Avoidance and Resource Recovery Act 2007 (WARR Act); and/or
- A receptacle charge under the WARR Act.

Section 6.16 of the LG Act specifically provides a local government with the power to impose a fee or a charge for the use of property or facilities as follows:

- (1) A local government may impose (by absolute majority) and recover a fee or charge for any goods or service it provides or proposes to provide, other than a service for which a service charge is imposed.
- (2) A fee or charge may be imposed for the following –
  - (a) Providing the use of, or allowing admission to, any property or facility wholly or partly owned, controlled, managed or maintained by the local government;

*(b) Supplying a service or carrying out work at the request of a person.*

The Council must set a fee or a charge by an absolute majority decision and is generally required to do so at the time of adopting the budget in accordance with section 6.16(3).

*(3) Fees and charges are to be imposed when adopting the annual budget but may be –*

- (a) Imposed during a financial year; and*
- (b) Amended from time to time during a financial year.*

Section 66 of the WARR Act permits a local government to impose a waste collection rate on rateable land as follows:

*(1) A local government may impose on rateable land within its district, and cause to be collected, an annual rate for the purpose of providing for the proper performance of all or any of the waste services it provides.*

Collection of an annual charge for provision of a waste receptacle is permitted under Section 67 of the WARR Act as follows:

*(1) A local government may, in lieu of, or in addition to a rate under Section 66, provide for the proper disposal of waste, whether within its district or not, by making an annual charge per waste receptacle, payable in one sum or by equal monthly or other instalments in advance, in respect of premises provided with a waste service by the local government.*

Unlike the waste collection rate under Section 66 of the WARR Act, the annual receptacle charge may be imposed on both rateable and non-rateable properties.

#### Setting the Level of any Waste Rate

Restrictions exist on the level of the waste collection rate raised under Section 66 of the WARR Act.

*(2) The annual rate must not exceed –*

- (a) 12 cents in the dollar on the gross rental value; or*
- (b) Where the system of valuation on the basis of the unimproved value is adopted, 3 cents in the dollar on the unimproved value of the land in fee simple.*

*(3) The provisions of the Local Government Act 1995 relating to the general waste services costs making, payment and recovery of general rates apply with respect to rates referred to in subsection (1).*

Where a waste collection rate is raised, the rate needs to apply uniformly across each rating category and may not be applied to non-rateable properties or applied differentially based on the location of the property.

A receptacle charge raised under the WARR Act can be set at different levels based on the location of the property.

*(8) A local government may make different charges for waste services rendered in different portions of its district.*

#### Consideration of the Type of Fees to be Charged – Waste Services

Combining the powers under the LG Act and WARR Act provides the Council with a variety of different options to raise revenue to support waste services. Key benefits and restrictions of each head of power are

summarised below:

Power	Benefits	Restrictions
LG Act Charge	<ul style="list-style-type: none"> <li>• Applies to any goods or services provided</li> <li>• No restriction on level</li> <li>• Revenue able to vary with direct costs</li> <li>• Users pay principle regardless of property rateability</li> </ul>	<ul style="list-style-type: none"> <li>• Only able to be raised for goods or services supplied</li> <li>• No baseline revenue level</li> <li>• Non users do not contribute to general waste services costs</li> </ul>
WARR Act Waste Services Rate	<ul style="list-style-type: none"> <li>• Not linked to fee for service</li> <li>• Establishes a baseline revenue stream</li> <li>• All rateable properties make a contribution based on valuation as a proxy for capacity to pay</li> </ul>	<ul style="list-style-type: none"> <li>• Prescribed maximum level of rate in the dollar</li> <li>• Revenue does not vary with direct costs</li> <li>• Does not apply to non-rateable properties</li> </ul>
WARR Act Receptacle Charge	<ul style="list-style-type: none"> <li>• No restriction on level</li> <li>• Revenue able to vary with direct costs</li> <li>• User pay principle</li> <li>• Applies to non-rateable properties</li> </ul>	<ul style="list-style-type: none"> <li>• Only applies to receptacle collections</li> <li>• No baseline revenue level</li> <li>• Non users do not contribute to general waste services costs</li> </ul>

The Town currently doesn't impose a separate waste charge on the Rates Notice for residential properties. However, the Department of Local Government has foreshadowed that local governments will be required to separate waste charges on the rates notice. It is viewed that this disclosure will increase ratepayer awareness of waste costs. Separating the waste charge from general rates will have an impact on minimum rate calculations and benchmarking as well as potentially impacting the level of rebate on pensioner and senior properties.

The Town has developed a Waste Pricing Policy which details the waste pricing framework. This Policy will be formally implemented once the State Government legislates the requirement for separate waste charges on the Rates Notice for residential properties.

#### Setting the Level of Fees and Charges

The Town is investigating the development/implementation of a fee justification matrix for all discretionary fees, which will include a calculation worksheet detailing how fees are determined. Full cost recovery will be imposed for all services where there is a 100% private benefit, to ensure that these services are not being subsidised from rate revenue, and thereby reducing pressure on rate increases.

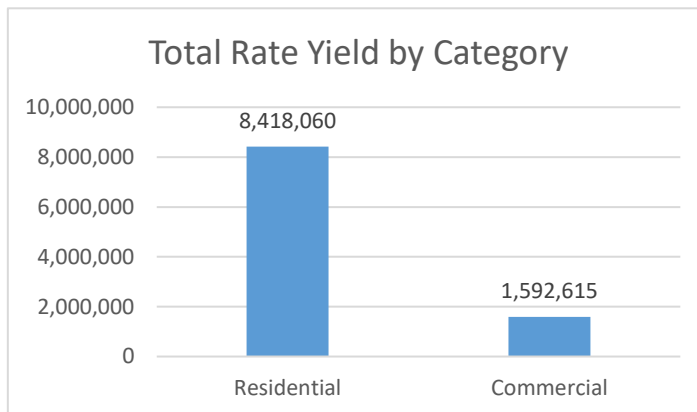
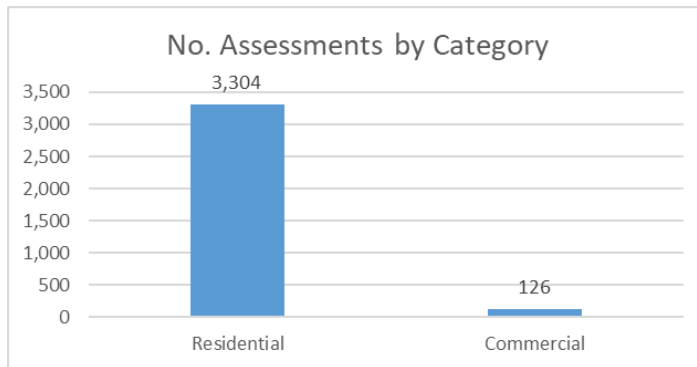
#### GRANTS, CONTRIBUTIONS AND SUBSIDIES

A number of services provided by the Town to the community are only possible because of specific grant funding from State and Federal Government. In preparing future year financial plans, the Town is reliant on receiving \$9.9m over the next 10 years in untied operating grants, subsidies and contributions to maintain the current level of operations and services. Should the level of grants and subsidies be reduced, the Town's ability to provide the related services will be impacted, as a greater reliance on rates revenue would likely be required (ie Neighbourhood Link services).

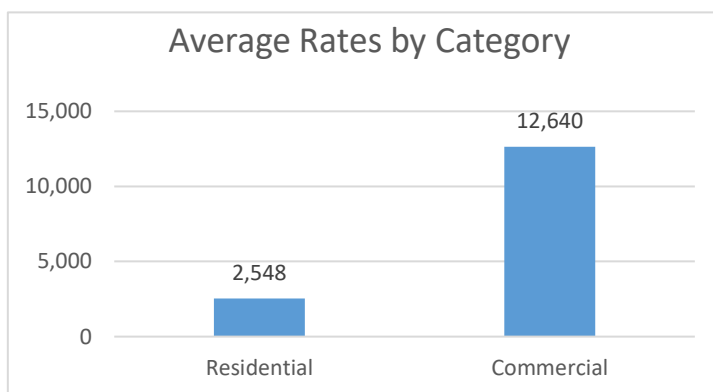


## CURRENT RATING FRAMEWORK

The Town's current rating framework includes both Minimum Rates and Differential Rates. The Town currently has 3,430 rateable properties, across 2 different rating categories, residential and commercial (which includes rateable sporting organisations).



Over 84% of total rate yield is derived from residential rates illustrating a dependency on this rate category.

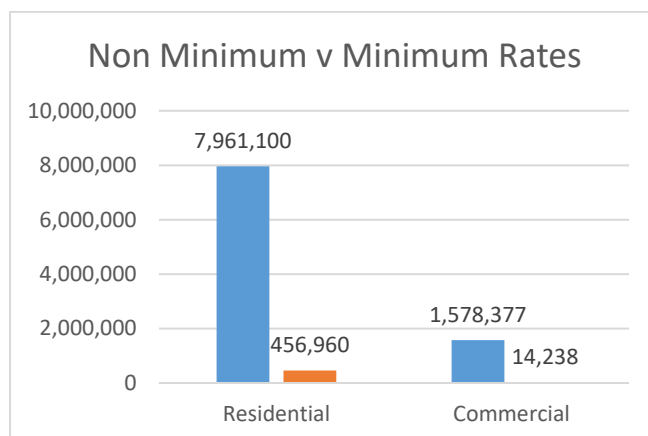


It should be noted that the average rates for residential properties is inclusive of the cost of waste services (and also includes minimum rated properties). Each residential rateable assessment contributes approximately \$425 per annum towards the cost of waste services, so the average residential rates for comparison purposes is approximately \$2,123 per annum.

## MINIMUM RATES

The Town imposes a differential minimum rate that applies to all rateable properties within the boundaries of the municipality. The Town provides circa \$14m in operating and capital expenditure each year and a minimum rate has been established to ensure that all rateable properties, regardless of their value, are making a contribution to those services and infrastructure.

The percentage of assessments that are on the minimum rate is approximately 10% of residential properties and 6% for commercial properties. Around 5% of total rate yield is derived from minimum rates.



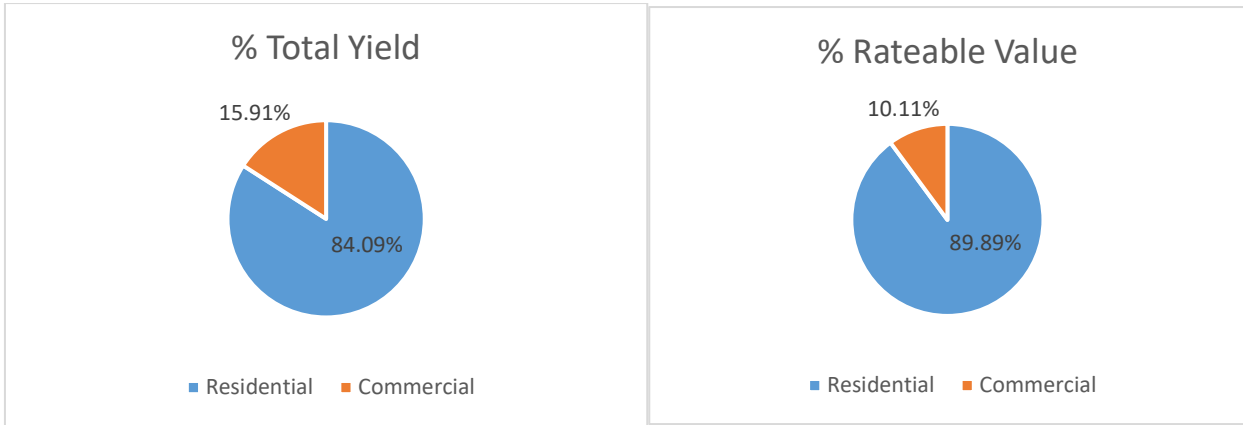
## DIFFERENTIAL RATES

A differential rate occurs when categories of property within the UV or GRV land valuation methods are rated differently (a different rate in the dollar is applied against the valuation). The imposition of differential rates represents a policy decision of the Town to redistribute the rates burden in its local government area by imposing a higher rate on some ratepayers by comparison to others. In doing so, the Town considers the principles of objectivity; fairness; consistency; transparency; and administrative efficiency. The Town will also give appropriate bearing to the capacity of particular categories of ratepayers to pay. The objects and reasons for each of the differential rate's categories are set out in Appendix A of this document.

As property rates are a form of value or wealth tax (which is not an absolute indicator of ability to pay), it is not possible to ensure equity between individual property owners, since not all properties will be assessed at the same value. Therefore, our objective is to endeavour to ensure that each rating category bears its fair and reasonable share of the cost of providing local government services.

The two pie charts set out below provide a graphical representation of the composition of land values across categories, and the proportion of total rates yield generated by each category. This demonstrates that the contribution to total rates yield for each category is largely consistent with the proportion of land value represented by each category, with a slight distribution of the rate burden to commercial properties.

The average valuation for residential properties is \$33,456 which equates to weekly rental of \$643.



**LONG TERM FINANCIAL PLANNING**

Annual rate increases will be based on the prior year’s estimated yield, plus any interim rates levied across the course of that year. This means that should a property change in status from rateable to non-rateable, the rates revenue lost as a result will be recouped across the balance of rateable assessments, either within that category or more broadly distributed. In pursuing this strategy, the Town recognises the importance of generating a stable rate yield year on year in helping to achieve long term financial stability.

The Town has historically derived revenue from the levying of interim rates across the course of a financial year. Given the degree of uncertainty surrounding interim rates, and the budgetary impact of failing to achieve estimated amounts of interim rates yields, the Town’s policy is adopting a conservative budget of \$20k a year for interim rates. Future forecasts do not consider the impact of population growth or the total number of rateable assessments arising from infill development. Any material variances achieved from Interim’s will be recognised and reported to Council through the Budget Review process. The income realised from interim rates will form part of the base amount for calculating the proposed yield to be generated from rates in the next financial year. To illustrate:

Year 1 Budget Yield	Year 1 Actual Interims	Total Year 1	Proposed Increase Year 2	Year 2 Budget Yield
\$8,000,000	\$20,000	\$8,020,000	3%	\$8,260,600

The Town’s Strategic Resource Plan also does not include population growth projections and their associated impact on rates yield for the outlying years. It is important that interims form part of the base for the following years’ calculations, as population growth necessarily has an impact on the Towns operating costs.

Rates are expected to generate \$10.044m in 2025/26 increasing to \$13.67m in 2034/35. This is based on the following increases in rate yield:

- 2025/26 – 4.95%
- 2026/27 – 2034/35 – 3.5%

Inflationary pressures, whilst stabilising, continue to impact the cost of goods and services for local government, including wages. The Perth Consumer Price Index (CPI) for the 12-months to September 2024 was 4.2%. The Local Government Cost Index (LGCI) is expected to increase by 3.6% in 2024/25 and 3.3% in 2025/26. A conservative inflation index of 3% has been applied over the life of the long-term financial plan.

## SCENARIO MODELLING

Scenarios were developed to test the financial impact of reduced levels of operating funding or increases in opex.

The base scenario is the current Long Term Financial Plan with a rate increase of 4.95% in 2025-26 and 3.5% per annum thereafter. This provides a balanced position over the 10-year Plan.

### Scenario 1 – Discontinuation of Neighbourhood Link Services from 2026-27

As the operating grant is currently funding a portion of corporate overheads allocated to this service, the discontinuation of the service will result in a cumulative funding gap of (\$464,108) by 2034-35.

A rate increase of 5% in 26-27 and approximately a 3% annual increase thereafter will be required to balance the LTFP, all other things remaining equal.

### Scenario 2 – Annual Operating Subsidy of \$300,000 for East Fremantle Community Park

The current LTFP assumes an operating subsidy of (\$367,891) in 25-26 and approx. a subsidy of (\$160,000) per year thereafter.

Should an annual subsidy of \$300,000 be required from 2026-27, an annual rate increase of 4.75% will be required, followed by an annual increase of 3.23% thereafter to balance the LTFP, all other things remaining equal.

### Scenario 3 – Discontinuation of Neighbourhood Link Services from 2026-27 & Annual Operating Subsidy of \$300,000 for East Fremantle Community Park from 2026-27

Under the current rating strategy of a 3.5% rate increase annually, a cumulative funding deficit of (\$1,649,077) will arise under this scenario.

A rate increase of 6.4% will be required in 2026-27 and an annual increase of 2.69% is required thereafter to balance the LTFP, all other things remaining equal.

Financial Year	Base Scenario Closing Position	Scenario 1 Closing Position	Scenario 2 Closing Position	Scenario 3 Closing Position
2025-26	0	0	0	0
2026-27	0	-182,084	-141,979	-324,063
2027-28	0	-277,456	-281,576	-559,032
2028-29	0	-356,407	-418,711	-775,118
2029-30	0	-418,423	-553,302	-971,725
2030-31	0	-462,974	-685,260	-1,148,234
2031-32	0	-489,509	-814,501	-1,304,010
2032-33	0	-497,461	-940,928	-1,438,389
2033-34	0	-489,632	-1,064,451	-1,554,083
2034-35	0	-464,108	-1,184,969	-1,649,077
<b>Cumulative Rate Revenue</b>	117,682,907			

The following are some key metrics that Council should consider when determining the rates pricing pathway.

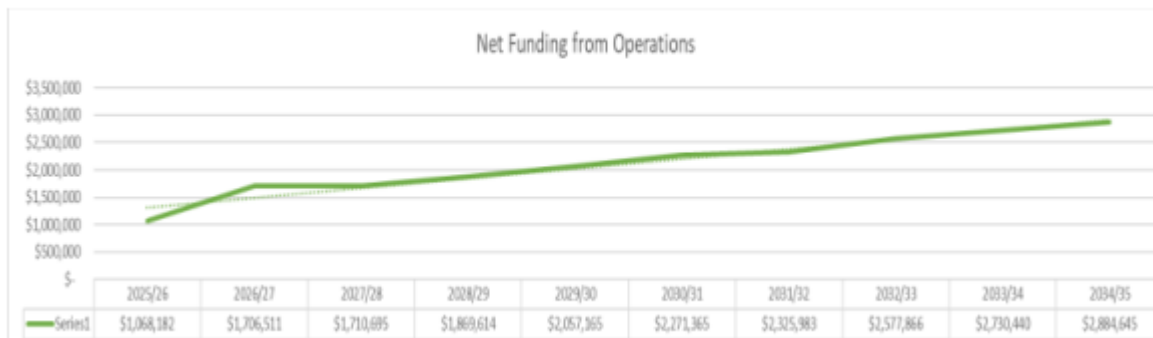
1. Operating Surplus Ratio – this ratio is considered to be a key indicator of a local government’s financial performance. A positive ratio indicates the percentage of total own source revenue to help fund proposed capital expenditure or transfer funds to cash reserves.



The negative ratio illustrates the indicative rate increase that is required over and above the assumed annual rate increase to fully cash back depreciation on assets from own source revenue. The negative ratio is attributable to relatively high depreciation expense as a proportion of total operating expenditure (circa 16%).

The Operating Surplus Ratio is progressively improving over the next five years due to the recommended rates pricing pathway.

The following chart illustrates the Town’s net funding position over the forward forecast. To improve the net funding position, the Town needs to increase operating revenue relative to expenditure – this is achieved through a combination of cost restraint and revenue strategies, specifically rates and fees and charges.



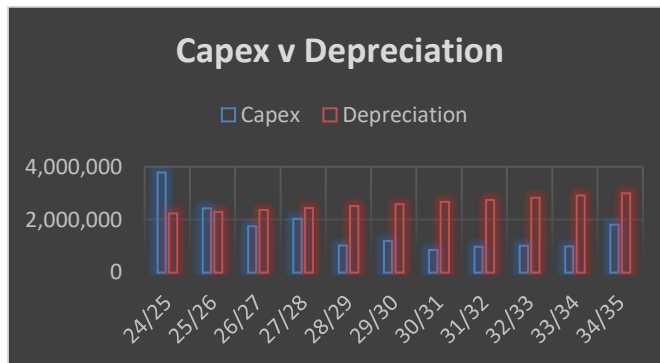
The amount of net funding from operations increases significantly over the life of the LTFP illustrating greater capacity to service assets, undertake financing activities and pay down debt.

2. Asset Sustainability Ratio – this ratio is an approximation of the extent to which assets managed by a local government are being replaced as these reach the end of their useful lives. It is calculated by measuring capital expenditure on renewal or replacement of assets, relative to depreciation expense. The standard is met if the ratio can be measured and is 90%.

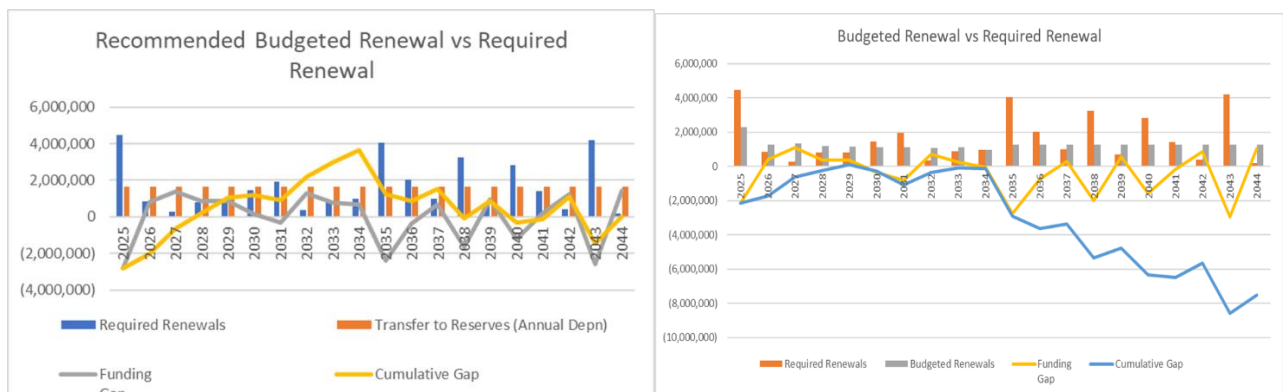
This ratio is directly impacted by the amount of funding that the Town has available from operations to invest

in capital renewal and replacement. This, the Operating Surplus Ratio, Net Funding from Operations and Asset Sustainability Ratio are all directly correlated.

A target ratio of 90% each year is recommended by the Department. As depicted in the chart below, forecast capital expenditure is below benchmark, hence a strategy should be implemented to increase reserve balances to fund future capital requirements.



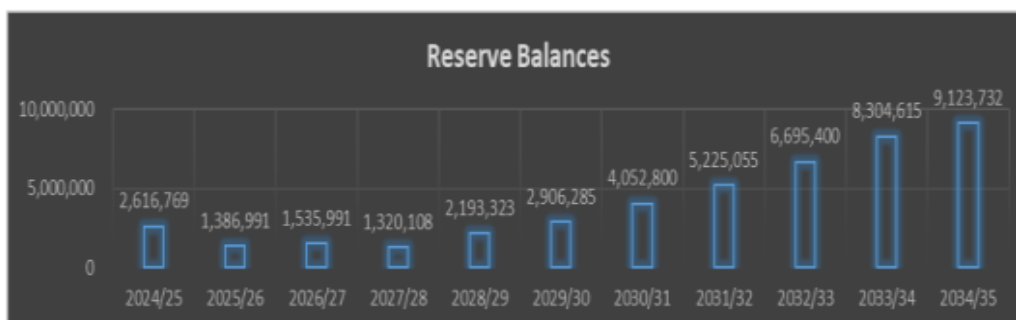
The Town has developed a Predictive Asset Renewal Model which forecasts required asset renewals based on condition data and remaining useful life. The model does highlight that a significant funding gap starts to appear between years 10-20 based on current asset funding levels, and the Town should commence transferring funds to the Strategic Asset Management Reserve. This is the strategy adopted in the LTFF, whereby any shortfall in required annual renewal expenditure is transferred to Reserve.



3. Cash-Backed Reserves – Council has adopted a Cash Backed Reserves Policy, included as Appendix C. This Policy provides direction to management in relation to a framework surrounding decisions to place funds into a Reserve Account. Cash reserves are a mechanism to assist in achieving the strategic objectives of the Town and the decision to allocate cash to/from a reserve account is made within the context of its implication on the long-term financial sustainability of the Town.

This Policy specifies target Reserve balances. To achieve these targets, a percentage of net funding from operational activities is required to be transferred to Reserve.

In general, the finances of the Town are expected to improve over the long term. Reserves will be utilised to save for major forecast asset renewals (with a forecast balance of \$9.1m in 2034/35) resulting in a significant increase in reserve levels as shown in the chart below.



## SPECIFIED AREA RATES

Local government may impose a separate additional rate over a specified area to fund a service or facility which benefits the ratepayers and residents of that specified area. This provision is increasingly being used by councils to fund maintenance of landscaping and canals within new subdivision estates, sewerage, fire breaks, security, drainage, CBD marketing and the construction of jetties.

The Town of East Fremantle does not impose specified area rates and has not considered this specific rating strategy.

## VALUATIONS

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

Two types of values are calculated - Gross Rental Value (GRV) which generally applies for urban areas; and Unimproved Value (UV) which generally applies for rural land. GRV general valuations are currently carried out on a triennial basis in the Perth metropolitan area and every 3-5 years in country areas of the State. UV's are determined annually. The Town of East Fremantle does not have any rateable assessments that are valued using the unimproved methodology.

The date of valuation in relation to a general valuation is fixed by the Valuer General. Values are then determined relative to sales and rentals that are negotiated in the marketplace at or close to the date of valuation, which is set at 1 August each year. The date of valuation is not the same as the date that the GRV or UV comes into force. The date in force is the date from which the values must be used by the rating and taxing authority. For GRV's it is 1 July each year whereas for UV's it is 30 June.

Town of East Fremantle was included in Landgate's General Valuation program for August 2021 with new valuations coming into effect on 1 July 2023. The next valuation will be applied 1 July 2026.

GRV means the gross annual rental that the land might reasonably be expected to realise if let on a tenancy from year to year upon condition that the landlord was liable for all rates, taxes and other charges thereon and the insurance and other outgoings necessary to maintain the value of the land. The GRV normally represents the annual equivalent of a fair weekly rental. For instance, a GRV of \$30,160 represents a weekly rental of \$580.

Given the strong nexus between GRV and rental, property owners and the Town are exposed to the potential for variations in land values from one valuation cycle to the next. It is very important for both ratepayers and Council to recognise that changes in land values do not automatically drive changes to the total rate yield. In seeking to achieve a stable rates revenue path for the term of its LTFP/Strategic Resource Plan, the Town will amend its rates-in-the-dollar and review the relative rates burden placed on each category.

To allow total rates yield to fluctuate in proportion with land values would expose the community and the Town to significant variations in both service provision and rates bills on a yearly basis and compromise the long-term financial sustainability of the Town.

The below is a summary of the general revaluation with new values coming into force 1 July 2023:

Rate Category	Current Valuation	Future Valuation (effective 1 July 2023)	Change in Valuation	Average Valuation
Residential	\$91,121,692	\$109,559,717	\$18,438,025 (20.23%)	\$33,170
Commercial	\$11,744,130	\$12,401,685	\$657,555 (5.6%)	\$99,213

## RATING IMPROVEMENT PLANS

The Town is committed to achieving best practice in relation to its implementation and administration of Rates and Fees and Charges. To that end, several key focus areas for improvements have been identified, and are set out below:

- Develop an alternate rates model on the basis of a separate waste charge. This will have a significant impact on the minimum rate level requiring a separate rates pricing strategy for minimum rated properties.
- Assess home occupations and bed and breakfast establishments for the potential application of a commercial rate.
- Continue to lobby the State Government regarding the rateability of aged care facilities and the application of charitable status for social housing providers.
- Develop a Policy Framework which considers the application of differential rates where mixed uses occur on the same property.
- Consider the rating framework for commercial sporting organisations.
- Consider applying minimum rates for each of the Mooring Pens.

## BENCHMARKING

A limited comparison of the Town's GRV rating structure compared to other local governments in the region has been undertaken. However, the rating structure of each local government is a reflection of their individual circumstances, including policy decisions, community aspirations, mix of properties, and service and infrastructure levels. As such, without delving into each these aspects, a comparison of rates with other local government entities will only be of limited value.

## CONCLUSION

The Revenue Strategy has been formulated to provide insight into the legislative framework surrounding rates in WA local government, the existing rating structure imposed by the Town of East Fremantle; and the Town's strategy with regard to future rate movements. The key objective is to levy rates so as to provide a stable price path for the community, and certainty around the Town's primary revenue source in a fair and equitable manner, having due regard to objectivity; consistency; transparency; and administrative efficiency.

**It is recommended that Council adopt a minimum 3.5% annual increase in rates over the next 10-years as a stable pricing pathway. This should be subject to Council review annually as budget parameters change, such**



as the scenarios detailed in the document.

Importantly, it should be noted that due to the uncertainty in timing, this strategy does not account for any significant interim rates (only \$20,000 pa) for any major developments like the Royal George Hotel, Roofing 2000 (The Entrance), Woodside Hospital Redevelopment or Leeuwin Barracks that will have a significant impact on rates revenue.

## 2025/26 RATE INCREASE

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The following summary was presented to the Ordinary Council Meeting of 20 May 2025 when Council determined to advertise a 4.95% increase in the rate in the dollar/minimum rates for the 25-26 financial year:

- The Town's Revenue Strategy (adopted in June 2024) proposed a 3.75% increase in the rate yield for the 25-26 FY.
- The Local Government Cost Index forecast for 2025-26 is 3.3% and the forecast Wage Price Index is 3.5%. The rate increase as a minimum should cover the forecast increase in the Town's operating expenses as this is the additional cost to simply maintain Business as Usual operations.
- The most significant variable impacting rates pricing is the trading result of East Fremantle Community Park. The unfavourable operating result for 2024-25 has required the Town to rebalance its Long-term Financial Plan and adjust the rates pricing pathway for the 2025-26 FY.

An updated 25-26 operating budget for East Fremantle Community Park has been received, and incorporated into the Town's draft 2025-26 Budget, which discloses a forecast operating subsidy of \$367,891. It was not envisaged that an ongoing subsidy from general funds would be required to fund precinct expenses. The Town's Long Term Financial Plan thus did not budget for ongoing operating deficits and therefore the recommended rates pricing pathway was dependent on revenues from the operations at East Fremantle Community Park fully covering operational and precinct expenses at this facility.

Despite the overall net loss position, it is however important to recognise that the operations of Carnaby's and B-Active are producing a net profit which is partially funding the non-commercial facilities as a Community Park. There are significant operating expenses to maintain the sporting surfaces and landscaped areas, and provide amenities to the community:

- Sporting Surface and Grounds Maintenance
- Insurances
- Electricity costs (without solar offset)
- Depreciation expense

The precinct expenses are largely fixed costs that the Town will incur irrespective of the use of the building spaces, and therefore any recovery of these expenses from commercial net revenue is of benefit to the Town. The objective though is to ensure that the Town, via the Operator, is optimising the commercial business units to minimise the level of community subsidy.

As per the above synopsis, the Town's budget is exposed to the operating result for East Fremantle Community Park which will impact rates pricing. The Town is therefore presented with an imperative to ensure that the operations of EFCP is not placing an unreasonable burden on ratepayers, as the rates pricing pathway in the Long-Term Financial Plan did not contemplate the requirement for an ongoing subsidy.

In light of the above, the following adjustments have been made to the Long-Term Financial Plan from the period 2025-26 onwards:

- Rate increase of 4.95% in 25-26 and retaining the proposed 3.5% rate increase per annum thereafter.
- An Operating Subsidy of \$367,891 against East Fremantle Community Park for 25-26 and an annual subsidy of approximately \$160k thereafter. This community service obligation is funded from rates. Whilst the 3-year Budget submitted by Belgravia does depict moving to a net profit by 2026-27, a conservative approach has been applied to ensure that net funding requirements from rates are not understated in the forecast financial statements. Should a net profit be realised from EFCP, then the proposed rates pricing pathway of 3.5% pa can remain stable, all other things remaining equal.
- An annual funding contribution of \$184k per annum into the sinking fund for East Fremantle Community Park, commencing from the 26-27 financial year. This reserve transfer is also funded from rates. This reserve transfer is less than the amount of \$275,000 pa discussed in the Operator Agreement, as it was originally envisaged that the sinking fund contribution would be funded from the net income of EFCP.
- As the LTFP did not envisage the requirement for an ongoing operating subsidy and assumed that the annual sinking fund contribution would be funded from the revenues generated at East Fremantle Community Park, the forecast financial statements now include an allocation of circa \$350,000 in general funds on an annual basis to fund these contributions. This has required an adjustment to Reserve funding levels including forecast annual transfers to the Sustainability and Environmental Reserve.
- As Reserve balances have been depleted and forecast net funding from operations remains relatively low for the next three financial years, there is reduced capacity to fund transfers to Reserves. From 2028/29, funding capacity improves significantly and the following net transfers to Reserves have been included in the forecast financial statements:

2028-29 \$918,215  
 2029-30 \$757,962  
 2030-31 \$1,191,515  
 2031-32 \$1,217,255  
 2032-33 \$1,515,345  
 2033-34 \$1,654,215  
 2034-35 \$299,117

This level of financing activity will enable Council to assess funding levels for each of the specific Reserves. It remains open for Council to consider higher rate increases over the next three-years should it wish to accelerate funding to Reserves.

In prior years, Council did adopt a Policy of transferring 1% of gross rate revenue into the Sustainability and Environmental Reserve. This commenced in the 2020/21 financial year and has continued for five financial years. Whilst reserve financing has been adjusted in the updated LTFP, it does still provide for transfers to the Sustainability and Environmental Reserve as follows:

Financial Year	Annual Transfer to Sust. Reserve	% of Rate Revenue
2025-26	98,749	0.98%
2026-27	0	0.00%
2027-28	70,117	0.65%
2028-29	70,117	0.63%
2029-30	70,117	0.61%
2030-31	70,117	0.59%
2031-32	70,117	0.57%
2032-33	70,117	0.55%
2033-34	70,117	0.53%
2034-35	70,117	0.51%
	<b>729,802</b>	

### Strategic Resource Plan

The Forecast Statement of Financial Activity does illustrate an overall improvement in the Town's financial health over the ten-year Plan. This is attributable to the pricing pathway for rates and fees and charges with the objective of increasing net funding from operations to release more funding for investing and financing activities.

The following are some key indicators that can be extracted from the Strategic Resource Plan:

- Average net funding from operations of \$2.08m over 10 years but starting at a very low base of \$1.07m in 2025-26.
- Net capital expenditure of \$1.2m per year which is the Town's annual average funding contribution towards capital.
- Average capital expenditure of \$1.4m per year compared to recommended capital renewal expenditure of \$1.64m per year (determined by the Town's Predictive Asset Renewal Model). The annual funding shortfall (plus future funding requirements) is being transferred into the Strategic Asset Management Reserve.
- An overall asset sustainability ratio of 54% meaning that the Town's asset renewal expenditure over the ten-year plan is 54% of total depreciation expense.
- When factoring in net transfers of \$6.02m to the Strategic Asset Management Reserve over the ten-year plan, the asset sustainability ratio improves to 76%. This is approaching the Department's recommended target of 90%.
- Principal repayments on the East Fremantle Community Park loan consumes 10% of net funding from operations over the life of the plan.
- Cash Reserves increase significantly over the life of the plan, with a forecast closing balance of \$1.39m in 2025/26 increasing to \$9.12m by 2034/35. The number of Reserve accounts have been rationalized with the following forecast Reserve balances in 2034/35:

• Strategic Asset Management Reserve	\$6,029,080
• Arts and Sculpture Reserve	\$59,664
• EFCP Sinking Fund	\$1,656,000
• Sustainability and Environmental Reserve	\$560,936
• Developer Payment in Lieu of Parking	\$201,385
• Plympton Parking Reserve	\$616,667

As discussed earlier in the report, the increased level of financing activity from 2028/29 will enable Council to assess funding levels for each of the specific Reserves.

APPENDIX A OBJECTS AND REASONS FOR DIFFERENTIAL RATES (Advertised)

[Objects and Reasons for Differential Rates](#)

APPENDIX B WASTE PRICING POLICY

APPENDIX C CASH BACK RESERVES POLICY

[Cash Back Reserves Policy](#)

## APPENDIX D RATES BENCHMARKING INFORMATION

	Category	Total Rateable Value	2023/24 - Residential Rate in \$	2023/24 - Commercial Rate in \$	2023/24 - Residential Minimum Rate	2023/24 - Commercial Minimum Rate	Residential Rates (Inclusive of Waste)	Actual Residential Minimum Rates&Waste
East Fremantle	GRV	\$ 121,870,362.00	\$ 6.8930	\$ 11.6840	\$ 1,243.00	\$ 1,859.00	YES	\$ 1,243.00
Cottesloe	GRV	\$ 192,233,908.00	\$ 6.3370	\$ 7.5810	\$ 1,312.00	\$ 1,328.00	YES	\$ 1,312.00
Claremont	GRV	\$ 257,378,921.00	\$ 5.8281	\$ 7.1741	\$ 1,421.00	\$ 1,421.00	NO	\$ 1,881.00
Peppermint Grove	GRV	\$ 46,988,483.00	\$ 7.5550		\$ 1,494.00		NO	\$ 1,804.00
Subiaco	GRV	\$ 382,836,142.00	\$ 6.8302	\$ 6.8302	\$ 1,190.00	\$ 1,190.00	NO	\$ 1,530.00
Mosman Park	GRV	\$ 154,022,848.00	\$ 7.0878	\$ 7.0878	\$ 960.51	\$ 960.51	NO	\$ 1,318.51
Nedlands	GRV	\$ 422,716,672.00	\$ 5.8446	\$ 7.7330	\$ 1,521.00	\$ 2,006.00	NO	\$ 1,849.00
Fremantle	GRV	\$ 622,841,058.00	\$ 7.9212	\$ 10.7416	\$ 1,649.00	\$ 1,649.00	YES	\$ 1,649.00
Melville	GRV	\$ 1,363,654,715.00	\$ 7.0097	\$ 8.6360	\$ 1,372.65	\$ 1,112.90	YES	\$ 1,372.65
Cockburn	GRV	\$ 1,548,723,099.00	\$ 7.7910	\$ 8.7500	\$ 1,478.00	\$ 863.00	YES	\$ 1,478.00

	Category	Non Min Properties	Minimum Properties	Total Residential Properties	Average Non Min GRV	Average GRV	Non Minimum Rates	Minimum Rates raised	Total Residential Rates	Average Non Minimum rates	Total Average minimum
East Fremantle	GRV	2964	336	3300	\$ 35,258	\$ 33,172	\$ 7,203,532	\$ 417,648	\$ 7,621,180	\$ 2,430	\$ 2,309
Cottesloe	GRV	3148	382	3530	\$ 51,457	\$ 47,743	\$ 10,265,038	\$ 501,184	\$ 10,766,222	\$ 3,261	\$ 3,050
Claremont	GRV	3276	1774	5050	\$ 46,690	\$ 37,089	\$ 8,914,435	\$ 2,520,854	\$ 11,435,289	\$ 2,721	\$ 2,264
Peppermint Grove	GRV	589	71	660	\$ 79,777	\$ 71,195	\$ 3,549,980	\$ 106,074	\$ 3,656,054	\$ 6,027	\$ 5,539
Subiaco	GRV	7171	1176	8347	\$ 31,707	\$ 29,307	\$ 15,529,871	\$ 1,399,440	\$ 16,929,311	\$ 2,166	\$ 2,028
Mosman Park	GRV	3328	498	3826	\$ 41,532	\$ 37,669	\$ 9,796,686	\$ 478,334	\$ 10,275,020	\$ 2,944	\$ 2,686
Nedlands	GRV	6877	1455	8332	\$ 46,240	\$ 41,929	\$ 18,585,517	\$ 2,213,055	\$ 20,798,572	\$ 2,703	\$ 2,496
Fremantle	GRV	9619	4425	14044	\$ 31,592	\$ 27,251	\$ 24,071,293	\$ 7,296,825	\$ 31,368,118	\$ 2,502	\$ 2,234
Melville	GRV	32179	10437	42616	\$ 29,350	\$ 26,200	\$ 66,202,478	\$ 14,342,345	\$ 80,544,823	\$ 2,057	\$ 1,890
Cockburn	GRV	33349	1478	34827	\$ 23,872	\$ 29,498	\$ 62,024,379	\$ 20,779,202	\$ 82,803,581	\$ 1,860	\$ 2,378