



Rating Strategy

2026/27



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Introduction

The Shire of Capel provides services and facilities to the community and visitors to the region. Rate revenue is a primary source of revenue for the Shire, and rates are imposed on properties within its district to enable the Shire to provide facilities, community buildings, recreational areas including parks and foreshores, and to ensure that efficient administrative services are provided to our entire community and its visitors.

The value of rates payable by a ratepayer is determined by four factors:

1. The method of valuation applicable to their property, being either Gross Rental Value (GRV) or Unimproved Value (UV).
2. The amount of the valuation.
3. The differential rating category of the property.
4. The rate in the dollar or minimum payment of that differential rating category.

Valuations are provided by the Valuer General in accordance with the Valuation of Land Act 1978.

Council sets the rate in the dollar in its annual budget, which is applied to a valuation to determine the rates applicable to the property.

The Shire applies differential rating under its Rating Policy in conjunction with the Shire's Local Planning Scheme No 8 (LPS8) and includes the following differential rating categories:

Zone(s)	Rate Group
1 – 4 (GRV)	Residential, Urban Development, Mixed Use Residential (MUR) and Vacant Land
5 – 9 (GRV)	Commercial, Commercial Service, District Centre, Light Industry, Mixed Use Residential – Commercial Use and Vacant
12 (GRV)	Rural Residential
10 & 11 (UV)	Rural, General Industry and Reserved Land

When determining the annual differential rates in the dollar and minimum payments, the following factors are considered:

- Growth of rateable properties.
- Landgate Unimproved Value (UV) and Gross Rental Value (GRV) revaluations.
- Long Term Financial Plan (LTFP) which identifies the forecast deficiency between revenue and expenditure to be funded from rates.
- 2026/27 Draft Annual Budget.
- Cost of Living Pressures.
- Compliance with the provisions of the Local Government Act 1995.
- Notice of Intention to Levy Differential Rates – Resident Rate Submissions.

Each differential rating category has a minimum payment that is applied to ensure those properties not subject to a rate in the dollar calculation make a fair and equitable contribution to the Shire's rate revenue.

A minimum payment is levied in instances where the applicable rate in the dollar multiplied by the property's valuation is equal to or less than the minimum payment amount.

It is intended that for the 2026/27 financial year there will be an average GRV increase of 6.0% to each differential rate category in Residential and Commercial. Rural Residential rate zone will increase by 9.3% to align the rate in the dollar with the other Residential zones and UV zones will also increase by an average of 6.5%. For some properties this increase will be higher due to a change in property valuation. Further information is detailed below.

Proposed Rate in Dollar and Minimum Payment

It is proposed for the 2026/27 financial year that the following rate in the dollar and minimum payment for each differential rating category will apply:

General Rate Zones	Rate in the Dollar (RID)	RID % Increase or Decrease	Rate Yield	Number of Properties	Average Rate
Residential, Urban Development, Mixed Use Residential (MUR) & Vacant Land (GRV)	0.090074	Increase by 6%	\$13,886,195.38	6215	\$2,234.30
Commercial, Service Commercial, District Centre, Light Industry, MUR-Commercial Use & Vacant (GRV)	0.102717	Increase by 6%	\$1,237,857.99	122	\$10,146.38
Rural Residential (GRV)	0.087344	Increase by 6%	\$1,232,284.51	537	\$2,294.76
Rural, General Industry & Reserved Land (UV)	0.005115	Increase by 6.5%	\$2,451,006.15	600	\$4,085.01
Total General Rates			\$18,807,344.03	7474	
Minimum Rate Zones	Minimum Rate	% Increase or Decrease	Rate Yield	Number of Properties	Rate Levied
Residential, Urban Development, Mixed Use Residential (MUR) & Vacant Land (GRV)	\$1,700.00	Increase by 10.3%	\$892,500.00	525	\$1,700.00
Commercial, Service Commercial, District Centre, Light Industry, MUR-Commercial Use & Vacant Land (GRV)	\$1,700.00	Increase by 10.3%	\$23,800.00	14	\$1,700.00
Rural Residential (GRV)	\$1,700.00	Increase by 10.3%	\$110,500.00	65	\$1,700.00
Rural, General Industry & Reserved Land (UV)	\$1,700.00	Increase by 10.3%	\$406,300.00	239	\$1,700.00
Total Minimum Rates			\$1,433,100.00	843	
Grand Total			\$20,240,444.03	8317	

Please note - When adopting the 2026/27 Annual Budget, Council may vary the proposed rate in the dollar and minimum payment amounts.

Rating Yield Objectives and Factors

In setting the rate in the dollar and minimum payment for each differential rating category, the Shire has taken into consideration the growth of rateable properties.

The number of rateable properties has increased by 25 lots during 2025/26 year because of land developments released, subdivisions of land by individual landowners across the Shire and contemporary GRVs for large commercial retailers.

During FY2025/26, this growth has generated an addition to the rate yield of 2.7%.

Landgate UV and GRV Revaluations

The Valuation of Land Act 1978 (VLA) empowers the Valuer General (VG) to conduct general valuations on a GRV basis within Western Australia at such times and frequency as is considered necessary (currently every 3-5 years) and for UV properties annually. Values are determined relative to sales and rentals at 1 August of the preceding year.

Landgate undertook its last review of GRV valuations as at 1 August 2023 with new values being effective from 1 July 2024. The next GRV valuation is due to occur on or after the 1 August 2027.

Landgate undertook its last annual review of UV valuations on 1 August 2025, with these valuations proposed to take effect from 1 July 2026.

UV Revaluation

The 2025/26 revaluation of properties valued on a UV basis resulted in an overall average increase of 10.5%. This compares with the previous year when values increased by 10.8%.

Overall variations to Unimproved Valuations

Landgate have advised that strong market conditions have continued, seeing valuation increases across most UV market segments. The strong growth has occurred on the sales of larger holdings while the rural residential lifestyle market has seen more subdued growth in some location across the Shire of Capel.

Whilst the average increase is 10.5%, the Shire is reducing the FY2025/26 rate in the dollar by 4% to absorb some of this increase, sharing the total rate burden more equally across the rate zones.

This reduction to the UV rate, sees the average lot rate increase by 6.5%, which is similar to the remaining zones percentage increases.

Whilst the average increase in Unimproved Value is 6.5%, some variations to individual assessments may have occurred either as a product of the valuation process undertaken by Landgate and/or inclusion of updated information. As a result of the range in variances, some property owners will receive property rates with a greater or lesser increase than the 6.5% target.

Unfortunately, this cannot be avoided as the calculation of property rates is dependent upon the valuation of the property.

Long Term Financial Planning

The 2026 to 2036 Long Term Financial Plan which is due to be presented to the Council in July 2026 post Annual Budget adoption, has been prepared based on rates being aligned to the Local Government Cost Index (LGCI), with the LGCI approximating cost increases faced by all local governments in Western Australia but not considering local factors such as regional cost variations due to distance from city centres and contractor availability.

Due to this, the LTFP's forecast annual rate increases may vary to accommodate these and other factors.

The latest LGCI forecast for the 2026/27 financial year, issued by the Western Australian Local Government Association in April 2026, is 3.1%.

Local Government Cost Index Table

Component	Weighting	2024-25 (actual)	2025-26 (forecast)	2026-27 (forecast)	2027-28 (forecast)	2028-29 (forecast)
Employee Costs	35%	5.4	4.0	3.5	3.5	3.5
Materials and Contracts	28%	2.4	2.8	2.8	2.7	2.7
Furniture	1%	5.6	7.2	1.3	1.3	1.3
Non-Residential Building	5%	4.9	2.8	3.2	2.8	2.3
Machinery and Equipment	5%	4.5	0.5	1.2	1.2	1.2
Non-Road Infrastructure	9%	3.3	2.3	3.2	2.9	2.4
Road and Bridge Construction	10%	2.2	2.6	3.4	3.2	2.4
Utilities	3%	3.2	3.0	3.0	3.0	3.0
Insurance	1%	4.1	1.9	1.5	1.5	1.5
Other	3%	2.9	3.8	3.3	3.0	3.0
LGCI	100%	3.8	3.1	3.1	3.0	2.8

Perth CPI (ex volatile items) v LGCI, Annual % Change

SOURCE: ABS, WALGA



Financial Planning 2026/27 Draft Annual Budget Preparation – Section 6.32 Local Government Act

The 2026/27 Draft Annual Budget preparation is based on the average general rates increasing by 6.0% for GRV zones Residential, Commercial and Rural Residential, 6.5% for UV and 10.3% to the Minimum rate seeing an overall rate yield increase by 7.83%. The yield also accounts for interim growth generated during the 2025/26 financial year at 2.7%. Projected interim property growth during 2026/27 will be included in the draft budget preparation.

Based on the LGCI forecast increase for 2026/27, non-regulated Shire Fees and Charges will be increased by 3.0%, except for those fees and charges which are linked to contract agreements such as Waste Services and the like. These fees will increase as per contract negotiations.

Based on Section 6.32 of the Local Government Act Rates and Services Charges, the proposed 2026/27 rating strategy is forecast to generate sufficient revenue to make up the budget deficiency for this financial year, whilst allowing a level of investment in some financial reserves to sustain the Shire's longer term financial position.

Cost of Living Pressures

Council are extremely conscious of the impact rate increases can have upon the community, particularly considering the upwards pressure on inflation such as fuel and food prices exceeding the rate of wage growth, challenging households' disposable income.

At the same time, it is necessary for the Shire to continue offering the services, facilities and infrastructure required to meet the community's expectations.

For this reason, the rate yield increase has been set at a level that supports financial sustainability of the Shire after taking measures to incorporate increased efficiency into its budgetary process to not unnecessarily burden ratepayers.

Setting a Compliant Rate Structure – Section 6.33 and 6.35 Local Government Act

In setting the differential rate in the dollar and minimum payment, the Shire must adhere to the requirements of the Local Government Act and in particular sections 6.33 and 6.35.

Section 6.33 states that the Shire can't apply a rate in the dollar that is more than twice the lowest rate in the dollar for any differential rating category.

Section 6.35 states that the Shire can't apply a minimum payment to more than 50% of the total number of properties for an individual differential rating category.

Based on the proposed 2026/27 Rating Strategy, the Shire is compliant with the Act.

Notice of Intention to Levy Differential Rates – Section 6.36 Local Government Act

Following Council’s endorsement of the proposed 2026/27 Rating Strategy and Draft Annual Budget, the Shire will publish the ‘Notice of Intention to Levy Differential Rates’ detailing the proposed differential and minimum rates for all rate payers.

The notice will be advertised for a minimum of 21 days and will be available across a minimum of three public platforms e.g. local/national newspaper, Shire website and social media, public notice boards and available through Customer Services / Library Services.

During the advertising period, residents will be able to send a submission, supporting or not supporting the proposed rate structure, with the Notice detailing the submission timeline and where to send the submission to.

Objects and Reasons for 2026/27 Differential Rates

When setting the differential and minimum rate structure, the overall objective is to raise sufficient rate revenue that makes up the forecast budget deficiency for that financial year, as per Section 6.32 of the Local Government Act.

Other considerations when developing the rating strategy are the ‘Principles of Rating’, these being:

Fairness and Equity – Rate structures should identify the predominant use of the land by means of an objective assessment. For example, where houses are zoned residential, the same rate in the dollar should be applied. Rates should be applied fairly and equitably, resulting in each property making a fair contribution to rate revenue based on the method of valuation.

Consistency - Clearly defined characteristics of the differential rate category and articulating the ‘Objects and Reasons’ for each differential rate are the best evidence of the application of the rating principles.

Transparency and Administrative Efficiency - Under section 6.35(6)(c) of the Act, the Shire must provide public notice of its intention to impose a differential rate and details its intended rate structure to residents, inviting submissions to be made by an elector or ratepayer. Each submission (if any) will be considered by the Council.

The ‘Objects and Reasons’ for the Shire’s proposed 2026/27 rate structure is as follows:

Gross Rental Value (GRV) Rate Group

Residential, Urban Development, Mixed Use Residential (MUR) & Vacant Land:

Includes all residential zones, such as dwellings, home based businesses, short term rental accommodation (STRA) and mixed use residential (MUR).

The object of the rate for this category is to provide the base rate for the other GRV rate categories. The reason for this rate is to ensure all ratepayers make a reasonable contribution towards the ongoing maintenance and provision of works, services, and facilities throughout the Shire.

Commercial, Service Commercial, District Centre, Light Industry, MUR-Commercial Use & Vacant Land:

This category includes:

1. All properties/vacant land zoned District Centre, Commercial, Service Commercial and Mixed Use Residential – Commercial Use, where land uses may include shopping centres, newsagents, cafés, shops, fast food outlets, service stations, taverns, childcare facilities, and the like.

Properties are primarily located within the business districts of designated town sites; however, this category applies to various Commercial and Mixed Use Residential – Commercial Use properties located across the Shire.

2. All properties/vacant land zoned Light Industry and where land uses may include dairies, sale yards, metal fabrication and workshops. Properties are located within specific zoned areas in the Shire.

The object of the rate in the dollar for this category is to raise sufficient revenue to offset the costs associated with the provision of services to these properties and future properties within this zone.

Ratepayers in this category accommodate many visitors and customers and this increases the need for the Shire to provide additional car parks, amenities, landscaping and street cleaning.

This category also recognises the need to raise sufficient revenue to offset future costs associated with planned infrastructure and services to support these properties once they have been developed.

Rural Residential

Includes all developed and undeveloped properties zoned Rural Residential. The primary land uses of these properties include dwellings and small rural pursuits.

The object and reason for the rate in this zone is to apply a differential and minimum rate to developed / undeveloped properties to raise sufficient revenue to provide services and infrastructure to these rural residential lots, where infrastructure requirements may differ to those in more urbanised areas.

Unimproved Valuation (UV) Rate Group

Rural, General Industry & Reserved Land:

Includes all properties valued as unimproved values (UV), which includes those zoned Rural, Priority Agriculture, Reserved Land, Mining Tenements and General Industry.

As summarised earlier, all rural and land use properties undergo an annual revaluation seeing the average rural and land use lot increase by 10.5% for 2026/27.

As a result of this increase, the proposed 2026/27 rate structure decreases the UV rate in the dollar by 4% to absorb some of this increase and share the rate burden more equitably across the rate base.

The object and reason for the rate in this zone is to apply a differential and minimum rate to developed / undeveloped properties to raise sufficient revenue required to provide services and infrastructure to these rural residential / commercial lots.

Minimum Rating (UV & GRV) - Local Government Act 1995, Section 6.35

For 2026/27 a proposed standard minimum rate of \$1,700.00 will be set for each rate zone. This amount represents the minimum rate that should be charged ensuring all rate payers make a sufficient contribution to the Shire's rate base which is distributed based on property valuations.

Minimum rates have been prepared to comply with the Local Government Act 1995 which requires no more than 50% of properties to be levied on a minimum rate unless Ministerial approval is obtained.

The 2026/27 Rating Structure is compliant with the Act and Ministerial Approval is not required.

Dalyellup Specified Area Rating (GRV) - Local Government Act 1995, Section 6.37

The Council has one specified area rate (SAR) levied for a specific purpose on Dalyellup properties within the Shire.

For 2026/27 it is proposed that the rate in the dollar will remain the same at 0.008000, seeing the average SAR fee stabilise at \$189.00 per household.

This specified area rate is levied on properties within the Dalyellup Beach Estate to maintain the many parks, gardens, natural reserves, structures (including beach access) and toilets.

The purpose of the rate is to recover 50% of the cost of maintaining the above facilities from the main beneficiaries being the property owners in the estate, with the remaining costs funded from general rates levied across the Shire.



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