



**CITY OF
CANNING**

Statement of Objects
and Reasons
for Differential Rating
2021 - 2022

Overall Objective

At a Special Council Meeting held on 10 May 2021 a new set of parameters were adopted for the City's Long Term Financial Plan 2021-2031, these included a plan to restore the City to a sustainable financial position over the next three years; by lifting revenue and reducing expenditure. A key element of the revenue measures was to bring overall rate income to a level that fully sustains the City's service delivery and capital development program. The staged increase will require slightly higher rate increases for the next three years, thereafter returning to a stable position; then able to move in line with expected general cost increases.

The quantum of rate revenue raised from non-residential properties (i.e. commercial and industrial) will remain proportionate with the overall value of rateable land these properties occupy. In 2020-2021 non-residential rate revenue comprised 45% of the City's total rate income, and these properties occupied 48% of the rateable land.

The City's adopted [Rating Strategy 2018 - 2023](#) was also reviewed, with the finding that this document remains a robust platform on which to apply rating principles. It establishes a framework by which a fair and equitable share of rates and charges levied are contributed by property and land owners.

The Rating Strategy addresses several key elements, notably:

- a) That the apportionment basis for rating purposes continues to be all properties Gross Rental Value. These are generally valued every three years by the Valuer General (Landgate), with the last revaluation being undertaken in 2020 and applied to the 2020-2021 Budget.
- b) To maintain transparency and consistency each year in annual rating. The City of Canning will continue to charge separately for rates, waste and security, plus the State charge for Emergency Services Levy (ESL).

The rate setting process requires that Rate(s) in the dollar (\$) are calculated to apportion the shortfall in revenue required to enable the City to function and deliver its capital works program, after taking into account all non-rate sources of revenue. Normally the aim is to have rate revenue fully fund the gap and enable generation of a small surplus on the operating account.

However, for the 2021-2022 the City's Budget will continue to be in a deficit position. It was agreed by Council that the quantum of rate rises required to achieve a fully balanced budget was too great to be undertaken in one year, hence the decision to deliver that outcome over three years.

In response to the COVID-19 pandemic, the State Government had also imposed constraints on the local government rate setting process; principle among these was a requirement to hold the overall value of rates to be raised in 2020-2021 at the same level as 2019-2020. With the revaluation exercise undertaken by the Valuer General also needing to be factored into the budget process, the only way to make an adjustment to achieve the revaluation and the State Government's constraint was to set rates in the

dollar (\$) and apply a 'concession' payment. As property values vary so too does the value of the concession payment, but an amount of \$2,000 was set as the maximum. The total value of the concession was around \$1.2m.

This concession did not apply to the ESL (Emergency Services Levy), which the City collects on behalf of the State Government. At the time of writing this document, the State Government had not determined the level of the Emergency Services Levy to be charged to all properties for 2021-2022.

As the concession was a temporary measure it needs to be removed; retaining it would otherwise interfere with the next revaluation process due in 2023. However, as its removal will also increase revenue this has to be factored into the rate setting process.

Differential Rating

The use of differential rating is a core element of the City's Rating Strategy and this has been applied to the rate setting process for the coming financial year.

Section 6.33 of the *Local Government Act 1995* (the Act) provides local governments with the option of implementing differential rates. The City's rating will be based on the combination of the following characteristics:

- a) Land use - Two categories of land use being;
 - i. Residential, and
 - ii. Non-residential.
- b) Improved or unimproved land.

This will establish the following three differential rating categories:

- 1. Residential improved.
- 2. Non-residential improved.
- 3. Un-improved land.

Minimum Payments

The *Local Government Act 1995* allows local governments to impose a minimum rate, which may not apply to more than 50% of rateable properties. The effect is to increase the rates payable by lower valued properties so that every ratepayer makes a minimum contribution to the cost of the services provided.

Local Government Act 1995

6.33. Differential General Rates

- 1) A local government may impose differential general rates according to any, or a combination, of the following characteristics —
 - a) the purpose for which the land is zoned, whether or not under a local planning scheme or improvement scheme in force under the *Planning and Development Act 2005*; or
 - b) a purpose for which the land is held or used as determined by the local government; or

- c) whether or not the land is vacant land; or
 - d) any other characteristic or combination of characteristics prescribed.
- 2) Regulations may —
 - a) specify the characteristics under subsection (1) which a local government is to use; or
 - b) limit the characteristics under subsection (1) which a local government is permitted to use.
 - 3) In imposing a differential general rate a local government is not to, without the approval of the Minister, impose a differential general rate which is more than twice the lowest differential general rate imposed by it.
 - 4) If during a financial year, the characteristics of any land which form the basis for the imposition of a differential general rate have changed, the local government is not to, on account of that change, amend the assessment of rates payable on that land in respect of that financial year but this subsection does not apply in any case where section 6.40(1) (a) applies.
 - 5) A differential general rate that a local government purported to impose under this Act before the *Local Government Amendment Act 2009* section 39(1) (a) came into operation is to be taken to have been as valid as if the amendment made by that paragraph had been made before the purported imposition of that rate.

6.35. Minimum Payment

- 1) Subject to this section, a local government may impose on any rateable land in its district a minimum payment which is greater than the general rate which would otherwise be payable on that land.
- 2) A minimum payment is to be a general minimum but, subject to subsection (3), a lesser minimum may be imposed in respect of any portion of the district.
- 3) In applying subsection (2) the local government is to ensure the general minimum is imposed on not less than —
 - a) 50% of the total number of separately rated properties in the district;
or
 - b) 50% of the number of properties in each category referred to in sub section (6), on which a minimum payment is imposed.
- 4) A minimum payment is not to be imposed on more than the prescribed percentage of —
 - a) the number of separately rated properties in the district; or
 - b) the number of properties in each category referred to in sub section (6), unless the general minimum does not exceed the prescribed amount.
- 5) If a local government imposes a differential general rate on any land on the basis that the land is vacant land it may, with the approval of the Minister, impose a minimum payment in a manner that does not comply with subsections (2), (3) and (4) for that land.

- 6) For the purposes of this section a minimum payment is to be applied separately, in accordance with the principles set forth in subsections (2), (3) and (4) in respect of each of the following categories —
 - a) to land rated on gross rental value;
 - b) to land rated on unimproved value; and
 - c) to each differential rating category where a differential general rate is imposed.

Objects and Reasons

1. Residential Improved - Proposed rate in the dollar of \$0.05764644

This incorporates residential single dwellings, duplex, multi-unit, strata and Department of Communities improved properties.

The amount to be levied will ensure that the proportion of total rate revenue derived from residential properties remains consistent with previous years (at pre-pandemic levels); as well as providing for the ongoing maintenance and service provision of the City's assets and services primarily used by residential ratepayers.

Consistent with the advice provided to the 10 May 2021 SCM (Agenda report para 72 and Attachment 7), after factoring in the removal of the concession, it is expected that the proposed rate in the dollar will mean average residential improved property (on non-minimum rates) rates of \$1,196.21 as compared to \$1,122.07 in 2020-2021, representing an increase of \$74.00 per annum or \$1.42 per week. The combined average of residential improved property on minimum and non-minimum rates would represent an increase of \$55.00 per annum or \$1.05 per week.

2. Non Residential Improved - Proposed rate in the dollar of \$ 0.05649954

This incorporates all light industry, general industry, commercial, mixed use, service commercial, centre, local centre, and district centre properties.

The differential rate for non-residential improved land will generate the same proportionate rate revenue contribution (i.e. 45%) as was contributed in 2020 – 2021; this maintains the 'equity' principle in the City's Rating Strategy.

Commercial premises generate higher volumes of pedestrian and traffic movements than residential properties which results in increased road and streetscape maintenance requirements, additional on street parking needs and the requirement to install additional traffic treatments. Roadside litter collection is enhanced around many commercial premises, with the City required to provide additional litter collection services to these areas. Patrons and employees of commercial and industrial premises are consumers of municipal services but unless they are also property owners within the City, are not contributing to the cost of services used by them in the City. The proportion of rate revenue from industrial and commercial properties will remain fairly consistent with that of previous years.

There is a much wider variation in the nature, size and industry grouping of these businesses, which does not lend this to consideration of 'average' values. As advised at the 10 May 2021 SCM (Agenda report para 72 and Attachment 7) the proposed rate in the dollar is 4.50% higher compared to 2020-2021.

3. Unimproved Land - Proposed rate in the dollar of \$ 0.09223430

The City may implement differential rating based on whether the land is improved or unimproved under s6.33 1(c) of the Act.

A positive differential (higher than residential) rate of 60% for unimproved land is proposed, which returns this value to the standard applied pre-pandemic (i.e. pre 2019). This value had been deemed as an equitable level of contribution applied to this property category and to discourage land banking. It was endorsed by Council in the City's Rating Strategy with the amount of the differential adopted at the 10 May 2021 SCM (item 3.c of the recommendation).

The City incurs some additional costs in servicing these types of properties, with unimproved properties more likely to be the sites of illegal dumping, and in some cases can become overgrown and unkempt, or become places of antisocial behaviour. Additional street cleaning and gully educting is also required due to sand and debris originating from unimproved land spreading onto the roads and gutters. This requires the allocation of City resources over and above that required for residential and non-residential improved properties. To promote development, setting a higher rate for vacant properties acts towards stimulating growth and development in the economy.

It is expected that the proposed rate in the dollar will mean an average unimproved property (on non-minimum rates) rating increase of \$177.00 per annum or \$3.40 per week as compared to 2020-2021.

4. Canning Vale Specified Area Rate – Proposed rate in the dollar of \$ 0.005121294

Under s6.37 of the Act Specified Area Rates (SAR) are those paid by particular ratepayers (residential and commercial) for meeting the cost of providing, maintaining and/or renewing a service, facility or specific work, used by ratepayers within the defined area.

The City has a specified area rate for the Canning Vale residential precinct. The specified rate pays for the higher cost of maintaining the public realm, compared to that which the City provides as a standard level in other communities.

The annual cost of this maintenance is accounted for separately and the City also has a reserve fund that holds the balance of any unspent funds raised by the SAR. In recent years the cost of providing this maintenance has not been fully covered by the SAR, with the City's 2019-2020 Annual Report noted a \$0 balance in the reserve fund, with deficit of \$67,187 as at 30 June 2020 to be recovered from future rates. Based on our forward projections to 30 June 2021, it is estimated that the brought forward deficit will reduce to \$30,906.

The proposed rate in a dollar is 3% higher compared to 2020-2021. This proposed increase will still leave an estimated deficit of \$6,306 as at 30 June 2022. An above inflation increase may be required in the following financial year in order to eliminate this deficit.

Summary of Estimated Rate Revenue

Important Note: As at the date of publication of this statement, in order to construct the table below 'Summary of Estimated Rate Revenue', assumptions have been made (such as the final number of properties in each category). While any additions or reductions are expected to be minor, the table is likely to change prior to the adoption of the Annual Budget. The principles outlined in the Objects and Reasons section will be maintained when adopting the final rate in the dollar and minimum payments for the 2021-2022 Annual Budget.

| Differential Rating Category | Rate in \$ / Minimum | Number of Properties | Rateable Value | Estimated Rate Revenue |
|--------------------------------------|----------------------|----------------------|----------------------|--------------------------|
| Differential Rates | | | | |
| Residential | 0.05764644 | 20,377 | 422,071,566 | 24,330,923 |
| Non-residential | 0.05649954 | 2,811 | 585,767,232 | 33,095,579 |
| Unimproved | 0.09223430 | 778 | 19,670,202 | 1,814,267 |
| | | 23,966 | 1,027,509,000 | 59,240,769.67 |
| Differential Minimum Payments | | | | |
| Residential | 902 | 14,693 | 189,697,315 | 13,253,086 |
| Non-residential | 902 | 277 | 3,422,389 | 249,854 |
| Unimproved | 902 | 675 | 4,722,671 | 608,850 |
| | | 15,645 | 197,842,375 | 14,111,790.00 |
| Total | | 39,611 | 1,225,351,375 | 73,352,559.67 |
| Canning Vale Parkland | 0.005121294 | 3,251 | 72,148,114 | 369,492 |
| Grand Total | | | | <u>73,722,051</u> |

Invitation of Submissions

Submissions are invited from any elector or ratepayer with respect to the proposed differential rates, and any related matters. Although not required to, Council is also willing to accept submissions on the specified area rate proposed.

Submissions can be made online by using the survey link on Your Say Canning page:

<https://www.yoursaycanning.com.au/canningrates>

Submissions may be posted to:

City of Canning

Locked Bag 80

Welshpool WA 6986

And clearly marked ***Differential Rating Submission***.

All submissions are to be received by no later than 5.00pm on Monday 14 June 2021.

Athanasios Kyron

Chief Executive Officer