



Statement of Objects
and Reasons
for Differential Rating
2023 - 2024

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 2022-2023 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 latest revaluation being undertaken in the current financial year which will be applied to the 2023-2024 Annual 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 the generation of a small surplus on the operating account.

As per the recently adopted Long Term Financial Plan at the Special Council Meeting held on 24 February 2022, it was agreed by the 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 with 2023-2024 Budget being year three in this process.

Revenue derived from rates is intended to produce a net financial position that achieves an Operating Surplus for the City's budget and an overall budget surplus position. With various cost efficiency measures, the draft Budget for 2023-2024 shows an operating surplus position, however, due to ongoing cost pressures, after taking into consideration non-operating expenditure items would deliver a net budget deficit.

The rate in a dollar proposed in this document is prior to the recent announcement from Western Power of a 43.85% increase to street lighting cost in the new financial year. The decision regarding the increase is currently sitting with the independent regulator.

The unexpected Western Power price increase was announced just as the City was finalising budgets for the new financial year and has therefore not been included in the draft Annual Budget modelling. The current cost of street light operation in 2022-2023 is \$1.89M and projected to increase to \$2.72M in the new financial year, resulting in approximately an \$830,000 increase.

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 \$0.05409

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; as well as providing for the ongoing maintenance and service provision of the City's assets and services primarily used by residential ratepayers.

Due to applicability of the new gross rental valuations (GRV) applicable for the year 2023-2024 showing a significant increase in the value of residential properties, the proposed rate in a dollar is a reduction over 2022-2023 year. In terms of overall rating revenue for this category, it represents an average increase of 4.65% over 2022-2023 and is in accordance with the recently adopted Long Term Financial Plan 2021-2031. It is expected that the proposed rate in the dollar will mean average residential improved property (on non-minimum rates) rates of \$1,313 as compared to \$1,253 in 2022-2023, representing an increase of \$60.00 per annum or \$1.15 per week. The combined average of residential improved property on minimum and non-minimum rates would also represent an increase of \$60.00 per annum or \$1.15 per week.

2. Non Residential Improved - Proposed rate in the dollar of \$0.06042

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

There was a very small increase in the new gross rental valuation applicable for this category for the year 2023-2024 financial year. Accordingly, the differential rate for non-residential improved land is an increase over previous year and will generate the same proportionate rate revenue contribution (i.e. 45%) as was contributed in 2022 – 2023; 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. In accordance with the the adopted LTFP principles and to maintain the same proportion of contribution, the non-

residential rate increase represents 4.65% rate rise in terms of total rating revenue from this category.

3. Unimproved Land - Proposed rate in the dollar of \$0.09209

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 70% for unimproved land is proposed. 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) to maintain a positive differential rate of 60% over residential category. Due to new gross rental valuation applicable for the year 2023-2024 and in order to comply with the legislative provisions of the minimum rates, the proposed rate is a positive differential rate of 70%.

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 \$74.70 per annum or \$1.44 per week as compared to 2022-2023.

4. Canning Vale Specified Area Rate – Proposed rate in the dollar of \$0.00362792

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. As per the forecast expenditure for maintaining Canning Vale Parks for the year 2022-2023, it is estimated that the City may have a small surplus of \$15,618 from the SAR levied in the current financial year. Taking into account this forecast surplus position and the change on account of revaluation of properties the rate in a dollar for SAR is proposed to be reduced from \$0.00453 for the year 2022-2023 to \$0.00362792 for the year 2023-2024. Consistent with previous years, SAR required to be levied for the year 2023-2024 is on the basis of full cost of service provision for the year.

The proposed rate in a dollar is 20% lower compared to 2022-2023.

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 2023-2024 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 2023-2024 Annual Budget.

Differential Rating Category	Number of Properties	Rate in \$ / Minimum	Rateable Valuations (\$)	Estimated Rates Revenue (\$)
Residential	21,230	0.05409	515,476,878	27,882,157
Non Residential	2,834	0.06042	604,785,936	36,541,166
Vacant	884	0.09209	23,305,686	2,146,221
A	24,948		1,143,568,500	66,569,545
Minimums				
Residential	14,237	\$1,002	221,143,594	14,265,474
Non Residential	276	\$1,002	3,598,919	276,552
Vacant	853	\$1,002	6,593,438	854,706
B	15,366		231,335,951	15,396,732
Sub Total (A + B)	40,314		1,374,904,451	81,966,277
Canning Vale Parkland		0.00362792	85,891,645	311,608
Grand Total				82,277,885

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 Thursday 15 June 2023.

Michael Littleton
Chief Executive Officer