



City of Canning

A welcoming and thriving city

**Statement of Objects and Reasons
for Differential Rating
2020 - 2021**

Overall Objective

The purpose of levying rates is to apportion the City of Canning's (the City) budgeted rating revenue requirements each year, in a manner that is deemed to be fair and equitable across the ratepayers of the community.

The City's [Rating Strategy 2018 - 2023](#) establishes a framework by which a fair and equitable share of rates and charges levied to paid by property owners, for the services and infrastructure within the City.

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).
- b) To maintain transparency and consistency each year in annual rating. The City of Canning will charge separately for rates, waste and security, plus the State charge for Emergency Services Levy (ESL).

Rate(s) in the dollar (\$) are calculated to apportion the shortfall in revenue required to enable the City to provide works and services in the coming financial year after taking into account all non-rate sources of revenue.

In response to the COVID19 pandemic, State Government requests and Council's aim to maintain rating at previous year's amounts, the use of concessions will be further considered to offset the effect of the triennial revaluation. This process is undertaken by the Valuer General across all City properties using the Gross Rental Value methodology. The intent of concessions would be so that no ratepayer will pay more in Council rates for 2020-21 than it did in 2019-20 (like for like). The concession would be applicable in 2020-21, effectively deferring adverse impacts from the revaluation by one year to 2021-22. This concession would not apply to the ESL (Emergency Services Levy) which Council collects on behalf of the State Government and forwards it on to the State Government in full. 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 2020-2021.

Differential Rating

Enabling the use of differential rating is considered a means to apply greater uniformity in annual rate revenues across property types, being subject to fluctuations in their triennial gross rental valuation reviews. For this reason, the City has proposed for Council to adopt differential rates for the coming financial year.

Section 6.33 of the Local Government Act 1995 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 councils 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
 - 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 \$0.05558002

This incorporates residential single dwellings, duplex, multi-unit, strata and HomesWest improved properties.

To ensure that the proportion of total rate revenue derived from residential properties remains essentially consistent with previous years, and also includes the ongoing maintenance and service provision of the City's assets and services primarily used by residential ratepayers. This will ensure a reasonable contribution to the cost of local government services and facilities available to residents.

It is expected that the proposed rate in the dollar will mean average residential improved property rates of \$1,115.77 as compared to \$1,115.77.00 in 2019-2020, representing an increase of \$0.00 per week.

2. Non Residential Improved - Proposed rate in the dollar of \$0.05247501

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

The negative differential rate for non-residential improved land is proposed so to maintain the current 2019 – 2020 apportionment of rating contribution to fund the additional costs of servicing these types of properties. 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. Due to the increased presence of litter surrounding commercial and industrial land, the City is also 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. This will also ensure rates revenue from industrial and commercial properties remains essentially consistent with previous years.

It is expected that the proposed rate in the dollar will mean an average non-residential property rating increase of \$0.00 per week as compared to 2019 – 2020.

3. Unimproved Land - Proposed rate in the dollar of \$0.07990013

The City may implement differential rating based on whether the land is improved or unimproved under S6.33 1(c).

A positive differential (higher than residential) rate of 40% for unimproved land is proposed so to maintain the current 2019 – 2020 apportionment of rating contribution to fund the additional costs of servicing these types of properties and to discourage vacant land and land banking. Unimproved properties are 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. The City's intent is to double differential rating on unimproved land, permissible under the *Local Government Act 1995* and a common practice across Perth metropolitan local governments to discourage unimproved land within the Perth metropolitan area. Due to the Council's intent to freeze overall rating in response to COVID-19, the differential rate has reduced from 60% to 44% for 2020 – 2021.

It is expected that the proposed rate in the dollar will mean an average unimproved property rating increase of \$0.00 per week as compared to 2019 – 2020.

Summary of Estimated Rate Revenue

Important Note: As at the date of publication of this statement, in order to determine the below table 'Summary of Estimated Rate Revenue', assumptions have been made. As such, the table is likely to change prior to the adoption of the Annual Budget. Any additions or reductions are expected to be minor. 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 2020-2021 Annual Budget.

Draft Budget 2020 - 2021	Rate in \$ / Minimum	Number of Properties	Rateable Value	Estimated Rate Revenue
Differential Rates				
Residential	\$ 0.05558002	21,421	\$ 437,459,941	\$ 24,325,810
Non-residential	\$ 0.05247501	2,770	\$ 581,138,538	\$ 30,495,871
Unimproved	\$ 0.07990013	779	\$ 21,828,307	\$ 1,756,346
		24,970	\$1,040,426,786	\$ 56,578,026
Differential Minimum Payments				
Residential	\$ 852.00	13,316	\$ 168,189,733	\$ 11,345,232
Non-residential	\$ 852.00	279	\$ 3,478,777	\$ 237,708
Unimproved	\$ 852.00	637	\$ 4,752,972	\$ 542,724
		14,232	\$ 176,421,482	\$ 12,125,664
Total		39,202	\$1,216,848,268	\$ 68,703,690
Specified Area Rates				
Canning Vale Estates	\$ 0.00497614	3,251	\$ 72,098,054	\$ 358,770

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 may be emailed to:

customer@canning.wa.gov.au

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 13 July 2020.

Athanasios Kyron

Chief Executive Officer