



Statement of Objects and Reasons

For Differential Rates 2019-2020

Statement of Objects and Reasons

Foreword

For the purposes of determining rates each year, property valuations have been the standard basis for the calculation of rates, not only in Australia, but for many overseas countries as well. However, it is recognised that valuations alone do not always produce equitable results in all communities and therefore the *Local Government Act 1995* (the Act) provides several options, such as differential and specified area rates, to assist in achieving the desired rating outcome. The purpose of levying rates is to meet the budget requirements each year in a manner that is deemed to be fair and equitable to the ratepayers of the community.

Methods of Rating

The Act specifies that where land is used predominantly for rural purposes, the rate levied shall be based upon its unimproved value (UV); and where land is used predominantly for non-rural purposes, the rate levied shall be on its gross rental value (GRV). A change in valuation methodology for a property must be made by the Council to the Department responsible for Local Government. The Minister responsible for Local Government must then approve a change valuation methodology for a property, based on the recommendation by the Department.

In accordance with the *Local Government Act 1995* the Town of Victoria Park uses Gross Rental Valuations (GRV) in the calculation of annual rates. These are generally valued every three years by the Valuer General (Landgate).

Interim valuations are issued to Council by Landgate for properties where changes have occurred as a result of subdivisions, building construction/demolition, additions and/or property rezoning. In such instances, Council must amend the rates for the properties concerned and issue an amended rate notice to the property owner.

Differential Rating

Differential rating allows Council flexibility in the level of rates being raised from specifically identified properties or groups of properties within the community. It is common for Councils to base differential rating for properties on Town Planning Scheme zonings however other criteria such as land-use may also be used.

The aim of the Council of the Town of Victoria Park is to ensure that rate revenue is collected on an equitable basis from all properties. For this reason the Council has proposed to adopt differential rates for the coming financial year.

Section 6.33 of the *Local Government Act 1995* makes provision for the Town to be able to levy differential rates based on any, or a combination, of the following:

- the purpose for which the land is zoned (conditions apply)
- a purpose for which the land is held or used as determined by the local government
- whether or not the land is vacant land
- any other characteristic or combination of characteristics prescribed.

Section 6.33 of the *Local Government Act 1995* also permits Council to levy differential rates such that the highest is no more than twice the lowest differential. A greater difference in differential rates may be used if Ministerial approval is granted.

The Town intends to establish the following differential rate categories:

- Residential - GRV
- Minimum Payment in respect to Residential - GRV
- Non-Residential - GRV
- Minimum Payment in respect to Non-Residential - GRV.

Minimum Payments

Section 6.35 of the *Local Government Act 1995* makes provision for the Town to be able to set a minimum payment in relation to rateable land. The requirements are set out below:

- 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.
- A minimum payment is to be a general minimum, however a lesser minimum may be imposed (conditions apply).
- 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;on which a minimum payment is imposed.
- 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, unless the general minimum does not exceed the prescribed amount.
- 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 other requirements.
- For the purposes of this section a minimum payment is to be applied separately, in accordance with the principles set forth in the above requirements 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.

Overall Objective

The rates in the dollar (\$) for the various differential rates are calculated to provide the shortfall in revenue required to enable the Town to provide works and services in the coming financial year after taking into account all non-rate sources of revenue.

Objects and Reasons

Residential - GRV
Proposed rate in the dollar of 0.0863

The object of the proposed rate in the dollar is to ensure that the proportion of total rate revenue derived from residential properties remains essentially consistent with previous years. The reason is that the GRV valuations (upon which rates are based) for residential properties increased in 2014 by a significantly greater proportion than the GRV valuations for non-residential properties and, despite new valuations in 2017, still remain considerably disproportionate. It also includes the ongoing maintenance and service provision of Town assets and services primarily used by residential ratepayers.

Minimum Payment in respect to Residential - GRV
Proposed Minimum Payment of \$1,266

The object of the proposed minimum payment is to ensure that the proportion of increase is consistent with the overall rate increase in this category. It is also recognition that every residential property receives some level of benefit from provided works and services.

Non-Residential - GRV
Proposed rate in the dollar of 0.0965

The object of the proposed rate in the dollar is to ensure that the proportion of total rate revenue derived from non-residential properties remains essentially consistent with previous years. The reason is that the GRV valuations (upon which rates are based) for non-residential properties increased in 2014 by a significantly lesser proportion than the GRV valuations for residential properties and, despite new valuations in 2017, still remain considerably disproportionate. It also includes the ongoing maintenance and service provision of Town assets and services primarily used in a non-residential environment.

Minimum Payment in respect to Residential - GRV
Proposed Minimum Payment of \$1,317

The object of the proposed minimum payment is to ensure that the proportion of increase is consistent with the overall rate increase in this category. It is also recognition that every non-residential property receives some level of benefit from provided works and services.

Summary of Estimated Rate Revenue

	Rate in \$ / Minimum	Property Numbers	Rateable Value \$	Total \$
Differential General Rates				
Residential	0.0863	12,861	280,086,987	24,171,507
Non-Residential	0.0965	1,618	200,806,286	19,377,807
		14,479	480,893,273	43,549,314
Differential Minimum Payments				
Residential	1,266	2,792	36,728,770	3,534,672
Non-Residential	1,317	332	3,506,513	497,244
		3,124	40,235,283	3,971,916
Total		17,603	521,128,556	47,521,230

Important Note

As at the date of publication of this document the Valuer General's Office continues to supply interim valuations to the Town, which are effective for this current financial year. In order to determine the above 'Summary of Estimated Rate Revenue' table, assumptions on interim valuations 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 will be maintained when adopting the final rates in the dollar and minimum payments for the Annual Budget.

Invitation for Submissions

Submissions are invited from any elector or ratepayer with respect to the proposed differential rates, and any related matters. Submissions should be sent to:

**Town of Victoria Park
Locked Bag 437
Victoria Park WA 6979**

and clearly marked ***Differential Rating Submission***.

All submissions are to be received by no later than 4:00 pm on Thursday 13 June 2019.

**A Vuleta
Chief Executive Officer**