



Statement of Rating Objects and Reasons 2020/21

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Invitation to make Submissions

This Statement is provided:

- in accordance with section 6.36 of the *Local Government Act 1995*;
- to inform residents of the City of the objects and reasons for the differential rates being proposed for the 2020/21 financial year; and
- to invite submissions from residents on the proposed differential rates and minimum payments.

Residents wishing to make written submission are invited to lodge their submission with the City **by no later than close of business, 4.45pm, on Thursday 30 July 2020.**

Written Submission can be forwarded to:

**Chief Executive Officer
City of Armadale
7 Orchard Avenue
Armadale WA 6112**

Submissions will also be accepted by email: info@armadale.wa.gov.au or lodged in person at the City's Administration Centre at 7 Orchard Avenue, Armadale.

Should you have any queries in respect to this Statement, please contact our Rates Department on 9394 5777.

Introduction

Rate revenue is an important part of the City's annual budget, enabling the delivery of a variety of services and facilities, including parks and civil infrastructure, recreation facilities, libraries, public halls, waste collection and disposal, urban planning and development approvals, and community services and events.

Rate revenue constitutes around 65% of the City's total operating revenue of \$110m, and is forecast to be \$69.64m in the forthcoming budget.

The City's rating strategy takes a differential approach, one which differentiates property uses between vacant land, developed properties in residential areas (Residential Improved) and developed properties in business districts (Business Improved). This is so there is greater alignment with the strategies, services and projects provided by the City each year.

The intent of this publication is to provide residents and ratepayers with the opportunity to comment on the City's proposed differential rates. This is a statutory requirement under the *Local Government Act 1995*.

The COVID19 Pandemic Emergency

The draft budget for the Financial Year Ending June 2021 (FY21) has been developed in response to the COVID19 Pandemic Emergency. The budget supports local residents and businesses by committing to a **rates freeze**, and also provides economic stimulus through the provision of key projects brought forward.

During the Pandemic, the City reduced its budgets on non-essential activities and services, and set aside \$3.6M in a reserve specifically established for the purpose of Pandemic response and recovery. These funds are proposed to be used (in part) to deliver on the commitment to freeze rates, such that no ratepayer will experience an increase from the rates charge in FY20.

This has been a challenge for the Council, particularly due to the State Government's decision not to defer the general revaluation of properties, which reapportions values between properties within a Local Government district. In a revaluation year, valuations change variably and some ratepayers experience an increase in valuations, whilst others experience a decrease.

This has prompted the Council to:

- Apply the general revaluation, resulting in a decrease in rates for 20,879 ratepayers;
- Apply a rates concession, to ensure those 16,311 ratepayers who would ordinarily experience a rate increase to have their rates frozen;
- Utilise \$1.87M from the Pandemic Response and Recovery reserve to fund the rates concession; and
- Freeze the waste collection and disposal charge

Process to Establish the Rates

Legislative Framework

The Local Government rating system in Western Australia is governed by two State Acts of Parliament – The *Valuations of Land Act 1978* and the *Local Government Act 1995* (the “LGA”).

These two Acts set out how a property is to be valued and the basis for the calculation of rates for every rateable property in a Local Government district, based on its value. The LGA also establishes how a Local Government is to calculate the total amount required to be raised from rates, in order to fund its services and maintain its infrastructure assets.

The *Valuations of Land Act s18 and s22* requires the Valuer General to provide either a valuation on a Gross Rental Value (GRV) basis or on an Unimproved Value (UV) basis, as the case requires, for the purpose of assessing any rate or tax.

The valuation basis is established by the *Local Government Act s6.28* which sets out that the general principle is:

- a) *where the land is used predominantly for rural purposes, the Unimproved Value (UV) of the land; and*
- b) *where the land is used predominantly for non-rural purposes, the Gross Rental Value (GRV) of the land.*

The determination of the actual required rates to be raised is set out in *Section 6.2(2) of the LGA*, which stipulates that in preparation of the annual budget local governments are to prepare detailed estimates for the budget year of –

- a) *“The expenditure by the local government; and*
- b) *the revenue and income, independent of general rates, of the local government; and*
- c) *the amount required to make up the deficiency, if any, shown by comparing the estimated expenditure with the estimated revenue and income”*

Section 6.32(1) of the Act then requires the local government to:

“When adopting the annual budget, a local government –

- (a) *In order to make up the budget deficiency, is to impose a general rate on rateable land within its district ...”*

Local Governments may also apply differential rates, a minimum payment or special area rates for a specific purpose. The application of this type of rating is defined by *section 6.33, 6.35 and 6.37* of the LGA.

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.

(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.

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 subsection (6), on which a minimum payment is imposed.

6.37. Specified area rates

(1) A local government may impose a specified area rate on rateable land within a portion of its district for the purpose of meeting the cost of the provision by it of a specific work, service or facility if the local government considers that the ratepayers or residents within that area —

(a) have benefited or will benefit from; or

(b) have access to or will have access to; or

(c) have contributed or will contribute to the need for, that work, service or facility.

(4) A local government may only use the money raised from a specified area rate —

(a) to meet the cost of providing the specific work, service or facility for which the rate was imposed; or

(b) to repay money borrowed for anything referred to in paragraph (a) and interest on that money.

Rating Strategy

Rates are used to supplement other sources of funds (fees, charges, grants and interest) to meet the cost of providing the City's services, expenditure on assets, debt repayment and planned savings (transfer to cash reserves). Typically, Local Government rates are a function of:

- The characteristics of the Local Government area such as size, asset base, homogenous or diversified localities, undeveloped, developing or largely developed suburbs etc;
- The services provided by the Local Government;
- The level of service provided by the Local Government;
- The user pays policies of the Council.

Armadale is characterised by its high growth areas, its Strategic Metropolitan Centre and a mix of old and new. It does not necessarily have an intense commercial or industrial centre, however the Forrestdale Business Park and South Forrestdale – Rowley Road Precinct will establish this characteristic in the future. As a result, this has placed a greater reliance on residential rates presently, to contribute to the total rates required.

Council has recognised that the level of service provided does vary between localities, particularly amenities provided and maintained in the newly developed suburbs. To address the difference in service levels, the City has adopted a strategy of Differential Rating and Special Area Rating (SAR) to fund the higher service level directly from those who benefit.

Principles

The City's rates strategy is underpinned by the key values of objectivity, fairness and equity, consistency, transparency and administrative efficiency:

- **Objectivity** – The land on which differential general rates has been rated according to one or more of the following land characteristics:
 - zoning
 - land use
 - vacant land
- **Fairness and Equity** – The City undertakes comprehensive reviews of services, projects, revenues and costs and considers efficiency measures as part of its budget deliberations.

The objects of imposing differential rates and reasons for each proposed differential general rate are clearly explained in this document as to why each differential general rate is proposed to be imposed.

- **Consistency** – The City rates similar properties that are used for the same purpose in the same way. The proposed differential rates align with the rating strategy in the corporate business plan and long term financial plan. A review of other neighbouring or similar local government districts has also been undertaken, and is included in this document.

- **Transparency and Administrative Efficiency** – The City has prepared and made publically available a document and provides public notice as an invitation for submissions to be made by an elector or ratepayer. Each ratepayer submission (if any) will be considered by the Council.

Differential rates

The City of Armadale applies differential rates pursuant to section 6.33(1)(a) and (c) of the *Local Government Act 1995*, i.e. according to whether land is vacant and according to the purpose for which land is zoned under the (3) planning schemes in use within the district.

The differential rates are levied on all non-rural rateable land within the City according to:

- a) Whether or not the land is vacant land (*section 6.33(1)(c) of the Act* refers), and
- b) The purpose for land is zoned under the planning schemes in use within the district (*section 6.33(1)(a) of the Act* refers).

The rates are set at differential levels that provide, as far as is practically possible, a fair and equitable distribution of the rates to each rate category having regard to its demands on the City's services.

Minimum Payments

A minimum payment is applied to each rate category in recognition that every property receives at least a minimum level of benefit from works and services provided by the City.

The minimum payment for each rate category is set at a level that is consistent with previous years and relative to the rate in the dollar for each differential rate group. For example, the minimum payment for the business improved rate category is higher to reflect the higher rate in the dollar, which recognises the higher demand on the City's infrastructure and services as explained above.

The proposed minimum payment of \$1,022 on the vacant land group has been adjusted this year to ensure that it applies to no more than 50% of ratepayers in this category. After applying the general revaluation and before applying the adjusted Rate in the Dollar and Minimum Rate, over 70% of ratepayers would have been assessed at the previous minimum rate of \$1,179. The percentage of ratepayers is now 48.9%.

Special Area Rates (SARs)

The City imposes Special Area Rates (SARs) on certain locations in the district. SARs enables the enhancement of the general amenity of an area by way of increased service levels for the benefit of ratepayers/residents who live or work in the area. This may include services and activities such as litter control, verge and streetscape maintenance, verge mowing etc.

The authority to impose specified area rates is set out in section 6.37 of the *Local Government Act 1995*. This section requires that the money raised from a SAR be used for the purpose for which the rate was imposed, with any residual amount remaining being placed in a reserve for that same purpose. If an amount is not used, a refund or credit must be made.

The City has two categories of SARs – Townscape and Residential. Details of the proposed SARs are outlined in the Special Area Rating section of this document.

A freeze in Local Government Rate Revenue

In response to the COVID 19 Pandemic emergency, the Council directed the Chief Executive Officer to draft the FY21 budget based on a freeze in rate revenue. This means that the City will be budgeting for the same rate revenue it would have raised on 30 June 2020, had the new valuations and the new Rate in the Dollar not applied.

This approach takes into account the additional revenue from new properties during the year. It also factors in reduced revenue from new rates exemptions granted during the year, under *section 6.26(2)(g) of the Local Government Act 1995*.

To enact a freeze on rate revenue, the City is budgeting for **\$69.64m** for FY21.

Rate Revenue from GRV Properties	\$68.08m
Rate Revenue from UV Properties	\$0.73m
<i>Plus</i> Rate Revenue from new Properties	\$1.04m
Subtotal	\$69.85m
<i>Less</i> additional s6.26(2)(g) rate exemption approvals	(\$0.21m)
TOTAL RATES	\$69.64m

A freeze in the Annual Rubbish Charge

Although the proposed annual rubbish charge is separate to rates, most ratepayers when they receive their annual rates notice understandably focus on the total due 'bottom-line' and how it compares to the previous year. In line with the rates freeze objectives, the proposed 2020/21 annual rubbish charge will remain at \$384.

Formulation of the 2020/21 Annual Budget

Local Governments provide a range of community services and facilities funded wholly or in part by revenue raised from rates. The amount of rates required is determined after deducting other sources of revenue from the cost of providing City services and maintaining City assets. Other funding sources include user pays fees, statutory charges, lease revenue, grants, and loan funds for capital projects.

It has been a challenging year managing the budget change process and adapting the budget to the responses required for the COVID19 Pandemic. Nonetheless, the process has been robust and the draft budget as it currently stands represents a thorough review of the City's services, projects, revenues and costs.

The City's operating revenue, including rates, is budgeted to be around \$104M¹. Of this amount, \$83.7M is allocated to services, \$5.2M to loan and lease repayments, \$11.5M to capital works and projects and a net \$3.6M to reserve transfers.

The City supplements its operating revenue with other sources of funds and is planning to deliver a capital works program worth \$48.6M in FY21. This includes \$1.65M for a new fire station for the Bedfordale Volunteer Bushfire Brigade, \$4M for the renewal of the Roleystone Theatre, \$1.56M to improve Forrestdale Sporting facilities and \$2.34M on the Creyk Park pavilion.

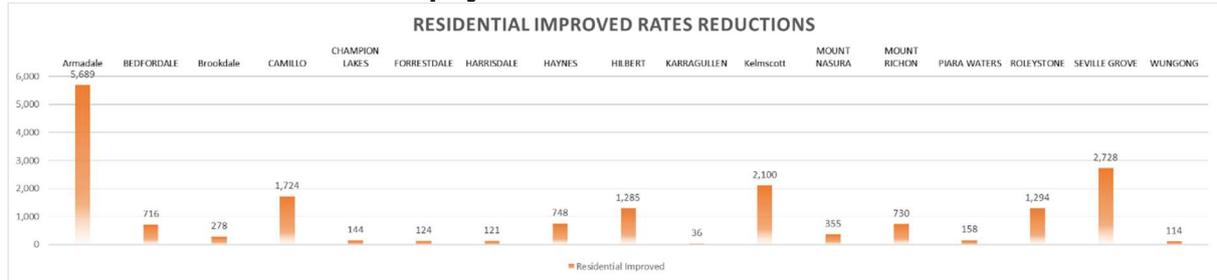
The most notable feature of this year's budget is a freeze in the City's rate revenue, and the application of a \$1.87M rates concession, to ensure that no ratepayer receives a rates increase over and above the rates they paid last year.

This has been necessary due to the State Governments decision not to defer the application of the General GRV property revaluation and is possible through the prudent management of the current FY20 year budget and transfer of \$3.6M to the COVID19 Response and Recovery reserve.

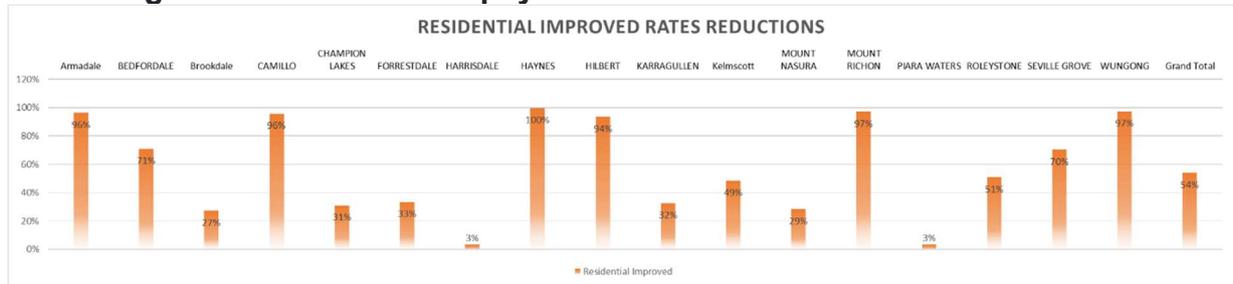
¹ excluding \$5M developer contributions for capital works

The General Revaluation of rateable properties has resulted in significant reductions in residential property values across the City. This is explained further under the section 'The General Revaluation of Rateable Properties'. What this means is that there are 20,879 rateable properties that will receive a decrease in rates. For the 16,311 properties that ordinarily would have been subject to an increase, the rates concession will apply.

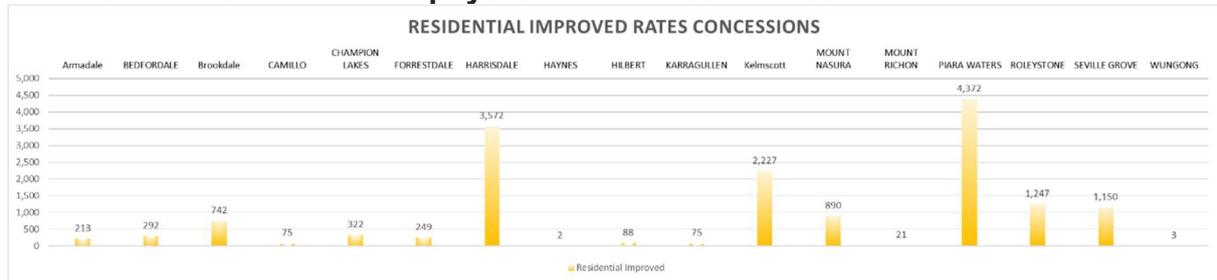
Number of Residential Ratepayers with a decrease in rates



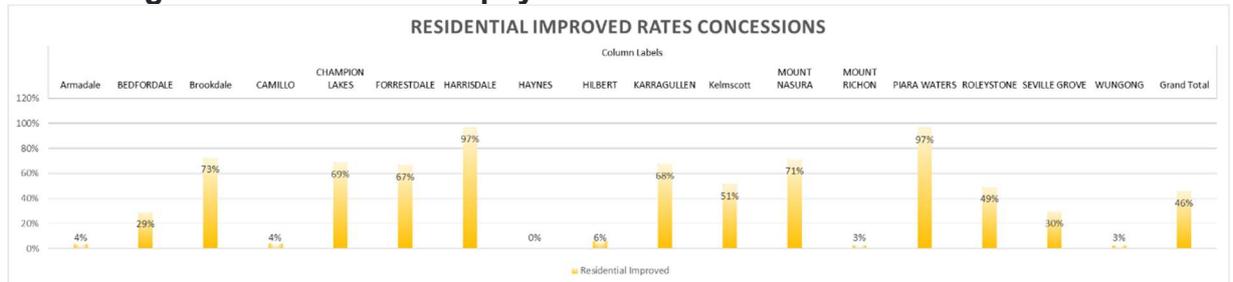
Percentage of Residential Ratepayers with a decrease in rates



Number of Residential Ratepayers with a rates concession



Percentage of Residential Ratepayers with a rates concession



Statement of Rating Objects & Reasons

<i>City of Armadale</i> <i>Rate Setting Statement</i>	2020	2021
	Budget	Recommended Budget
Revenue	\$	\$
General Purpose Funding	5,637,200	3,539,600
Governance	1,598,400	1,451,600
Law, Order and Public Safety	768,400	753,000
Health	171,600	110,000
Education and Welfare	140,700	116,700
Community Amenities	18,254,810	16,959,500
Recreation and Culture	5,707,980	6,143,400
Transport	1,244,400	1,073,300
Economic Services	1,137,200	727,200
Other Property and Services	75,000	75,000
	34,735,690	30,949,300
Expenses		
General Purpose Funding	(1,693,800)	(1,420,300)
Governance	(7,580,100)	(3,827,800)
Law, Order and Public Safety	(3,066,400)	(3,183,700)
Health	(2,086,300)	(2,002,200)
Education and Welfare	(5,059,400)	(4,290,600)
Community Amenities	(30,169,700)	(21,900,000)
Recreation and Culture	(31,691,610)	(35,258,700)
Transport	(36,590,120)	(35,518,200)
Economic Services	(3,757,200)	(3,731,800)
Other Property and Services	(209,400)	(191,300)
	(121,904,030)	(111,324,600)
Net Operating Result Excluding Rates	(87,168,340)	(80,375,300)
Operating activities excluded from budget		
(Profit) / Loss on Asset Disposals	(313,400)	84,600
Depreciation on Lease Assets	0	1,752,200
Depreciation on Assets	24,293,300	24,662,700
Amount attributable to operating activities	23,979,900	26,499,500
Investing Activities		
Non Operating Grants, Subsidies and Contributions	20,938,100	19,185,800
Purchase Land and Buildings	(15,239,600)	(18,833,300)
Purchase Plant and Machinery	(6,209,900)	(5,435,500)
Purchase Furniture and Equipment	(197,100)	(105,300)
Purchase Infrastructure - Roads	(19,592,000)	(9,953,500)
Purchase Infrastructure - Drainage	(3,235,700)	(201,900)
Purchase Infrastructure - Pathways	(2,904,600)	(2,838,900)
Purchase Infrastructure - Parks and Reserves	(7,712,700)	(11,224,700)
Proceeds from Disposal of Assets	2,126,600	1,411,600
Gifted Assets - Roads	0	(9,798,900)
Gifted Assets - Drainage	0	(3,177,000)
Gifted Assets - Pathways	0	(1,524,400)
Gifted Assets - Parks and Reserves	0	(9,278,000)
Infrastructure Assets Contributed by Developers (Gifted Assets)	0	23,778,300
Amount attributable to investing activities	(32,026,900)	(27,995,700)
Financing Activities		
Repayment of Borrowings	(18,671,900)	(5,219,000)
Proceeds from New Borrowings	18,965,600	9,368,200
Transfers to Reserve	(10,988,300)	(15,531,300)
Transfers from Reserve	18,121,240	14,800,500
Transfers from Covid-19 Response Recovery Reserve - Rates Concession	0	1,865,800
Amount attributable to financing activities	7,426,640	5,284,200
Add Estimated Surplus / (Deficit) July 1	17,360,900	7,746,300
Less Estimated Surplus / (Deficit) June 30	0	0
Amount Required from General Rates	(70,427,800)	(68,841,000)

The final budget adoption by Council will occur in August 2020 and is subject to change.

Statement of Rating Objects & Reasons

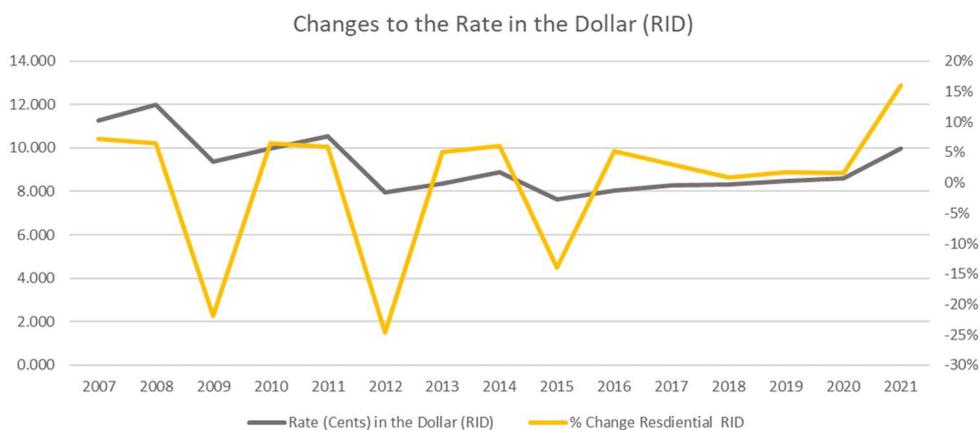
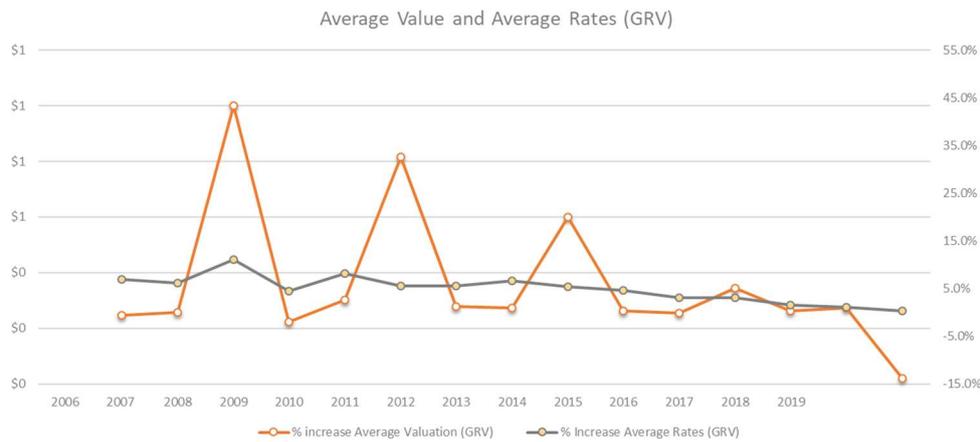
Rating Information		2020/21 New Rateable Value \$	Pre-Revaluation Budgeted Rate Revenue \$	2020/21 Budgeted Rate Revenue \$	2020/21 Budgeted Interim Rates \$	2020/21 Budgeted Total Revenue \$	2019/20 Actual Total Revenue \$	2019/20 Budget Total Revenue \$	
Rate Type	Rate in \$ / cents	Property Numbers #							
Differential Rate									
<u>Gross Rental Value Lands</u>									
Vacant	14.9970	1,150	21,676,190	2,613,554	3,250,778	-	3,250,778	2,811,000	2,811,000
Residential Improved	10.3323	29,680	482,391,160	51,567,810	49,839,015	844,500	50,683,515	50,997,000	50,381,000
Business Improved	9.3570	717	99,533,191	9,370,264	9,312,597	-	9,312,597	9,161,000	9,161,000
<i>Subtotal Differential Rates</i>		31,547	603,600,541	63,551,629	62,402,391	844,500	63,246,891	62,969,000	62,353,000
General Rates									
<u>Unimproved Value Lands</u>									
General Rate	0.4525	127	148,077,000	669,875	670,048	-	670,048	709,000	709,000
Minimum Payment									
<u>Gross Rental Value Lands</u>									
Vacant	1,022	1,099	5,146,673	1,763,784	1,123,178	255,500	1,378,678	2,223,000	2,557,500
Residential Improved	1,179	4,204	42,764,801	3,228,102	4,956,516	-	4,956,516	3,252,000	4,319,500
Business Improved	1,371	340	3,494,423	408,558	466,140	-	466,140	503,000	503,000
<i>Subtotal Differential Minimum Rates</i>		5,643	51,405,897	5,400,444	6,545,834	255,500	6,801,334	5,978,000	7,380,000
<u>Unimproved Value Lands</u>									
General Rural Minimum	1,412	15	3,388,492	21,180	21,180	-	21,180	21,000	21,000
TOTAL									
<u>Gross Rental Value Lands</u>									
Vacant		2,249	26,822,863	4,377,338	4,373,956	255,500	4,629,456	5,034,000	5,368,500
Residential Improved		33,884	525,155,961	54,795,912	54,795,531	844,500	55,640,031	54,249,000	54,700,500
Business Improved		1,057	103,027,614	9,778,822	9,778,737	-	9,778,737	9,664,000	9,664,000
		37,190	655,006,438	68,952,073	68,948,225	1,100,000	70,048,225	68,947,000	69,733,000
<u>Unimproved Value Lands</u>									
General Rural Minimum		142	151,465,492	691,055	691,228	-	691,228	730,000	730,000
GRAND TOTAL		37,332		69,643,128	69,639,453	1,100,000	70,739,453	69,677,000	70,463,000
Less - Rate Concession				(34,749)	(30,000)		(30,000)		(35,200)
Less - Rate Concession - COVID19 Pandemic Response:									
- Vacant					(255,638)		(255,638)		
- Residential Improved					(1,249,524)		(1,249,524)		
- Business Improved					(362,700)		(362,700)		
Less - Back Rates				-	-		-		-
Total General Rates Raised				69,608,379	67,741,591		68,841,591		70,427,800

The General Revaluation of Rateable Properties

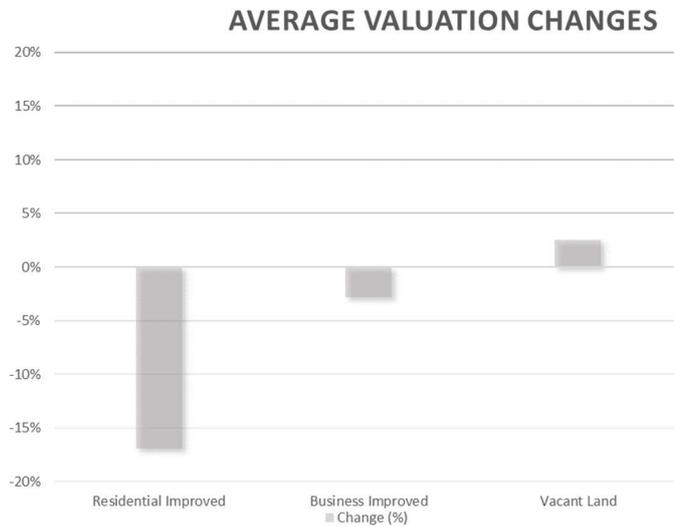
Every three years, a general revaluation of properties in urban areas is applied to the Gross Rental Valuation (GRV) of rateable properties. This does not necessarily affect the total rate yield of a Local Government, as the Rate in the Dollar (RID) is usually adjusted up or down to yield the required rates. This is illustrated in the charts below which clearly show that when property values have increased Council have decreased the RID to generate a similar level of rate income.

The effect of the GRV revaluation is to redistribute the portion each property contributes to the total required rates. The combination of the valuation changes and RID changes normally results in some ratepayers paying more and some paying less.

However, this year to fully enact a *Rate Freeze* and ensure that no Rate Payer pays more than what they would have paid last year, the Council has agreed to apply a *Rates Concession* to properties that would ordinarily have been subject to a rate increase, because of the revaluation.



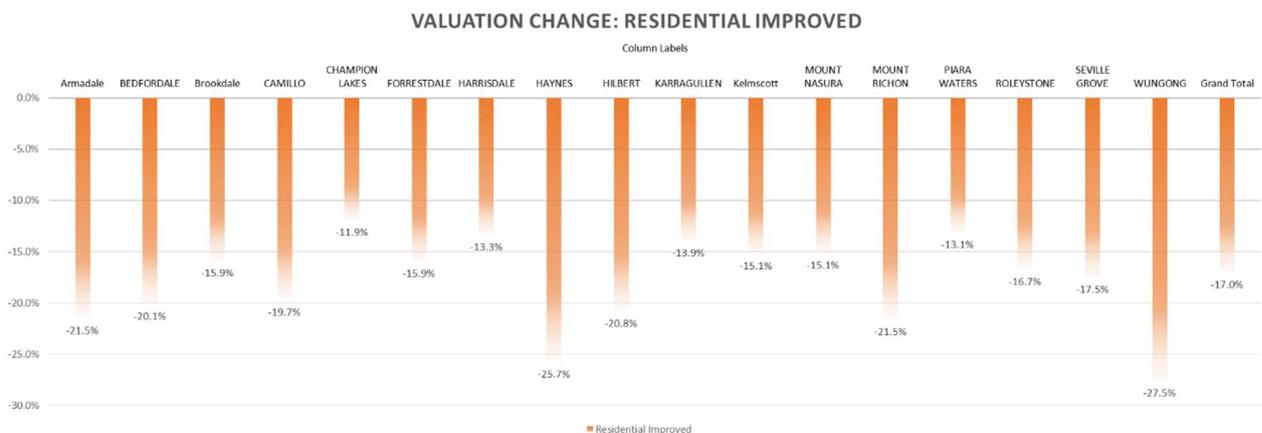
On 1 July 2020, the new GRVs will come into force. The result of the GRV revaluation is a fall overall of \$109.6m (14.33%), down from \$764.6m to \$655m. A closer analysis reveals a 17% decrease on residential properties, a 2.8% decrease on business properties and a 2.5% increase on vacant land.



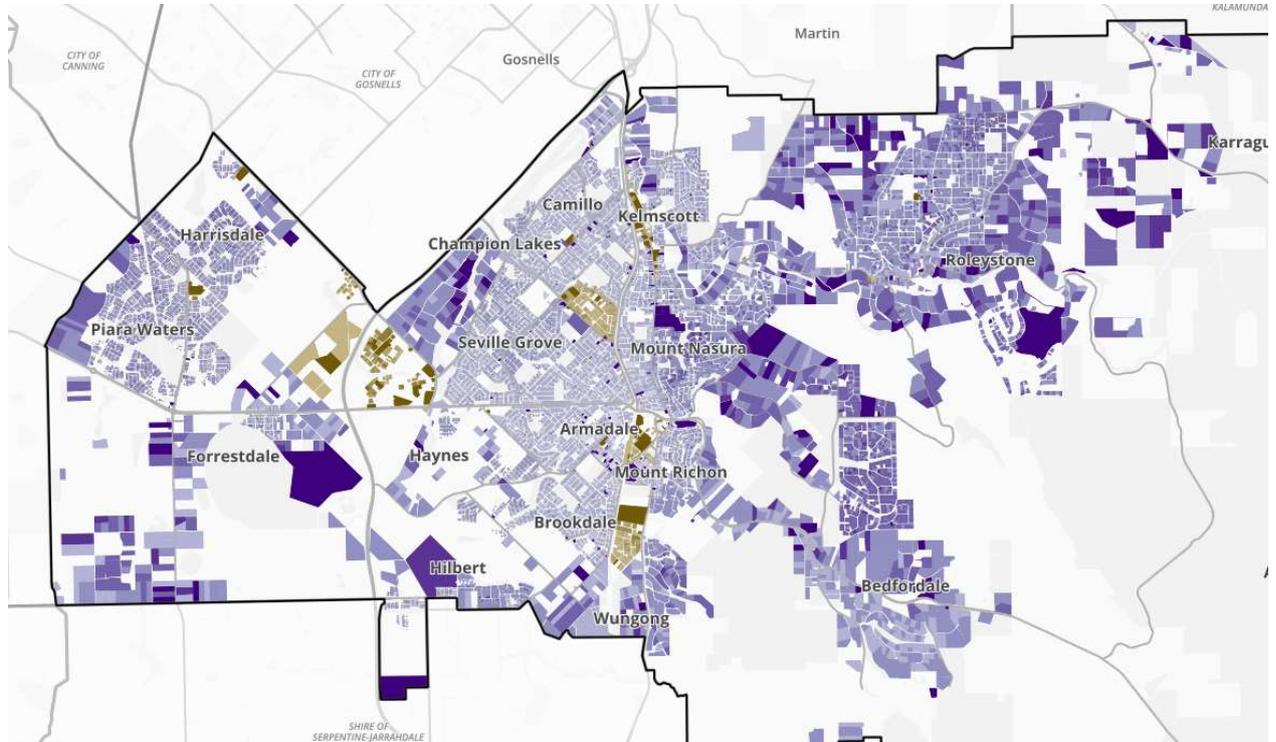
The Council has chosen to adopt a proportional approach to implementing the revaluation, that is – the same proportion of rates is to be raised from each rate category post revaluation, as it would have been pre-revaluation.

	Residential	Business	Vacant
Portion of rates (pre valuation)	79.5%	14.2%	6.3%
Portion of rates (post valuation)	79.5%	14.2%	6.3%

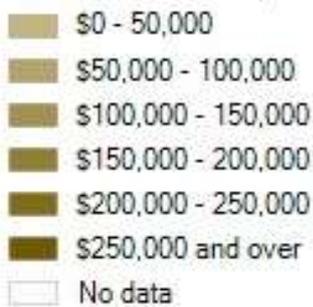
Whilst each rate category portion is held the same, there will be variations in the valuation changes within each rate category, illustrated in the chart below for Residential Improved properties.



The following map shows the Gross Rental Values across the City of Armadale for Business and Residential Improved properties. This is helpful to understand the apportionment of the GRV (and thus rates) across the City,



GRV - Business Improved



GRV - Residential Improved



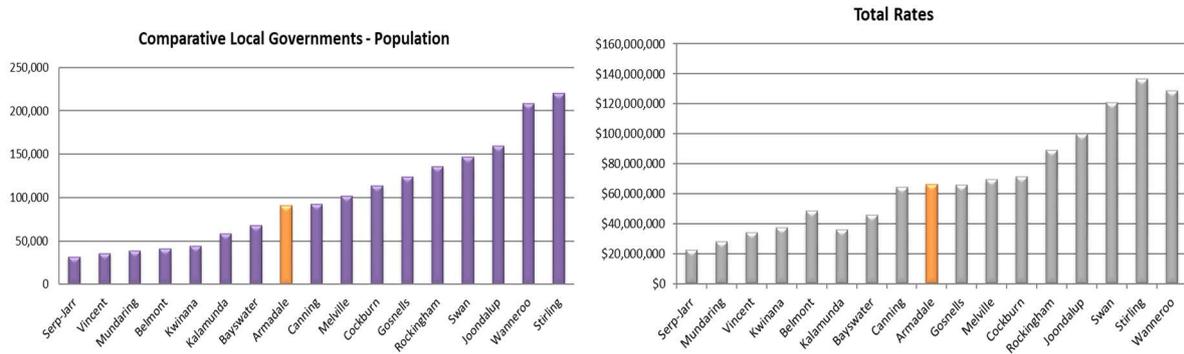
Review of rates in neighbouring or similar local government districts.

Rating Effort and the Level of Rates

The “rating effort”, described as the level of rates required to provide a Local Government’s range of services after deducting all other revenue streams, is a function of both the characteristics of a Local Government district and the level and range of services a Local Government provides.

In the first instance, the range of services provided, the level of service and the user pays polices will generate a funding requirement, to be supplemented by rates. However, rates are also affected by the Local Government area itself – its urban density and the proportion of residential properties to commercial and industrial properties. Put simply, if a district has a higher density or a greater proportion of commercial or industrial development, then the average residential rates will be lower.

To understand these characteristics further, it is useful to compare revenues, property valuations and rates between Local Governments. The next section provides an insight into the City of Armadale’s characteristics compared with other Local Government districts.



A good indicator of rating effort is the percentage (%) of rates compared to the overall revenue of a Local Government, and the average rates, in comparison to other similar Local Governments.

The following data was obtained from the Annual Report of seventeen (17) metropolitan Local Governments for the FY19 financial year.

	City of Armadale	Average Metro	Difference
% of operating revenue	68% ²	63%	5%
Average rates	\$1,854	\$1,759	\$95
Average residential rates	\$1,617	\$1,419	\$198

Residential rates can be greatly influenced by the other property types and localities in a local government district. For example, the City of Belmont receives a \$10M rates equivalent payment from the Perth Airport, which contributes to the overall rate funding requirement. The City of Cockburn has the Jandakot Airport within its district, whilst the City of Canning also has a significant proportion of its district zoned for commercial and industrial use, which provide a higher Gross Rental Valuation over a residential property. Armadale's characteristics are typified by its wide Local Government area, high growth and mixture of low to medium urban density.

² Source: FY19 Financial Statements. This indicator will fall to around 64%-65% with a full year of AFAC operations

Benchmarking of Council Performance

For the last three financial years the City has been an active participant in the *Australasian LG Performance Excellence Program*. This program, developed by Price Waterhouse Cooper (PwC) collates benchmarking data from 130 Councils across Australia and New Zealand. In WA, 28 Councils participated.

The program measures and benchmarks (50) metrics and hereunder is a 'snapshot' of how Armadale has fared in the most recent year of the program on the more important metrics, i.e.

PWC - Metrics	WA	WA (Metro)	Armadale
	FY2019/20		
City Workforce			
FTE's per 1,000 residents	5.2	4.9	4.8
Remuneration as a % of expenses	39%	40%	38%
span of control (other staff per manager)	3.7	3.6	3.3
lost days due to injury incidents per 100 employees	72	77	109
Corporate			
corporate services staff per 100 employees	13.4	12.9	12
customer service staff per 100 employees	4.0	3.9	1.8
Finance staff per 100 employees	4.0	3.7	4.1
ICT staff per 100 employees	2.9	2.8	3.0
Customer service FTE per 10,000 residents	1.4	1.2	0.9
Major Services: Cost per 10,000 residents			
Roads and verges	\$2.37M	\$1.6M	\$1.55M
Waste Services	\$1.32M	\$1.4M	\$1.53M
Parks and Gardens	\$0.83M	\$1.18M	\$1.05M
Sports Grounds/Venues	\$0.40M	\$0.50M	\$0.79M
Other Community Amenities	\$0.20M	\$0.10M	\$0.50M
Public Libraries	\$0.40M	\$0.40M	\$0.38M
Drainage	\$0.50M	\$0.25M	\$0.50M

Whilst the metrics provide an insight into comparable facets of Local Government operations, it is not necessarily indicative of efficiencies in operations. Rather, it often reflects the characteristics of a Local Government. However, it is important that Local Governments explore their cost of services with other similar organisations, to satisfy Council and the Community that services are being provided efficiently and effectively.

The Local Government Performance Excellence program will continue to evolve with plans for additional metrics and greater participation from Local Government across Australia.

Statement of Rating Objects & Reasons

Differential Rates – Gross Rental Value Land

The City of Armadale proposes applying differential rates pursuant to section 6.33(1)(a) and (c) of the *Local Government Act 1995*, i.e. according to whether land is vacant and according to the purpose for which land is zoned under the (3) planning schemes in use within the district.

The differential rates are levied on all non-rural rateable land within the City according to:

1. Whether or not the land is vacant land (section 6.33(1)(c) of the Act refers), and
2. The purpose for which land is zoned under the planning schemes in use within the district (section 6.33(1)(a) of the Act refers).

The City is again proposing (3) differential rate categories for non-rural land valued on its gross rental value, namely:

- Category 1 all vacant land
- Category 2 all improved land that is NOT zoned for business purposes (primarily residential type land); and
- Category 3 all improved land that is zoned for business purposes.

The zonings (under the City of Armadale Town Planning Scheme No. 4, the Armadale Redevelopment Scheme 2004 and the Wungong Urban Water Redevelopment Scheme 2007) that are included in Category 3 – *Business Purposes* include:

City of Armadale Town Planning Scheme No.4

- District Centre
- General Industry
- Industrial Business
- Industrial Development
- Local Centre
- Strategic Regional Centre

MRA - Armadale Redevelopment Scheme 2004:

- MRA – City Centre Rail Station Precinct
- MRA – Forrestdale Business Park Precinct
- MRA – Forrestdale (West) Special Development Precinct
- MRA – Champion Lakes Commercial Precinct
- MRA – Kelmscott Town Centre Precinct

MRA - Wungong Urban Water Redevelopment Scheme 2007

- MRA – Commercial Place Code
- MRA – Town Activity Centre Place Code
- MRA – Neighbourhood Activity Centre Place Code

The proposed rates for 2020/21 are set at differential levels that provide, as far as is practically possible, a fair and equitable distribution of the rates to each rate category having regard to its demands on the City's services.

None of the proposed differential rates are more than twice the lowest differential rate proposed.

The objects and reasons for the imposition of each proposed differential rate are:

Objects

The rates in the dollar and minimum payments are calculated to provide the shortfall in revenue required to enable the City to provide necessary works and services in the 2020/21 Budget year after taking into account all non-rate sources of revenue and are consistent with the City's Strategic Community Plan, Corporate Business Plan and Long Term Financial Plan.

Presented at Appendix G in this Statement, is an overview of the steps and measures Council has taken in determining the required total rates, i.e. expenditure and revenue reviews; benchmarking of service expenses; etc.

The objective of these steps and measures is to keep the required rates to a minimum whilst at the same time ensuring service standards are maintained at levels that are responsive to resident needs.

Reasons

Specifically, the City utilises the following differential categories:

GRV Residential Improved Land

The rate in the dollar is set to ensure the total rate revenue raised by the City is the same rate revenue it would have yielded utilising the previous valuations and previous Rate in the Dollar. This puts effect to a freeze in rate revenue for the FY21 year.

GRV Vacant Land

The rate in the dollar is set to ensure the total rate revenue raised by the City is the same rate revenue it would have yielded utilising the previous valuations and previous Rate in the Dollar. This puts effect to a freeze in rate revenue for the FY21 year. It is higher than residential improved land in an effort to promote the development of all properties to their full potential, thereby stimulating economic growth and development in all areas of the community.

GRV Business Improved Land

The rate in the dollar is set to ensure the total rate revenue raised by the City is the same rate revenue it would have yielded utilising the previous valuations and previous Rate in the Dollar. This puts effect to a freeze in rate revenue for the FY21 year. It is higher than the residential

land rate to recognise the higher demand on the City's infrastructure and services occasioned by matters such as:

- the City's Economic Development function which is largely to provide support for the industrial and commercial community;
- The improvements to the upgrade of and renewal of the street network in the CBD, including improvements to the street lighting systems;
- Increased maintenance and operational costs in and around shopping precincts including verge mowing, litter removal, street trees and weed control spraying;
- Increased maintenance and operational costs in industrial areas, particularly related to drainage; and

UV Rates

The proposed rate in the dollar has been set to ensure that the proportion of total rate revenue derived from unimproved valued (UV) land remains consistent with previous years.

Minimum Payments

A minimum payment is applied to each rate group in recognition that every property receives a minimum level of benefit from works and services provided by the City.

The minimum payments for each rate group have been set at a level that is consistent with previous years and relative to the rate in the dollar for each differential rate group. For example, the minimum payment for the business improved rate group is higher to reflect the higher rate in the dollar to recognise the higher demand on the City's infrastructure and services as explained above.

One change the City is proposing is to the Vacant Land Rate in the Dollar and Minimum Rate. After applying the General Revaluation, it was noted that 70% of vacant land owners would be paying the minimum rate. Anything over 50% requires the Minister for Local Government's consent. It's the City's understanding from previous discussions with the Department of Local Government that the Minister would unlikely approve such a high proportion, therefore the City has remodelled the vacant land RID and minimum rate to yield the same amount from the Vacant Land category, but reduced the number of property owners on the minimum rate. To put this into effect, the RID and the Minimum Rate have been adjusted as follows:

Statement of Rating Objects & Reasons

Option 2b remodelled				2020/21 New Rateable Value \$	Pre-Revaluation Budgeted Rate Revenue \$	2020/21 Budgeted Rate Revenue \$
Rate Type	Rate in \$ / cents	Property Numbers #	% Properties			
Differential Rate						
Vacant	14.9970	1,150	51.1%	21,676,190	2,613,554	3,250,778
Minimum Payment						
Vacant	1,022	1,099	48.9%	5,146,673	1,763,784	1,123,178
TOTAL						
Vacant		2,249		26,822,863	4,377,338	4,373,956

Concession (255,638)

Option 2b Original				2020/21 New Rateable Value \$	Pre-Revaluation Budgeted Rate Revenue \$	2020/21 Budgeted Rate Revenue \$
Rate Type	Rate in \$ / cents	Property Numbers #				
Differential Rate						
Vacant	13.8946	603	26.8%	17,534,540	2,613,554	2,436,350
Minimum Payment						
Vacant	1,179	1,646	73.2%	9,288,323	1,763,784	1,940,634
TOTAL						
Vacant		2,249		26,822,863	4,377,338	4,376,984

Concession (175,580)

Whilst this does not affect the current year gross rate revenue, it does effect the rates concession required in FY21, as the rates for the higher end land owners will increase compared to the decrease experienced by the lower end landowners. The concession required for Vacant Land owners has increased by \$80,000, from \$175,000 to \$255,000.

The proposed minimum payment of \$1,022 on the vacant land group will apply to less than 50 percent of the properties, and will therefore not require approval from the Minister pursuant to section 6.35(5) of the *Local Government Act 1995*.

APPENDIX

The Rating Legislative Framework in detail

In setting the required rates, the Council must have due regard to the requirements of Section 3.18 of the *Local Government Act 1995*, with respect to providing services and facilities. This section stipulates that:

3.18. Performing executive functions

- (1) *A local government is to administer its local laws and may do all other things that are necessary or convenient to be done for, or in connection with, performing its functions under this Act.*
- (2) *In performing its executive functions, a local government may provide services and facilities.*
- (3) *A local government is to satisfy itself that services and facilities that it provides —*
 - (a) *integrate and coordinate, so far as practicable, with any provided by the Commonwealth, the State or any public body; and*
 - (b) *do not duplicate, to an extent that the local government considers inappropriate, services or facilities provided by the Commonwealth, the State or any other body or person, whether public or private; and*
 - (c) *are managed efficiently and effectively.*

For information purposes, the rating provisions of the *Local Government Act 1995* relevant to this Statement are as follows, i.e.

6.28. Basis of rates

- (1) *The Minister is to —*
 - (a) *determine the method of valuation of land to be used by a local government as the basis for a rate; and*
 - (b) *publish a notice of the determination in the Government Gazette.*
- (2) *In determining the method of valuation of land to be used by a local government the Minister is to have regard to the general principle that the basis for a rate on any land is to be —*
 - (a) *where the land is used predominantly for rural purposes, the unimproved value of the land; and*
 - (b) *where the land is used predominantly for non-rural purposes, the gross rental value of the land.*

- (3) *The unimproved value or gross rental value, as the case requires, of rateable land in the district of a local government is to be recorded in the rate record of that local government.*
- (4) *Subject to subsection (5), for the purposes of this section the valuation to be used by a local government is to be the valuation in force under the Valuation of Land Act 1978 as at 1 July in each financial year.*
- (5) *Where during a financial year —*
 - (a) *an interim valuation is made under the Valuation of Land Act 1978; or*
 - (b) *a valuation comes into force under the Valuation of Land Act 1978 as a result of the amendment of a valuation under that Act; or*
 - (c) *a new valuation is made under the Valuation of Land Act 1978 in the course of completing a general valuation that has previously come into force,*

the interim valuation, amended valuation or new valuation, as the case requires, is to be used by a local government for the purposes of this section.

6.32. Rates and service charges

- (1) *When adopting the annual budget, a local government —*
 - (a) *in order to make up the budget deficiency, is to impose* a general rate on rateable land within its district, which rate may be imposed either —*
 - (i) *uniformly; or*
 - (ii) *differentially; and*
 - (b) *may impose* on rateable land within its district —*
 - (i) *a specified area rate; or*
 - (ii) *a minimum payment; and*
 - (c) *may impose* a service charge on land within its district.*

** Absolute majority required.*

- (2) *Where a local government resolves to impose a rate it is required to —*
 - (a) *set a rate which is expressed as a rate in the dollar of the gross rental value of rateable land within its district to be rated on gross rental value; and*
 - (b) *set a rate which is expressed as a rate in the dollar of the unimproved value of rateable land within its district to be rated on unimproved value.*
- (3) *A local government —*
 - (a) *may, at any time after the imposition of rates in a financial year, in an emergency, impose* a supplementary general rate or specified area rate for the unexpired portion of the current financial year; and*

(b) is to, after a court or the State Administrative Tribunal has quashed a general valuation, rate or service charge, impose a new general rate, specified area rate or service charge.*

** Absolute majority required.*

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.*

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 subsection (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 subsection (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; and
 - (b) to land rated on unimproved value; and
 - (c) to each differential rating category where a differential general rate is imposed.

6.36. Local government to give notice of certain rates

- (1) Before imposing any differential general rates or a minimum payment applying to a differential rate category under section 6.35(6)(c) a local government is to give local public notice of its intention to do so.
- (2) A local government is required to ensure that a notice referred to in subsection (1) is published in sufficient time to allow compliance with the requirements specified in this section and section 6.2(1).
- (3) A notice referred to in subsection (1) —
 - (a) may be published within the period of 2 months preceding the commencement of the financial year to which the proposed rates are to apply on the basis of the local government's estimate of the budget deficiency; and
 - (b) is to contain —
 - (i) details of each rate or minimum payment the local government intends to impose; and
 - (ii) an invitation for submissions to be made by an elector or a ratepayer in respect of the proposed rate or minimum payment and any related matters within 21 days (or such longer period as is specified in the notice) of the notice; and

- (iii) *any further information in relation to the matters specified in subparagraphs (i) and (ii) which may be prescribed; and*
 - (c) *is to advise electors and ratepayers of the time and place where a document describing the objects of, and reasons for, each proposed rate and minimum payment may be inspected.*
- (4) *The local government is required to consider any submissions received before imposing the proposed rate or minimum payment with or without modification.*
- (5) *Where a local government —*
 - (a) *in an emergency, proposes to impose a supplementary general rate or specified area rate under section 6.32(3)(a); or*
 - (b) *proposes to modify the proposed rates or minimum payments after considering any submissions under subsection (4),*

it is not required to give local public notice of that proposed supplementary general rate, specified area rate, modified rate or minimum payment.

6.37. Specified area rates

- (1) *A local government may impose a specified area rate on rateable land within a portion of its district for the purpose of meeting the cost of the provision by it of a specific work, service or facility if the local government considers that the ratepayers or residents within that area —*
 - (a) *have benefited or will benefit from; or*
 - (b) *have access to or will have access to; or*
 - (c) *have contributed or will contribute to the need for,*

that work, service or facility.
- (2) *A local government is required to —*
 - (a) *use the money from a specified area rate for the purpose for which the rate is imposed in the financial year in which the rate is imposed; or*
 - (b) *to place it in a reserve account established under section 6.11 for that purpose.*
- (3) *Where money has been placed in a reserve account under subsection (2)(b), the local government is not to:*
 - (a) *change the purpose of the reserve account; or*
 - (b) *use the money in the reserve account for a purpose other than the service for which the specified area rate was imposed,*

and section 6.11(2), (3) and (4) do not apply to such a reserve account.
- (4) *A local government may only use the money raised from a specified area rate:*
 - (a) *to meet the cost of providing the specific work, service or facility for which the rate was imposed; or*
 - (b) *to repay money borrowed for anything referred to in paragraph (a) and interest on that money.*

- (5) *If a local government receives more money than it requires from a specified area rate on any land or if the money received from the rate is no longer required for the work, service or facility the local government:*
- (a) *may, and if so requested by the owner of the land is required to, make a refund to that owner which is proportionate to the contributions received by the local government; or*
 - (b) *is required to allow a credit of an amount proportionate to the contribution received by the local government in relation to the land on which the rate was imposed against future liabilities for rates or service charges in respect of that land.*