



Statement of Rating Objects and Reasons 2023/24

Table of Contents

Invitation to make Submissions	3
Introduction	4
Process to Establish the Rates	5
Legislative Framework	5
Rating Strategy.....	7
Principles.....	7
Differential rates	8
Minimum Payments.....	8
Specified Area Rates (SARs)	9
Formulation of the 2023/24 Annual Budget.....	10
Review of rates in neighbouring or similar local government districts.	13
Rating Effort and the Level of Rates	13
General Gross Rental Value (GRV) Revaluation.....	14
Benchmarking of Council Performance	15
Differential Rates – Gross Rental Value Land Category	16
Minimum Payments.....	19
Specified Area Rates (SARs)	20
APPENDIX.....	21
The Rating Legislative Framework in detail – Setting the Required Rates	21

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 and each minimum amount being proposed, why each rate is proposed and why it is set at the proposed amount for the 2023/24 financial year; and
- to invite submissions from our electors or ratepayers in respect of the proposed rates or minimum payments and any related matters.

Residents and electors wishing to make written submission are invited to lodge their submission with the City **by no later than 5pm on Wednesday 21 June 2023**.

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 63% of the City's total operating revenue of \$131m, and is forecast to be \$82.5m in the forthcoming budget.

Land is rated according to

- unimproved value (UV) for land used predominantly for rural purposes or
- gross rental value (GRV) for land used predominantly for non-rural purposes.

The City proposes to apply a single general rate to all of the properties in the unimproved value (UV) category, where the predominant use is rural.

The City proposes to continue to distinguish between land in our Gross Rental Value (urban) areas on the basis that it is:

- vacant land; or
- improved land that is primarily residential in nature and is NOT zoned for business purposes; or
- improved land that is zoned for business purposes

and apply a differential general rate and minimum payment to each.

The purpose of the imposition of a differential general rate and minimum payment is to ensure that there is alignment with the services, facilities, assets and projects provided by the City each year, and every landowner makes a reasonable contribution to the rate revenue required.

The intent of the 2023/24 Statement of Objects and Reasons for differential rating is to provide information that allows electors and residents to consider the proposed differential and minimum rates and invite written submissions that will allow council to consider these matters as part of its annual budget process. This is a requirement under the *Local Government Act 1995*.

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.

Further details are provided in the appendix, however the more pertinent sections of the LGA pertaining to Differential Rates and Specified Area Rates follow.

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 suburbs. 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 submission (if any) will be considered by the Council.

Differential rates

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

The differential rates are levied on all Gross Rental Value (GRV) this is predominantly non-rural use rateable land within the City, according to:

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

The City is again proposing three (3) GRV differential rate categories and minimum rates for non-rural land, namely:

- **Category 1 – Vacant Land:** all vacant land
- **Category 2 – Residential Improved:** all improved land that is NOT zoned for business purposes (i.e. primarily residential land);
- **Category 3 – Business Improved:** all improved land that is zoned (pursuant to the City's Town Planning Scheme No.4, the Armadale Redevelopment Scheme 2004 and the Wungong Urban Water Redevelopment Scheme 2007) for business purposes.

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. Each is proposed at an amount which recognises the characteristics and particular demand on the City's infrastructure and services.

Specified Area Rates (SARs)

The City imposes Specified 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.

The Townscape Amenity Service has 4 business/commercial areas;

- Specified Area A – Armadale Town Centre
- Specified Area B – Kelmscott Town Centre
- Specified Area C – Kelmscott Industrial Area
- Specified Area D - South Armadale Industrial Area

The Residential Amenity Service has two areas;

- Specified Area F – North Forrestdale
- Specified Area G – Champion Lakes

Formulation of the 2023/24 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 continues to be challenging managing the budget change process and adapting to the current economic conditions of increased inflation. 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 \$131M. Rate revenue constitutes \$82.5M.

The City supplements its operating revenue with other sources of funds and has a draft capital works program worth \$26M for the financial year ending 30 June 2024 (FY24).

LTFP (extract)
Draft Rate Setting Statement (By Program) for 2023/24

	2022/23	2023/24
	\$	\$
OPERATING ACTIVITIES		
Net current assets at start of financial year - surplus/(deficit)	3,219,643	0
Revenue from operating activities (excluding rates)		
Specified area and ex gratia rates	565,230	579,600
Operating grants, subsidies and contributions	10,070,900	10,524,000
Fees and charges	32,905,100	34,385,800
Interest Earnings	1,337,400	2,397,600
Other Revenue	378,200	395,200
Profit on asset disposals	42,200	42,200
	45,299,030	48,324,400
Expenses from operating activities		
Employee Costs	(44,922,300)	(46,943,800)
Materials and contracts	(51,747,600)	(54,076,200)
Utility Charges	(3,742,100)	(3,910,500)
Depreciation on non current assets	(26,425,100)	(26,999,600)
Interest Expenses	(1,167,500)	(1,220,000)
Insurance Expenses	(774,100)	(1,400,000)
Other Expenditure	(1,282,800)	(1,340,500)
Loss on asset disposals	(1,809,500)	(2,000,000)
	(131,871,000)	(137,890,600)
Non-cash amounts excluded from operating activities	28,192,400	29,381,530
Amount attributable to operating activities	(58,379,570)	(60,184,670)
INVESTING ACTIVITIES		
Non Operating Grants, Subsidies and Contributions	8,711,000	8,047,300
Developer Contribution Plans - Cash	658,900	12,260,300
Purchase Land and Buildings	(6,179,000)	(10,313,700)
Purchase Plant and Machinery	(2,948,000)	(2,719,400)
Purchase Furniture and Equipment	(498,400)	(575,000)
Purchase Infrastructure - Roads	(9,651,000)	(6,674,800)
Purchase Infrastructure - Drainage	(1,275,000)	(825,000)
Purchase Infrastructure - Pathways	(2,556,800)	(1,085,800)
Purchase Infrastructure - Parks and Reserves	(3,666,200)	(4,111,900)
Gifted Assets - Drainage	(3,750,000)	(4,735,000)
Gifted Assets - Parks and Reserves	(6,979,000)	(4,935,300)
Gifted Assets - Pathways	(2,071,000)	(2,763,700)
Gifted Assets - Roads	(13,567,000)	(17,566,000)
Infrastructure Assets Contributed by Developers (Gifted Assets)	26,367,000	30,000,000
Proceeds from Disposal of Assets	653,400	829,700
	(16,751,100)	(5,168,300)
Non-cash amounts excluded from investing activities	1,995,600	(6,410,800)
Amount attributable to investing activities	(14,755,500)	(11,579,100)
FINANCING ACTIVITIES		
Repayment of Borrowings	(3,971,344)	(4,243,300)
Principal Elements of Lease Payments	(1,522,600)	(1,846,900)
Proceeds from New Borrowings	5,344,800	3,285,800
Transfers to Cash Backed Reserve	(19,987,559)	(18,800,400)
Transfers from Cash Backed Reserve	12,456,230	16,048,600
Amount attributable to financing activities	(7,680,473)	(5,556,200)
Budget deficiency before imposition of general rates	(77,595,900)	(82,488,270)
Estimated amount to be raised from general rates	77,595,900	82,488,270
Net current assets at end of financial year - surplus/(deficit)	0	0

Statement of Rating Objects & Reasons

Rating Information			2023/24	Pre-Revaluation	2023/24	2023/24	2023/24	2022/23	2022/23
Rate Type	Rate in	Property	New	Budgeted	Budgeted	Budgeted	Budgeted	Forecast	Budget
	\$ / cents	Numbers	Rateable	Rate	Rate	Interim	Total	Total	Total
		#	Value	Revenue	Revenue	Rates	Revenue	Revenue	Revenue
			\$	\$	\$	\$	\$	\$	\$
Differential Rate									
<u>Gross Rental Value Lands</u>									
Vacant	14.5778	774	18,972,836	3,170,474	2,765,813	-	2,765,813	3,337,737	3,337,737
Residential Improved	9.4040	30,154	601,182,765	56,250,919	56,534,968	961,624	57,496,592	55,702,756	55,702,756
Business Improved	9.8134	773	109,082,508	10,217,580	10,704,722	-	10,704,722	10,092,064	10,092,064
<i>Subtotal Differential Rates</i>		31,701	729,238,109	69,638,973	70,005,503	961,624	70,967,127	69,132,557	69,132,557
General Rates									
<u>Unimproved Value Lands</u>									
General Rate	0.4755	125	142,746,000	648,264	678,722	-	678,722	642,800	668,611
Minimum Payment									
<u>Gross Rental Value Lands</u>									
Vacant	1,175	2,126	11,491,178	1,859,328	2,497,157	58,729	2,555,886	2,006,410	2,006,410
Residential Improved	1,356	5,652	73,531,893	5,220,126	7,666,429	67,821	7,734,250	5,266,304	5,266,304
Business Improved	1,577	341	3,855,954	514,064	537,725	11,827	549,551	518,224	518,224
<i>Subtotal Differential Minimum Rates</i>		8,119	88,879,025	7,593,518	10,701,311	138,376	10,839,687	7,790,938	7,790,938
<u>Unimproved Value Lands</u>									
General Rural Minimum	1,624	14	3,426,500	19,331	22,735	-	22,735	23,795	23,795
TOTAL									
<u>Gross Rental Value Lands</u>									
Vacant		2,900	30,464,014	5,029,802	5,262,970	58,729	5,321,699	5,344,147	5,344,147
Residential Improved		35,806	674,714,658	61,471,045	64,201,398	1,029,444	65,230,842	60,969,060	60,969,060
Business Improved		1,114	112,938,462	10,731,644	11,242,447	11,827	11,254,274	10,610,288	10,610,288
		39,820	818,117,134	77,232,491	80,706,814	1,100,000	81,806,814	76,923,495	76,923,495
<u>Unimproved Value Lands</u>									
General Rural Minimum		139	146,172,500	667,595	701,457	-	701,457	692,406	692,406
GRAND TOTAL		39,959		77,900,086	81,408,271	1,100,000	82,508,271	77,615,901	77,615,901
Less - Rate Concession					(20,000)		(20,000)	(20,000)	(20,000)
Less - Back Rates					-		-	-	-
Total General Rates Raised					81,388,271		82,488,271	77,595,901	77,595,901
Rate Equivalent Payments and Adjustments					30,000		30,000	30,000	30,000
Specified Area Rates Raised					579,546		579,546	548,730	548,730
Total Rates Raised					81,997,817		83,097,816	78,174,631	78,174,631

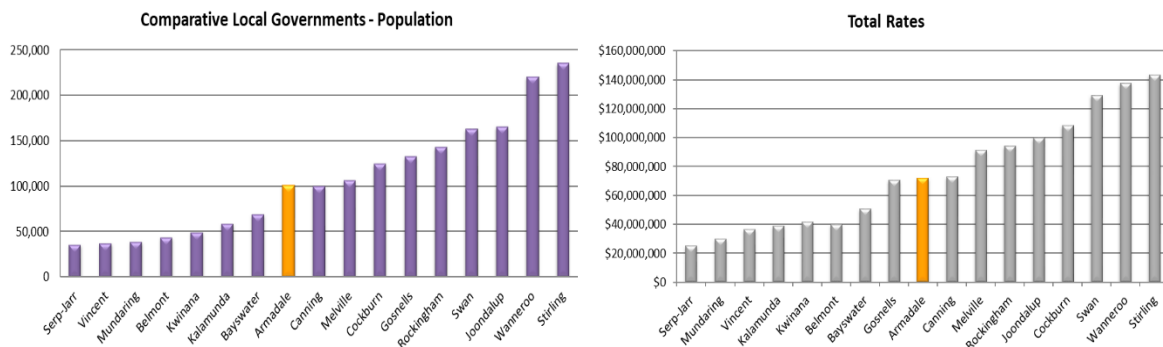
Review of rates in neighbouring or similar local government districts.

Rating Effort and the Level of Rates

The “rating effort” is described as the level of rates required to provide a Local Government’s range of services after deducting all other revenue streams. It 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 fifteen (15) metropolitan Local Governments for the FY22 financial year.

Rating Effort	City of Armadale	Average Metro LG's	Difference	City of Armadale	Average Metro LG's	Difference	Change FY22 to FY21
	FY21			FY22			
% of operating revenue	64%	66%		63%	66%		
Average Residential, Commercial and Vacant Land Rates	\$1,863	\$1,780*	\$83	\$1,916	\$1,854*	\$62	-\$21
Average Residential Rates only	\$1,641	\$1,494*	\$147	\$1,667	\$1,454*	\$213	\$66

*City of Belmont and City of Canning excluded from the analysis

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 substantial 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.

General Gross Rental Value (GRV) Revaluation

Every three years, a general revaluation of properties in urban areas is applied to the property's Gross Rental Valuation (GRV). 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. 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.

The GRV represents the gross annual rental that a property might reasonably be expected to earn annually if it were rented, including rates, taxes, insurance and other outgoings. The GRV is calculated by Landgate for all rateable and leviable properties in Western Australia regardless of whether the property is being rented or owner occupied.

All properties within a Local Government area are assessed at the same date. This date is used by valuers to ensure a fair and equitable assessment is completed for all properties at a given point in time. The assessment date, which is known as the Date of Valuation is conducted every 3 years for the metropolitan area and 3 to 6 years for regional areas, depending on the Local Government. The GRV remains in force for the respective 3 to 6 year period until the next GRV is calculated.

Valuers at Landgate collect rental evidence at the date of valuation. The rental evidence is analysed to establish property market levels, with individual property attributes considered to determine a fair rental value for each property.

Given the time it takes to collect and analyse evidence and calculate new GRV's for all Western Australian properties, there is a delay between the date of valuation and the date the valuations are applied by Local Governments. For Local Governments located in the metropolitan area this timeframe is around 23 months between the date of valuation and the effective date (when they can apply the valuation to general rates, taxes or charges). In other words the date of valuation for the GRV applied for 1 July 2023 is 1 August 2021.

On 1st July 2023, the new GRV's will come into force. The result of the GRV revaluation is an increase overall of \$122M up from \$696M to \$818M. A closer analysis reveals an average 20.5% increase on residential properties, 5% increase on commercial properties and 6.5% increase on vacant land.

The effect of the GRV changes is a shift in the proportionate value between each of the rating categories (Vacant, Residential and Business) and between the suburbs themselves.

Benchmarking of Council Performance

For the last four 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 program on the more important metrics, i.e.

PWC Metrics	WA	WA (Metro)	Armadale
City Workforce			
Employees per 1,000 Residents	4.90	4.80	4.20
Employee costs per 1,000 Residents	511k	511k	507k
Employee costs as a percentage of expenses	36.00%	39.00%	36.00%
Corporate			
Corporate Services Staff per 100 employees	12.00	11.80	11.40
Customer Service staff per 100 employees	2.60	2.50	1.60
Finance staff per 100 employees	4.10	3.80	3.50
Human Resources staff per 100 employees	2.40	2.40	2.10
ICT Staff per 100 employees	2.90	3.00	4.20
Customer Service FTE per 10,000 residents	1.00	1.00	0.70
Major Services: Cost per 10,000 residents			
Roads and Bridges	\$1,557,957	\$1,545,449	\$1,858,934
Solid Waste Management	\$1,382,415	\$1,425,705	\$1,374,771
Parks and gardens (lakes)	\$1,199,450	\$1,240,925	\$1,390,544

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.

Rates Increase FY24

The Council has decided to propose an increase in rates of 4.5% based on the WALGA Local Government Cost Index. In determining this position, Council has reviewed the increase in costs over the last few years in comparison to the rates increases applied.

The WALGA LGCI over the past five years has been a total of 15.8% compared to the rates increases of 8.55% over the same period. Through prudent financial management by the Council and significant efficiency gains across the organisation, the City has been able to keep rates increases lower, including a zero increase in FY21. However, to maintain services levels in the current economic climate, Council has proposed an increase to keep pace with its costs.

RATES	FY19	FY20	FY21	FY22	FY23	Total 5 Yrs	Avg p.a.
WALGA LGCI	1.90%	1.60%	1.40%	6.40%	4.50%	15.80%	3.16%
CoA Rate Increases	1.75%	1.55%	0.00%	1.25%	4.00%	8.55%	1.71%
<i>Difference</i>	-0.15%	-0.05%	-1.40%	-5.15%	-0.50%	-7.25%	-1.45%

Differential Rates – Gross Rental Value Land Category

The City of Armadale applies differential rates to Gross Rental Valued (GRV) properties, 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 (GRV) 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.

The City is again proposing three (3) GRV differential rate categories for non-rural land, 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

Specifically, the City utilises the following differential categories with these objects and reasons:

GRV Residential Improved Land

The objective of this differential rate is to apply a base differential general rate to developed land, zoned for non-business purposes. It acts as the City's benchmark differential rate by which all other GRV rated properties are assessed.

The reasons for this rate is to ensure that all ratepayers make a reasonable contribution towards the ongoing maintenance and provision of works, services and facilities throughout the City of Armadale. It is also lower than the vacant land differential rate as the City is encouraging owners of larger land holdings to develop, rather than land bank.

The proposed rate in the dollar for this GRV differential is 9.4040 cents in the dollar, which is an increase of 4.5% based on the WALGA Local Government Cost Index for FY23 . A minimum rate of \$1,356 applies to this category, which is also an increase of 4.5% on last year's minimum rate.

GRV Vacant Land

The objective of this differential rate is to impose a higher differential rate for vacant land, to encourage development within the City.

The reason for this rate is to achieve a fair and equitable contribution from owners of vacant land, particularly owners of land with development potential, towards the improvement and delivery of services, assets and facilities by the City. It is an effort to promote the development of all properties to their full potential, thereby stimulating economic growth and development.

The proposed rate in the dollar for this category is 14.5778 cents in the dollar, an increase of 4.5% based on the WALGA Local Government Cost Index for FY23. A minimum rate of \$1,175 applies to this category, which is an increase of 4.5% from last year. The lower minimum rate (than the Residential Improved category) is to ensure fairness and equity for owners of smaller residential lots, who may not necessarily be benefiting from the full range of City services.

GRV Business Improved Land

The objective for this differential rate is to ensure that all properties within the City, zoned as Business Improved under Town Planning Scheme 4 (i.e. within metropolitan city, district or local centres) contribute fairly and equitably towards City services.

The reason for this rate in the dollar is set to ensure that the amount of rates derived from business improved land recognises the specific demands 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.

The proposed rate in the dollar for this category is 9.8134 cents in the dollar, which is an increase of 4.5% based on the WALGA Local Government Cost Index FY23. A minimum payment of \$1,577 applies to this category, which is also an increase of 4.5%.

UV Rates

The objective for this general rate for unimproved valued (UV) properties is to ensure a fair and equitable contribution from UV land towards services and facilities provided by the City.

The reason for this rate is to recognise the nature, scale and extent of rural activity and access to services, assets and facilities.

The proposed rate in the dollar has been set to 0.4755, which yields a 4.5% (WALGA Local Government Cost Index FY23) increase in rates from UV rated properties. A minimum payment of \$1,624 applies to this category, also an increase of 4.5%.

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.

Note that the proposed minimum payment of \$1,124 on the vacant land category may apply to more than fifty percent (50%) of all vacant land properties, and would require approval from the Minister pursuant to section 6.35(5) of the *Local Government Act 1995* before the Council could impose the minimum rate for vacant land.

Specified Area Rates (SARs)

The City imposes Specified 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.

The Townscape Amenity Service has four business/commercial areas;

- Specified Area A – Armadale Town Centre
- Specified Area B – Kelmscott Town Centre
- Specified Area C – Kelmscott Industrial Area
- Specified Area D - South Armadale Industrial Area

The Residential Amenity Service has two areas;

- Specified Area F – North Forrestdale
- Specified Area G – Champion Lakes

Further details, including maps of the SAR areas are provided in the City's Annual Budget.

APPENDIX

The Rating Legislative Framework in detail – Setting the Required Rates

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.*