

TOWN OF COTTESLOE



AGENDA FORUM

ATTACHMENT

ITEM 10.1.9: STATEMENT OF DIFFERENTIAL RATES

Statement of Rating Objects and Reasons

In accordance with section 6.36 of the *Local Government Act 1995* and the Council's Notice of Intention to Levy Differential Rates and Minimum Payments, the following information details the objectives and reasons for those proposals.

Executive Summary

The following rating principles are proposed in this Statement of Rating Objects and Reasons for the 2017/18 rating year:

- Gross Rental Values apply to the following differential general rate categories; Residential, Commercial (now includes Shopping Centres), Industrial, Mass Accommodation, Tourist Accommodation;
- The current Gross Rental Values have a date of valuation of 1 July 2017 – that is, the Town has received a general valuation in the last 12 months with valuations that came into force on 1 July 2017;
- The proposed rates model will yield \$9,768,281.00 in total rate revenue which is a 3% decrease from the 2015/16 Budget.
- This 3% increase is composed of approximately a 2% increase to all property types and a 1% increase in growth to the rating database in 2015/2016

What Are Rates?

Rates are a tax levied on all rateable properties within the boundaries of the Town of Cottesloe in accordance with the *Local Government Act 1995*.

The overall objective of the proposed rates in the 2017/18 Budget is to provide for the net funding requirements of the Town's services, activities, financing costs and the current and future capital requirements of the Town, after taking into account all other forms of revenue.

The formulation of a rating system is about achieving a means by which Council can raise sufficient revenue to pay for the services it provides. Throughout Australia, the basis of using property valuations has been found to be the most appropriate means of achieving rating equity; however, the achievement of a wholly equitable rating system for all properties, in all areas, is a difficult task if it is based on the property valuations alone. For this reason there are refinement options made available, such as differential rating, that the Town of Cottesloe has elected to use.

In Western Australia land is valued by Landgate Valuation Services (Valuer General's Office – a State Government agency) and those valuations are forwarded to each Local Government.

Two types of values are calculated - Gross Rental Value (GRV) which generally applies for urban areas; and Unimproved Value which generally applies for rural land.

Local Government Act 1995 – Rating Provisions

The *Local Government Act 1995* sets out the basis on which differential general rates may be based as follows:

Section 6.32 (1) of the *Local Government Act 1995* states:

- (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*

Differential Rates

Part Six - Financial management

Division Six - Rates and service charges

6.33. Differential general rates

- (1) *A local government may impose differential general rates according to any, or a combination, of the following characteristics -*
 - (a) *the purpose for which the land is zoned, whether or not under a local planning scheme or improvement scheme in force under the Planning and Development Act 2005; or*
 - (b) *a purpose for which the land is held or used as determined by the local government; or*
 - (c) *whether or not the land is vacant land; or*
 - (d) *any other characteristic or combination of characteristics prescribed.*
- (2) *Regulations may -*
 - (a) *specify the characteristics under subsection (1) which a local government is to use; or*
 - (b) *limit the characteristics under subsection (1) which a local government is permitted to use.*
- (3) *In imposing a differential general rate a local government is not to, without the approval of the Minister, impose a differential general rate which is more than twice the lowest differential general rate imposed by it.*
- (4) *If during a financial year, the characteristics of any land which form the basis for the imposition of a differential general rate have changed, the local government is not to, on account of that change, amend the assessment of rates payable on that land in respect of that financial year but this subsection does not apply in any case where section 6.40(1) (a) applies.*
- (5) *A differential general rate that a local government purported to impose under this Act before the Local Government Amendment Act 2009 section 39(1) (a) came into operation 1 is to be taken to have been as valid as if the amendment made by that paragraph had been made before the purported imposition of that rate.*

[Section 6.33 amended by No. 38 of 2005 s. 15; No. 17 of 2009 s. 39; No. 28 of 2010 s. 34.]

Minimum Rates

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.*

[Section 6.35 amended by No. 49 of 2004 s. 61.]

2017/18 Budget Proposal

The following are the proposed Differential General Rates and Minimum Payments for the Town of Cottesloe for the 2017/18 financial year, to be effective from 1 July 2017.

Rate Category	Rate in the \$	Minimum Payment	Total Assessments	Number on minimum	Yield
GRV Residential Improved	0.06139	\$1,090.00	3451	259	8,276,350
GRV Residential Vacant	0.06139	\$1,090.00	109	13	282,207
GRV Commercial Improved	0.06139	\$1,090.00	70	11	466,429
GRV Commercial Town Centre	0.07169	\$1,090.00	135	8	740,788
GRV Industrial	0.06139	\$1,090.00	1	0	1,906

The above rate model will yield \$9,768,281.00 in rate revenue which is a 3% increase on current year to date actual rate revenue. Whilst the above model indicates a net revenue reduction, there will be some slight rate increases within individual rate categories due the use of differential rating to achieve an equitable distribution of the rate burden. This is discussed further within this paper.

Gross Rental Valuation

The rates in the dollar are based on the general valuation as supplied by the Valuer General in respect of gross rental values effective from 1 July 2017.

The Valuer General is required to maintain valuations of all rateable land in Western Australia for rating and taxing purposes. These values are assessed every three years by Landgate Valuers to complete what is known as a General Valuation. Every property is valued as a date set by the Valuer General and this is referred to as the Date of Valuation. Rating valuations are therefore assessed at a snapshot in time reflecting the property market for the local area at the same time. This ensures consistency and fairness in the allocation of rates.

The gross rental value is determined by collecting rental evidence to determine the fair rental value for each property. The rental value for a house or other gross rental value property will be influenced by factors such as age, construction, size, car shelters, pools and locations. As the gross rental value is currently assessed every three years, despite possible changes to the rental market, the gross rental value remains fixed until the next general valuation (July 2020).

Minimum Rates

The Town imposes a uniform general minimum rate payment that applies to all rateable properties within the boundaries of the municipality. The minimum payment impacts mainly in the residential category.

The rate is imposed to discourage holding undeveloped land within the Town, which reduces the amenity of the area, and thereby encourages its early development.

Objects and Reasons for Differential Rating

To provide equity in the rating of properties across the Town, the following rate categories have been determined for the implementation of Differential Rating.

GRV Residential

Properties within the townsite boundaries with a predominant residential use. This is considered to be the base rate by which all other gross rental value rated properties are assessed.

GRV Residential Vacant

Vacant properties located within the townsite boundaries excepting land zoned as Commercial and Industrial. The rate for this category is imposed at the same rate in the dollar as GRV Residential (the base rate).

GRV Commercial

Properties used for commercial and industrial purposes and non-residential land. The higher rate reflects the additional costs associated with area promotion and improvement. The Town works with the organisation known as ProCott to achieve these objectives.

Minimum Rates

The setting of minimum rates within the categories is an important method of ensuring all properties contribute an equitable rate amount.

Advertised Differential Rate

At the time this document was prepared, there is no change from the rate in the dollar and minimum rates as advertised previously.

Submissions

Electors and rate payers are invited to make submissions on the proposed differential rate. Written submissions on the proposed differential rate close at **4pm on Wednesday, 14 June 2016** should be addressed to the undersigned and sent to PO Box 606, Cottesloe WA 6911 or to council@cottesloe.wa.gov.au.

Mat Humfrey
Chief Executive Officer