



# Late Agenda Item C2005-11

## Ordinary Meeting of Council

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Wednesday 13 May 2020, 6.00pm

**C2005 - 11      ADVERTISING OF THE PROPOSED DIFFERENTIAL RATE FOR THE  
2020/21 FINANCIAL YEAR**

**Meeting Date:** 13 May 2020  
**Responsible Officer:** Director City Business  
**Decision Making Authority:** Council  
**Agenda Attachments:** Objects and Reasons for Differential Rates for the 2020/21 financial year

**SUMMARY**

The purpose of this report is for Council to consider approval of advertising of the proposed differential rate categories, rate in the dollar and minimum payment as detailed in the Objects and Reasons for differential rates (shown in Attachment 1) for the 2020/21 budget, in accordance with the provisions of the *Local Government Act 1995*.

This report recommends that Council endorse the proposed 2020/21 differential rate categories, rate in the dollar and minimum payment and approve advertising of the proposed 2020/21 differential rates. The differential rates have been increased by 10% on the previous year to allow for an average 10% reduction in Gross Rental Values which come into effect on 1 July, 2020. Whilst the differential rates are being amended to account for the changes in valuation, it is proposed the gross income received from rates will be maintained at 2019/20 year levels.

**BACKGROUND**

The power to raise local government property rates is set out under the Local Government Act 1995 (Act). The usual process in adopting its annual budget, the Council must consider its current Strategic Community, Corporate Business and Long Term Strategic Plans and, subject to the rating provisions under the Act, the Council is at liberty to use its rating powers to raise rate revenue at the level it determines appropriate. To determine this level requires the Council to assess the current and future service needs, aspiration of the community and their capacity and willingness to pay for those services. Recent temporary changes introduced by the state government require local governments to consider a response to the COVID-19 pandemic in the determination of the 2020/21 budget.

As part of the process for the 2020/21 draft budget it is proposed to continue to apply differential rating. The State Government has requested Councils to freeze rates and charges to lessen the impact of the coronavirus pandemic on household budgets. It proposed that there be a nil increase in gross rate revenue in recognition of the impacts of COVID-19 and in support of our rate payers and business community. It should be noted that a zero revenue increase is a departure from the draft Long Term Financial Plan (LTFP) and will have an impact on the available discretionary funds for 2020/21, refer Financial Implications below.

## FINANCIAL IMPLICATIONS

Differential rates represent a strategic approach to rating which is a major revenue source of Council.

As a consequence of the COVID-19 situation it is being recommended for a zero increase in gross income from rates to assist ratepayers next financial year.

Below are the financial implications of these measures based on rates data as at April 2020. The rates yields are compared to the projected rates from the draft long term financial plan and to the rates revenue from the adopted budget for 2019-20.

	Rate Yield	Variance
Base LTFP - Projected Rates at 2.8%	\$48.27m	
Projected Rates with 0% rate revenue increase	\$47.12m	(\$1.15m)
<b>Estimated reduction in rate yield from anticipated LTFP</b>		<b>(\$1.15m)</b>
Adopted rates revenue for 2019-20	\$46.84m	
<b>Estimated increase in rate yield from Budget 2019-20 due to growth</b>		<b>\$0.28m</b>

Note: The rates yield estimated above is based on current valuations. From 1 July 2020 revised gross rental valuations provided by Landgate will come into effective. The intention is a zero gross increase in rate revenue for 2020-21.

## LEGAL IMPLICATIONS

Sections 6.33 and 6.34 of the *Local Government Act 1995* allow local governments to impose differential rates and minimum payment. Section 6.36 requires local governments to give notice of certain rates before imposing.

## CONSULTATION

Nil, this recommendation is the City's intention to advertise the proposed differential rates for public comment prior to the adoption of the 2020/21 budget. This advertising will occur for a minimum 21 days and allows ratepayers the ability to consider the proposed rates in the dollar and make any submissions prior to Council adopting the proposed rate as part of the budget adoption process.

## OFFICER COMMENT

### Rates

Rates are a significant proportion of the City's revenue and are used to achieve the objectives of the Strategic Community Plan and Corporate Business Plan. The purpose of

levying rates is to meet the City's budget requirements in order to deliver services and projects each financial year.

The State Government is urging Councils to freeze rates and charges to lessen the impact of the coronavirus pandemic on household budgets. However as it is a revaluation year, Landgate is providing new gross rental valuations (GRV's) for all properties to be applied from 1 July 2020. The legislated change in property valuations will result in the rates payment for 2020-21 being different to the 2019-20 notice for residents. As such a nil rate increase for residents can only occur at the gross level and will see variations to previous notices for individual properties.

As a consequence of the COVID-19 situation a nil gross rate revenue increase is recommended to be adopted for 2020-21 to assist ratepayers next financial year.

It is recommended that the proposed differential rate categories, rate in the dollar and minimum payment as detailed in the attached 2020/21 Objects and Reasons for differential rates and outlined below, be advertised.

Differential Rate Category	Proposed Minimum Payment	Proposed Rate in the Dollar (\$)
Residential Improved	\$1,344	0.080660
Commercial and Industrial General	\$1,344	0.089756
Vacant Commercial and Industrial	\$1,344	0.161316
City Centre Commercial	\$1,344	0.094915
Nightclubs	\$1,344	0.161317
Vacant Residential Land	\$1,302	0.129100
Residential Short Stay Accommodation	\$1,344	0.089745

There is a zero percent change in the minimum payment amounts being proposed. With the change in valuations the minimum payments will be re-evaluated in accordance with section 6.35(3) of the Local Government Act 1995 to ensure the general minimum is imposed on not less than 50% of the number of properties in each category.

### Rates Revaluation

The revaluation of properties is undertaken by the State Government's (Landgate) on a three year cycle. This revaluation was deferred by the state government in 2019/20 so 2020/21 has become a revaluation year. Revised property valuations apply for local government rates, as well as state government water rates and the emergency services levy. The revised valuations are based on gross rental values as at 1 August 2018.

Based on the valuation data received from Landgate for the City of Fremantle, on average the valuations across all differentials have decreased by approximately 10%. This is subject to further in depth review of each category. Therefore in order to achieve a nil rate revenue increase in rate yield, an increase of 10% in the rate in the dollars is proposed for each rate category. If the rate in the dollars had been held to the same as the previous year, it would result in a 10% rate revenue reduction, which would translate to a net rate revenue decrease of approximately \$4.7m.



advertising of the proposed rate in dollar and minimum payment does not bind Council to these when adopting the 2020/21 budget. The advertising process does not prohibit Council from amending the rate in the dollar and minimum payment at budget adoption.

## VOTING AND OTHER SPECIAL REQUIREMENTS

Simple Majority Required

## OFFICER'S RECOMMENDATION

**Council:**

1. **Endorse the proposed 2020/21 differential rate categories, rate in the dollar and minimum payment as outlined below and detailed in the Objects and Reasons for differential rates in Attachment 1.**

Differential Rate Category	Proposed Minimum Payment	Proposed Rate in the Dollar (\$)
Residential Improved	\$1,344	0.080660
Commercial and Industrial General	\$1,344	0.089756
Vacant Commercial and Industrial	\$1,344	0.161316
City Centre Commercial	\$1,344	0.094915
Nightclubs	\$1,344	0.161317
Vacant Residential Land	\$1,302	0.129100
Residential Short Stay Accommodation	\$1,344	0.089745

2. **Approve the 2020/21 differential rate categories, rate in the dollar and minimum payment as outlined in part 1, to be advertised.**

**ATTACHMENT 1 Objects and Reasons for Differential Rates 2020/21**

**OBJECTS AND REASONS  
FOR DIFFERENTIAL RATES**



Published: May 2020  
For the: 2020-21 financial year.

## OBJECTS AND REASONS FOR DIFFERENTIAL RATES

The following Objects and Reasons are provided in accordance with Sections 6.33 and 6.36 of the Local Government Act 1995 and the Council's "Notice of Intention to Levy Differential Rates" for the 2020-2021 financial year on various categories of properties within the City. This paper details the Objects and Reasons for those proposals.

Rates are a primary source of revenue for the City of Fremantle and are levied each financial year on all ratepayers in a manner that is deemed to be fair and equitable so as to meet the City's annual budget commitments.

Rates are levied on all rateable properties within the boundaries of the City of Fremantle Municipality in accordance with the Local Government Act 1995. The overall objective of the proposed rates and charges in the 2020-21 Budget is to provide for the net (i.e. after taking into account all other forms of revenue) funding requirements of the City's services, activities, financing costs and the current and future capital requirements of the City as outlined in the City's Strategic Community, Corporate Business and Long Term Financial Plans.

The rates in the dollar will be applied on the general valuation as supplied by the Valuer General (VG) in respect of gross rental values (GRVs) effective from 1 July 2020 and as amended by any interim valuations received subsequent to that date.

If land is undeveloped, a statutory valuation of three per cent of the unimproved value is applied to residential properties and five per cent for commercial and industrial properties.

### **Differential Rate Categories**

The Local Government Act 1995 states in Section 6.32. Rates and service charges that:

- (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;

The City intends to retain the following differential rate categories:

- Residential Improved
- Commercial and Industrial General
- Vacant Commercial and Industrial
- City Centre Commercial
- Nightclubs
- Vacant Residential Land
- Short Stay Accommodation

Section 6.33 of the Local Government Act sets out the basis on which differential general rates may be based:

- (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 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.

#### Minimum Payment

The Local Government Act 1995, Section 6.35, sets out the basis on which Minimum Rates may be levied.

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

The State Government is urging Councils to freeze rates and charges to lessen the impact of the coronavirus pandemic on household budgets. It proposed that there be a 0% rates revenue increase in recognition of the impacts of COVID-19 and in support of our rate payers and business community for the 2020-21 financial year.

The proposed rate in the dollar and minimum payment for each differential rating category are:

<b>Differential Rate Category</b>	<b>Proposed Minimum Payment</b>	<b>Proposed Rate in the Dollar (\$)</b>
Residential Improved	\$1,344	0.080660
Commercial and Industrial General	\$1,344	0.089756
Vacant Commercial and Industrial	\$1,344	0.161316
City Centre Commercial	\$1,344	0.094915
Nightclubs	\$1,344	0.161317
Vacant Residential Land	\$1,302	0.129100
Residential Short Stay Accommodation	\$1,344	0.089745

**(\*\*NOTE: The proposed rate in the dollar and minimum payment amounts may be varied by Council when adopting the annual budget.)**

Following are the objects and reasons for each of the differential rates:-

## **1. Residential Improved**

### *Characteristics*

The residential improved differential general rate applies to land valued on a Gross Rental Value basis (GRV) that is used for residential purposes under the Local Planning Scheme No. 4 however may be located in any zone.

### *Objects and Reasons*

The object of this rate is to apply a base differential general rate to land zoned and used for residential purposes and to act as the City's benchmark differential rate by which all other GRV rates properties are assessed. The purpose of which 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 Fremantle. It is also lower than vacant land as the City endeavours to encourage landowners to develop vacant land.

The proposed rate in the dollar of GRV value for this rate category is 0.080660¢ with a minimum payment amount of \$1,344. This will apply to 13662 properties or 83.36% of the City's rateable properties.

## 2. Commercial and Industrial Differential Rate

### *Characteristics*

The commercial and industrial differential general rate applies to all commercial and industrial properties that are zoned under the Local Planning Scheme No. 4 for commercial and industrial purposes and which are not specifically covered by any other differential rate and is valued on a Gross Rental Value basis (GRV).

### *Objects and Reasons*

The object of this rate is to apply a differential rate to land zoned and used for commercial and industrial purposes to ensure that a reasonable contribution is made towards the higher costs of ongoing maintenance and provision of works, services and facilities located in these zones. These costs include the additional costs associated with economic development initiatives, marketing and transport links.

The proposed rate in the dollar of GRV value for this rate category is 0.089756¢ with a minimum payment amount of \$1,344. This will apply to 1773 Properties or 10.82% of the City's rateable properties.

## 3. Vacant Commercial and Industrial Land Differential Rate

### *Characteristics*

The vacant commercial and industrial land differential general rate applies to vacant land that is zoned under the Local Planning Scheme No. 4 for commercial and industrial purposes.

Under the Valuation of Land Act 1978 (VLA), land for which no active rental market exists is required to be valued on a prescribed percentage of capital value. Landgate Property and Valuation Services prescribe a rate of 5% on vacant commercial and industrial land.

### *Objects and Reasons*

The city considers the development of vacant commercial and industrial rateable land in the best interests of the community therefore has set a differential higher than that which applies to developed commercial and industrial properties

The proposed rate in the dollar of GRV value for this rate category is 0.161316¢ with a minimum payment amount of \$1,344. This will apply to 54 Properties or 0.33% of the City's rateable properties.

## 4. City Centre Commercial Differential Rate

### *Characteristics*

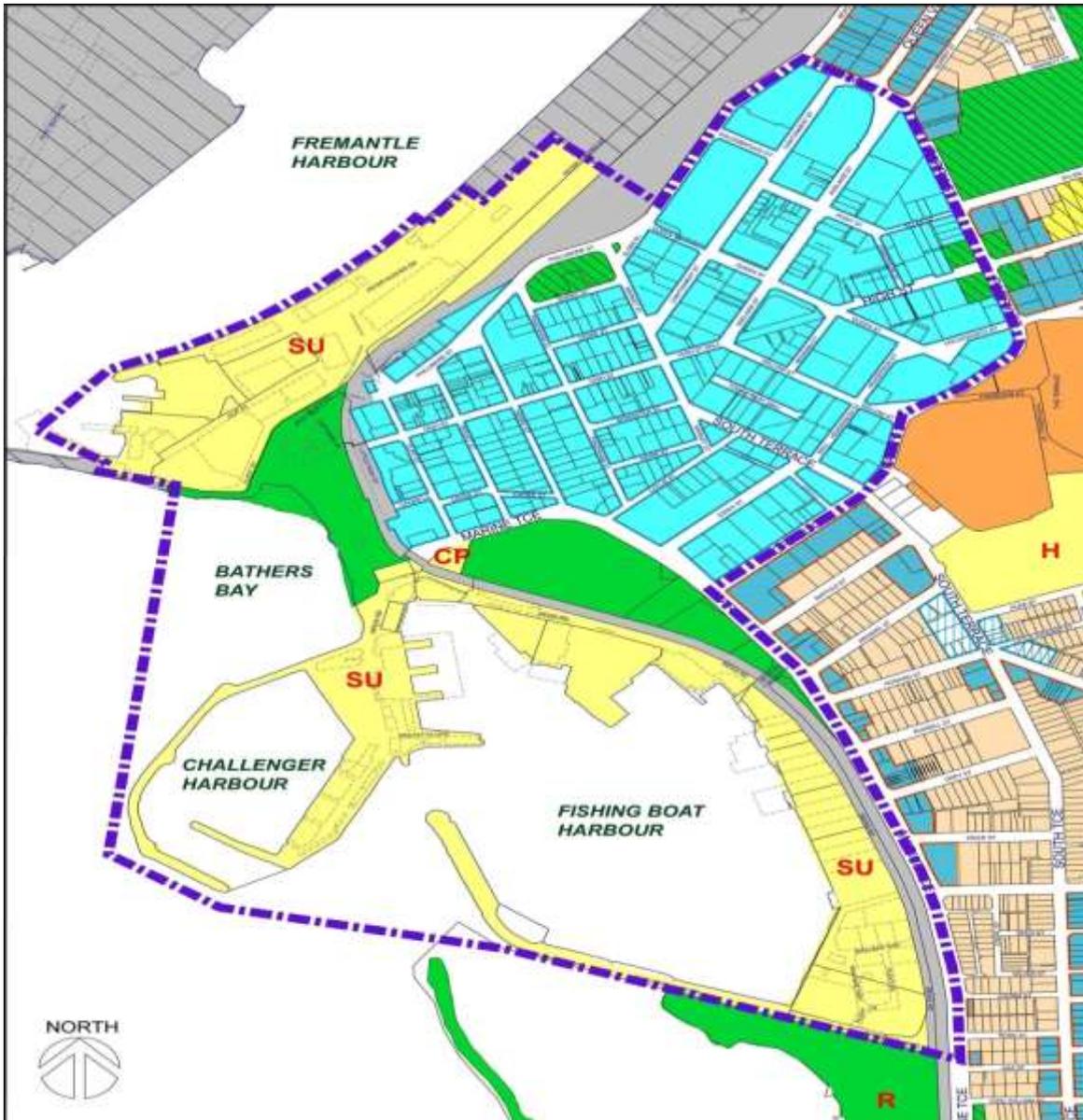
The City Centre Commercial differential general rate applies to all properties other than residential located within the boundaries of the City Centre zone and the abutting Metropolitan Regional reserves (refer map below) being areas bounded by Parry Street, Norfolk Street and including those properties located in Fremantle Fishing Boat and Challenger Harbours and on Victoria Quay.

### *Objects and Reasons*

The object of this rate is to apply a differential rate to land zoned and used for commercial purposes to ensure that a reasonable contribution is made towards the higher costs of ongoing maintenance and provision of works, services and facilities located in these zones. The rate in the dollar is higher than that of the Commercial and Industrial differential rate. Additional funds raised are to be allocated to the City's destination marketing activities in line with the endorsed [Destination Marketing Strategic Plan 2018-2022](#) which aims to support all consumer facing

industries in Fremantle including retail, hospitality, tourism and professional services. This includes costs associated with facilitating Fremantle as regional centre.

The proposed rate in the dollar of GRV value for this rate category is 0.094915¢ with a minimum payment amount of \$1,344. This will apply to 431 Properties or 2.63% of the City's rateable properties.



## 5. Nightclubs Differential Rate

### *Characteristics*

The Nightclubs differential general rate applies to any venues that are used for entertainment with or without eating facilities that open from the evening until early morning, having facilities such as a bar and disco or other entertainment and are licensed under the Liquor Control Act 1988. These premises are also subject to the City of Fremantle Late Night Entertainment policy.

### *Objects and Reasons*

Nightclubs that operate outside usual business hours, frequently impact the community and present additional challenges for the City requiring a higher level of resourcing to maintain and remediate surrounding amenities due to anti-social behaviour that often occurs.

The nightclubs differential rate applies to venues that operate beyond 2:00am to recover the increased resourcing costs directly and indirectly linked to the operation of these venues. Resourcing to address noise complaints, vandalism, increased street sweeping and cleaning costs, unsociable behaviour, facilitating safe access to public transport and taxis for all visitors to the city including nightclub patrons and CCTV surveillance.

The proposed rate in the dollar of GRV value for this rate category is 0.161317¢ with a minimum payment amount of \$1,344. This will apply to 3 Properties or 0.02% of the City's rateable properties.

## 6. Vacant Residential Land Differential Rate

### *Characteristics*

The vacant residential land differential general rate applies to vacant land that is zoned under the Local Planning Scheme No. 4 for residential purposes.

### *Objects and Reasons*

The City considers the development of all vacant rateable land to be in the best interests of the community as it will improve increase the vibrancy of the City and neighbourhood centres.

The proposed rate in the dollar of GRV value for this rate category is 0.129100¢ with a minimum payment amount of \$1,302. This will apply to 304 Properties or 1.86% of the City's rateable properties.

## 7. Residential Short Stay Accommodation

### *Characteristics*

The residential short stay accommodation differential general rate applies to to land zoned residential where a purpose for which the land is held or used is to offer home short stay lodging primarily for tourism experiences and includes the following dwellings in accordance with the [Short Stay Accommodation Local Law](#) or otherwise approved under LPS 4 for short stay accommodation.

- a) One bedroom dwelling used primarily for short stay accommodation
- b) Dwellings with two or more bedrooms used for short stay accommodation

### *Objects and Reasons*

The object of this differential general rate is to ensure the owners of residential land wholly or partly used for the commercial purpose of short stay accommodation contribute to the provision of services and facilities that may be associated with such commercial use.

Additional funds raised are to be allocated to the City's destination marketing activities in line with the endorsed [Destination Marketing Strategic Plan 2018-2022](#) which aims to support all consumer facing industries in Fremantle including retail, hospitality, tourism and professional services. This includes costs associated with facilitating Fremantle as regional centre.

The proposed rate in the dollar of GRV value for this rate category is 0.089745¢ with a minimum payment amount of \$1,344. This will apply to 161 Properties or 0.98% of the City's rateable properties.

