



City of Nedlands

OBJECTS AND REASONS FOR DIFFERENTIAL RATES

2016/17

In accordance with Sections 6.33 and 6.36 of the Local Government Act 1995 and Council's intention to continue levying differential general rates for the 2016/17 Financial Year on rateable properties within the City, the City is required to publish its Objects and Reasons for implementing differential general rates.

OVERALL RATING OBJECTIVE

The overall objective of the proposed rates in the 2016/17 Budget is to provide for the net funding requirement of the Council's Operational and Capital Program of \$22M. These are based on an overall increase of 4.00% in the rates for all residential, residential vacant and non-residential properties.

For non-minimum rated Residential properties, the impact of such an increase on an average residential property will be \$92 per annum or \$1.70 per week, less with senior and pensioner rebates. For those on the minimum rate, the impact will be an increase of \$53 per annum or \$1.02 per week.

The table below demonstrates the reasons:

Income / (Expenditure) Items	Proposed (\$M) 2016/17 Budget
Operating Revenue	9.9
Capital Grants	5.4
Proceeds from Asset Sales	0.5
Transfers from Reserves	2.2
Operating Adjustment for Depreciation	7.6
Surplus Brought Forward Estimate	1.9
Operating adjustment for Profit and Loss	0.3
New Loans	4.0
Less: Operating Expenditure	(32.2)
Capital Expenditure	(21.7)
Rate Setting Statement – Amount required from Rates	22

The current triennium for gross rental valuations (GRV's) commenced on 1 July 2014 therefore 2016/2017 will be the third year of the triennium of GRV Valuations. New Valuations will occur commencing 1 July 2017.

Differential General Rating

The purpose of imposing a GRV differential rating for residential, vacant land and non-residential is to obtain a fair and equitable form of revenue raising from all categories of differential rating.

Under the Local Government Act, s6.33 - Differential general rates, 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

Council has decided to impose 3 (three) differential rating namely Residential, Vacant Land and Non-Residential differential rates for the 2016/2017 financial year;

Differential Rate	Minimum Rate Proposed	Rate in the Dollar (\$) Proposed	Minimum Rate 2015/16	Rate in the Dollar (\$) 2015/16
Residential	\$1,373	0.047434	\$1,320	0.04561
Vacant Land	\$1,810	0.067163	\$1,740	0.06458
Non-Residential	\$1,875	0.059166	\$1,802	0.05689

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

1. Residential Differential Rate

The residential differential applies to all residential properties that are not specifically covered by the vacant land and non-residential differential rate.

At the start of the new triennial valuation cycle on 1 July 2014 cycle the valuations provided by the Valuer Generals Office (VGO) varied greatly between different property categories to the previous valuations. Such large variations make it very difficult to manage the general rate and waste increase across various parts of the community. To alleviate a substantial rate burden being placed on residential properties the City adopted a differential rate structure that separated differential rates being applied to commercial/industrial properties and residential properties.

For 2016/2017 the rate in the dollar has been increased by the required percentage increase in revenue.

2. Vacant Land Differential Rate

Under the Valuation of Land Act 1978 (VLA) land for which an active rental market doesn't exist is required to be valued on a prescribed percentage of capital value. Until recently only one prescribed percentage has been allowed and that was set at 5% in 1979. Land Valuation Services reports that owners of vacant residential land have increasingly expressed their concern about higher GRV's on their land than those that applied to neighbouring improved properties. New regulations under the VLA applied from 1 July 2011 and applied a single rate of 3% to all residential vacant land while the existing 5% will continue to apply to all remaining vacant land (i.e. commercial and industrial).

The City of NEDLANDS considers the development of vacant rateable land in the best interests of the community and the value of rates paid for vacant land should be consistent for all types of vacant land. Therefore as a consequence of the reduction in the prescribed rate for residential vacant land from 1 July 2011, a vacant residential land differential rate was introduced to produce rate assessment value for vacant residential land equivalent to what a prescribed percentage of 5% would have produced. The higher GRV on vacant land is both to encourage development and to avoid land banking.

In 2016/2017 the rate in the dollar has been increased by the required percentage increase in revenue.

3. Non-Residential Differential Rate

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. Council believes that the commercial and business sectors generate high traffic volumes with heavy loads and therefore should contribute at a higher level than residential for road construction, maintenance and refurbishment including road drainage systems.

In 2016/2017 the rate in the dollar has been increased by the required percentage increase in revenue.