

Attachment 11.5.1



Differential Rating Proposal 2022/2023

Statement of Objectives and Reasons

For Public Inspection (Section 6.36 for the *Local Government Act 1995*)

Introduction

In accordance with Section 6.36 of the *Local Government Act 1995*, the Shire of Nannup is required to publish its Objectives and Reasons for implementing Differential Rates.

In arriving at the proposed rates in the dollar the Council has attempted to balance the need for revenue to fund essential services and facilities with the desire to limit any increase on ratepayers to an affordable level in an equitable manner.

Rate in the Dollar

Rates are a primary source of revenue for the Shire of Nannup (the Shire) and are imposed on properties within its district to provide revenue to fund the services and facilities provided to residents and visitors.

The amount of rates payable is determined by four factors:

1. the properties method of valuation of Gross Rental Value (GRV) or Unimproved Value (UV);
2. the amount of the valuation;
3. the properties differential rating category; and
4. the rate in the dollar or minimum payment of that differential rating category.

The *Local Government Act 1995* determines that properties of a non-rural purpose are to be rated using the Gross Rental Value (GRV) as the basis for calculations, and properties of a predominantly rural purpose are to be rated using Unimproved Value (UV) as the basis for calculations.

Valuations are determined by the Valuer General in accordance with the *Valuation of Land Act 1978*. The Shire does not have any control over the valuations that is provided to each property. Council sets a rate in the dollar in its annual budget which is applied to the individual property valuation to determine the rates applicable to the property.

A single general rate may be imposed on all properties in a GRV or UV value category. Alternatively the Shire can apply a differential rate on a GRV or UV property on the basis of its zoning, land use, whether it is vacant land or other characteristic or a combination of characteristics. A differential rate is generally imposed to ensure that every landowner makes a reasonable contribution to maintaining and upgrading services and facilities within the district. Also is it used to maintain relativities between rate groups, assist in achieving a higher or lower level of rating, and also to assist in target driven rating for specific rate groups.

For the 2022/23 financial year, the Council intends to implement the use of differential rates to fairly distribute the rate burden and balance Councils 2022/23 Annual Budget, whilst also considering its long term planning funding requirements.

The below table show the intended differential rates for the 2022/23 financial year for each differential rate category. For some properties this increase will be higher due to a change in valuation. This model shows on average overall increase in total revenue of 7.37%.

Minimum Rates

Each differential rating category has a minimum payment that is applied to ensure those properties with a lower Rate in the \$ calculation make a fair and equitable contribution to the Shire's rate revenue. A minimum payment is levied when calculating a rate liability by using the rate in the dollar multiplied by a properties valuation it is equal to or less than the minimum payment.

Example – UV General Property

Rate in the Dollar	0.004529
Valuation	\$200,000
Rate Liability	\$905.80
Minimum Payment	\$1,050
Charge on Rates Notice	\$1,050

Proposed Rate in Dollar and Minimum Payment for 2022/2023

It is proposed for the 2022/23 financial year that the following rate in the dollar and minimum payment for each differential rating category will apply:

Differential Rate	Rate in the \$	Minimum Payment
GROSS RENTAL VALUATION PROPERTIES		
GRV General	0.093450	1,118
GRV Industrial	0.100125	1,198
GRV Short Term	0.100125	1,198
UNIMPROVED VALUATION PROPERTIES		
UV General	0.004529	1,050
UV Plantations	0.004794	1,398

(NOTE: Council when adopting the annual budget may vary the above proposed rate in the dollar and minimum payment.)**

Objects and Reasons for Differential Rates

The overall object of the Shire's differential rates is to raise rate revenue in a manner that is simple, efficient and equitable to all ratepayers within the district. The reasons for each differential rate are as follows:

Differential Rates – Gross Rental Valuations (GRV)

- **GRV – General (Improved/Vacant)**

The objective of this category is to apply a differential general rate and minimum payment to land zoned or used or held for residential/rural residential purposes and to ensure that all ratepayers make a reasonable contribution towards the services and facilities provided and maintained by

the Shire for the benefit of residents. This category is to act as the Shire's benchmark differential rate and minimum payment by which all other GRV rated properties are assessed.

The reason 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 Shire.

The rate in the dollar increase is 6.0% a minimum rate increase of 6.0% for this category. Please note that variations will occur between individual properties as it is directly linked to the unique valuations attributed to those properties.

- **GRV - Short-Term Accommodation**

The objective of this category is to apply a differential rate and minimum payment to land used or held for short-term accommodation purposes. This includes lodging houses, bed and breakfasts, self-contained accommodation, caravan and camping grounds. It is to ensure that all ratepayers make a reasonable contribution towards the overall services and facilities provided and maintained by the Shire for the benefit of residents.

The reasons for this rate is in order to maintain fairness and equity with the funding of tourism development, marketing and event related projects throughout the district.

The rate in the dollar increase is 12.5% a minimum rate increase of 12.5% for this category. Please note that variations will occur between individual properties as it is directly linked to the unique valuations attributed to those properties.

- **GRV Industrial (Improved/Vacant)**

The objective of this category is to apply a differential rate and minimum payment to land zoned or used or held for Industrial purposes and to ensure that all ratepayers make a reasonable contribution towards the services and facilities provided and maintained by the Shire for the benefit of residents.

The reason for this rate is in order to assist with the funding contribution towards the ongoing maintenance and provision of works and services within the Shire.

The rate in the dollar increase is 12.5% a minimum rate increase of 12.5% for this category. Please note that variations will occur between individual properties as it is directly linked to the unique valuations attributed to those properties.

Differential Rates – Unimproved Valuations (UV)

- **UV – General**

The objective of this category is to apply a base differential general rate to land zoned or used or held typically for bona-fide farming and to ensure that all ratepayers make a reasonable contribution towards the services and facilities provided and maintained by the Shire for the benefit of residents. This category is to act as the Shire's benchmark differential rate by which all other UV rated properties are assessed.

The reason 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 Shire.

The rate in the dollar increase is 11% a minimum rate decrease of -11% for this category. Please note that variations will occur between individual properties as it is directly linked to the unique valuations attributed to those properties. The minimum rate was required to be decreased in order to comply with the *Local Government Act 1995 1995* stating that a minimum rate is not permitted to apply to more than 50% of properties within the category.

- **UV - Plantation**

The objective of this category is to apply a base differential general rate to land used or held typically for plantations purposes and to ensure that all ratepayers make a reasonable contribution towards the services and facilities provided and maintained by the Shire for the benefit of residents.

The reason for this rate is to ensure that all ratepayers make a fair and reasonable contribution towards the ongoing maintenance and provision of works and services, particularly roadworks maintenance and renewal throughout the Shire.

Submissions

Submissions are invited from any elector or ratepayer with respect to the proposed differential rate and are to be **received no later than 12:00pm (midday) Monday 18th July 2022.**

All submissions are to be clearly marked Submission – Differential Rating 2022/2023.

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