

Introduction

In accordance with sections 6.33 and 6.36 of the *Local Government Act 1995* (the Act) 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.

The following rating principles are proposed in this Statement of Objects of, and Reasons for the Differential Rates and Minimums for the 2024/25 rating year:

- Gross Rental Values (GRV) apply to the following differential general rating categories; Residential, Commercial/Industrial and Heavy Industry
- Unimproved Values (UV) apply to the following differential general rating categories, UV General, UV Commercial and Farmland
- GRV and UV are determined by the Valuer General's Office (VGO)
- 2023/24 was the revaluation year for GRV.
- 2024/25 is the revaluation year for UV only.
- Properties are rated according to the predominant use of the land, with each having a separate calculated rate in the dollar (RID) to achieve greater equity across all sectors.
- The City has utilised the current (2023/24) UV and GRV values to determine the total rates yield per differential rate type based on the proposed 3.5 percent (3.5%) increase on the 2023/24 RIDs. Based on this proposed rates yield, the City has established GRV RIDs and recalculated the UV RIDs utilising the new UV values (2024/25) provided by the VGO.
- A minimum rate is applied to each proposed differential rating category.
- All minimum rates are to increase by 3.5 percent (3.5%).
- It is proposed to continue with Specified Area Rates "Midland Drainage District and Hazelmere/Guildford Drainage District" and apply the same increase of 3.5 percent (3.5%).
- It is proposed to continue with Specified Area Rates "UV - Hazelmere Industrial Roads and Drainage" and "GRV - Hazelmere Industrial Roads and Drainage" and apply the same increase of 3.5 percent (3.5%).

The overall objective of the proposed rates in the 2024/25 Budget is to provide for the net funding requirements of the City's expenditure, after taking into account all other forms of revenue.

The formulation of a rating system is about achieving a means by which the City can raise sufficient revenue to pay for the wide range of 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 is refinement options made available, such as differential rating, which the City of Swan has elected to use.

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 Act).

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 following sections of the Act:

- s.6.28 which sets out the general principle;
- s.6.2(2) the actual required rates to be raised;
- s.6.32 the basis on which differential general rates may be based;
- s. 6.33 and 6.35 set out the principles on which differential general rates and minimum rates may be imposed; and
- s.6.37 establishes the principles on which specified area rates may be imposed.

2024/25 Budget Proposal

The following are the proposed Differential general rates and minimum payments and Specified Area Rates for the City of Swan for the 2024/25 financial year, to be effective from 1 July 2024. When setting the differential rating categories, the key values of *objectivity, consistency, fairness, and equity* have been applied. The publication and wide advertising of the proposal achieves *transparency* of the budget and its objectives.

GRV Differential Rates	Rate in dollar (\$)	Minimum Payment
Residential	0.077397	\$970
Commercial/Industrial	0.099482	\$1,515
Heavy Industry	0.166771	\$1,830
UV Differential Rates	Rate in dollar (\$)	Minimum Payment
UV General	0.0029721	\$970
UV Commercial	0.0052499	\$970
Farmland	0.0024608	\$970

Specified Area Rates	Rate in dollar (\$)
Midland Drainage District	0.006496
Hazelmere/Guildford Drainage District	0.006322
GRV Hazelmere Industrial Area Infrastructure	0.03980037
UV Hazelmere Industrial Area Infrastructure	0.00074551

Gross Rental Valuation (GRV)

It is proposed for the 2024/25 financial year, as in prior years, that the City adopt the following differential rates *Residential, Commercial/Industrial* and *Heavy Industry*.

GRV properties are rated according to the predominant use of the land. GRV means the gross annual rental income that the land might reasonably be expected to realise if let on a tenancy

from year to year upon condition that the landlord was liable for all rates, taxes and other charges thereon and the insurance and other outgoings necessary to maintain the value of the land.

The rates in the dollar are based on the valuations as supplied by the VGO in respect of GRV effective 1 July 2023. The same GRVs will be effective for the next three financial years but may be subject to individual adjustments. It is to be noted that the GRV is based on a date of valuation being **1 August 2021**.

The VGO 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 the VGO. Every property is valued as at date set by the VGO 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.

2023/24 was the revaluation year for all GRVs. As the GRV is currently assessed every three (3) years, while variations occur continuously within the rental market, the GRV will remain fixed until the next general valuation (1 July 2026).

As 2024/25 is not the revaluation year, the previous year's rate in the dollar for all GRV categories of differential rating have been increased by the proposed 3.5 percent (3.5%).

As there was no general revaluation this year, all ratepayers should be subject to the proposed 3.5 percent (3.5%) increase in rates, subject to no interim adjustments to the GRV during 2023/24.

Proposed GRV rating categories are presented in the following order:

1. Residential
2. Commercial/Industrial
3. Heavy Industry

Residential

The Residential category is considered to be the base rate for calculation of all other GRV rates in the dollar. It relates to land where the predominant purpose for which the land is used is predominantly residential. The objective of the proposed rate in the dollar of \$0.077397 and minimum rates of \$970 is to ensure that all ratepayers in this category make an equitable contribution to the City's revenue and that the proportion of total rates revenue derived from residential properties remains reasonably consistent with the previous years.

The minimum rates for this category will increase by a 3.5 percent (3.5%) to \$970.

Commercial/Industrial

The Commercial/Industrial differential rate category relates to land where the predominant purpose for which the land is used is predominantly commercial or industrial purposes. The objective of the proposed rate in the dollar of \$0.099482 and minimum rates of \$1,515 is to ensure that all ratepayers in this category make an equitable contribution to the City's revenue and that the proportion of total rates revenue derived from Commercial/Industrial properties remains reasonably consistent with the previous year.

It also includes the ongoing maintenance and service provision of the City's assets and services primarily used in a commercial or industrial environment, recognising the higher demand due to increased traffic generated through commercial/industrial activity.

a) Commercial relates to land where the predominant purpose for which the land is held or used is commercial, including in that term the activities of buying and selling of goods and services in retail businesses, wholesale buying and selling, financial establishments, and a wide variety of services that can be broadly classified as 'business', but where no other more specific use (such as 'Industrial') applies.

b) Industrial relates to land used for the purpose of Industrial use or future development of premises for industrial use. To facilitate the making of a distinction between uses in other rate categories and use for industry, the definition of industrial premises relied on by the City is as follows:

'Industrial premises are premises used for the manufacture, dismantling, processing, assembly, treating, testing, servicing, maintenance or repairing of goods, products, articles, materials, or substances, and in appropriate cases the following activities or uses associated with industry as described above, may include, but not limited to -

- (i) The storage of goods;
- (ii) The work of administration or accounting;
- (iii) The selling of goods by wholesale or retail; or
- (iv) The provision of amenities for employees, where any such activity or use is incidental to an industry as defined above, carried out on the same land.

The minimum rates for this category will increase by a 3.5 percent (3.5%) to \$1,515.

Heavy Industry

The Heavy Industry differential rate category relates to land where the predominant purpose for which the land is used is predominantly heavy industrial purposes.

The objective of the proposed rate in the dollar of \$0.166771 and minimum rates of \$1,830 is to ensure that all ratepayers in this category make an equitable contribution to the City's revenue and that the proportion of total rates revenue derived from Heavy industry properties remains essentially consistent with the previous year. More of the City's resources are allocated to Heavy Industry's compared to Commercial/Industrial properties. It also includes the ongoing maintenance and service provision of the City's assets and services primarily used in a Heavy Industry environment, recognising the much higher demand generated through Heavy Industry activity.

2023/24 revaluation of GRV resulted in the Heavy Industry rating category to be more than twice the lowest in the same valuation category. The objective of the proposed rate in the dollar of \$0.166771 is to ensure that the proportion of total rates revenue derived from Heavy Industry properties remains reasonably consistent with the previous year. If the rate in the dollar is reduced to be less than twice the lowest the proportion of rates levied for 2024/25 would be in deficit by \$0.5 million compared to the desired revenue. The deficit would need to be recouped from other rating categories which would not be fair and equitable. The Act requires that the City applies for the Minister's approval to impose the proposed rating category that is more than twice the lowest.

- a) **Transport Depot and Heavy Haulage** - Transport Depot, or Transport Depot and Heavy Haulage, or Transport Depot and Heavy Haulage Vehicle Centre relates to land (including buildings) held or used for the predominant purpose of garaging, parking or storage of road transport or heavy haulage vehicles used or intended to be used for carrying goods, materials or persons for hire, rent or reward, or for any consideration; or used for the transfer of goods, materials or persons from one such motor vehicle to another such motor vehicle and including the maintenance, building and repair of such vehicles. Without limiting the generality of the foregoing, this differential general rate characteristic relates to land including buildings held or used for the parking or garaging of commercial vehicles, and land including buildings held or used for the maintenance and refueling of any vehicles referred to above, and the storage of goods brought to the premises by those vehicles.
- b) **Noxious Industry** - relates to land where animal tissue (whether waste tissue or otherwise) is rendered into stable, value-added materials. Rendering in this context can refer to any processing of animal by-products into more useful materials, or more narrowly to the rendering of whole animal fatty tissue and purified fats like lard or tallow.
- c) **Extractive Industry** - relates to land held or used for the predominant purpose of an extractive industry, as involving the excavation or extraction of soil, limestone, rock, gravel, shale, sand or clay, or other materials of a like kind, and which activity does not amount to mining operations under the Mining Act 1978 (WA).
- d) **Brickworks or Concrete Plants** relates to the following:
- i) **Brickworks:** Land held or used for the predominant purpose of a brickworks which, without restriction, may include one or more kilns, drying sheds, or buildings for manufacturing bricks, and may include a quarry for clay extraction if located on the same site as the manufacturing activity.
- ii) **Concrete plant:** Land held or used for the predominant purpose of a concrete plant, which may also be known as a concrete batching plant, and may comprise a plant, operation or equipment that combines various ingredients to produce concrete. A concrete plant can have a variety of parts and accessories, including but not limited to mixers, cement batchers, aggregate batchers, conveyors, radial stackers, aggregate bins, cement bins, heaters, chillers, cement silos, batch plant controls, and dust collectors (to minimise environmental pollution).

The minimum rates for this category will increase by a 3.5 percent (3.5%) to \$1,830.

Unimproved Valuation (UV)

It is proposed for the 2024/25 financial year that the City adopts the following differential rates UV General, UV Commercial and Farmland utilising valuations supplied by the VGO. Properties are rated according to the predominate use of the land. UV differential rate types are used primarily for rural, large scale rural commercial, farming, or mining activities.

The City has utilised the current (2023/24) values to determine the total rates revenue per differential rate type based on the current property base and the proposed 3.5 percent (3.5%) increase on the 2023/24 rates revenue. Based on this proposed rate revenue, the City has recalculated the rate in the dollar per differential rate category taking into consideration minimum rates utilising the new (2024/25) values provided by the VGO.

Dependent on the valuations supplied, some ratepayers will be subject to more than the

proposed average increase in rates, whilst some will be subject to less.

Proposed UV rating categories are presented in the following order:

1. UV General
2. UV Commercial
3. Farmland

UV General

The UV General differential rate category relates to all UV properties where the predominant purpose for which the land is used is rural and that does not fall in the differential rate category of "UV Commercial" or "Farmland".

The objective of the proposed rate in the dollar of \$0.0029721 and minimum rates of \$970 is to ensure that all ratepayers in this category make an equitable contribution to the City's revenue and that the proportion of total rates revenue derived from UV General properties remains reasonably consistent with the previous year.

The minimum rates for this category will increase by a 3.5 percent (3.5%) to \$970.

UV Commercial

The UV Commercial differential rate category relates to, but is not limited to, predominant purpose for which the land is used such as Vineyards with Commercial, Large Scale Vineyards, Commercial, Phone Towers, Tourist Accommodation, Quarries or Mining Tenements.

2024/25 revaluation of UV resulted in the UV Commercial differential rate category to be more than twice the lowest in the same valuation category. The objective of the proposed rate in the dollar of \$0.0052499 and minimum rates of \$970 is to ensure that all ratepayers in this category make an equitable contribution to the City's revenue and that the proportion of total rates revenue derived from UV Commercial properties remains essentially consistent with the previous year. If the rate in the dollar is reduced to be less than twice the lowest the proportion of rates levied for 2024/25 would be in deficit by \$0.02 million compared to the desired revenue. The deficit would need to be recouped from other rating categories which would not be fair and equitable. The Act requires that the City applies for the Minister's approval to impose the proposed rating category that is more than twice the lowest.

a) **Vineyards with Commercial** - relates to a number of properties which can be described as 'vineyards with commercial' which exist throughout the Swan Valley and provide a significant attraction for visitors, and are considered to add significant appeal to the area. Appeal arises by the operation of cellar sales, and other activities such as eating facilities, retail facilities and areas such as art galleries. Such properties are considered to play a very important role in attracting tourism to the area, and therefore have significance to the district of the City and the Perth Metropolitan region generally.

b) **Large Scale Vineyards** - Applies to properties which produce a relatively small amount of grapes on the property itself compared with the total volume of grapes processed on the property. In addition to a large-scale production including bottling facilities, each property has a wine tasting area, eating facilities, areas set aside for outside entertainment functions, and

other areas for events such as meetings and social activities. Retail shopping facilities also exist for tourists which consist of vineyard products and local and other products.

c) **Commercial** - relates to, but is not limited to, UV valued properties that have a Phone Tower or operate a commercial business such as tourist accommodation, eating and drinking facilities or retail on one part of the property, while the rest of the property is used for rural and residential pursuit. The land will be subject to split rating and part used for commercial business will be rated UV Commercial.

d) **Quarries** - refers to an industry which involves the extraction, quarrying or removal of sand, gravel, clay, hard rock, stone or similar materials from the land, and may include the treatment and storage of those materials, or the manufacture or products from those materials on, or adjacent to, the land from which the materials are extracted, but does not include Industry - Mining. The definition of the 'Extractive Industry' within GRV differential categories is acknowledged to have the potential to overlap this Quarries definition, and the distinction depends upon whether a GRV or UV valuation is applied to the subject land.

e) **Mining Tenements** - relates to land held or used to commercially extract minerals from the land and in this context the term 'minerals' refers to substances the extraction or mining of which is covered by the Mining Act 1978 (WA).

The minimum rates for this category will increase by a 3.5 percent (3.5%) to \$970.

Farmland

The Farmland rate category is the lowest differential rate in the dollar in UV category and it is considered to be the base rate for calculation of all other UV rates in the dollar. It relates to land where the predominant purpose for which the land is used is farmland.

The objective of the proposed rate in the dollar of \$0.0024608 and minimum rates of \$970 is to ensure that all ratepayers in this category make an equitable contribution to the City's revenue and that the proportion of total rates revenue derived from Farmland properties remains essentially consistent with the previous year.

The Farmland differential rate applies to all properties carrying on farming activities in line with the City's Farmland Guidelines. It is intended that this differential rate will foster and encourage specific food farming and horticultural activities.

The minimum rates for this category will increase by a 3.5 percent (3.5%) to \$970.

Special Area Rates

A Specified Area Rate (SAR) is paid by particular commercial/industrial ratepayers for meeting the cost of providing, maintaining and/or renewing a service, facility or specific work, used by ratepayers within the defined area. The assessment of these SARs has been based on GRV and UV valuations, where applicable.

The following definitions and proposed rates in the dollar apply to these categories.

- a) **Midland Drainage charge** – this funds the construction and maintenance of drainage infrastructure within Midland and parts of Viveash and Woodbridge, with a proposed rate in the dollar of \$0.006496.

- b) **Hazelmere, Guildford Drainage charge** – this funds the construction and maintenance of drainage infrastructure within Hazelmere, Guildford and parts of South Guildford, with a proposed rate in the dollar of \$0.006322.
- c) **Hazelmere Industrial Area Infrastructure (GRV properties)** – this funds the construction and maintenance of road and drainage infrastructure, with a proposed rate in the dollar of \$0.03980037.
- d) **Hazelmere Industrial Area Infrastructure (UV properties)** – this funds the construction and maintenance of road and drainage infrastructure, with a proposed rate in the dollar of \$0.0074551.

Council is not required to receive submissions on the SAR, they are included in this document for information and transparency.

Summary of Estimated Rate Revenue

As at the date of publication of this statement, in order to construct the table below 'Summary of Estimated Rate Revenue', assumptions have been made (such as the final number of properties in each category). While any additions or reductions are expected to be minor, some changes to the table could occur prior to the adoption of the City's Annual Budget.

Rating Category	Rate in \$	Rateable Valuation 2024/25	Number of Properties	Rates 2024/25	Average Rates
(OORTRO) Residential Rates - Not on Min	0.077397	1,083,955,412	54,931	\$ 83,895,222	
(OORTRO) Residential Rates - On Min Rates	\$ 970	51,768,881	6,207	\$ 6,020,790	
(OORTRO) Residential Rates - TOTAL		1,135,724,293	61,138	\$ 89,916,012	\$ 1,471
(OORTCI) Commercial/Industrial Rates - Not on Min	0.099482	416,205,575	3,432	\$ 41,405,017	
(OORTCI) Commercial/Industrial Rates -On Min Rates	\$ 1,515	5,250,435	454	\$ 687,810	
Total (OORTCI) Commercial/Industrial Total		421,456,010	3,886	\$ 42,092,827	\$ 10,832
(RTSU) Storage Units	0.099482	27,520	1	\$ 2,738	
(RTSU) Storage Units (Min \$1465) -On Min Rates	\$ 1,515	770,140	67	\$ 101,505	
Total (RTSU) Storage Units		797,660	68	\$ 104,243	\$ 1,533
(OORTHI) Heavy Industry Rates - Not on Min	0.166771	33,660,356	52	\$ 5,613,557	
(OORTHI) Heavy Industry Rates - On Min Rates	\$ 1,830	-	-	\$ -	
(OORTHI) Heavy Industry Rates Total		33,660,356	52	\$ 5,613,557	\$ 107,953
Total GRV	Total	1,591,638,319	65,144	\$ 137,726,639	
(OORTUV) UV General Rates-Not on Min	0.0029721	2,634,752,900	3,369	\$ 7,830,749	
(OORTUV) UV General Rates - On Min Rates	\$ 970	12,919,250	59	\$ 57,230	
(OORTUV) UV General Rates Total		2,647,672,150	3,428	\$ 7,887,979	\$ 2,301
(OORTUC) UV Commercial Rates - Not on Min	0.0052499	62,749,300	41	\$ 329,428	
(OORTUC) UV Commercial Rates - On Min Rates	\$ 970	240,925	18	\$ 17,460	
(OORTUC) UV Commercial Rates Total		62,990,225	59	\$ 346,888	\$ 5,879
(OORTFD) Farmland Rates - Not on Min	0.0024608	567,807,000	511	\$ 1,397,259	
(OORTFD) Farmland Rates - On Min Rates	\$ 970	985,100	5	\$ 4,850	
(OORTFD) Farmland Rates Total		568,792,100	516	\$ 1,402,109	\$ 2,717
Total UV	Total	3,279,454,475	4,003	\$ 9,636,976	
Grand Total All Rates			69,147	\$ 147,363,615	
ExGratia Commercial/Industrial Rates	0.099482	30,644,132	28	\$ 3,048,544	
ExGratia Heavy Industry	0.166771	8,039,853	5	\$ 1,340,811	
ExGratia Dampier to Bunbury Pipeline				\$ 130,000	
TOTAL ALL RATES INCL EXGRATIA				\$ 151,882,970	
Storage Units				-\$ 24,636	
Heritage				-\$ 28,962	
Sporting				-\$ 51,679	
30% Swan Valley Farmland Concession				-\$ 215,222	
Midland Drainage Charge	0.006496	191,492,558		\$ 1,243,871	
Hazelmere/Guidford Drainage Charge	0.006322	53,182,780		\$ 336,210	
GRV Hazelmere Industrial Area Infrastructure	0.03980037	43,200,041		\$ 1,719,377	
UV Hazelmere Industrial Area Infrastructure	0.00074551	80,080,000		\$ 59,700	
SAR Total				\$ 3,359,158	
Write Off				-\$ 25,000	
Interim Residential				\$ 1,600,000	
Interim Commercial/Industrial				\$ 400,000	
Total Rates Revenue				\$ 156,896,630	

Invitation to Make Submissions

The Statement of Objects of, and Reasons for the above differential rates and minimums was adopted for advertising at Special Meeting of Council on Monday, 29 April 2024. These will be available for inspection for 21 days at the City of Swan Administration Office, 2 Midland Square, Midland between 8am and 5pm Monday to Friday, at all City's Libraries and on the City of Swan's website (www.swan.wa.gov.au/haveyoursayrates).

All submissions in writing with reference to the proposed differential rates should be forwarded to the City of Swan by 5pm on Thursday, 23 May 2024. Written Submissions can be forwarded to:

City of Swan

Attn: David Trevaskis

Executive Director Corporate

PO Box 196, Midland WA 6939

Submissions will also be accepted by email: swan@swan.wa.gov.au or lodged in person at the City's Administration Centre, 2 Midland Square, Midland WA 6056.

Once Council has considered the submissions, the Differential Rates (with or without modification) are required to be adopted by Council as part of the 2024/25 Annual Budget

Stephen Cain

Chief Executive Officer